

# Made in Madagascar: Exporting Handicrafts to the U.S. Market

## Final Report



**A Project with the UN Public-Private Alliance for Rural Development**

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## ACRONYMS

<b>AGOA</b>	<b>African Growth and Opportunity Act</b>
<b>BAMEX</b>	<b>Business and Market Expansion Program</b>
<b>ECA Hub</b>	<b>East and Central Africa Global Competitiveness Hub</b>
<b>FIV MPA MA</b>	<b>Fivondronan'ny Mpahdraharaha Malagasy (Malagasy Entrepreneurs Association)</b>
<b>IFC</b>	<b>International Finance Corporation</b>
<b>MCA</b>	<b>Millennium Challenge Account</b>
<b>MMF</b>	<b>Madagascar Magic Fingers</b>
<b>MNDC</b>	<b>Madagascar New Design Council</b>
<b>MUSBC</b>	<b>Madagascar-U.S. Business Council</b>
<b>NIEDA</b>	<b>New Ideas for Export Development Aid</b>
<b>NGO</b>	<b>Non-Governmental Organization</b>
<b>PRSP</b>	<b>Poverty Reduction Strategy Paper</b>
<b>SIPA</b>	<b>School of International and Public Affairs, Columbia University</b>
<b>SME</b>	<b>Small and Medium-Sized Enterprises</b>
<b>UNDP</b>	<b>United Nations Development Program</b>
<b>USAID</b>	<b>United States Agency for International Development</b>
<b>USMBC</b>	<b>U.S.-Madagascar Business Council</b>

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## **1. EXECUTIVE SUMMARY**

There has been renewed interest in expanding Madagascar's handicrafts industry in recent years. This focus on handicrafts is part of the current government's strategy to strengthen key economic sectors that hold potential for creating employment opportunities in both rural and urban communities. Malagasy handicraft producers have already been successful selling in local markets and to buyers in Europe and are now looking for ways to enter new and larger markets, the United States in particular. By pursuing trade opportunities with U.S. buyers, Malagasy artisan producers hope to expand their export sales and improve their capacity to generate increased income and jobs.

In November 2005, a team of graduate students at Columbia University's School of International and Public Affairs (SIPA) was asked by the UN Public-Private Alliance for Rural Development to evaluate Madagascar's handicrafts industry and provide recommendations on how producers could enter the U.S. market. The SIPA consulting team interviewed Malagasy artisan producers, international development agencies, product experts, potential U.S. buyers, and other stakeholders both in Madagascar and New York. The team also conducted a literature review and consumer survey to assess handicraft purchasing habits in the United States.

The SIPA team found that Malagasy artisan producers must address a number of weaknesses before they can begin exporting to the U.S. market. Potential U.S. buyers consistently cited concerns about product design, inconsistent quality, non-competitive prices, late delivery times, and poor communication as reasons for their reluctance to source products from Madagascar. In response, this report and an accompanying resource guide offer recommendations for Malagasy producers that include specific steps for identifying the most appropriate market niches, targeting potential buyers at U.S. trade shows, innovating with product designs, ensuring better quality control, improving their pricing strategy, and developing long-term relationships with U.S. buyers.

The Malagasy government also has an important role to play in increasing handicraft export sales. The government must promote Madagascar as a tourism destination in order to raise awareness about Malagasy products, invest in a branding campaign for Malagasy handicrafts specifically, and strengthen the business environment by providing new sources of financing for Malagasy entrepreneurs as well as additional training opportunities.

International development agencies, which have been very active in the handicrafts sector, must continue to be heavily involved. Handicraft-related programs sponsored by international development agencies have helped Malagasy artisan producers to improve the quality of their products and the efficiency of their business operations. At the same time, however, these programs have suffered from their short-term scope, poor coordination with other stakeholders, ineffective advertising, and focus on a small number of artisan producers.

While there is greater export potential for Madagascar's handicrafts industry, there is also a need for further analysis to determine how it will benefit poor and rural communities. It appears as if the handicrafts industry has a positive socio-economic impact in creating jobs for urban, largely female residents as well as providing supplemental income to rural farmers but the quantitative

and qualitative data to support this view are not sufficient. It is our hope that the Malagasy government will invest in further research to evaluate the impact that the industry can play in increasing incomes and living standards for artisan producers.

## **2. INTRODUCTION**

Recent changes in Madagascar's political and economic environment have created a more favorable climate for private sector development initiatives. Since coming to power in 2002, Malagasy President Marc Ravalomanana, a former businessman, has worked steadily to promote legislation conducive to business expansion as well as to raise awareness about Madagascar within the international business community. These reforms have already helped Madagascar to recover from its 2002 political crisis and are expected to help improve living standards and reduce poverty.

New policies encouraging entrepreneurship, government accountability, and business transparency partly explain why the UN Public-Private Alliance for Rural Development chose Madagascar as its pilot country. The UN Alliance is an organization committed to researching and building linkages between the public and private sector as a means of promoting sustainable growth and achieving the Millennium Development Goals.

This project examined Madagascar's handicrafts industry and its potential to expand into the U.S. market. While a number of Malagasy handicrafts producers are already exporting to Europe, most notably France, to date they have not been able to overcome the concerns and requirements of U.S. buyers. This report critically examines these challenges and provides recommendations for increasing the access of Malagasy handicrafts to the U.S. market.

## **3. METHODOLOGY**

This project began in November 2004 with a literature review of available resources on Madagascar, especially those pertaining to: recent history; political and economic issues; artisan industry traditions; buyer expectations; fair trade; and cultural and environmental sustainability as a component of handicrafts production.

From mid-November until mid-May, the team interviewed individuals with personal and professional experience in Madagascar, including buyers in the New York City area as well as those who had lived or worked in Madagascar in various capacities. In January 2005, the team also attended the New York International Gift Fair in New York City, one of the largest handicraft trade shows in the country, to meet with buyers who are currently sourcing handicrafts from Africa.

In February 2005, the group distributed an online questionnaire via e-mail to personal contacts and colleagues about their handicraft purchasing habits and perceptions of Malagasy products and Madagascar more generally. More specific survey questions inquired about how factors

such as fair trade and environmental certification might influence their decisions to purchase Malagasy handicrafts. Respondents were asked to rank their preferences from 1 (“not likely to influence decision”) to 7 (“very likely to influence decision”). The feedback from these 173 respondents is included appendix 11.3 in this report and should serve as a resource for Malagasy artisans.

In preparation for traveling to Madagascar, the team constructed a preliminary institutional assessment matrix. The purposes for constructing the matrix were twofold. While there has been substantial activity in Madagascar’s handicraft sector by NGOs, development agencies, conservation groups, and other actors there have not been substantial efforts to disseminate and coordinate findings in a concerted manner. The stakeholder analysis also helped us to identify areas where additional involvement might prove beneficial.

In mid-March 2005, six of the seven team members traveled to the capital city of Antananarivo in Madagascar and met with Malagasy artisans, and other involved parties. The seventh team member remained in New York to contact buyers and conduct additional market research. The team was divided into groups of three for research purposes. The first group, on the ground from March 6-18, interviewed government ministries, international development agencies, environmental organizations, and other stakeholders to assess the current challenges and opportunities for strengthening the handicrafts industry. The second group, in Madagascar from March 13-25, worked with specific handicraft producers. Both groups worked closely with two associations, Madagascar Magic Fingers (MMF) and Madagascar New Design Council (MNDC). Through interviews with artisan producers, the second group was able to gain a clear sense of the specific needs and concerns of handicraft producers as well as the challenges they face in trying to enter the U.S. market. The team also obtained a wide range of handicraft samples to show potential buyers in the New York area.

The team faced several constraints in conducting research, both technical and logistical. They included:

- **Poor travel conditions and limited research time.** Due to the poor quality of roads outside the Antananarivo area, the team was unable to travel to remote rural areas or meet with artisans outside the capital city.
- **Lack of national statistics on handicrafts sector.** There are few reliable government statistics on the handicrafts sector.
- **Lack of time and resources to investigate the socio-economic impact of increased handicrafts sales/exports on rural artisans.** The team was unable to do any participatory rural appraisal (PRA) or focus groups in rural areas; as a result, it was difficult to gauge the socio-economic impact that increased handicrafts/sales or exports could have on the livelihoods of rural artisans.

## 4. PROJECT BACKGROUND

### 4.1. Politics and Economics

Madagascar is the world's fourth largest island and located off the southeast coast of Africa with a population of approximately 17 million. A former French colony, Madagascar gained its independence in 1960 and has confronted major political and economic challenges since that time. Its current per capita income is approximately \$290 and almost 70 percent of the population lives below the poverty line.<sup>1</sup> Madagascar's economy is driven principally by agriculture, which contributes nearly one-third of its GDP, and specifically rice-farming. Madagascar is classified by the United Nations as a Least Developed Country (LDC) and ranked 150<sup>th</sup> in the 2004 UNDP Human Development Report.

The year 2001 marked a significant moment in the country's history. Marc Ravalomanana was elected president in an election that was contested by the former president and candidate Didier Ratsiraka. The protests and road blockades which followed caused Madagascar's GDP to plummet as many investors withdrew funds from the country. After several months of the political crisis, the High Constitutional Court announced Ravalomanana the winner in April 2002.

Since assuming the presidency, the Ravalomanana administration has set out to implement a host of major reforms ranging from combating corruption to road infrastructure improvements. The current government is also focusing on poverty alleviation and in August 2003 released its Poverty Reduction Strategy Paper (PRSP). The overarching goal of the PRSP is to halve the poverty rate in ten years, from 70 percent in 2003 to 35 percent in 2013. The government aims to accomplish this by promoting public-private partnerships, strengthening the rule of law, promoting economic growth and exports, and assuring human security and social protection.<sup>2</sup> To help support these national development programs, the Millennium Challenge Account (MCA), a new development agency of the U.S. government, will give \$110 million to Madagascar over the next four years.

The handicrafts export sector has been identified by the Malagasy government as an area of high-growth potential which could stimulate business development and job creation. The United States is a potentially attractive market for Malagasy handicrafts. In May 2000, the U.S. Congress passed the African Growth and Opportunity Act (AGOA), a law which provides duty and quota-free entry of various African products into the United States. The Malagasy government and producers in sectors such as handicrafts are hoping that AGOA will provide more opportunities to build export sales in the U.S. market that will help to increase income and employment opportunities in the country.

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<sup>1</sup> World Bank Country Brief – Madagascar, available at <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/MADAGASCAREXTN/0,,menuPK:356362~pagePK:141132~piPK:141107~theSitePK:356352,00.html>.

<sup>2</sup> Information on Madagascar's PRSP has been adapted from a UNIDO report entitled "Appui au Developpement et a la Dynamisation du Secteur Prive." More information about Madagascar's PRSP is also available at <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/MADAGASCAREXTN/0,,menuPK:356366~pagePK:141132~piPK:141123~theSitePK:356352,00.html>.



The Ravalomanana government has also pledged to triple the size of the national park system over the next few years to help protect the country's unique wildlife. Madagascar is a country with a diverse geography consisting of mountainous areas in the central highlands, rainforests on the east coast, dry temperate beaches in the north and west, and desert in the south. There are currently several opportunities to promote eco-tourism in Madagascar internationally. The upcoming Dreamworks movie, *Madagascar*, and the *Madagascar! House* exhibit slated to open at the Bronx Zoo in New York City in 2007 will draw greater attentions to Madagascar's unique natural resources. It is anticipated that such high-profile events will increase tourism among Americans who currently comprise only a very small portion of the total visitors to Madagascar each year.

#### 4.2. Madagascar's Handicrafts Industry

The handicrafts industry in Madagascar is composed primarily of small-scale producers, who sell their goods in urban and rural markets, and small and medium-sized enterprises based in Antananarivo, which sell to foreign tourists, expatriates living in Madagascar, and small retail buyers and import-wholesalers in Europe. Malagasy handicrafts products make a range of fashion and home accessories, including the items listed in the box below.

I. Home Accessories	II. Women's Accessories	III. Table Linens
<ul style="list-style-type: none"> <li>▪ Quilts</li> <li>▪ Pillows</li> <li>▪ Wall Hangings</li> <li>▪ Curtain Panels</li> <li>▪ Stools</li> <li>▪ Tables</li> <li>▪ Decorative Boxes</li> <li>▪ Wood Carvings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Handbags</li> <li>▪ Silk Scarves</li> <li>▪ Hats</li> <li>▪ Belts</li> <li>▪ Jewelry</li> </ul>	<ul style="list-style-type: none"> <li>▪ Placemats</li> <li>▪ Napkins</li> <li>▪ Tablecloths</li> </ul>
	 	 

Malagasy artisans generally utilize organic materials such as:

- **Pengy** is a fern-like substance that is dried and cut into long reeds before being used by Malagasy artisans. It is frequently used to make placemats.
- **Raffia** is a straw-like substance which grows naturally in Madagascar. There are different qualities and varieties of raffia but the raffia sold in Antananarivo is collected mostly from coastal areas such as Mahajanga and Tamatave and transported to Antananarivo by truck. Raffia has become over-cultivated in recent years.
- **Silk**, both wild and farm-raised is used to produce a variety of high-end products such as scarves and shawls.
- **Sisal** is used to weave carpets and floor mats.
- **Wood Products.** Wood is frequently used to construct decorative coasters, placemats, and furniture.
- **Zebu Horn.** A zebu is a type of cow commonly raised for food in Madagascar. Zebu horn is heated and then shaped and carved. It is used in the production of jewelry, kitchen utensils, and home accessories such as soap dishes.

Malagasy history has greatly influenced the formation of a distinctive handicrafts industry. Migration patterns from the Indian Ocean islands and African continent have blended in Madagascar contributing to a unique culture which is of Malayo-Polynesian origin in the highlands surrounding Antananarivo and African in the coastal areas. Many handicrafts depict this cultural history in the form of village farming or fishing scenes. Nature is also very important in Malagasy culture and environmental scenes are frequently depicted in handicrafts.

It is estimated by the Department of Handicrafts, a division within Madagascar's Ministry of Industrialization, Commerce, and Private Sector Development, that the handicrafts industry employs roughly 1.8 million people and contributes approximately 10%-15% to the country's GDP.<sup>3</sup> However, the Department has acknowledged that it is difficult to obtain reliable figures because the sector is largely informal.

<sup>3</sup> Interview with Claudine Randriambololona, Director of Artisans, Ministry of Industrialization, Commerce, and Private Sector Development, March 11, 2005.



## 5. STAKEHOLDER ANALYSIS

The following stakeholder analysis is intended to provide an overview of the main players in Madagascar's handicrafts industry. The analysis includes a description of each player's background and role and examines key issues concerning their involvement in the growth and sustainability of the handicrafts industry.

### 5.1. Artisan Producers

Artisans in Madagascar can be classified into three different groups:

- Small-scale producers who sell mostly in the local markets or are employed by medium-sized enterprises.
- Medium-scale producers who sell in the local markets or own their own shops. Most producers in this group are not currently exporting but seek to begin exporting in the near future.
- Medium-scale producers who own high-end boutique shops and have a mostly foreign or tourist clientele. This group is already exporting, mostly to Europe.

#### *Small-scale Artisan Producers*

Small-scale artisan producers are located in both urban and rural communities. Rural artisans, who are often organized in family production units or cooperatives, usually acquire their skills from older family members who pass down their craft traditions to younger generations. Many rural artisan producers are full-time agriculturalists who produce handicrafts to supplement income earned from farming. Due to transportation and financial constraints, rural artisan producers do not have easy access to engage in direct sales in urban areas. As a result, they often sell their products to traders in their regional markets or supply medium-sized producers, located in urban areas, who buy from them directly.

Small-scale artisan producers who are based in urban areas either operate their own small enterprises or are employed on a part- or full-time basis by a more established artisan entrepreneur. Based on interviews with artisan producers, a typical monthly wage for an artisan producer in this category is 250,000 FMG (about \$25). Some of these artisans have received training through family members who have already worked in the industry. Other producers have pursued training through an apprenticeship with an established entrepreneur or are trained by their employer.

#### *Medium-scale Artisan Producers*

In most cases, medium-scale artisan producers have undergone some type of formal training in their specific craft, business management, or another professional field. Some are accomplished artists while others formerly occupied different jobs but found few opportunities for professional advancement or were drawn to their current work by a strong passion for artistic design and expression. For the most part, these producers started their enterprises using their own personal

savings and have managed to build up a client base from selling to tourists and expatriates living in the country. They either sell their products in their own shops or in stands in tourist markets around Antananarivo.

Some producers within this group have been exporting to Europe for a number of years while others have just sold locally but would like to begin exporting. The producers who are already exporting are mostly selling to French buyers who originally came to Madagascar as tourists and then developed business relations with producers over time. Some of these producers have also had opportunities to attend industry trade shows in France where they have developed linkages with buyers from mostly small and medium-sized retail shops. More recently, artisan producers in this group have participated in various training seminars funded by international development agencies to improve their capacity to export to the U.S. market.

## **5.2. Artisan Associations**

Many individual artisan producers join associations or groups because it gives them the ability to access more resources and professional contacts, enhance productivity, and lobby the government for more effective policies affecting the handicrafts sector. Artisan associations often work together to organize trainings and workshops on important topics related to their business growth and development. Some artisan associations also provide services such as social funds which are accessed by their members in case of illness or family emergency.

Due to time constraints, the team was only able to have in-depth interviews with two of the main artisan associations and one of the largest entrepreneurial associations in the country.

### ***Fivondronan'ny Mpahdraharaha Malagasy (FIV MPA MA)***

Founded in 2002, FIV MPA MA is an umbrella association for Malagasy entrepreneurs composed of 15 different associations. One of two main entrepreneurial associations in Madagascar, FIV MPA MA provides training and information on financing tools and exporting procedures among other services. FIV MPA MA operates a program in the handicrafts sector and recently participated in a gifts and handicrafts show in Mauritius where it emphasized the sale of tourist products to hotels and high-end shops.

### ***Madagascar Magic Fingers (MMF)***

MMF is an association of artisan producers who are already exporting. It was created in January 2002 in response to a USAID-sponsored study but many of its members have been in operation since the 1990s. The criteria for membership in MMF include: production capacity, quality, professionalism, and export experience. The enterprises which comprise MMF produce a variety of handmade products: embroidery, woodwork, zebu horn products, silk, and crafted paper among other items. About 85% of items produced by MMF are exported; the remainder is sold locally. Most MMF members are currently exporting to Europe but some are also supplying buyers in Japan, South Africa, the Indian Ocean Islands, and the French Pacific Islands. Two members are in the early stages of exporting small quantities to U.S. buyers.

### ***Madagascar New Design Council (MNDC)***

MNDC is a new organization composed of 14 handicrafts producers who have organized their businesses according to product category. Members of MNDC produce silk scarves, leather goods and raffia bags, jewelry fashioned from zebu horn, and wooden items. Some MNDC members are currently exporting overseas to Europe while others are hoping to begin exporting soon.

### **5.3. International Development Agencies**

A number of international development agencies have been involved in the handicrafts sector in Madagascar in recent years. The scope, focus, and time-frame of these projects have varied widely, from capacity building to sponsoring sales trips to actively facilitating potential transactions with U.S. buyers. This section describes the major programs sponsored by international development organizations to strengthen Madagascar's handicrafts sector generally and foster linkages with the U.S. market specifically.

Most artisans and handicraft producers who have participated in the programs sponsored by international development agencies have improved both their business operations and the quality of their products. At the same time, however, these programs have resulted in very few, if any, sustained linkages between Malagasy handicrafts products and U.S. buyers. The primary reason for this failure is that despite improving the quality of their products and the efficiency of their operations, most Malagasy handicrafts still do not meet the requirements of U.S. buyers. Specific recommendations for both artisans and international development agencies about how to address these issues are given in Section 7 and Section 9, respectively.

<b><u>FUNDER</u></b>	<b><u>PROGRAM</u></b>	<b><u>SUMMARY OF HANDICRAFT-RELATED ACTIVITIES</u></b>	<b><u>DURATION</u></b>
USAID (Washington, DC)	New Ideas for Export Development Aid (NIEDA)	NIEDA worked to establish new business linkages between Malagasy handicrafts producers and U.S. firms by providing technical assistance and training to Malagasy artisans, raising awareness of Malagasy handicrafts with U.S. buyers, and actively facilitating potential transactions.	May – December 2001 & May – July 2002
USAID/Madagascar	AGOA Jumpstart	Designed and implemented by the development consulting firm Nathan Associates, this program aimed to build business linkages between Malagasy and U.S. firms by promoting Malagasy products via a U.S.-based business development specialist, providing business development and design training to Malagasy handicraft manufacturers, and increasing awareness about AGOA. The program also produced a resource guide for Malagasy handicrafts manufacturers about the U.S. handicrafts market.	June 2003 – May 2004
East and Central African Trade Competitiveness Hub		The East and Central African Trade Competitiveness Hub has provided funds so that select Malagasy handicraft producers could attend U.S. trade shows related to the U.S. handicrafts market.	October 2001 – Present

USAID/Madagascar	Business and Market Expansion Program (BAMEX)	Designed and implemented by the development consulting firm Chemonics International, BAMEX is working to strengthen Madagascar's private sector by sponsoring trainings for Malagasy artisans, frequently in collaboration with the International Finance Corporation (IFC). BAMEX also works on issues related to the raw materials used by many Malagasy artisans (e.g. raffia).	September 2004 – Present
International Finance Corporation (IFC)	SME Solutions Center	The SME Solutions Center in Madagascar provides four services to SMEs and their business associations: access to information, access to finance, capacity building, and business environment enabling. Its current activities include helping Malagasy handicrafts producers build their own Web sites and providing English language training. IFC frequently partners with BAMEX to sponsor design trainings.	June 2004 – Present

### ***New Ideas for Export Development Aid (NIEDA)***

The SIPA team's study built upon the findings presented in a report by New Ideas for Export Development Aid (NIEDA), a not-for-profit organization based in New York, about its work fostering new business linkages between Malagasy handicraft producers and U.S. firms in the garment and accessories, home furnishings, and gift items sectors.<sup>4</sup> Funded by the USAID office in Washington, DC, the NIEDA program involved providing technical assistance and training to Malagasy artisans, raising awareness and visibility of Malagasy products in the United States, and facilitating interactions between U.S. buyers and Malagasy artisans. The NIEDA team visited 26 handicraft producers in Madagascar and conducted 16 training sessions, each of which was attended by 50 to 150 participants. The NIEDA team also recommended that the firms with the highest quality products join together into an export association. This association, which is called Madagascar Magic Fingers (MMF), was formed in February 2002.

NIEDA encountered several formidable challenges during the course of its work, which lasted from May through December 2001 and May through July 2002. During the project itself, NIEDA had difficulty getting U.S. firms interested in sourcing new products in the wake of the September 11<sup>th</sup> terrorist attacks, a time when many U.S. retailers were cutting their inventories. Moreover, the growing political crisis in Madagascar helped create a negative impression for the country as a whole and, more damagingly, several shipments of samples sent to potential U.S. buyers were delayed due to the effects of the crisis (e.g. road blockages). NIEDA is no longer working in Madagascar and there does not appear to have been any coordinated follow-up to its work.

### ***AGOA Jumpstart Program***

USAID/Madagascar sponsored a 10-month program in partnership with the development consulting firm Nathan Associates to strengthen Madagascar's export sector. Nathan Associates specifically aimed to build business linkages between Malagasy and U.S. firms by promoting Malagasy products among U.S. importers via a U.S.-based Business Development Specialist;

<sup>4</sup> The full title of the final report is "Madagascar Program – Phase II: U.S. Market Linkages and Capacity Building for Micro, Small and Medium Enterprises in the Garment & Accessories, Home Furnishings & Gift Items Sectors." This report is available at [http://www.dec.org/pdf\\_docs/PDABW528.pdf](http://www.dec.org/pdf_docs/PDABW528.pdf).

provide sector-specific business development assistance to Malagasy exporters in the textiles/apparel, natural products, and handicrafts sectors; and increase awareness and understanding of AGOA in the public and private sectors.

The AGOA Jumpstart program provided 45 firms involved in the handicrafts industry with management, marketing, and quality training. A consultant lived in Madagascar for ten months to coordinate the program. In addition, a guidebook was produced specifically for Malagasy handicrafts producers. The guidebook contained information such as what kind of information U.S. handicrafts buyers will expect when contacted, a listing of Web sites about American design tastes, information on how to present at a U.S. trade show, and contact information for over 250 stores throughout the United States. This program ended in May 2004.

### ***Business and Market Expansion Program (BAMEX)***

BAMEX, a USAID/Madagascar-funded project, began its operations in Madagascar in September 2004 and in some ways is a continuation of the AGOA Jumpstart program. Managed by the development consulting firm Chemonics International, BAMEX's overall purpose is to assist the development of Madagascar's private sector in a market-led, sustainable, broad-based, and environmentally-friendly manner. BAMEX intends to do this by increasing trade and revenues from Malagasy agricultural and natural resources-based products in domestic, regional, and international markets.<sup>5</sup>

While focused primarily on agricultural and natural products, BAMEX does some work with the handicrafts industry in collaboration with the International Finance Corporation (IFC) to sponsor trainings for Malagasy artisans. Moreover, BAMEX is heavily involved in projects related to the raw materials used by many Malagasy artisans (e.g. raffia) and is currently studying their environmental sustainability. As part of this program, BAMEX manages a branding program which certifies certain products, including various handmade products, as being manufactured in an environmentally-sustainable way.

### ***International Finance Corporation (IFC)***

IFC, a member of the World Bank Group, promotes sustainable private sector investment in developing countries as a way to reduce poverty and improve people's lives.<sup>6</sup> Notably for this project, Madagascar is one of three pilot countries for the establishment of a new IFC delivery platform to provide an integrated package of services and financing to Small and Medium-sized Enterprises (SMEs) called SME Solutions Centers (SSC). The Madagascar SSC was officially inaugurated in Antananarivo in June 2004.

The SME Solutions Center in Madagascar provides four services to local handicraft SMEs and their business associations: access to information (broadband Internet, library and professional databases); access to finance (in partnership with Business Partners, a finance institution specialized in SMEs); capacity building (monitoring and partially financing short-term

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<sup>5</sup> BAMEX's Preliminary Implementation Plan from September 2004 to February 2005 is available online at [http://www.dec.org/pdf\\_docs/PDACA937.pdf](http://www.dec.org/pdf_docs/PDACA937.pdf).

<sup>6</sup> More information about the World Bank Group's overall involvement in Madagascar specifically can be found at <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/MADAGASCAREXTN/0,,menuPK:356362~pagePK:141132~piPK:141107~theSitePK:356352,00.html>.

consultants for specific assignments); and business environment enabling. The SME Solutions Center is also working with Madagascar Magic Fingers on Web site development and training in business English. IFC recently paid half of the total costs associated with bringing a handbag designer from New York to give several design trainings and visit artisan workshops to provide one-on-one advice.<sup>7</sup>

### ***East and Central African Trade Competitiveness Hub***

The East and Central Africa Global Competitiveness Hub (ECA Hub) in Nairobi, Kenya is one of three trade hubs established by USAID. The purpose of the hub is to: strengthen the capacity of East and Central African countries to participate more effectively in the multilateral trading system, including WTO Doha Development Agenda negotiations; develop and implement private sector business support strategies for increasing trade under AGOA; facilitate the effective implementation of customs reform and trade facilitation initiatives to promote the creation of a more globally competitive ECA region; and improve the efficiency of regional transportation networks and develop mechanisms for reducing transportation costs related to trade in East and Central Africa; and provide information to regional trade stakeholders as well as serve as an information coordinator between the various trade, investment, and finance organizations active in the region.<sup>8</sup>

The East and Central African Trade Competitive Hub has provided funds so that several Malagasy handicrafts producers could attend trade shows in the United States. The organization contacted some of these producers through the AGOA Jumpstart Program.

### ***United Nations Development Programme (UNDP)***

While not yet formally involved in Madagascar's handicraft sector, UNDP's Growing Sustainable Business for Poverty Reduction (GSBPT) program co-operates closely with governments in order to "to encourage and facilitate companies to make investments in poor countries in ways which contribute to poverty reduction and the Millennium Development Goals. This includes in particular promoting employment creation, business linkages, local economic development, and growth of small and medium-sized enterprises."

The engagement of the Malagasy government in pro-poor business facilitated Madagascar's selection for the GSBPT plan. UNDP's efforts are focused in three areas: governance, consisting of anti-corruption, Information and Communication Technology (ICT), modern information technology and private sector development; poverty reduction; and HIV/AIDS. UNDP has a small amount of funds available for research and trainings in the event that the applicant can prove that this is something that should have existed but didn't because of a lack of capacity of government.

UNDP has already been involved in several target programs in Madagascar. It is working with Jovenna, Shell, and Totale fuel companies to instruct truck drivers in the proper transportation of hydrocarbons. In addition, it has promoted the electrification of Sava region, mini hydropower plants near Lac Alaotra, microfinance with the BFV bank, wind production near Diego Suarez,

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<sup>7</sup> It is worth noting that this designer had done similar work in Madagascar several years earlier as part of the AGOA Jumpstart Program.

<sup>8</sup> <http://www.ecatradehub.com/about/mission.asp>



and franchising small restaurants along well traveled taxi routes in order to ensure standards of safety and food quality. One artisan association has also submitted a proposal to UNDP but the project was not funded because it was unable to prove that the project was in accordance with certain aims of UNDP's strategic access plan.

### ***Millennium Challenge Account (MCA)***

The MCA is a new development agency of the U.S. government that recently awarded its inaugural grant of \$110 million over four years to Madagascar. These funds will support a program designed to raise incomes in rural areas by enabling better land use, expansion of the financial sector, and increased investment in farms and other rural businesses.<sup>9</sup> Several stakeholders in the handicrafts sector believe that there will be MCA funds available for handicraft-specific projects. This is not yet clear as the MCA has yet to set up its formal operations in Madagascar and provide specific details about its future work.

### **5.4. U.S. Import-Wholesalers**

There are several U.S. import-wholesalers who are currently sourcing handicrafts from Madagascar. Two of these importers, Forests of the World<sup>10</sup> and Mad Imports<sup>11</sup>, have traveled to Madagascar to establish relationships with specific artisan producers. Over the years they have provided feedback on design and product development based on their expertise on the U.S. market. These import-wholesalers supply mostly to small and medium-sized boutiques. They are interested in creating a greater demand for Malagasy handicrafts in the United States as well as improving the quality and consistency of the products made by their partners in Madagascar.

### **5.5. Ministry of Industrialization, Commerce, and Private Sector Development**

The Ministry of Industrialization, Commerce, and Private Sector Development is working to strengthen and promote the handicrafts sector by coordinating with other ministries including the Ministry of Trade and the Ministry of Finance. The Department of Handicrafts, housed within the Ministry of Industrialization, Commerce, and Private Sector Development, is currently involved with a number of initiatives aimed at expanding the production capabilities of Malagasy artisans. Last year the Department organized a training for 200 people in silk production and 200 people in management techniques. The Ministry also financed Madagascar's exhibition at the World Exposition, a worldwide fair to showcase artisanal products.

### **5.6. Madagascar-U.S. Business Council (MUSBC)/U.S.-Madagascar Business Council (USMBC)**

MUSBC seeks to promote commercial, technical, and financial partnerships between U.S. and Malagasy firms and to enhance the productivity and competitiveness of the Malagasy private sector. Founded in 2002, the Council serves as a counterpart to the U.S.-Madagascar Business Council (USMBC), which was formed in the United States in May 2003.<sup>12</sup> There are 22

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<sup>9</sup> Information about the Millennium Challenge Account can be located at: <http://www.mca.gov>

<sup>10</sup> <http://www.forestsoftheworld.com>

<sup>11</sup> <http://www.madimports.org>

<sup>12</sup> The websites are <http://www.business-council.mg/> and <http://www.usmbc.us/>, respectively.

handicrafts manufacturers who are members of the Madagascar-U.S. Business Council. The Council has sent several of its 22 handicraft members to U.S. trade fairs in the past and will be launching a new training program for Malagasy artisans in the summer of 2005.<sup>13</sup>

## **5.7. Conservation Groups**

This study investigated the potential link between Malagasy handicrafts and conservation efforts in Madagascar because many Malagasy communities living next to national parks engage in handicraft production (notably silk harvesting). Being able to verify that the raw materials used for Malagasy handicrafts were harvested in an environmentally-sustainable manner could also serve as a potential branding message for U.S. consumers who are already familiar with Madagascar's wildlife and forests. More directly, a proven link between conservation and handicrafts would be of interest to environmentally- and socially-conscious buyers and stores (e.g. zoo gift stores).

At the moment, however, this link appears to be weak for several reasons. First, while many environmental organizations are helping communities living next to national parks set up handicraft-related shops as an alternative to more environmentally-damaging activities, these communities generally do not have the capacity to increase production and/or improve the quality of their products (they tend to produce on a part-time basis only for local gift shops). Second, transporting these products from the remote areas of Madagascar where many national parks are located can be difficult and expensive.<sup>14</sup> Third, as of yet there is no proven link between increasing the income of these communities and/or providing alternate revenue streams and conservation.<sup>15</sup> Fourth, the possible eco-certification brands that could be used in conjunction with handicrafts are either too expensive for Malagasy artisans or are still in development.<sup>16</sup>

Nonetheless, with a committed effort, the SIPA team believes there will be opportunities to establish linkages between Malagasy handicrafts and environmental protection in the future but they will require a comprehensive strategy to provide training to communities living next to national parks, researching and investing in a branding campaign, and/or reducing the costs of transporting goods from rural communities to export centers in Madagascar.

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<sup>13</sup> Interview with Mamy Rabe, President, Madagascar-U.S. Business Council, March 14, 2005.

<sup>14</sup> There is at least one NGO called Mitsinjo Madagascar which sells Malagasy handicrafts in two gift stores near Perinet national park, which is only a few hours from Antananarivo by car.

<sup>15</sup> Interview with Helen Crowley, Wildlife Conservation Society's country representative for Madagascar.

<sup>16</sup> BAMEX has a program called Natiora which certifies certain products, including handicrafts, as being environmentally friendly but it is not well used by handicraft manufacturers.

## 6. OVERVIEW OF U.S. HANDICRAFTS MARKET

This section provides an overview of the U.S. market for imported handicraft products. It begins with an explanation of the importing structure and description of the different channels that connect handicrafts producers to end consumers. It then examines the market segments in which Malagasy handicrafts compete with an analysis of market size, products, and competitive information. It ends with results from a U.S. consumer survey about Malagasy products and their perceptions of Madagascar.

### 6.1. Importing Structure

The chart on the following page depicts the various players along the distribution channels that connect handicrafts producers in foreign countries with end consumers in the United States. It is critical that Malagasy producers understand this importing structure when considering their options for entering the U.S. market. In particular, the strategy producers choose to enter the market should take into account the type of retail outlets they wish to reach.

There are two primary methods that connect handicrafts producers to retailers and, in turn, to end consumers. The first, represented in green, is through trade shows and importer/wholesalers. This is the method by which most Malagasy handicrafts that are sold in the United States currently enter the market. The second, represented in blue, is through agents, either hired by producers or representing retailers. Both methods of entering the U.S. market are described in detail below. There is a third but relatively small method, represented in yellow on the chart, which is direct to customer sales. Our analysis concludes that Malagasy handicraft producers should work closely with U.S.-based importers when trying to enter the U.S. market for the first time.

#### **Method 1: Trade Shows and Importer/Wholesalers (represented in green on the chart)**

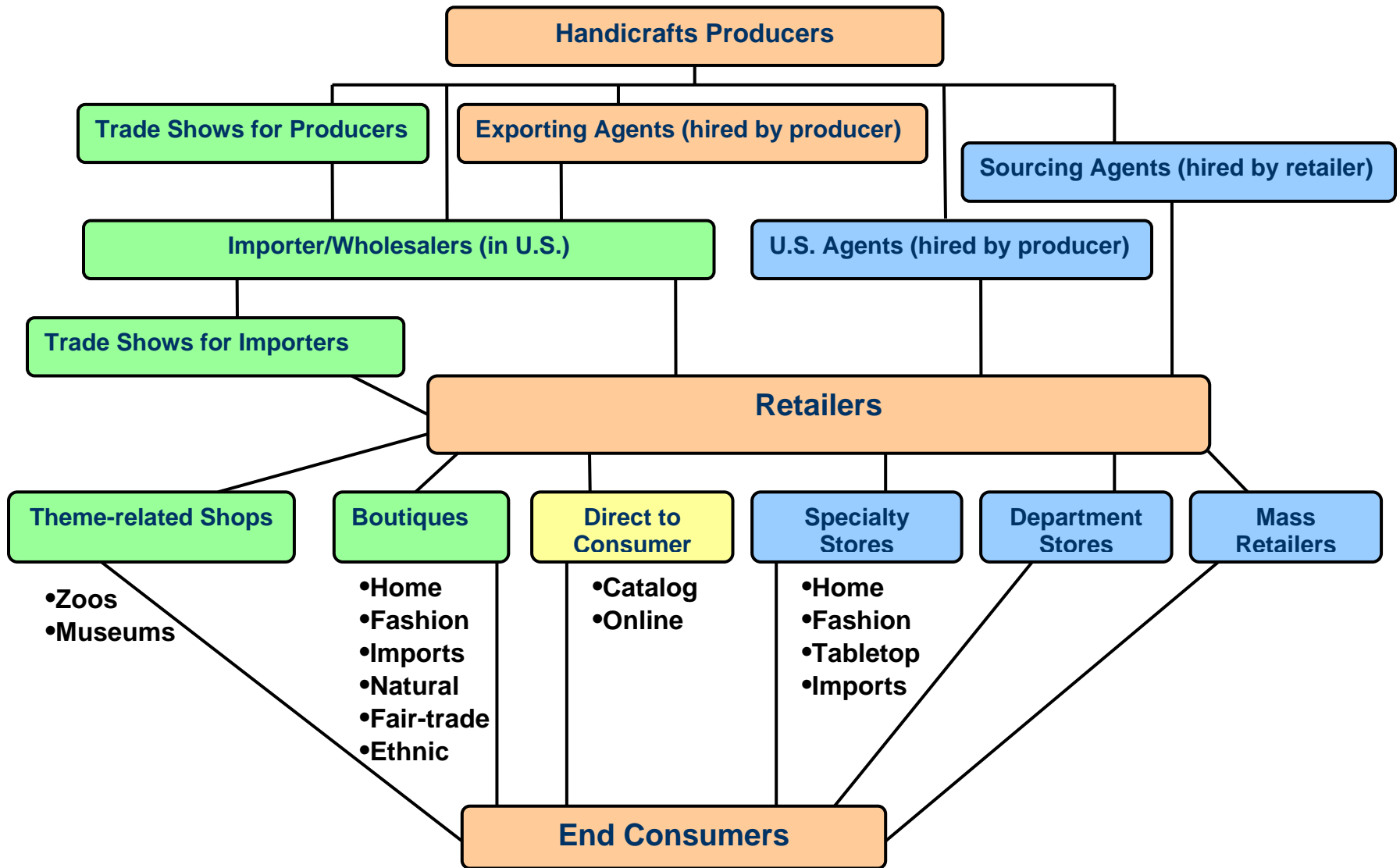
##### ***Trade Shows for Producers***

Trade shows for producers are generally attended by U.S. importer/wholesalers who wish to source new products from foreign countries. They provide an excellent opportunity for foreign producers to connect with potential importing partners. An example is the Sources trade show held annually in May, in New York City.

##### ***Importer/Wholesalers***

Importer/wholesalers source products from foreign countries, import them into the United States, and sell them at wholesale prices to retailers. As the chart shows, importer/wholesalers generally sell to small retail outlets such as boutiques that are not large enough to handle the operations and logistics of importing products directly from producers. In addition, importer/wholesalers reduce shipping costs and complications because they receive large orders at one U.S. location and then distribute them to dispersed retailers. Some importer/wholesalers are also retailers, and sell directly from a catalog, Web site, or physical retail store.

## Importing Structure and Distribution Channels



### ***Trade Shows for Importers***

Trade shows for importers are generally attended by a large number of retailers from all over the United States who operate small stores and wish to purchase products that have already been imported into the United States. These shows provide importer/wholesalers an opportunity to secure orders for their products from many dispersed retailers at once and are often their most important source of business. Trade shows for importers tend to be organized along product categories. Two examples are the Accessories Show and the New York International Gift Fair, both held in New York City.

### ***Retailers: Theme-related shops***

Theme-related shops are gift shops that are located at cultural and/or recreational venues, such as museums and zoos. These shops sell products related to current exhibits or themes of the attraction. The story of the products, such as their relation to tradition, cultural heritage or natural environment, is particularly important to this type of retailer. Theme-related shops are usually too small to do their own importing and tend to purchase products from importer/wholesalers. Retail prices are generally high in theme-related shops because the products serve as a distinctive souvenir to visitors. Two examples of theme-related shops are the Bronx Zoo and the Museum of African Art, both located in New York City.

### ***Retailers: Boutiques***

Boutiques are small, single-standing shops that are often owned and operated by one person or a family. Their product offerings can be quite specific according to lifestyle, such as fair-trade or all-natural, or product category, such as home accessories. Many boutiques, however, sell an assortment of home and fashion accessories. Retail prices tend to be high in boutiques because products are thought to be unique and higher-quality, and the shopping experience is more personal. Because of their smaller sizes and order quantities, boutiques generally do not import products themselves but purchase them from importer/wholesalers.

## **Method 2: Agents (represented in blue on the chart)**

### ***Sourcing Agents - hired by retailers***

Most large, well-branded retailers have agents in geographic regions which locate factories and facilitate the sourcing, product development, and manufacturing processes. Because these stores represent well-known brands and purchase large quantities, they are particularly strict about selecting factories with which to do business. They typically have a strict vendor code of conduct and use third-party auditors to evaluate the working conditions in their factories on a regular basis. It is common for a manufacturer to spend over a year working with a retailer to meet its standards, after which it is subject to frequent scheduled and surprise visits.

### ***Import Agents - hired by producers***

Import agents are people or companies in the United States that act as sales representatives for a foreign producer, often on an exclusive basis. Such an agent promotes the manufacturer's goods to local buyers and receives a commission on an agreed percentage of the sales, or a basic monthly retainer fee. Import agents do not generally take ownership of the producer's goods; the exporter receives the order from the import agent but ships the goods directly to the buyer. While import agents can improve a producer's margins by eliminating the importer/wholesaler

middleman, they also present additional costs to the producer, such as the cost of shipping a number of small orders to various U.S. locations. In addition, producers can bear more risk by using a sales agent, as a sale is not guaranteed until a retailer places an order. Finally, many small U.S. retailers do not import products into the country themselves, making an importer/wholesaler a necessary business partner.

***Retailers: Specialty stores***

Specialty retailers are single-unit or chain stores that carry product lines representing a single product category or related product categories. Examples include clothing stores that carry apparel for men, women and children as well as fashion accessories, or home stores that carry bedding, pillows, decorative items and table linens. Some specialty stores carry goods under a private label, generally sourced through agents, while others buy from different brands that follow the same process. Specialty stores are generally priced lower than boutiques, but higher than mass retailers. They are still very price-competitive. Examples of specialty stores include Crate and Barrel, Pottery Barn and Gap.

***Retailers: Department stores***

Department stores are large chain stores that carry a broad range of product categories, from apparel to home items to electronics. Department stores purchase the majority of their products from other brands, though some also carry a private label, all of which are typically sourced through agents. Department store retail prices are generally on-par with or slightly lower than specialty stores. However, they are more likely to offer heavy discounts through sales and promotions, and are more price-competitive as a result. Examples of department stores include Macys and Bloomingdales.

***Retailers: Mass retailers***

Mass retailers are the largest and most price-competitive stores in the U.S. market. They offer a broad range of goods both sourced through their own agents and purchased from other brands. The majority of their merchandise is imported from China. They order enormous quantities at extremely low prices and make money by selling low-margin goods in high volume. Examples of mass retailers include Target and Wal-Mart.

***Direct-to-consumer Retailers (represented in yellow on chart)***

Direct-to-consumer retailers can fall under both Method 1 and Method 2. Direct-to-consumer retailers operate exclusively through paper catalogs and/or online sites that reach consumers without the presence of physical stores. They represent a variety of prices and products. With the advance of internet technology and the convenience of online shopping, more U.S. consumers make purchases online each year. Because direct-to-consumer retailers ship orders anywhere in the country, they are particularly popular for gift purchases. Examples of direct-to-consumer retailers that specialize in imported accessories and gifts include eziba.com and novica.com.

## **6.2. Key Market Segments**

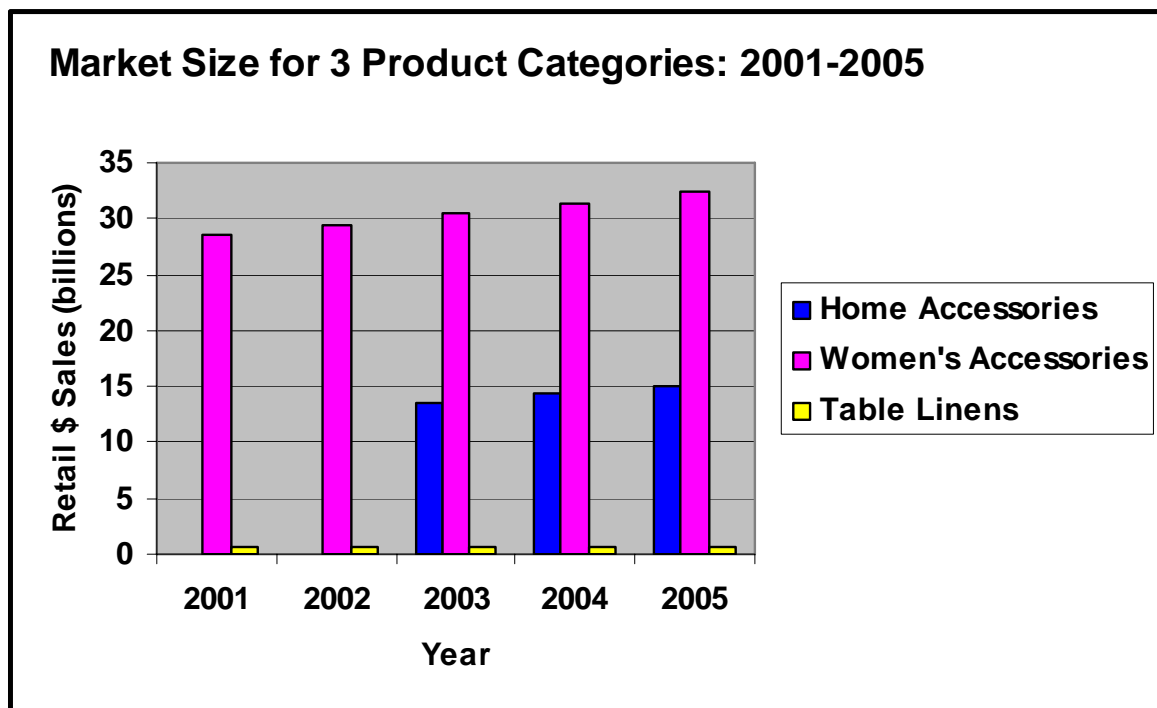
Handicrafts from Madagascar represent a range of diverse and niche product lines. These product lines fall into three broad product categories: Home Accessories, Women's Accessories, and Table Linens.

### Market Size and Growth

Each of these product categories is well-established in the U.S. market:

- Table linens is a particularly mature business, with flat sales from 2002-2003 and limited growth potential.
- Home accessories and women's fashion accessories present more promising opportunities. Home accessories experienced 5.9% growth from 2003-2004, and 5.4% growth is projected from 2004-2005. Women's accessories experienced per annum gains of 2.8% from 1997-2002, and 3.4% per annum growth is projected from 2002-2007. In addition to their growth potential, the markets for home and fashion accessories are significantly larger in size than that for table linens.

The following table displays the market size and growth for these categories from 2001-2005. The figures are from key trade magazines and market research reports, such as *Home Accents Today* and the *Freedonia Focus*, which can be valuable resources for analyzing the U.S. market.



#### Notes and Sources:

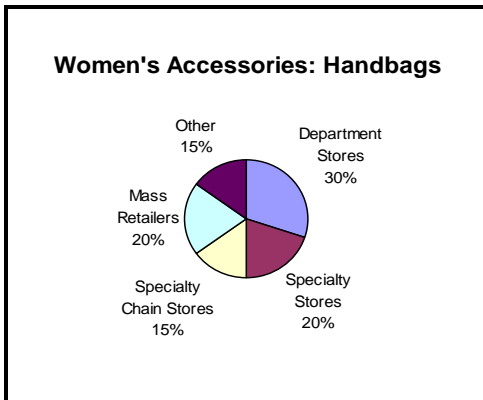
- Home Accessories figures represent accessories and gifts sales in dollars for 2003, estimated for 2004 and forecast for 2005. Data was unavailable for 2001 and 2002. *Source: Home Accents Today, 19(14): S6, December 2004*

- Women’s Accessories data for 2002 is actual. Data for 2001 is based on a 2.8% annual growth rate from 1997-2002. Data for 2003-2005 is based on a 3.4% expected annual growth rate from 2002-2007.  
*Source: Freedonia Focus on Women’s Clothing, December 2003.*
- Table Linens data for 2001-2003 is actual. Data for 2004 and 2005 is projected based on the maturity and stagnant growth rate of the table linens market.  
*Sources: Home Textiles Today, 24(40): 14, June 16, 2003. Home Textiles Today, 25(40): 14, June 14, 2004.*

***Sales by Distribution Channel***

The following charts display the percentage of sales by distribution channel for each product category. It is important to note the following:

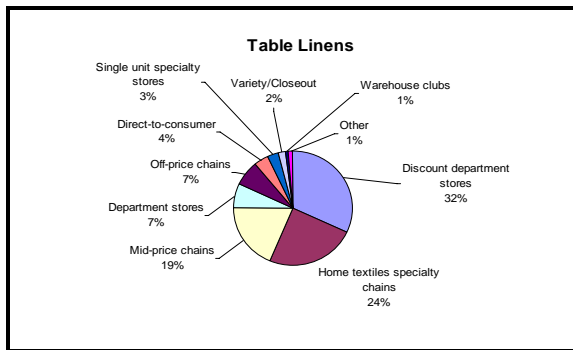
- Home accent/gift stores and direct-to-consumer retailers are the largest sales channels for the Home Accessories and Gifts business. In addition, sales in lifestyle stores are growing.
- Department stores represent the largest percentage of Women’s Accessories sales; however, channels such as non-chain specialty stores, which include boutiques, also represent a significant amount of business, particularly for handbags.
- Table Linens sales are high in discount, mid-price and off-price chains, suggesting that purchasers of these products have a strong value orientation.



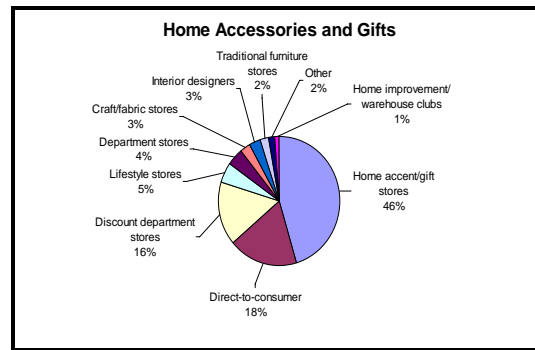
Note: Data represents 1997 sales. Current sales by distribution channel may be different.

*Source: Accessories, 100 (1): 63+, January 1999.*





Source: Home Textiles Today, 25 (40): 14, June 14, 2004.



Source: Home Accents Today, 19(14): S6, December 2004.

### Product Trends

Two trends to note with both fashion and home products are the “ethnic” trend and “embellishment.” The “ethnic” trend refers to the proliferation of products that are considered exotic and that represent a style that is not traditionally American, such as Indian or African-inspired jewelry. “Embellishment” refers to the attachment or layering of different materials upon others, such as adding sequins, ruffles or beadwork to a base material.

An additional trend in table linens is technology advancement. The majority of table linens sold are all cotton (38% of sales in 2002<sup>17</sup>) or cotton as the dominant blend (25% of sales in 2002<sup>18</sup>). Manufacturers work to continually improve the quality and properties of their cottons to enhance their durability and make consumer care easier.

With regard to buying trends, Generation X members, defined as those born between 1965 and 1980, are viewed as a potential catalyst for growth in the stagnant table linens industry. However, this demographic tends to purchase casual products, capitalizing on the proliferation of value retailers to make multiple purchases, rather than buying formal sets of dinnerware and table linens.

### Importing Trends

The primary competition for Malagasy handicrafts is similar products exported to the U.S. market from other countries and geographic regions. The continued rise of manufacturing in

#### Industry Headlines: Product Trends

The following excerpts from industry magazines provide examples of these trends in both the fashion accessories and table linens market:

“It’s on the bag; embellishments are driving the market for unusual handbags.

‘Bags have evolved from utilitarian necessities to fashion items that women change daily,’ said Ellen Campuzano, president of the Committee for Color and Trend, an accessories trend forecasting firm in New York. Campuzano said that brooches, ribbons, bows, tassels, buckles and luggage locks are all hot right now...Texture on texture, such as small ruffles with tassels, woven cord and beadwork, has drawn the best response.”

SOURCE: Women’s Wear Daily. New York: Jan 12, 2005. Volume 189, Issue 8<sup>1</sup>

NEW YORK - “The textiles market sets a colorful table next week as bright hues and whimsical or ethnic looks dominate the table linen and kitchen textiles introductions.”<sup>1</sup>

SOURCE: 70HCarla Webb. HF N: The Weekly Newspaper for the Home Furnishings Network, New York, October 4, 2004, Vol. 78, Issue 40;pg.18

<sup>17</sup> Home Textiles Today, 24 (25): 14, March 03, 2003.

<sup>18</sup> Home Textiles Today, 24 (25): 14, March 03, 2003.

Asia, most notably China, is of particular concern to Malagasy producers of raffia goods. Madagascar exports a large amount of its raffia in raw material stage to Asia, which can manufacture products with the fiber in a greater quantity, at a lower price.

In addition, table linens and home accessory items such as pillows are largely imported from countries known for their fabrics. Key suppliers to the U.S. market are producers from South Asian countries such as India and Pakistan, as well as from Brazil and Turkey. Women's accessories are produced throughout the world, with the largest producers of handbags being Asian countries, known for their ability to produce good quality at a low price, as well as to respond quickly to trends in fashion. Italy, renowned for its high quality leather, is also a significant exporter of handbags to the U.S. market.

The African Growth and Opportunity Act (AGOA), signed into law on May 18, 2000, was designed to increase the potential for African countries to import to the U.S. market. Though Madagascar is an eligible country under AGOA, the primary beneficiaries of the act are more industrialized sectors, such as petroleum products, apparel, transportation equipment and agricultural products. Smaller-scale production efforts, such as those of the handicrafts industry, have experienced "AGOA fatigue," a frustration at the levels of paperwork and stringent requirements to qualify under the act.

Malagasy producers also compete with those in other African countries, such as Ghana and South Africa. These countries have more experience producing for the U.S. market, lower shipping costs to the U.S. market, and significant U.S. populations who travel between the countries, facilitating trade and building cross-cultural awareness.

### ***Imported Products by Country***

The following tables present data on the top exporters to the U.S. of handbags and table linens. It is important to note the following:

- China's exports of handbags and similar products to the U.S. market continue to grow, and dwarf other countries by comparison.
- Exports of handbags from Italy and France are on the rise.
- Seven of the top ten exporters of handbags are Asian, with the exceptions being Italy, France and Mexico.
- The top exporters of table linens to the U.S. market are from four countries: India, Pakistan, Brazil and Turkey, each of which is known for high-quality cotton.
- Although U.S. sales of table linens remained flat from 2002 to 2003, each of the top five exporters of table linens to the U.S. market experienced growth, suggesting that the industry is consolidating and larger players are taking hold of greater portions of the market.

### Top 10 Countries for Exports of Travel Goods, Handbags and Similar Containers

Country	2003 export to U.S.	2004 export to U.S.	% Change
China	\$3,374	\$4,085	21%
Italy	\$368	\$441	20%
France	\$209	\$237	13%
India	\$109	\$118	8%
Viet Nam	\$86	\$110	28%
Thailand	\$116	\$101	-13%
Hong Kong	\$86	\$97	13%
Philippines	\$101	\$81	-20%
Mexico	\$69	\$63	-9%
Indonesia	\$70	\$47	-33%

Source: Office of Trade and Industry Information, Manufacturing and Services, International Trade Administration, U.S. Department of Commerce

### Top 5 Exporters of Table Linens to the United States by volume in 2002 and 2003

Company Name, HQ	2002 export to U.S. (millions)	2003 export to U.S. (millions)	% Change
Handfab, India	\$14	\$17.4	24%
Nishat Mills, Pakistan	\$9.5	\$11.6	22%
Coteminas, Brazil	\$6.2	\$9.6	54%
Kucukcalik, Turkey	\$8	\$9.5	19%
Bombay Dyeing, India	\$7.8	\$9.0	16%

Source: Home Textiles Today, 24 (47): 12, August 18, 2003.

### 6.3. U.S. Consumers

U.S. consumers have very high expectations. They are confronted with hundreds of products and advertisements on a daily basis and expect high quality at reasonable prices. Women in the U.S. are the primary consumers of home and fashion accessories, which they use to change looks without investing in entire makeovers. This consumer is generally willing to pay for something if she finds it truly unique and desirable.

#### Consumer Survey

In order to gather information about consumer buying habits and perceptions of Madagascar, an online survey was administered to a range of people throughout the United States. There were 173 total respondents to the online survey. 64% of the respondents were female; 54% were in the age range 25-29; and 58% have a graduate degree. Although the population surveyed is not necessarily a representation of the general U.S. market, it does provide insight into how Malagasy products might be perceived. (See appendix 10.3)

The survey offers insight into three key areas:

- Product categories
- Distribution channels
- Branding Madagascar

### ***Product Categories***

The data suggests that fashion accessories and home décor items have the most potential for frequent purchases, as respondents were most likely to buy from these categories for fun rather than based on need, particularly in the case of fashion accessories. If a greater number of respondents were female, the percentages who shop for fun for these categories would have likely been higher.

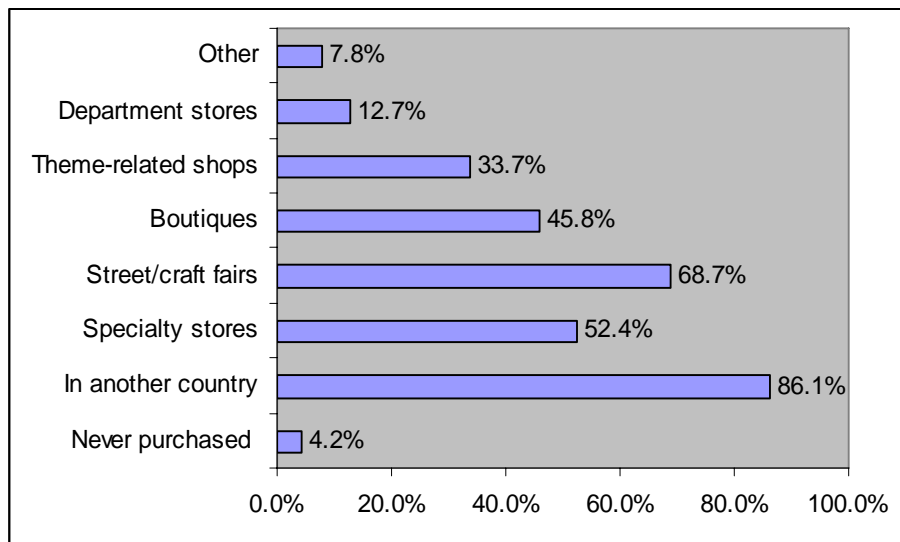
<b>When shopping for the category on the left, which of the statements on the right best describes you? Please select one per category.</b>			
<i>Category</i>	<i>I shop for fun</i>	<i>I shop when I need something</i>	<i>Respondent Total</i>
Fashion accessories	<b>51% (85)</b>	49% (82)	167
Home décor	29% (49)	<b>71% (122)</b>	171
Table linens	10% (17)	<b>90% (151)</b>	168

Also in regard to purchasing frequency, 45.2% of respondents purchase handicrafts once a year; 30.4% do every six months; and 12.5% every 3 months.

Although respondents were more likely to purchase fashion accessories and home décor items than table linens for fun, the attributes that were important to respondents by product category were not highly variable. The three most important attributes to respondents were design, quality and price across all product categories, while trendiness and detail were considered not as important. Detail, however, was of greater importance to respondents when purchasing fashion accessories and home décor items than when purchasing table linens.

### ***Distribution Channels***

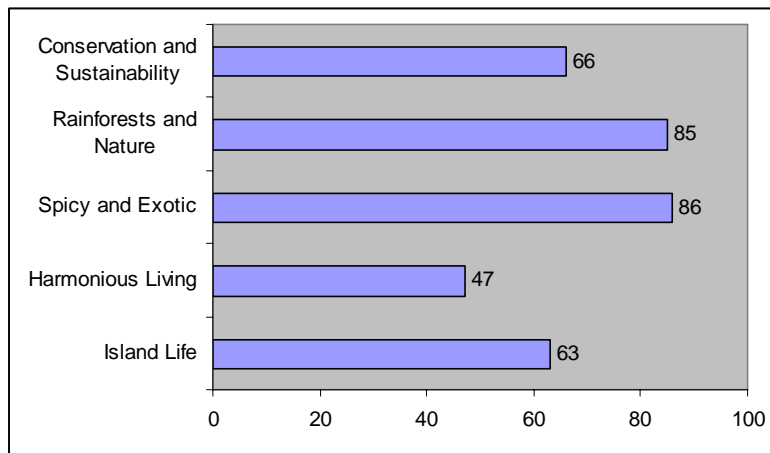
The following chart displays where respondents had purchased handicrafts in the past.



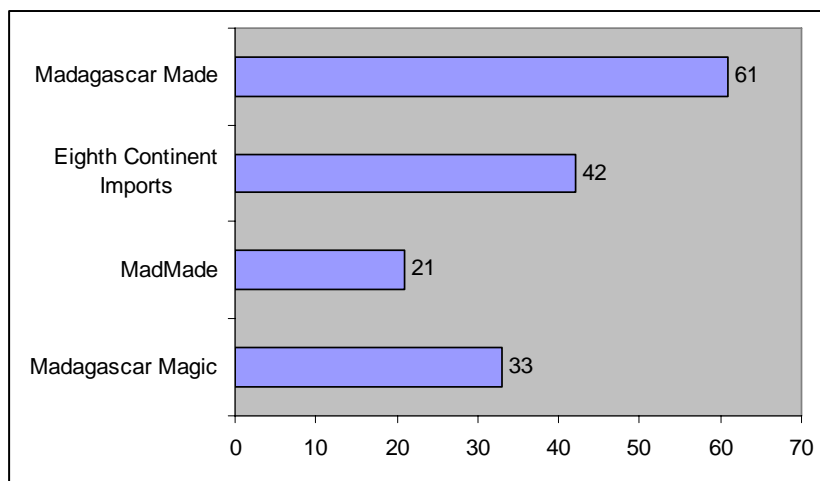
Street/craft fairs, which are generally outdoor markets which sell a broad range of goods, are a large potential market. In addition, specialty stores, boutiques and theme-related shops are promising channels. It is also important to note that only 4.2% of respondents had never purchased handicrafts, which implies that there is a broad market for this type of product. However, differences between that which tourists buy while traveling and that which they buy while shopping in their home country must be considered.

**Branding Madagascar**

When asked which themes appealed to them most for products from Madagascar, respondents answered as shown in the chart to the right. This suggests that people associate Madagascar with its unique natural environment and its importance to the spice trade.



When asked which brand names appealed to them most regarding products from Madagascar, respondents answered as shown to the right. Many respondents commented that they liked the name *Eighth Continent Imports* but wouldn't associate it with Madagascar. In another question about what respondents knew about Madagascar, many were uncertain if the island was part of Asia or Africa. Thus, it is most important that consumers easily recognize that the brand name represents products made in Madagascar.



When asked if interested in knowing more about the products which they purchase, respondents indicated an interest in having more information on production practices, profit distribution, and environmental and economic impact. While wanting to know more does not indicate that consumers are willing to actually purchase the products, the responses suggest that providing the following information could help generate interest in Malagasy products.

<b>Are you interested in knowing about the following aspects of products you purchase? Please rate your interest on a scale of 1-7. (1 is not at all interested; 7 is extremely interested.)</b>								
<i>Aspect of Product</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Response Average</i>
How profits are distributed	14% (23)	7% (12)	6% (10)	15% (25)	19% (31)	18% (30)	<b>22% (36)</b>	4.57
Environmental impact of production processes	10% (17)	6% (10)	4% (7)	14% (23)	20% (34)	21% (35)	<b>25% (42)</b>	4.90
Labor practices used in production	8% (13)	5% (8)	4% (7)	15% (25)	19% (31)	22% (36)	<b>28% (47)</b>	5.09
Lifestyle of those who make the product	13% (22)	4% (6)	12% (20)	17% (29)	17% (29)	<b>20% (34)</b>	16% (26)	4.46
Local way of life where product is made	12% (20)	8% (13)	5% (8)	15% (25)	<b>24% (40)</b>	<b>24% (40)</b>	13% (22)	4.55
How product is used in country of origin	12% (21)	5% (8)	11% (18)	12% (20)	21% (35)	<b>21% (36)</b>	18% (30)	4.60
Whether product is fair-trade certified	16% (27)	8% (13)	6% (10)	15% (25)	17% (29)	17% (29)	<b>21% (35)</b>	4.45

## 7. RECOMMENDATIONS FOR MALAGASY HANDICRAFT PRODUCERS

This section provides recommendations for Malagasy handicraft producers seeking to export to the U.S. market. These recommendations are based on feedback from a select group of U.S. buyers who are already directly involved in sourcing handmade products from Africa. Most of these buyers are import-wholesalers with extensive experience in the region, and two have worked with suppliers in Madagascar for several years. These interviews were designed to gather specific information on the successes and constraints that buyers have faced in doing business with artisan producers in Africa. The team also sought to gather specific information on each buyer's purchasing requirements as well as evaluations of product samples prepared by artisan producers in Madagascar Magic Fingers (MMF) and Madagascar New Design Council (MNDC).

### 7.1. Feedback on Malagasy Products from U.S. Market

The SIPA team's research reveals that while there are opportunities for Malagasy artisan producers to enter the U.S. market, a significant amount of preparation needs to be undertaken before buyer linkages and export sales can realistically take place. Without adequate preparation and training, Malagasy producers will not be able to successfully compete given the demands and competition present in the U.S. market.

#### *Lack of Distinctive Product Designs*

Although U.S. buyers and product designers recognize the creativity and diverse product lines from Madagascar, many feel that products need to have more distinct designs. Some of the products such as the silk scarves and raffia accessories look too similar to other imported products that are sold at cheaper prices.

#### *Inconsistent Product Quality*

In most cases, the products reviewed did not meet the quality standards

### Sil'ouette

**Artisan Profile:** Sil'ouette is owned by Noeline who has worked in the handicrafts industry since 1994. She makes a variety of home décor items and fashion accessories ranging from silk scarves to embroidered table linens. Her company currently employs around 100 workers with teams specializing in different products. She has high hopes of expanding into the U.S. market in the near future.



**Feedback on Products:** Overall, the buyer found the design of this place mat and spoon set to be attractive but noted some concerns with product quality and price. The wooden spoons shown in this photo broke when a product designer tested them. Efforts should be taken to ensure that they are properly attached. The placemats are too expensive and do not have the ability to compete with prices of very similar products from Asia. A suggestion was to concentrate on creating a higher value item by adding a distinct design to the placemat and finding ways to cut production costs if possible.



#### Recommendations for Sil'ouette

1. Review information on U.S. market structure and import requirements.
2. Implement product modifications and choose product lines appropriate for U.S. market.
3. Improve company brochure, catalogue and price lists.
4. Take courses in English or hire someone to communicate in English.
5. Identify most appropriate U.S. trade show.
6. Explore funding opportunities to attend selected trade show.
7. Prepare to exhibit at U.S. trade show to target import-wholesalers.
8. Follow-up and actively communicate with buyers.

and requirements of buyers. There were complaints about broken pieces on products, non-standardized sizes for handbags and jewelry, poor stitching, and fabric tears, among other concerns. The raw materials and finishings used for certain products also presented quality concerns. For example, some of the bags did not use high-quality fabric and zippers. Lastly, some of the products had no labeling with care instructions or damage-preventing packaging.

### ***Non-Competitive Prices***

Buyers and designers agreed that prices are too high on most products. In some cases, buyers complained that they did not have clear price lists with quotes in U.S. dollars or any indication about minimum or maximum order size, therefore making it difficult for buyers to locate the most appropriate producers.

### ***Poor Communication with U.S. Buyers***

U.S. buyers had concerns about producers not communicating clearly with them over matters that may arise such as late orders. Many of these interviewees based these concerns on past experience. Some also mentioned the difficulty in finding a reliable agent in a country to oversee production and report to them.

### ***Late Deliveries***

Buyers with experience in sourcing handmade products from Africa shared stories of receiving late shipments of orders from producers. In the cases of late delivery, goods have not always arrived in good quality. In general, buyers had concerns about the ability of producers in Madagascar to meet order deadlines in a timely fashion.

## **7.2. Recommendations - U.S. Export Market Strategy**

### ***Understand the Structure and Expectations of U.S. market***

A number of handicraft producers already understand the U.S. market structure and the type of buyer they need to target. However, others lack a basic understanding of the U.S. export distribution channels for handmade products and U.S. import requirements. Producers must acquire this basic information by reviewing the resource guides available before they can begin to prepare an export strategy for the U.S. market.

### ***Self-assessment of Export Capabilities***

There is a common perception amongst Malagasy artisan producers that the United States is the largest and most promising market for their products. However, many do not have a clear sense of what and how much they could supply to the U.S. market given their current capacity. These companies should undertake an individual assessment and develop objectives based on their own capabilities. Some questions to consider include:

- How much are you able to export with your current production capacity?
- Can you make the investments necessary to alter your products to meet the demands and specifications of U.S. buyers?
- Are you or is someone else on your staff able to communicate effectively in English?



### ***Build on Current Success in Other Markets***

Although there are opportunities in the U.S. market, Malagasy producers should consider building on the success that they have found in supplying to the European market. Most Malagasy handicraft producers are not yet prepared to enter the U.S. market and may find it more feasible to explore opportunities for expanding their export sales in Europe where they have more experience. One industry professional recommended that some producers consider exhibiting at two of the major trade shows in Germany where foreign handicrafts producers have the opportunity to meet potential import-wholesalers from all over Europe. MMF members also recently completed a large order for a Japanese buyer and should continue to place efforts into identifying other possibilities in this market.

## **7.3. Recommendations - Products**

### ***Product Design and Development***

Malagasy handicraft producers need much more training in product design and development in order to successfully enter and compete in the U.S. market. Currently, there are no design schools and few formal training programs in Madagascar where artisan producers can take these kinds of courses. Although there have been design trainings funded by international development agencies, these opportunities have been short-term. Artisan associations need to work together to explore ways of cost-sharing amongst their members in order to alleviate the high costs that enterprises may have to incur if they pursue these trainings individually.

Malagasy artisans could also draw on feedback from peers within their industry before introducing new product lines. One U.S. product designer with extensive knowledge of Malagasy handicrafts has consistently offered to provide reviews of new product designs free of charge but indicated that few producers have contacted him. Additionally, a possible idea for those involved in supporting Madagascar's handicraft industry would be to sponsor a national design competition that could foster more creativity and innovation in product design within the industry.

### ***Awareness of U.S. Trends and Styles***

In order to position their products effectively in the U.S. market, Malagasy artisans need to gain a greater awareness of product trends and styles in the United States and learn about how they can distinguish their products from competitors. Many Malagasy artisan producers have already begun to take advantage of Internet resources and industry publications in order to gain this awareness. Each of the companies must continue to invest in this market research to ensure that they are making products that appeal to the tastes and preferences of U.S. consumers.

## **7.4. Recommendations - Product Quality**

### ***Quality Control***

Each company needs to hire and train someone on their staff to take on the responsibility of ensuring quality control at all levels of production. Some companies already have quality control systems in place but others need to invest in this aspect of their business.

### ***U.S. Standards and Sizes***

In each of the different product categories there are some general standards and sizes that U.S. buyers typically require. Producers need to acquire this information and cross-check it as they develop their product lines for the U.S. market.

## **7.5. Recommendations – Pricing**

### ***Pricing Strategy***

Malagasy producers need to reassess their pricing strategy by first identifying their cost structure. Based on this information, they should explore ways in which they could possibly reduce their costs. This will vary depending on each individual business. Some businesses may find it unprofitable and difficult to readjust their prices. Artisan associations might also explore ways to work together to purchase raw materials in bulk at lower prices, in order to reduce costs.

### ***Efficient Production***

One consultant with experience in Madagascar gave extensive feedback on ways that some producers could possibly reduce their costs by adopting more efficient production techniques. For example, most of the embroiderers could reduce their production time by using a special powder to copy the designs on cloth instead of individually punching designs on cloth.

## **7.6. Recommendations – Building Linkages with U.S. Buyers**

### ***Identify Appropriate U.S. Market Niches***

Based on our research, companies should not focus on targeting large U.S. retailers that are dependent on high volume sales at low prices. For most Malagasy firms, the best market niches to target are small and medium-sized retailers (i.e. independent boutiques and museum shops) where customers typically look for high-end products that are distinct and unique. Malagasy producers should target U.S. import-wholesalers in order to do this. Import-wholesalers are the most appropriate type of buyer for the following reasons:

- Ability to purchase larger volumes from a producer compared to a small retailer who will generally only order a small number of pieces.
- Ability to pay for international shipping costs from Madagascar to the United States.
- Ability to market product in the United States and ship to the retail buyer.
- Ability to offer assistance in product development ideas.

### ***U.S. Trade Show Exhibition Participation***

Attendance at a U.S. trade show is one of the most efficient ways for Malagasy producers to meet and develop relationships with potential buyers such as import-wholesalers. There are many trade shows that take place each year in the United States and each company needs to research and decide on the most appropriate one to attend depending on its specific objectives and budget. For instance, a company that produces fashion accessories such as raffia bags and

silk scarves may decide to attend a trade show such as *Sources* in New York City which is usually attended by U.S. import-wholesalers.

The costs of traveling to and exhibiting at a U.S. trade show are generally prohibitively high for Malagasy artisan producers. In addition to paying for an exhibition booth at the trade show, producers must be prepared to cover the costs of transporting their product samples and producing well-prepared marketing materials. Moreover, attendance at a trade show is not a one-time investment. In order to build the confidence and interest of potential U.S. buyers, Malagasy artisan producers need to exhibit at least two or three times before a buyer will commit to placing an order.

Producers should investigate funding opportunities for trade show participation through international development projects such as BAMEX and the East and Central Africa Trade Hub. They should also continue to lobby the Malagasy government to provide more funding support to attend international trade shows. Producers in similar product categories should also explore cost-sharing arrangements whereby they could all cover the costs of renting a booth at the most appropriate trade show to exhibit their products.

At least four artisan producers from Madagascar have already received funding support from international development agencies to attend U.S. trade shows. However, they need to maintain a consistent presence so that they will continue to attract the attention of buyers. It is not clear if funding for them to attend trade shows will continue to be available in the near future. Nevertheless, their attendance has offered them more exposure to the competition and requirements of the U.S. market which they will hopefully apply in their business activities and share with other Malagasy producers who are aspiring to export to the United States.

### ***Consistent Communication and Follow-up with Buyers***

Following attendance at a trade show, it is estimated that it takes approximately two to three years before a buyer will place an order. During this time, Malagasy producers need to be able to engage in frequent and consistent communication via email and telephone. Before they embark on this process, company owners or someone on their staff must have the ability to communicate in English. In most cases, Malagasy artisan producers need to improve their English speaking skills so that they can communicate and negotiate effectively with U.S. buyers.

## 8. RECOMMENDATIONS FOR THE MALAGASY GOVERNMENT

Madagascar's handicrafts industry is influenced not only by artisans and entrepreneurs but also by government actions. This section addresses the obstacles faced by handicrafts manufacturers wishing to export to the United States from a more global viewpoint rather than one based on the individual needs of business owners.

### 8.1. Marketing Madagascar

A major obstacle faced by Malagasy handicraft producers is that Americans know very little about Madagascar as a country. Promoting sustainable tourism can help to raise awareness about Madagascar in the United States and simultaneously strengthen the handicraft sector. First, tourism provides income to handicraft producers through sales at local markets which can be reinvested to strengthen export capacities. Selling handicrafts to tourists is also a means through which awareness of Madagascar and Malagasy products can be raised to create the consumer demand necessary to convince American buyers to source goods from Madagascar. Moreover, the benefits of sustainable tourism will accrue beyond the handicrafts industry to benefit Madagascar's economy more generally.

The tourism industry in Madagascar is underdeveloped with respect to the American market. In order to attract more American tourists, the Malagasy government needs to develop a marketing strategy for the United States specifically. Madagascar's political stability, expanding national park system, and cultural assets make this an appropriate time to consider larger tourism promotions. The government and related parties will have to identify the most appropriate avenues to develop the tourism industry but the following are some ideas on how to market Madagascar in the United States:

- **Creating a tourism web site for Madagascar.** This would be an ambitious tool and may be best achieved in the long run. The Web site would be the purview of a Madagascar tourist board and should provide a history of the country, geographical information, photographs of the different regions and types of handicrafts, hotel and travel information, and links to service providers and handicraft producers. The site should aim to create excitement about Madagascar and what it has to offer both tourists and business travelers.
- **Placing articles about Madagascar in U.S. press.** Articles featuring Madagascar can be placed in newspapers such as the *New York Times*, travel magazines such as *Condé Nast Traveler* and in-flight magazines, and travel Web sites such as Expedia. This could be facilitated by someone at the Malagasy Embassy or Mission.
- **Organize events to educate Americans about Madagascar.** One idea would be to capitalize on the release of the Dreamworks movie *Madagascar* by working with movie theatres to set up informational tables about the real Madagascar outside theaters. Another way to take advantage of the publicity surrounding the movie would be to try to get the Malagasy Ambassador or the Permanent Representative to the United Nations to be a guest on NBC's *Today Show* or other similar programs.

At the moment, travel to Madagascar is prohibitively expensive for many travelers. Stakeholders can help to create incentives for Americans to visit Madagascar by:

- **Promoting eco-tourism.** This is a tourism niche where Madagascar may have a competitive advantage over other popular tourist destinations. Madagascar is already well-known for its unique flora and fauna. President Marc Ravalomanana's commitment to protecting the country's natural assets may also be an effective marketing message. An increase in ecotourism can also provide communities near protected areas with income to help temper the possible effects of the President's more stringent environmental policies.
- **Promote Madagascar as a destination for special events.** Special events might include weddings<sup>19</sup>, conferences, concerts, cultural festivals, filmmaking, and water sports such as snorkeling and diving.
- **Creating competitive travel offers.** Airlines are important actors in the tourism arena and stakeholders should work with Air Madagascar specifically to offer competitive travel deals and promote Madagascar. Air Madagascar does not currently service the U.S. market but could negotiate better deals for U.S. travelers with its partners that handle the European leg of the journey.

## 8.2. Branding Malagasy Handicrafts

The lack of innovation in product design is a major concern for all stakeholders in Madagascar's handicrafts industry. This manifests itself in the fear that producers have in displaying their work in public venues. For example, some associations have the capability to create showrooms and share the costs amongst their members but because members fear that their designs will be copied, they refrain from participating in the showroom. This hinders the ability for potential buyers to see the handicrafts Madagascar has to offer.

Another related problem is the fact that Malagasy handicrafts cost the same, if not more, than similar items coming from other parts of Africa and Asia. Price would not be as much of an issue if the goods were communicated as distinctly Malagasy and unique. One way to address this issue is through the creation of a national brand for Malagasy handicrafts.

A national brand could address both of these concerns. This brand, as an example only, might be called "Madagascar Made."<sup>20</sup> The goal would be to create an identity for Malagasy handicrafts that would separate them from other products coming from different parts of the world. The

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<sup>19</sup> Although more market research is needed, Madagascar could be an ideal place for destination weddings because of its beautiful scenery, diverse array of flowers, skilled seamstresses capable of producing custom made wedding gowns, experienced embroiderers capable of producing monogrammed wedding gifts, and the other possibilities. This may be an appropriate strategy for Madagascar because destination weddings are a growing trend for Americans. The popular website [www.About.com](http://www.About.com) estimates that 2.4 million Americans get married annually and that 10% of these marriages are destination weddings. Also, The Travel Institute, citing the Condé Nast Bridal Group 2001 Honeymoon Market Survey, reports that 85% of brides and grooms are open to considering a destination wedding.

<sup>20</sup> Taken from results of the SIPA team's Consumer Survey – see appendix 11.3.

government or an individual with the appropriate resources could facilitate the creation of this brand by hosting a national competition to choose the best designs, based on originality and marketability. Designs chosen to be a part of the “Madagascar Made” brand could then be packaged with an insert about Madagascar and the person who made that particular design. A competition like this would encourage people to be more creative and set Madagascar apart from other countries producing similar items.

### 8.3. Strengthening the Business Environment

The Malagasy handicrafts sector has the potential to establish export links to the United States and other countries if the business environment in which it works is further strengthened. Cultivating the business environment is critical if the industry is to become more competitive. Artisan associations, working in concert with the government and non-governmental organizations, should push for:

- **Increased ease of access to financing.** In general there are three ways to finance a business in Madagascar: entrepreneurs can go to the bank, to microfinance institutions, or use personal resources. For the small and medium-sized businesses, bank loans are difficult to obtain also because they require an extensive amount of information that smaller businesses might not have and because the interest rates are high. Microfinance institutions make very small loans, which may help small business owners but not medium-sized businesses that have a need for greater capital. Therefore, it is clear that small businesses have a structural impediment that retards their development. Without access to finance, businesses are unable to expand and they are at times forced to sell product at a loss because they need the money right away. New sources of financing would help to alleviate these problems. The government could intervene by creating loan packages which recognize the challenges faced by small businesses.
- **Training opportunities.** Currently, there are two main training centers for handicrafts in Madagascar. One is run by the Department of Handicrafts and the other is run by a private organization called SYMA - Centre de Formation des Metier d’Art. However, these centers do not offer the training necessary to professionalize the industry. For example, SYMA only offers training in embroidery and lacework but artisan entrepreneurs need trained staff with additional skills such as design or pattern making. Trainings are also very expensive for the average Malagasy to afford. Efforts can be made to expand the curriculum and offer scholarship programs or payment plans to potential students.
- **Web site security.** Some business professionals have indicated that it is difficult for them to set up Web sites where people can place orders for products because of security issues. Artisan associations in cooperation with the government can work with Web site service providers to ensure secure online ordering.
- **Promotional activities.** Duty free kiosk. Working with the Department of Handicrafts, the artisan associations could lobby to expand the duty-free kiosk at the airport in Antananarivo and other parts of Madagascar. There is currently a kiosk

but the selection is very limited and it could do more to improve interest. The duty-free kiosks would help Madagascar to retain some foreign currency that visitors might otherwise have changed at the airport. There could also be a kiosk for arriving visitors to give them an introduction to the types of handicrafts Madagascar has to offer. The kiosks could also provide brochures listing various handicrafts businesses, their contact information, product specialties, and directions for finding their location. Information should be provided in English and French. These brochures could also include photographs of items not available at the kiosks and information on where they can be purchased.

**Trade shows.** Participation in trade shows can be prohibitively expensive. The government and development agencies should consider financing the costs of producers to attend foreign trade shows and to participate in trade missions abroad.

**Integrated marketing efforts.** Artisan associations can use their resources to place advertisements that would highlight each business. Associations could offer to design and provide items for Air Madagascar and other businesses like major hotels and restaurants.

## 9. RECOMMENDATIONS FOR INTERNATIONAL DONORS

Based on our interviews with artisans and other stakeholders in Madagascar's handicrafts sector, we are able to conclude that past development programs could have been more effective with certain key changes in program and policy. More specifically, international development agencies involved in this sector should:

- **Develop a long-term strategy.** Establishing a relationship with a U.S. buyer is a process that can take years as Malagasy businesses work incrementally to build trust, improve product quality and consistency, and develop more efficient business operations. Yet most of the handicrafts-related programs sponsored by international development agencies to date have been short in duration, often less than one year. Few development agencies appear to have a long-term, holistic strategy for working with Malagasy handicrafts manufacturers to establish sustainable linkages with U.S. buyers.
- **Work more closely with other stakeholders.** Poor communication among some of the international development agencies involved in the handicrafts sector has resulted in duplication of efforts and a lack of coordinated follow-up to programs which have recently ended. Some development agencies were completely unaware of the NIEDA study, for example, because it was funded by the USAID office in Washington, DC, and not the USAID office in Madagascar.
- **Hire industry consultants.** With notable exceptions, some of the consultants who have been hired by international development agencies have not been experts in product design, the U.S. market, and/or other skills trainings that could help Malagasy handicraft producers. There appears to be more of a need for industry consultants as opposed to traditional development consultants in order to increase sales.
- **Target small handicraft producers.** Many development programs choose to work with only the handicrafts producers who have the best potential to enter the U.S. market. While understandable, the inevitable result is that the same firms continue to get access to trainings and funding opportunities. Smaller firms, in contrast, are mostly excluded from these programs.
- **Advertise more effectively.** International development agencies could do a better job publicizing the programs that are available for Malagasy artisans and handicraft manufacturers. For example, a specialist on the U.S. market for handicrafts went to Madagascar to give a presentation but because this event was held on a Saturday and poorly publicized, therefore very few firms attended.
- **Provide resources on how to target niche markets.** While marketing trainings have been provided to Malagasy handicrafts producers, there has not been adequate focus or follow-up on how they can target smaller niche markets in the United States.
- **Evaluate socio-economic impact of handicraft sales.** While an expanding



handicrafts sector creates new employment opportunities, the total socio-economic impact is unclear. Much more empirical research is needed in this area in order to conclude that a growing handicrafts sector plays a major role in poverty alleviation.

## **10. CONCLUSION**

Most Malagasy artisan producers are not yet ready to compete effectively in the U.S. market. Potential U.S. buyers continue to cite concerns about product design and quality, high prices, late delivery times, and difficulties with communication as major obstacles in sourcing handicrafts from Madagascar. Moreover, while many Malagasy artisan producers are aware of these challenges, some have yet to undertake the internal assessments necessary in order to clarify their own goals, capabilities, and timelines for entering the U.S. market.

Overcoming these obstacles does not fall on Malagasy artisans alone. Government ministries, development agencies, and other stakeholders must better coordinate their efforts to ensure that they have an integrated, holistic, and long-term strategy for the handicraft sector. This strategy must extend well beyond the handicrafts industry to address larger issues such as access to financing and the lack of awareness about Madagascar as a destination.

Simply increasing export sales to the United States will not resolve these larger issues and cannot be viewed as a panacea. More research is also needed in order to determine how the growth of the handicrafts sector will affect rural artisans and alleviate poverty in Madagascar. The government can do this by conducting a formal socio-economic impact assessment of the handicrafts sector; it could also undertake a cost-benefit analysis in order to determine what is needed to make Madagascar's handicrafts sector competitive in the U.S. market. These steps will put Madagascar on the path towards the development of a robust and sustainable handicrafts sector.

## 11. APPENDICES

### 11.1. Interview List

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## 11.2. Print and Online Resources

Aid to Artisans. Online: [www.aidtoartisans.org](http://www.aidtoartisans.org) ,  
[http://aidtoartisans.org/resources/tradeshows\\_cal.html](http://aidtoartisans.org/resources/tradeshows_cal.html)

Chemonics International, Inc. Business and Market Expansion (BAMEX) Online:  
[http://www.dec.org/pdf\\_docs/PDACA937.pdf](http://www.dec.org/pdf_docs/PDACA937.pdf)

East and Central Africa Global Competitiveness Hub. Online: [http:// www.  
Ecatradehub.com/about/mission.asp](http://www.Ecatradehub.com/about/mission.asp)

Forests of the World. Online: <http://www.forestsoftheworld.com>

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external/pubs/ft/scr/2004/cr0491.pdf](http://www.imf.org/external/pubs/ft/scr/2004/cr0491.pdf)

Mad Imports. Online: <http://www.madimports.org>

Madagascar-US Business Council. Online: <http://www.business-council.mg/>

Millennium Challenge Account. Online: <http://www.mca.gov>

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Women’s Wear Daily. New York: Jan 12, 2005. Volume 189, Issue 8

World Bank web site. Online: [http://web.worldbank.org/ WBSITE/EXTERNAL/  
COUNTRIES/AFRICAEXT/MADAGASCAREXTN/0,,menuPK:356362~pagePK:141132~piPK:141107~theSitePK:356352,00.html](http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/MADAGASCAREXTN/0,,menuPK:356362~pagePK:141132~piPK:141107~theSitePK:356352,00.html)

### 10.3. Consumer Survey

1. When shopping for the category on the left, which of the statements on the right best describes you? Please select one per category.			
	I shop for fun.	I shop when I need something.	Respondent Total
Fashion accessories (i.e. handbags, scarves, jewelry)	51% (85)	49% (82)	167
Home decor (i.e. throw pillows and blankets)	29% (49)	71% (122)	171
Table linens	10% (17)	90% (151)	168
Kitchenware (i.e. serving utensils)	15% (25)	85% (143)	168
<b>Total Respondents</b>			<b>171</b>
(skipped this question)			2

2. When purchasing fashion accessories, please rate the importance of the following to you, on a scale of 1-7. (1 is not at all important; 7 is extremely important.)								
	1	2	3	4	5	6	7	Response Average
Design	3% (5)	1% (2)	2% (4)	4% (7)	9% (16)	28% (48)	51% (87)	6.07
Quality	1% (1)	2% (3)	2% (4)	12% (20)	15% (25)	27% (46)	41% (70)	5.86
Trendiness	17% (29)	10% (17)	19% (32)	24% (40)	14% (24)	11% (19)	5% (8)	3.60
Price	2% (3)	2% (3)	4% (6)	14% (24)	23% (39)	31% (52)	25% (42)	5.47
Detail	2% (4)	4% (6)	11% (18)	24% (41)	25% (42)	24% (41)	10% (17)	4.79
<b>Total Respondents</b>								<b>169</b>

(skipped this question)	4
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3. When purchasing home decor products, please rate the importance of the following to you, on a scale of 1-7. (1 is not at all important; 7 is extremely important.)

	1	2	3	4	5	6	7	Response Average
Design	2% (4)	0% (0)	1% (1)	4% (7)	10% (17)	33% (55)	<b>49% (82)</b>	<b>6.17</b>
Quality	1% (1)	1% (2)	1% (2)	7% (12)	13% (22)	33% (54)	<b>44% (73)</b>	<b>6.05</b>
Trendiness	19% (31)	<b>21% (35)</b>	<b>21% (35)</b>	17% (29)	13% (21)	6% (10)	3% (5)	<b>3.14</b>
Price	1% (1)	1% (2)	3% (5)	14% (24)	21% (35)	29% (49)	<b>31% (51)</b>	<b>5.64</b>
Detail	2% (3)	4% (7)	11% (18)	18% (30)	22% (37)	<b>30% (49)</b>	13% (22)	<b>4.96</b>
<b>Total Respondents</b>								<b>167</b>
(skipped this question)								6

4. When purchasing kitchenwares, please rate the importance of the following to you, on a scale of 1-7. (1 is not at all important; 7 is extremely important.)

	1	2	3	4	5	6	7	Response Average
Design	5% (8)	6% (10)	7% (11)	14% (23)	23% (38)	<b>27% (45)</b>	19% (31)	<b>5.00</b>
Quality	1% (1)	2% (3)	1% (1)	8% (14)	11% (18)	28% (47)	<b>50% (83)</b>	<b>6.10</b>
Trendiness	<b>40% (66)</b>	23% (38)	15% (25)	12% (20)	6% (10)	3% (5)	1% (2)	<b>2.36</b>
Price	1% (2)	2% (4)	2% (4)	16% (27)	19% (32)	<b>31% (52)</b>	28% (46)	<b>5.53</b>
Detail	11% (19)	12% (20)	12% (20)	<b>26% (44)</b>	19% (31)	13% (22)	7% (11)	<b>3.95</b>



<b>Total Respondents</b>	<b>167</b>
(skipped this question)	6

5. When purchasing table linens, please rate the importance of the following to you, on a scale of 1-7. (1 is not at all important; 7 is extremely important.)

	1	2	3	4	5	6	7	Response Average
Design	4% (7)	4% (6)	3% (5)	6% (10)	14% (23)	34% (56)	<b>36% (59)</b>	<b>5.65</b>
Quality	2% (4)	4% (6)	1% (2)	14% (23)	20% (34)	27% (45)	<b>32% (54)</b>	<b>5.55</b>
Trendiness	<b>35% (57)</b>	17% (28)	17% (28)	13% (21)	13% (21)	5% (8)	1% (2)	<b>2.72</b>
Price	2% (3)	2% (3)	4% (6)	14% (24)	18% (31)	30% (50)	<b>30% (51)</b>	<b>5.57</b>
Detail	8% (13)	8% (14)	10% (16)	20% (34)	<b>26% (43)</b>	17% (29)	10% (17)	<b>4.42</b>
<b>Total Respondents</b>								<b>167</b>
(skipped this question)								6

6. When considering a purchase, what information do you look for in a product's label? Please check all that apply.

	Response Percent	Response Total
Brand name	47.3%	80
Where product is made	48.5%	82
<b>What product is made of</b>	<b>79.9%</b>	<b>135</b>
How to care for product	74.6%	126
How product is	21.3%	36

made			
Product safety and/or certifications		27.2%	46
Recommended ages (for children's products)		20.1%	34
Other (please specify)		7.1%	12
<b>Total Respondents</b>			<b>169</b>
(skipped this question)			4

7. Approximately how often do you make a purchase from the following product categories?

	Never	Once a year	Every 6 months	Every 3 months	Once a month	More than once a month	Response Average
Paper stationery	10% (17)	<b>41% (68)</b>	27% (45)	18% (30)	4% (6)	1% (1)	<b>2.66</b>
Handbags	<b>31% (51)</b>	30% (50)	22% (37)	15% (25)	2% (3)	1% (1)	<b>2.29</b>
Kitchenware	7% (11)	<b>43% (72)</b>	30% (49)	17% (29)	2% (4)	1% (1)	<b>2.67</b>
Scarves	17% (29)	<b>59% (98)</b>	19% (31)	5% (9)	0% (0)	0% (0)	<b>2.12</b>
Table linens	29% (49)	<b>62% (104)</b>	6% (10)	2% (4)	0% (0)	0% (0)	<b>1.81</b>
Home decor	5% (8)	30% (51)	<b>44% (74)</b>	17% (28)	3% (5)	1% (2)	<b>2.86</b>
Toys	37% (61)	<b>37% (62)</b>	15% (25)	7% (11)	2% (4)	2% (3)	<b>2.06</b>
<b>Total Respondents</b>							<b>168</b>
(skipped this question)							5

8. Where do you generally shop for the following items? Please list all stores, including online sites and catalogs, that come to mind.			
		Response Percent	Response Total
<b>Home decor</b>		94.7%	126
Paper stationery		87.2%	116
Toys		72.2%	96
Table linens		83.5%	111
Fashion accessories		85.7%	114
<b>Kitchenwares</b>		94.7%	126
<b>Total Respondents</b>			<b>133</b>
(skipped this question)			40

9. Approximately how often do you buy handicrafts (products handmade by artisans)?			
		Response Percent	Response Total
Never		10.7%	18
<b>Once a year</b>		45.2%	76
Every 6 months		30.4%	51
Every 3 months		12.5%	21
Once a month		1.8%	3
More than once a month		0.6%	1
<b>Total Respondents</b>			<b>168</b>

(skipped this question)	5
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10. Where have you purchased handicrafts in the past? Please check all that apply.

	Response Percent	Response Total
Never purchased handicrafts	4.2%	7
<b>Purchased while visiting another country</b>	<b>86.1%</b>	<b>143</b>
Specialty stores (i.e. Pier One Imports; Pottery Barn)	52.4%	87
Street and/or craft fairs	68.7%	114
Boutiques	45.8%	76
Theme-related shops (i.e. museums)	33.7%	56
Department stores	12.7%	21
Other (please specify)	7.8%	13
<b>Total Respondents</b>		<b>166</b>
(skipped this question)		7

11. How familiar are you with the following stores or collections?

	Never heard of it	Recognize the name	Shop there on occasion	Shop there often	Response Average
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Cost Plus Imports	<b>68% (115)</b>	12% (20)	17% (28)	3% (5)	<b>1.54</b>
Barneys	17% (29)	<b>55% (93)</b>	23% (39)	4% (7)	<b>2.14</b>
ABC Carpet and Home	<b>46% (77)</b>	37% (62)	14% (23)	2% (4)	<b>1.72</b>
Pier One Imports	3% (5)	23% (39)	<b>66% (111)</b>	8% (13)	<b>2.79</b>
Pottery Barn	7% (11)	22% (37)	<b>51% (85)</b>	21% (35)	<b>2.86</b>
Target World Bazaar	<b>53% (88)</b>	26% (43)	16% (27)	5% (9)	<b>1.74</b>
10,000 Villages	<b>85% (140)</b>	9% (15)	4% (7)	2% (3)	<b>1.23</b>
<b>Total Respondents</b>					<b>169</b>
(skipped this question)					<b>4</b>

12. Are you interested in knowing about the following aspects of products you purchase? Please rate your interest on a scale of 1-7. (1 is not at all interested; 7 is extremely interested.)

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>Response Average</b>
How profits are distributed	14% (23)	7% (12)	6% (10)	15% (25)	19% (31)	18% (30)	<b>22% (36)</b>	<b>4.57</b>
Environmental impact of production processes	10% (17)	6% (10)	4% (7)	14% (23)	20% (34)	21% (35)	<b>25% (42)</b>	<b>4.90</b>
Labor practices used in production	8% (13)	5% (8)	4% (7)	15% (25)	19% (31)	22% (36)	<b>28% (47)</b>	<b>5.09</b>
Lifestyle of those who make the product	13% (22)	4% (6)	12% (20)	17% (29)	17% (29)	<b>20% (34)</b>	16% (26)	<b>4.46</b>
Local way of life where product is made	12% (20)	8% (13)	5% (8)	15% (25)	<b>24% (40)</b>	<b>24% (40)</b>	13% (22)	<b>4.55</b>
How product is used in country of origin	12% (21)	5% (8)	11% (18)	12% (20)	21% (35)	<b>21% (36)</b>	18% (30)	<b>4.60</b>

Whether product is fair-trade certified	16% (27)	8% (13)	6% (10)	15% (25)	17% (29)	17% (29)	<b>21% (35)</b>	<b>4.45</b>
<b>Total Respondents</b>								<b>168</b>
(skipped this question)								5

13. Please rate your level of interest in the following regions, on a scale of 1-7. (1 is not at all interested; 7 is extremely interested.)

	1	2	3	4	5	6	7	Response Average
Middle East	3% (5)	6% (10)	10% (15)	20% (31)	20% (31)	<b>21% (32)</b>	20% (31)	<b>4.89</b>
Asia	2% (3)	4% (6)	4% (6)	16% (25)	20% (31)	19% (30)	<b>36% (56)</b>	<b>5.48</b>
Africa	4% (6)	5% (8)	6% (10)	15% (23)	19% (30)	20% (32)	<b>31% (48)</b>	<b>5.24</b>
South America	3% (4)	1% (2)	10% (15)	17% (26)	18% (28)	25% (40)	<b>27% (42)</b>	<b>5.29</b>
Australia	6% (10)	12% (18)	12% (19)	<b>27% (42)</b>	13% (20)	16% (25)	14% (22)	<b>4.33</b>
Europe	5% (8)	4% (6)	8% (12)	16% (25)	22% (34)	22% (34)	<b>24% (38)</b>	<b>5.07</b>
<b>Total Respondents</b>								<b>157</b>
(skipped this question)								16

14. Please rate your level of interest in the following aspects of international culture, on a scale of 1-7. (1 is not at all interested; 7 is extremely interested.)

	1	2	3	4	5	6	7	Response Average
Cuisine	1% (1)	1% (2)	1% (2)	6% (9)	12% (18)	28% (44)	<b>51% (80)</b>	<b>6.16</b>
Music and Dance	2% (3)	3% (5)	7% (11)	14% (21)	23% (36)	25% (39)	<b>26% (40)</b>	<b>5.32</b>
Arts	2% (3)	3% (4)	2% (3)	12% (18)	19% (30)	30% (47)	<b>33% (51)</b>	<b>5.65</b>

Language	2% (3)	1% (2)	10% (15)	10% (15)	23% (35)	<b>30% (47)</b>	25% (38)	<b>5.39</b>
Folklore	5% (8)	7% (11)	6% (10)	20% (31)	<b>24% (37)</b>	19% (29)	19% (30)	<b>4.83</b>
Literature	2% (3)	5% (8)	9% (14)	12% (19)	23% (36)	<b>28% (44)</b>	21% (32)	<b>5.16</b>
<b>Total Respondents</b>								<b>156</b>
(skipped this question)								17

15. Please rate your level of interest in the following topics, on a scale of 1-7. (1 is not at all interested; 7 is extremely interested.)

	1	2	3	4	5	6	7	Response Average
Arts and Culture	1% (1)	1% (2)	3% (4)	14% (21)	16% (25)	28% (44)	<b>37% (58)</b>	<b>5.78</b>
International Development	3% (4)	3% (4)	1% (2)	12% (18)	22% (35)	29% (46)	<b>30% (47)</b>	<b>5.58</b>
Education	1% (1)	2% (3)	3% (4)	14% (22)	23% (36)	27% (42)	<b>31% (48)</b>	<b>5.61</b>
Fair-trade	3% (5)	5% (8)	6% (10)	23% (35)	<b>27% (42)</b>	17% (27)	18% (28)	<b>4.90</b>
Travel	0% (0)	1% (1)	1% (1)	4% (6)	12% (18)	24% (38)	<b>59% (92)</b>	<b>6.35</b>
Conservation	3% (5)	4% (6)	6% (9)	15% (23)	15% (23)	<b>34% (52)</b>	23% (36)	<b>5.29</b>
<b>Total Respondents</b>								<b>156</b>
(skipped this question)								17

16. Have you traveled to the following continents? Please check all that apply.

	Response Percent	Response Total
Asia	66.2%	100

Europe		95.4%	144
Africa		43%	65
South America		55%	83
Australia		17.2%	26
		<b>Total Respondents</b>	<b>151</b>
		(skipped this question)	22

17. For products made in Madagascar, which of the following themes appeals most to you?

	Response Percent	Response Total
Island Life	41.4%	63
Harmonious Living	30.9%	47
<b>Spicy and Exotic</b>	<b>56.6%</b>	<b>86</b>
Rainforests and Nature	55.9%	85
Conservation and Sustainability	43.4%	66
Other (please specify)	4.6%	7
<b>Total Respondents</b>		<b>152</b>
(skipped this question)		21

18. For products made in Madagascar, which of the following brand names appeals most to you?

	Response Percent	Response Total
Madagascar Magic	23.1%	33
MadMade	14.7%	21
Eighth Continent Imports	29.4%	42



<b>Madagascar Made</b>	<b>42.7%</b>	<b>61</b>
Other (please specify)	14%	20
<b>Total Respondents</b>		<b>143</b>
(skipped this question)		30

19. How familiar are you with the following organizations?					
	Never heard of it	Recognize the name	Somewhat familiar	Very familiar	Response Average
Wildlife Conservation Society	14% (21)	<b>37% (57)</b>	35% (54)	14% (22)	<b>2.50</b>
United Nations	0% (0)	1% (2)	18% (28)	<b>81% (124)</b>	<b>3.79</b>
Fair Trade Federation	<b>32% (50)</b>	28% (43)	25% (38)	15% (23)	<b>2.22</b>
International Finance Corporation	<b>37% (57)</b>	21% (32)	16% (25)	25% (39)	<b>2.30</b>
<b>Total Respondents</b>					<b>155</b>
(skipped this question)					18

20. What is the highest level of education you have attained?			
		Response Percent	Response Total
High school degree		0.6%	1
Some college		3.2%	5
College degree		33.1%	51
<b>Graduate degree</b>		<b>57.8%</b>	<b>89</b>
Ph.D		3.2%	5
Other (please specify)		5.2%	8

<b>Total Respondents</b>	<b>154</b>
(skipped this question)	19

21. What is your ethnicity?			
		<b>Response Percent</b>	<b>Response Total</b>
	Asian	10.1%	15
	Black	10.7%	16
	Hispanic	9.4%	14
	Native American	0%	0
	Pacific Islander	0.7%	1
	<b>White</b>	<b>65.1%</b>	<b>97</b>
	Other (please specify)	6%	9
<b>Total Respondents</b>			<b>149</b>
(skipped this question)			24

22. Please select your age group.			
		<b>Response Percent</b>	<b>Response Total</b>
	15-19	0%	0
	20-24	2.6%	4
	<b>25-29</b>	<b>53.9%</b>	<b>82</b>
	30-34	23%	35
	35-39	5.9%	9
	40-49	4.6%	7
	50 and above	9.9%	15

<b>Total Respondents</b>	<b>152</b>
(skipped this question)	21

23. What is your gender?			
		<b>Response Percent</b>	<b>Response Total</b>
	Male	36.4%	56
	<b>Female</b>	<b>63.6%</b>	<b>98</b>
<b>Total Respondents</b>			<b>154</b>
(skipped this question)			19

24. How many children do you have?			
		<b>Response Percent</b>	<b>Response Total</b>
	<b>None</b>	<b>84.3%</b>	<b>129</b>
	1	5.9%	9
	2	7.8%	12
	3	2%	3
	4 or more	0%	0
<b>Total Respondents</b>			<b>153</b>
(skipped this question)			20

25. Which statement best describes your living situation?
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		Response Percent	Response Total
<b>I live with family.</b>		<b>48%</b>	<b>73</b>
I live with friends.		20.4%	31
I live alone.		31.6%	48
<b>Total Respondents</b>			<b>152</b>
(skipped this question)			21
26. Which statement best describes your primary residence?			
		Response Percent	Response Total
I own my primary residence.		36.4%	55
<b>I rent my primary residence.</b>		<b>59.6%</b>	<b>90</b>
I lease my primary residence.		2%	3
Other (please specify)		2%	3
<b>Total Respondents</b>			<b>151</b>
(skipped this question)			22

27. What is your income level?			
		Response Percent	Response Total
<b>\$0 - \$30,000</b>		<b>33.8%</b>	<b>49</b>
\$30,000 - \$40,000		9.7%	14
\$40,000 - \$50,000		9%	13
\$50,000 - \$60,000		6.2%	9
\$60,000 - \$80,000		10.3%	15
\$80,000 - \$100,000		10.3%	15

\$100,000 +	21.4%	31
<b>Total Respondents</b>		<b>145</b>
(skipped this question)		28