



Technology, E-commerce and Handicrafts

*When traditional creators meet 21st Century
business models*

Hubert Escaith

Outline of the presentation

- Motivations
- New technologies and traditional crafts
- E-commerce and new business models
- Perspectives and challenges



**UN's 2021 International Year of the Creative Economy
for Sustainable Development**

Crafts and the Craftspeople (1)

(emphasis on traditional handicrafts and artcrafts)

1. Why?

- The UN sustainable development goals (SDGs)
 - Especially the objective of **fighting poverty in rural areas** or in small towns
- **Market potential** for “authentic” products using **traditional techniques**
 - Renewed interest and **strong demand** coming from global urban middle class.
 - The **global market for crafts**: between US\$ 650 and 720 US\$ billion in 2020
 - to reach about 1,200 US\$ billion by 2026 ($\approx 9\%$ per year)
 - **Trade**: crafts exports estimated at 39 US\$ billion (FOB) in 2019
 - Annual growth of 2.7% per year over 2010-2019

Crafts and the Craftspeople (2)

(emphasis on traditional handicrafts and artcrafts)

2. Who?

- People strongly identified with their own **traditions and heritage**
- Many handicraft producers are **women**
 - Who are depositary of ancient design and production techniques
 - Often complement agricultural labour as source of income

3. What?

- At the difference of art, craft products must meet practical needs.
- More decorative, more respectful of traditional culture than industrial products
- Made mainly by hand (*handicrafts*) ,
 - some with a clear decorative or symbolic content (*artcrafts*)
- Most common traded handicrafts: Woodware, ceramics, apparel and jewellery

Trade in Handicrafts and the Mercosur A Missed Opportunity?

- **UNCTAD Classification:** Crafts include Carpets, Celebration, Paperware, Wickerwork, Yarn and Other heritage products
- 7% of (Wider) Mercosur exports and 11% of its imports in 2019
 - Similar to Latin American and Caribbean (LAC) average (6% and 10%)
- But **trends are worrisome**
 - Mercosur exports: -3.2% annual average over 2000-2019 (+2.7% in rest of LAC)
 - Mercosur imports: +1% (+2.7% in other LAC)
- **MICSUR** program to promote MERCOSUR cultural industries covers
 - Performing arts; Audiovisual; Design; Publishing; Music; Animation and Videogames
 - but excludes handicrafts...

Potential of New Technologies for Handicraft Activities and Trade

- **Industry 4.0:** New technologies, using advanced robotic and Artificial Intelligence and high-speed Internet services
 - **Risks:** the skills required to be a craftsman may be quickly reproduced by the new generation of advanced robots guided by artificial intelligence
 - **Opportunities**, both for the production and for the sale of handicrafts
 - **Technology transfer:** Availability of cheap and easy-to-use advanced digital tools
 - **Dedicated Internet** forums and open-source platforms to develop innovations collaboratively and share ideas
 - **Service-oriented architecture (SOA):** more cooperative production in geographically diversified locations
 - SOA and E-Commerce : opening new markets and new business models (. / .)

E-Commerce and Digital Platforms are Opening New Markets

- **Solving two issues** faced by most craftspeople, especially when living in rural areas:
 - the **distance** to main markets, and
 - the **small size** of their local market.
 - **Digital Platforms: New channels** for marketing and distributing the products
- The Flattening of the World and the **Death of Distance**
 - Internet-enabled trade platforms reduce the importance of geographical distance and the related trade costs
 - A 10-percentage point increase in internet adoption increase trade by :
 - 3.5 percentage points for South-to-North exports
 - 4.7 percentage points for lesser developed countries exports to developed and developing countries.
- Not only to sell products but also for **procuring inputs**
 - Digital platforms help **micro-entrepreneurs** sourcing the tools and inputs required for their production
 - Finding the **best options** available

E-Commerce and Digital Platforms are Opening New Business Models

- **Selling in the Longtail** and the Death of Market Size
 - Most business models aim at the fat “Head” part of a market (the core 80%)
 - Mass production for Mass consumption
 - High investment and organization costs are mitigated by high volumes
 - Long Tail business model: selling **low volumes** of hard-to-find and less popular goods that are in lower demand
 - “Long Tail” goods remain in the market over long periods of time
 - They are **niche markets**, a characteristic shared by cultural and handicrafts products
 - Selling is profitable **only if reduced marketing and distribution costs**
 - **E-commerce and web-based platforms** allow Micro and Small Entrepreneurs to sell in the Long Tail of the market
 - Are relatively **cheap for small producers** and often based on a ***fee on sales: no marketing and distribution sunk cost***
 - Provide **additional services** to manage payments, invoicing and even micro-credit: no administrative sunk cost

Conclusion: Perspectives and Challenges (1)

- E-Commerce and the Long Tail offer the **dual advantage** of:
 - helping small **producers** in remote areas
 - offering new options for the **consumers**
- **Aggregator platforms** can organize individual sellers into a **single brand** name
- For many handcrafters in rural areas it is a “**disruptive innovation**” that satisfy existing and important needs
- Exploiting this potential would allow **MERCOSUR** countries to
 - Harness the creative potential existing in their **rural communities**
 - Provide **additional income** to craftspeople, often women in the low-income informal sector
 - Address a dynamic **global market**
 - And reverse the negative trend observed for their exports of crafts
- But **challenges and obstacles** are numerous

Conclusion: Perspectives and Challenges (2)

Challenges and Obstacles

- **Internet coverage** and availability of proper delivery services
 - Especially in *remote rural communities* where transportation and mail services are poor, uncertain or expensive.
- **Availability of technology not sufficient:**
 - Need to have a **bank account** or credit card in order to complete transactions
 - **Perception of transaction risks** when national laws regulating domestic e-transactions and online consumer protection remain insufficient
 - **Trade costs** (at and beyond the border) may reduce the competitiveness (higher cost) and attractiveness (long delays) of e-commerce
- **Strong resistance** from craftspeople attached to traditional production and selling techniques
 - Need for “**digital extension programs**” to **foster artisans’ e-market readiness**
 - Several national and international initiatives, often based on the cooperative model
 - Some e-commerce digital platforms offer tools to design a webpage for retailers
- **In practice**, the **best approach** is probably through **cooperatives**, with external support (Public Agencies or NGOs)
- For *more information on the WTO approach* to facilitating trade for Micro and Small Producers
 - [Working group on small business and the Trade4MSMEs platform \(2 Dec. 2021\)](#)

Thank you...

The gateway to MSME trade information

<https://trade4msmes.org/>



OUR DEDICATED LIBRARY OF RESOURCES AND
INTRODUCTORY GUIDES FOR MSMEs



OUR DEDICATED LIBRARY OF RESOURCES CURATED FOR
POLICYMAKERS AND RESEARCHERS WORKING ON TRADE
AND MSME ISSUES

hubert.escaith@outlook.com