APEC/ SME Seminar on Support for Local and Cottage Industries

Hanoi, Vietnam : 22 – 23 September 2006

MANUFACTURING AND MARKETING OF TRADITIONAL CRAFTS – MALAYSIAN PERSPECTIVE

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1. INTRODUCTION

In Malaysia, the craft industry can be relied upon as one of the contributor to the country's economic development. Malaysian craft is a combination of old and new elements, culture and economy, traditional and contemporary and form and functionality. Malaysia's multi-racial population brings diversity to the multi-cultural facet of the country. This is shown in the vast array of products that constitute the Malaysian craft today. For the purpose of this presentation, the craft industry is defined as

'*a group of individuals and companies involved in the design, production and/or marketing of products which display unique and distinctive characteristics of design, technique and presentation, where useful artistic and decorative objects are made completely by hand or using only simple tools, which can be utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional, religiously and socially symbolic and significant.*'.

The Malaysian Government through Malaysian Handicraft Development Corporation, an agency under the auspices of the Ministry of Culture, Arts and Heritage has taken various initiatives to ensure sustainable development of the craft industry. Concerted efforts have been given to research and development, trade promotions domestically and internationally, craft entrepreneur development, skill training and preservation and conservation of heritage crafts.

2. BACKGROUND

..Craft Scenario In Malaysia

In deliberating on the subject of Manufacturing and Marketing of Traditional Crafts, we are talking about crafts producers**.** Currently, there are 3,480 active craft producers in Malaysia. The Malaysian craft industry has been segmented into four different major categories namely textile, forestry, earthen, and metal and mineral, details as in **Table 1** . The most populated categories were forest-based and textile-based craft producers, constituting more than three quarters (79.1%) of the Malaysian craft producers surveyed in 2004. Metal and mineral-based craft producers made up 8.0%, while earthen-based craft producers comprise 5.2% of total craft producers surveyed.

Table 1: Craft Producers by Category		
Crafts Category	**No**	**%**
Forest-Based	1,969	56.6
Textile-Based	783	22.5
Metal & Mineral-Based	279	8.0
Earthen-Based	181	5.2
Miscellaneous	268	7.7
Total	**3,480**	**100.0**

.. Employment

In terms of employment generation, in 2004 there were around 9,949 people working in the craft industry. About one third (32.9%) were working in textile-based craft sector and 31.1% in forest-based craft sector.

..Craft Producers' Business Profiles

The business profile of 3,480 craft producers is shown in **Table 2** below:

Table 2: Business Profile of Craft Producers		
Year of Establishment	**Respondents**	**%**
Not registered	1,487	42.7
Before 1950	22	0.6
1951-1970	148	4.3
1971-1990	789	22.7
After 1990	1,034	29.7
Total	**3,480**	**100.0**
Legal Status of Business Entity		
Sole proprietor	2,999	93.5
Partnership – family	101	3.1

Continuation of Table 2: Business Profile of Craft Producers		
Year of Establishment	**Respondents**	**%**
Partnership – partners	56	1.7
Private limited	37	1.2
Cooperative	6	0.2
Limited	3	0.1
Others	6	0.2
Total	**3,208**	**100.0**

Note: The Legal Status of Business Entity do not total 3,480 as there were respondents who did not complete this section.

As shown in the table above, more than a quarter (29.7%) of the craft businesses surveyed was established after the year 1990, while 22.7% was formed between the years 1971 to 1990. About 42.7% of the craft producers surveyed did not have a registered business – this could relate to the female craft producers who account for 61.8% participation in the craft businesses, integrating their economic activities with household duties.

In terms of legal status of business, about 93.5% operate as sole proprietors compared to 4.8% who partnered with others. Only 1.2% of the craft businesses surveyed were private limited companies. Since about 95% of the craft producers were low academic achievers, it is no surprise that business owners were also the crafters themselves.

.. Business Classification

We have classified the craft producers into three business categories – micro (craft producers with less than 5 employees), small (5 to 50 employees), medium (51 to 150 employees) and large (>150 employees). 89.5% of craft producers surveyed falls under micro enterprises, whilst 10.1% are categorized as small enterprises, 0.3% are categorized as medium enterprises, and 0.03% are large enterprises. The breakdown of business classification by craft sectors for the year 2004 is shown in **Table 3**.

Table 3: Business Category by Craft Sectors - 2004

	2004									
Sector	**Micro**		**Small**		**Medium**		**Large**		**Total**	
	No	**%**	**No**	**%**	**No**	**%**	**No**	**%**	**No**	**%**
Textile	605	17.4	172	4.9	6	0.2	-	-	783	22.5
Forestry	1,889	54.3	80	2.3	-	-	-	-	1,969	56.6
Earthen	126	3.6	52	1.5	3	0.1	-	-	181	5.2
Metal & Mineral	242	7.0	35	1.0	1	0.03	1	0.03	279	8.0
Others	254	7.3	14	0.4	-	-	-	-	268	7.7
Total	**3,116**	**89.5**	**353**	**10.1**	**10**	**0.3**	**1**	**0.03**	**3,480**	**100.0**

3. MANUFACTURING EFFORT UNDERTAKEN BY MALAYSIAN GOVERNMENT

..Manufacturing of Crafts

To ensure continuous supply of craft products for domestic and export markets, Malaysian Handicraft Development Corporation as the lead agency for the development and promotion of Malaysian crafts has initiated the **Craft Entrepreneur Development Programme**. The core activities under this program are as follows:-

(i) One District One Industry

The government of Malaysia gives emphasis on One District One Industry Project. In line with this, Malaysian Handicraft Development Corporation has developed 51 projects. The project covers several craft areas i.e. forest-based (woodcraft, bamboo, rattan), ceramic, textile-based (batik and weaving, embroidery) and metal-based (silver and brass). The Corporation renders technical assistance and business consultancy to the producers to enable them to produce quality products and manage their company effectively.

(ii) Incubator Scheme

An incubator scheme has been introduced where the young producers are nurtured to be resilient and successful entrepreneurs. Duration of three years is granted to them under the Exit Policy. After a duration of three years, they are required to leave the scheme and operate their business independently.

(iii) Up-grading of Craft Entrepreneur

Special development support services are rendered to selected craft entrepreneur to enable them to expand their business from Micro Enterprise entrepreneur (craft producers with less than 5 employees) to Small Enterprise (5 to 50 employees), Small Enterprise entrepreneurs to Medium Enterprise (51 to 150 employees), and Medium Enterprise entrepreneurs to Large Enterprise entrepreneur (>150 employees).

.. Types of Assistance to Craft Entreprenuer

- Financial Assistance Given By Government In Each State To The Craft Producers

The Malaysian government and Banking institutions provide financial assistance to the small and medium enterprise including craft enterprise.

- Types of Technical Assistance

  - Product Development and Packaging
  - Marketing
  - Management i.e. accounting etc.
  - Production Orientation

- Support Services for Craft Entrepreneur

  - Facilitation and Consultancy Services
  - Productivity and Quality Enhancement
  - Common Facilities Services
  - Craftsmanship and Entrepreneurship Development Services
  - Production Premises (Incubators)

4. MARKETING EFFORT UNDERTAKEN BY MALAYSIAN GOVERNMENT

.. Trade Promotions

Trade promotions are conducted at domestic and international level. However, greater emphasis are given to the domestic market as it is the main income contributor to the craft industry in Malaysia.

(i) Domestic Promotion

In facilitating the domestic market, various thematic promotions, and road shows are organized. Local producers and traders are invited to participate.

The National Craft Day celebrated in February every year has been a reputable event not only amongst the local buyers but also foreigners. This acts as an avenue for the producers to learn from each other about new product development, techniques and technology. From this event the producers are able to gauge the position of their products.

Road shows are conducted at shopping complexes, hotels, and government offices and tourists destinations. Other then thematic promotions and road shows, Malaysian Handicraft Development Corporation participated in trade fairs organised by other bodies. Local craft producers are invited to participate in these events.

(ii) <u>International Promotion</u>

In order to further tap the export market, efforts are geared towards participating in international trade fairs and in-store promotions. Craft producers who are able to produce quality products in large volume were given opportunity to participate in these fairs.

(iii) <u>E-Commerce</u>

A website and e-commerce facilities especially for craft entrepreneurs who ventured into web-based business has been developed.

.. Craft Sales

(i) <u>Domestic Sales</u>

As a result of the promotional efforts undertaken by Malaysian Handicraft Development Corporation, the craft industry has also benefited from it. The total sales for craft products in Malaysia has shown an increase from USD48.0 million in year 2003 to USD53.0 million in 2004. In year 2004, the metal and mineral-based products maintained its position as the main contributor of the total craft business, accounting for a yearly average of 38.3% of the total year sales amounting to USD20.3 million. With an average yearly contribution rate of 30.5%, textile-based products emerged second, generating estimated sales of USD16.1 million in 2004. This was followed by earthen-based craft products (average of 15.9%), forestry-based craft products (average of 12.1%), and miscellaneous products, which consisted of souvenirs and accessories, 3.2%. The is depicted in **Table 4**.

Table 4: Craft Sales by Products, 2003-2004

Products	Year			
	2004		2003	
	USD	Share (%)	USD	Share (%)
Metal & Mineral-Based	20,278,280	38.3	18,029,480	37.5
Textile-Based	16,110,723	30.5	14,584,627	30.4
Earthen-based	8,379,995	15.9	7,867,374	16.4
Forest-Based	6,409,031	12.1	6,105,586	12.7
Others	1,692,119	3.2	1,449,121	3.0
Total	**52,870,148**	**100.0**	**48,036,188**	**100.0**

(ii) Imports and Export of Crafts

Total export value of Malaysian crafts as of January to October 2005 was estimated at RM242.7 million, while total import value stood at RM94.96 million. The top 10 countries of exports and imports by craft categories are shown in **Tables 5 and 6**.

Table 5 : Top Ten Countries of Exports (Jan-Oct, 2005)

Textile-Based Craft Products		Forest-Based Craft Products		Earthen-Based Craft Products		Metal and Mineral-Based Craft Products		Miscellaneous Craft Products	
Countries	Est. Craft Value (USD) million	Countries	Est. Craft Value (USD) million	Countries	Est. Craft Value (USD) million	Countries	Est. Craft Value (USD) million	Countries	Est. Craft Value (USD) million
USA	8.8	USA	9.6	USA	3.5	UAE	5.8	United Kingdom	0.9
United Kingdom	1.5	Japan	2.5	Singapore	1.9	USA	0.2	Singapore	0.6
Germany	0.5	United Kingdom	2.2	United Kingdom	1.6	Korea	0.2	Italy	0.6
Japan	0.4	Australia	1.9	Hong Kong	1.2	Thailand	0.2	Netherlands	0.3
Netherlands	0.2	Canada	0.8	Egypt	0.8	China	0.1	China	0.3
Canada	0.2	UAE	0.5	Sweden	0.8	Latvia	0.1	Germany	0.2
Cambodia	0.2	Saudi Arabia	0.3	Japan	0.4	Switzerland	0.1	Taiwan	0.2
France	0.2	China	0.3	Australia	0.4	Japan	0.1	India	0.1
Belgium	0.2	Hong Kong	0.2	Germany	0.3	Hong Kong	0.1	USA	0
Singapore	0.2	Belgium	0.2	China	0.3	Germany	0.04	Spain	0.06

Table 6 : Top Ten Countries of Imports (Jan-Oct, 2005)									
Textile-Based		**Forestr-Based**		**Earthen-Based**		**Metal-Based**		**Miscellaneous**	
Countries	**Est. Craft Value (USD) million**	**Countries**	**Est. Craft Value (USD) million**	**Countries**	**Est. Craft Value (USD) million**	**Countries**	**Est. Craft Value (USD) million**	**Countries**	**Est. Craft value (USD) million**
China	1.0	China	1.6	China	0.4	China	0.6	China	1.8
Hong Kong	0.8	Poland	0.6	Japan	3.1	Hong Kong	0.2	UK	0.6
India	0.2	Indonesia	0.2	France	2.2	Singapore	0.1	Hong Kong	0.6
Banglade sh	0.1	Lithuania	0.2	USA	0.7	India	0.1	India	0.5
France	0.1	Germany	0.2	Thailand	0.6	France	0.1	Singapore	0.4
Thailand	0.1	Sweden	0.2	Indonesia	0.2	Italy	0.1	USA	0.4
Taiwan	0.1	Italy	0.1	Hong Kong	0.2	Nepal	0.1	Indonesia	0.2
Indonesia	0.1	Denmark	0.1	Korea	0.1	Lithuania	0.1	Australia	0.1
Italy	0.07	Czech Republic	0.1	Taiwan	0.1	United Kingdom	0.04	Thailand	0.03
Japan	0.07	Romania	0.09	Vietnam	0.1	Germany	0.03	France	0.03

.. Market Segmentation

Different market segments reflects customer’s differences in various aspects - their wants, purchasing power, buying attitudes, buying habits. Breakdown of customers based on the data compiled is shown in **Table 7**.

Table 7 : Market Segmentation

Market Segments	No of Producers 100% sold to: No	%	Partly sold to: No	%	Total No	%
Domestic tourists	216	3.7	1,681	28.6	1,897	32.3
International tourists	6	0.1	771	13.1	777	13.2
Local people	1,019	17.3	1,679	28.5	2,698	45.9
Company or Corporate	24	0.4	297	5.1	321	5.5
Government	4	0.1	184	3.1	188	3.2
Total	**1,269**	**21.6**	**4,612**	**78.4**	**5,881**	**100.0**

Note: The craft producers add to more than 3,480 as there are producers who sell their products to a combination of market segment.

The primary market destination for Malaysian crafts is the domestic market, constituting 86.8% of the market segment, while the remaining 13.2% is the international tourist market. Within the domestic market, 45.9% of the craftspeople sell their products to the local people, 32.3% to the domestic tourists, 5.4% to companies or corporate and finally, 3.2% to the government.

.. Channel of Selling

Marketing-channel decisions are among the most critical decisions faced by the craft producers as the chosen channel affects all the other marketing decisions such as product pricing and packaging. **Table 8** compiled the various channels used by the craft producers surveyed.

Table 8 : Channel of Selling Finished Craft Products		
Channels	**Total Responses**	**%**
Direct to customers	2,742	85
Direct to other wholesalers/distributors	1,326	41
Direct to retailers	327	10
Combination of the above channels	61	2
Total	4,456	138

Note: 3,233 valid cases. Percentages add to more than 100% due to multiple answers.

Distribution outlets for finished craft products were diversified and most craftspeople used more than one channel to market their products. As shown in **Table 8**, the majority of craft producers (85%) used direct channels to access their market, while 41% sold direct to other wholesalers or distributors. Another 10% sold their products direct to retailers and only 2% of craft producers used a combination of channels to market their products.

Another avenue of marketing activities is participating in trade mission. However, it was observed that not many craft producers participated in trade missions organized by the Government. Only 1.5% of respondents were involved with trade mission, while the remaining 98.5% have never got involved with trade mission.

5. ISSUES AND CHALLENGES

Issues and challenges exist at all levels of the craft industry. It is obvious that the dispersed, unorganized nature of the crafts sector is the single most important problem. Problems and challenges faced by the craft producers and traders will be to address matters relating to production, market and marketing, human resource, regulatory, training and research and development (R&D).

.. Production

One of the weaknesses found in this industry is the high cost of production as compared to the products produced in other countries. The costs of raw materials have increased tremendously, almost double the original price. This price increase has indirectly caused the production cost to rise. However, the craft producers are unable to increase the price of product due to the price sensitivity among the craft customers.

It is also found that the craft producers are still working with the traditional products and continuing the inherited family businesses. The craft producers will only produce what is fast-moving or mostly purchased by customers who are mostly locals, resulting in the traditional production.

.. Research and Development

The craft producers who undertake research and development (R&D) activities focus only on the modification of the existing products. Most of the craft producers do not carry R&D activities to enable them to compete in the global market. Only a small number of them are doing R&D to modify the products from foreign countries to suit local requirements.

.. Marketing

Another arising problem is market saturation due to entrance of foreign products, where the value of the local craft goods like woodcarvings is decreasing in demand over time while the price of logs is increasing. The growth of modern craft industry has seen to be a problem to traditional craft industries. The traditional entrepreneurs have to compete with the modern production in the markets that are believed to have higher quality and price compared to traditional craft. In Malaysia, the market for the crafts has also seen a distinct revival, the batik industry, especially for new products that can fit the urban lifestyle and yet utilize traditional decorative skills.

The industry is also facing difficulties in accessing and understanding viable new markets. While rural artisans see traditional markets disappearing, they are often not aware of the potential new market for their products. Even if they are aware, they do not know how to access to these markets, nor to understand the requirements for interacting with the market. The demand for craft is very high in the international market. As a country with multi ethnicity, each with its rich culture and tradition, Malaysia could stand high on the world craft stage.

.. Human Resources

Lack of skilled crafts personnel is often perceived as an inhibiting factor for market development. The lack of skilled labor could be due to the traditional method used in the production of craft products. With other activities earning more economically, the younger generation would not spend hours to produce something with little income. It all reasons out to be the public recognition or appreciation of the craft. If there is a high value attached to the craft, there would be more craft producers in the industry.

Many craft producers and organization have noted that particular products, as well the craft sector in general, are limited by the scarcity of skilled personnel to meet current demand or any additional demand that might be generated through market development. However, many craft businesses are unable to take this advantage due to lack of skill and creative labor in the industry.

Another issue is high cost of human resource. Normally, an entry level to economic source is the ones with low level of education. As such, a long time would have to be spent on teaching the skills to equip them with knowledge and competency before they could actually produce products for sale.

.. Regulatory

Craft enterprises especially in the rural areas are lack of knowledge on patent and copyright. Basic instinct is survival. Therefore if the other product sells better, they will copy or modify it. Ignorance of copyright laws and lack of confidence in implementation led to a sense of hopelessness in this area. Besides, cost for getting the copyright and patent are much higher and they do not have enough resources to do so.

There is no regulator that monitors the selling price of the product. Very often, price is fixed by the producers themselves. Yet when the traders dump the imported crafts in the market at a lower price, this would affect the producers. In order to survive, they would lower the price in order for their products to sell. At times, the price could be at cost or even below.

..Emphasis on Standards of Craft Products

Malaysian Government is very concerned about the quality of craft products produced. Malaysian Handicraft Development Corporation in collaboration with SIRIM Berhad, an entity responsible for setting standards including craft standards is aggressively looking into this matter.

6. CONCLUSION

Despite the above facts, continuous efforts are undertaken by the Malaysian government to further develop the Malaysian craft industry to its greatest height. Issues, problems and challenges faced by the industry is taken into consideration in the light of formulating strategies for the development of the industry. To summarize, with the right assistance and guidance, it can grow exponentially and become one of the major contributors to the country's revenue.