

# Market Research Report

## On African Handicrafts in the Chinese Market

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## Table of Contents

<b><i>Executive summary</i></b> .....	<b>3</b>
<b><i>Introduction</i></b> .....	<b>4</b>
<b>Purpose and mission</b> .....	<b>4</b>
<b>Situational analysis</b> .....	<b>4</b>
<b>Product and market analysis</b> .....	<b>6</b>
<b><i>Methods</i></b> .....	<b>8</b>
<b>Qualitative research</b> .....	<b>8</b>
<b>Quantitative research</b> .....	<b>8</b>
<b><i>Research results</i></b> .....	<b>9</b>
<b>Qualitative Research</b> .....	<b>9</b>
<b>Quantitative research</b> .....	<b>10</b>
[Part One] General handicrafts market.....	11
[Part Two] African handicrafts market.....	16
<b><i>Segmentation</i></b> .....	<b>20</b>

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### Executive summary

China and Africa have a long history of economic cooperation. However, there still exists controversy that China's strong productivity hampers African exports from its huge and promising market, and the trade imbalance between the two sides is deteriorating. Generally speaking, African manufacturing is not able to compete with its counterpart in China. However, the niche market of African handicrafts may enjoy some peculiarities. To help African crafts have better access to the Chinese market, this research estimates its market potential and formulates some marketing strategies.

Based on 10 in-depth interviews and 224 questionnaires covering potential customers and other interest stakeholders, this research finds that African handicrafts own both strengths and weaknesses in terms of entering the Chinese market. The favorable political relationships between China and Africa and the huge potential of the Chinese market indicate positive prospects for the handicrafts. However, there are still some obstacles that need to be addressed, including quality and price issues, E-commerce platform deficiency, cultural differences, and fierce competition from Chinese handicrafts.

## Introduction

### Purpose and mission

From the One Belt One Road Initiative and the 2018 summit of the China-Africa Cooperation Forum in Beijing, we can see that Sino-African cooperation has achieved an unprecedented level. However, there is a critical trade imbalance between Africa and China.

For a long time, due to the lack of processing facilities, Africa could only export primary products, which were extracted directly from natural resources. Those products often do not generate added value. However, in recent years, African handicrafts have attracted the attention of tourists because they are colorful, handmade, and full of various local African characteristics. However, Europe and the U.S. are major markets for African handicrafts rather than China. With the fluctuation of European and American economies, more and more people begin to wonder: Is it possible to sell African handicraft products to China? What are the competitive advantages of African handicrafts in the Chinese market? How can the demand of Chinese people who have limited knowledge about Africa be increased, and how can the African handicraft industry be assisted in entering the Chinese market?

Therefore, our research tries to explore marketing strategy to help African handicrafts enter the Chinese market. According to our survey results, China is not a big market for African handicrafts at present. Even the most famous African handicraft companies have no sales record in China. We aim to help the African handicraft industry benefit from rapid economic development and the growing trade relationship between China and Africa. To fulfill our goals, we cooperate with two Kenya companies (Kazuri and Amani ya Juu) and provide suggestions related to products, pricing, as well as promotion channels to support their marketing plans.

### Situational analysis

#### Background information

Over the past 40 years, China-Africa economic and trade cooperation has experienced leapfrogging development. China-Africa trading volume increased more than 200 times from 765 million US dollars in 1978 to 170 billion US dollars in 2017. China has been Africa's largest trading partner for nine years.

Handicraft industry has an important role in Africa's economy. Africa has a large number of unemployed people, of whom women are particularly underprivileged, and their financial situations are particularly difficult. Faced with such problems as unmarried pregnancies, abandonment by husbands, living as single mothers, and low education level, many African women are struggling to survive. For instance, according to the traditional Masai custom, a girl is forced to undergo circumcision before marriage, which is cruel and bloody. UN special ambassador Waris Dirie said in her book *The Desert Flower*: 'To win a woman's loyalty must be through trust and affection, not through brutal rituals.' Many girls run away from their homes because of fear of inhumane circumcision. Eventually, they have to return and accept circumcision because they are unable to survive by themselves. In response, many African organizations try to organize local women to work together, encouraging them to make handicrafts and earn their livings by themselves. They also help these women maintain their livelihoods and improve their living standards. With similar goals, both Kazuri and Amani ya Juu has committed to peace and reconciliation for women for many years.

As for the possible competitors in the Chinese market, local traditional handicrafts, relying on the tourism industry to develop rapidly, can be taken into consideration. In China, different areas with different cultures have self-designed handicrafts. With national policy support, these unique handicrafts can be sold in every tourist spot. For example, some parents are willing to buy jade for boys and buy gold for girls for good luck, and some families also prepare a dowry for girls. As a result, traditional Chinese handicrafts can be seen as potential competitors.

Yiwu Commodity Market, the largest commodity market in the world, can also be another strong competitor in the target market. Yiwu is known for small commodities. You can find a variety of goods at the lowest price. It is no exaggeration to say that small commodities make Yiwu, a city still unknown ten years ago, famous at home and abroad.

Older generations have dominated the offline distribution channels of traditional Chinese handicrafts in the past. Most buyers are born between 1950-1970. However, the millennial generations have gradually become the main force for handmade products. Research shows that social media has generated a great number of teenage consumers and encouraged more and younger people aged between 20 to 30 to understand and pay attention to the traditional handicraft industry. Moreover, if segregating the market by age, we can find that the elderly

purchase traditional handicrafts out of living habits, while the young generations prefer modern handicrafts, DIY, and individual customization.

African crafts can be sold through six different ways: online sales, cooperating with fashion brands, cooperating with organizations that can help develop overseas markets, opening a shop on an e-business platform, such as KIKUU, Alibaba, marketPlaceAfrica, and CA-B2B, participating in trade exhibitions, filming documentaries to show the life, history, and culture of the local craftswomen.

## Product and market analysis

### Chinese Art Market

Although the Chinese art market is still in the early stage, an increasing number of people have begun to appreciate Chinese art. So, in the future, the proportion of art investment will increase significantly in the asset management of Chinese middle and higher classes.

According to research conducted by the Yachang Art Market Monitoring Center (AMMA), the domestic art market reached 63.867 billion yuan in 2017, up 26.5% from 50.468 billion yuan in 2016. Chinese traditional handicrafts which rely on the tourism industry develop rapidly. Therefore, we can predict that the demand for handicraft products in the Chinese market will be increasing.

### Product

Different villages and tribes produce different African crafts based on their own tradition, availability of raw materials, and history. The trade history of the tribes can be discovered from the embellishment of products with beads, adornment of headwear, dolls, and clothes. Many local women are able to make earrings, necklaces, bracelets, etc.

African blackwood, commonly known as black sandalwood, is very valuable. It is the primary choice for African wood carving materials. Because of the hard texture, most black wood carvings have extensive lines. Major shapes of the carvings are wildlife animals and exaggerated dolls on the African continent. These products show rich and unique African characteristics. The most popular ones are animal-shaped wood carvings and knives and forks made of ox bones.

## Company

Kazuri and Amani ya Juu would be good partners for companies that want to introduce African handicrafts into China to work with. They have established mature online distributing systems in many countries.

Kazuri was founded in 1975 in Kenya. Kazuri's mission is to provide sustainable employment opportunities for vulnerable groups, especially women in Kenya. "Kazuri" means "small and beautiful" in Swahili (Kenya's national language), just like the handmade ceramic beads. A wide range of handmade, hand-painted ceramic pieces of jewelry that shine with a kaleidoscope of African colors and Kenyan culture is sold at Kazuri. Currently, about 340 women work at Kazuri, producing ceramic ornaments and pottery that they sell to domestic and international markets. China is one of the markets that Kazuri wants to enter.

Amani ya Juu means "Peace from Above" in Swahili. It is a social enterprise committed to peace and reconciliation for African women. They utilize beautiful African materials to produce high-quality commodities and accessories. Amani provides handmade jewelry like earrings, necklaces & bracelets, and kitchen utensils, all made using local African materials.

## Methods

### Qualitative research

The research team interviewed 10 Chinese citizens for this study. Face-to-face or online video interviews were conducted among people with various backgrounds like potential customers, handicraft-related organization employees in Kenya, professors of international relations or African studies, owners of online shops, a food blogger, chairman of a knife painting club and so on. Via these interviews, the research team collected a large amount of information related to the different attitudes regarding purchasing African handicrafts, their expectations for Chinese market prospects, as well as professional suggestions about how to improve the feasibility of the project.

### Quantitative research

This research was further made on more universal interviewees, for instance, researchers' contacts who had once bought handicrafts. The research team designed a survey questionnaire consisting of open and closed questions, which investigated the attitude of potential customers or their expectations regarding African handicrafts.

The questionnaire was distributed on 28 November 2018 online, and the research team received 224 responses in total. Among the survey-takers, there were 84 men and 144 women, accounting for 36% and 64%, respectively. As for age, the takers in the range of 19-22 comprised the largest group (65%). The 14.29% were 18 years old or younger, 21.88% between 23-30 years old, 25% between 31-45 years old, 6.7% were between 46-65 years old, with only one person being older than 65 years old. After age is marital status: 107 responders were single, accounting for 47.77% of the total sample. Seven people were married, but without kids; 75 were married and with kids, and 4 of them have kids who don't need to be taken care of. Following marital status is education level: 51.34% had received Bachelor's degrees, 12.5% had Master's degrees, and 5.36% had Ph.D. or higher degrees. The remaining 42 were high school and 27 in occupational training.

## Research results

### Qualitative Research

Analysis of semi-structured interviews reflected the following four central themes: Cultural difference, products, channels, and price.

#### Cultural difference

Potential consumers among the interviewers showed strong interest in African culture and handicrafts. However, most of them revealed that they knew little about African culture and only have a vague impression. In their eyes, African culture is primitive, wild, and mysterious. Therefore, customers may fail to understand the cultural connotation behind the handicrafts, which will affect their enthusiasm to make purchases.

There are huge differences between the aesthetic value of Chinese traditional culture and African culture. The unique, vivid colors and the exaggerated shapes of traditional African handicrafts may not be accepted by many Chinese consumers. Alternatively, those with modern features and little distinctive African characteristics also cannot capture the enthusiasm of consumers because they are easily considered to be unable to convey the cultural heritage of Africa.

As a result, most interviewees suggest that producers and sellers increase their promotion of African culture.

#### Products

There is a contradiction between the practicality of African handicrafts and their artistry. The exaggerated shape, bright color, and special materials of African handicrafts are of high artistic value. Therefore, African handicrafts are often made into ornaments with lower practical value. In our interviews, however, most of the interviewees indicated that the combination of artistic and practical value would be one of the important factors affecting their purchasing choice. From this point of view, it's difficult for African handicrafts to impress consumers who value cost performance.

In addition, many potential consumers expressed their pursuit of product quality. However, because Africa's economy is developing, products made in Africa sometimes leave people with an impression of low quality, which may also exert an impact on the sales of African handicrafts in China.

## **Channel**

There is a contradiction between the existing distribution channels of African handicrafts and the purchasing channels that Chinese consumers are accustomed to. At present, the main sales markets for African handicrafts are mainly in Europe and North America, and most of the sales methods are through online shopping pages or Amazon stores. Due to differences in payment methods and shopping preferences, Chinese consumers are obviously more accustomed to spending on China's unique online shopping platforms, such as Taobao and WeChat. At present, only a handful of Chinese businesspeople sell African handicrafts of very limited variety and quantity on these platforms. Most African handicraft brands and merchants have not yet touched this part of the Chinese market. This makes it difficult for a large number of potential consumers to access those products through their customary purchasing channels.

What's more, local African manufacturers are accustomed to using TV commercials as their main method of promotion. Besides, local manufacturers in African are accustomed to using television advertising as the main means of product publicity, while in China, with the popularity of smartphones, the main channel for consumers to access shopping information has changed from television to online new media platform.

## **Price**

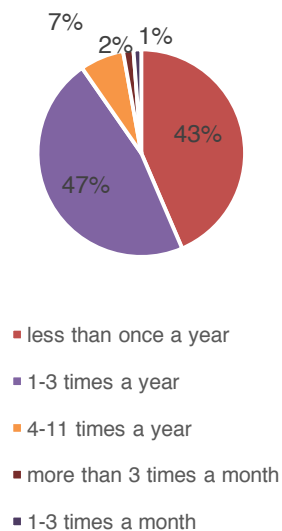
Distance and time difference between China and Africa will inevitably increase the transportation and labor cost of the sales of African handicrafts, which will lead to higher price points. African handicrafts will, therefore, lose the competitive price advantage compared with similar products in the Chinese market.

## **Quantitative research**

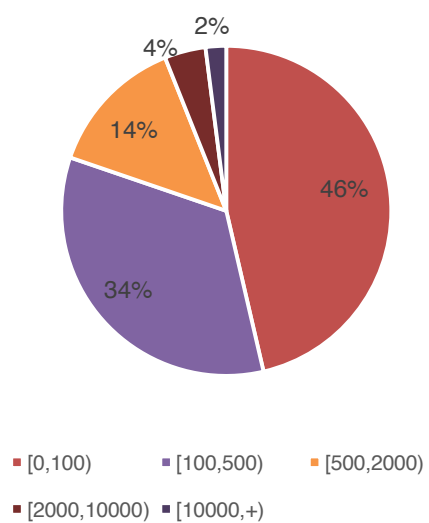
## [Part One] General handicrafts market

### 1. Market potential

How often do you buy handicrafts?



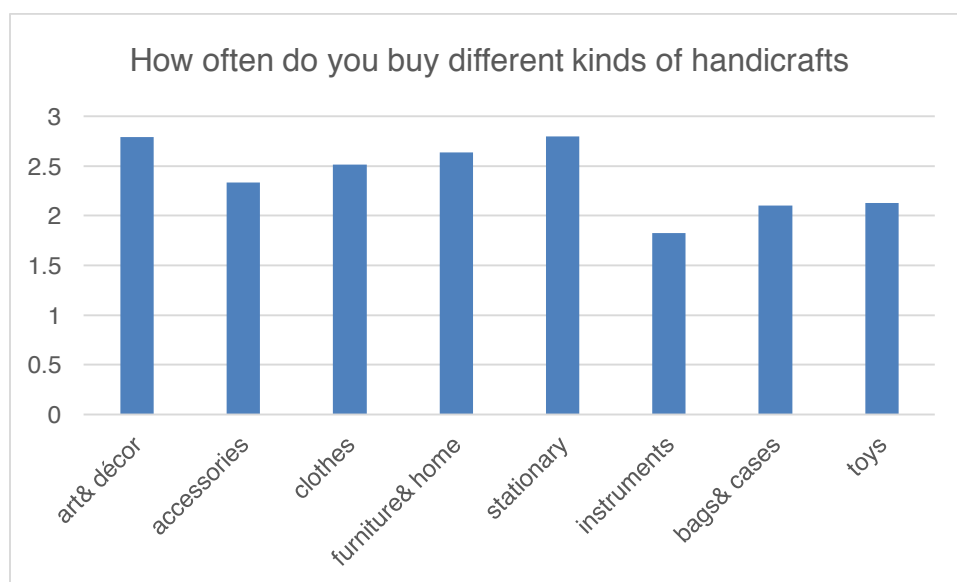
How much do you spend on handicrafts each year (in RMB)?



According to the survey, 90% of respondents purchased handicrafts less than 3 times a year. Among them, only 20% spend more than 500 yuan a year for handicrafts.

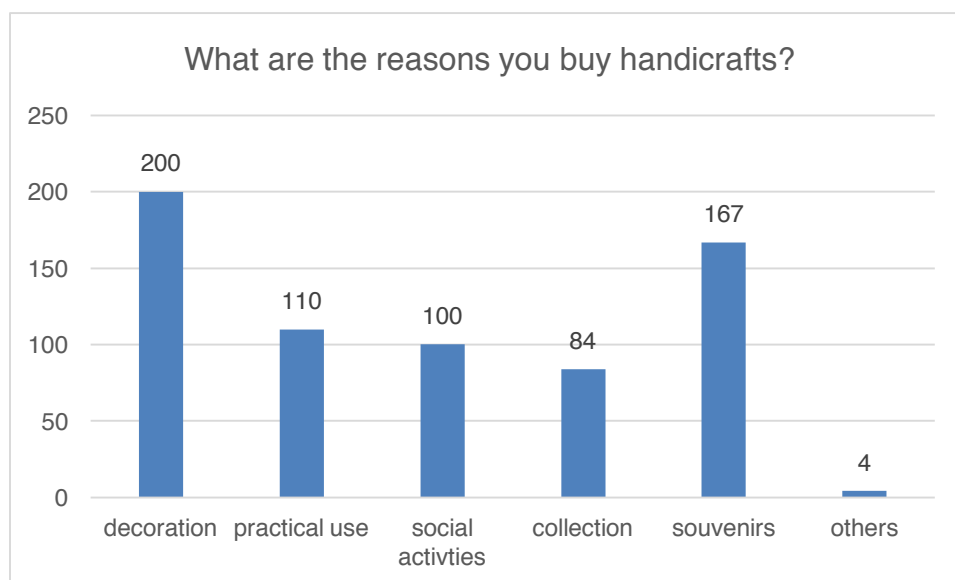
Therefore, we believe the Chinese African handicrafts market has huge potential.

## 2. Product type

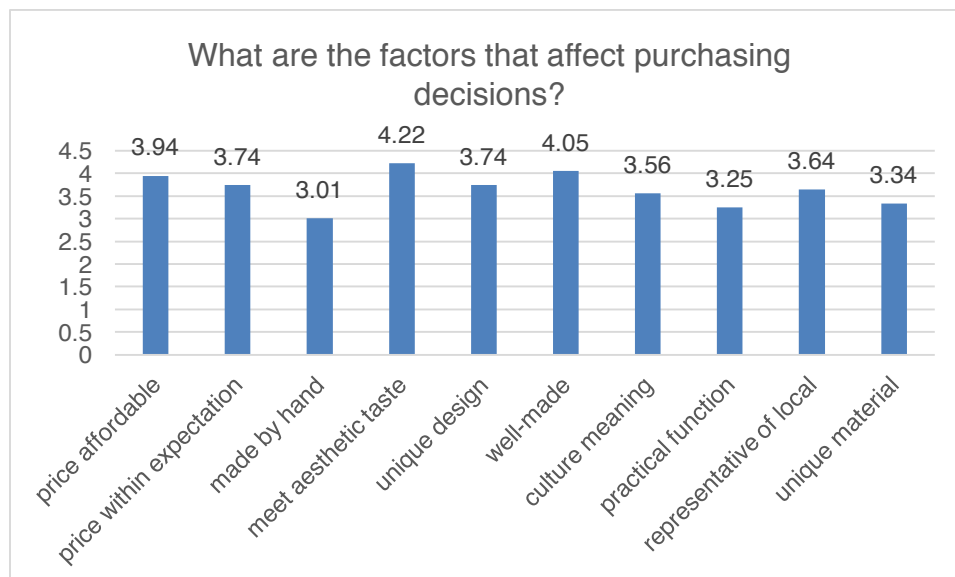


People buy different types of handicrafts at different frequency levels. The most purchased types are stationary, art& décor, and furniture& home.

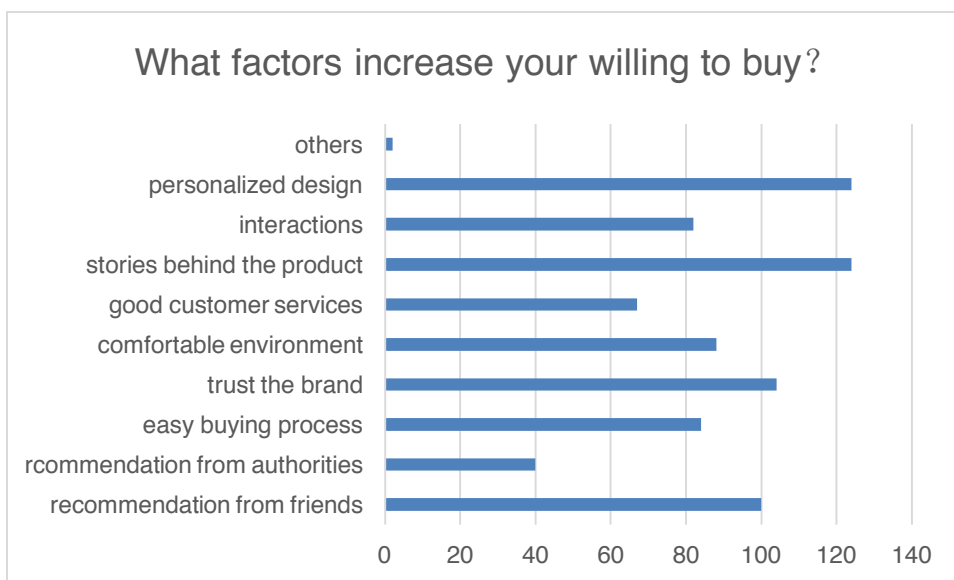
### 3. Purchase decision-making



The most popular reasons to buy handicrafts are decoration and souvenirs.

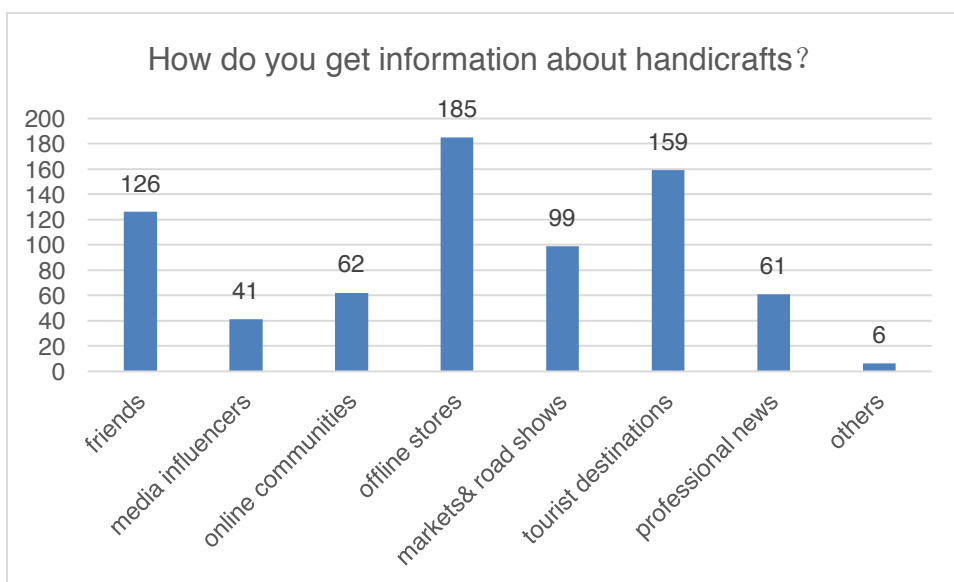


Whether the product meets aesthetic taste is the most important factor that affects decision-making for African handicraft purchases. Product quality is another important factor. Whether the product is handmade is not an important factor for our respondents.



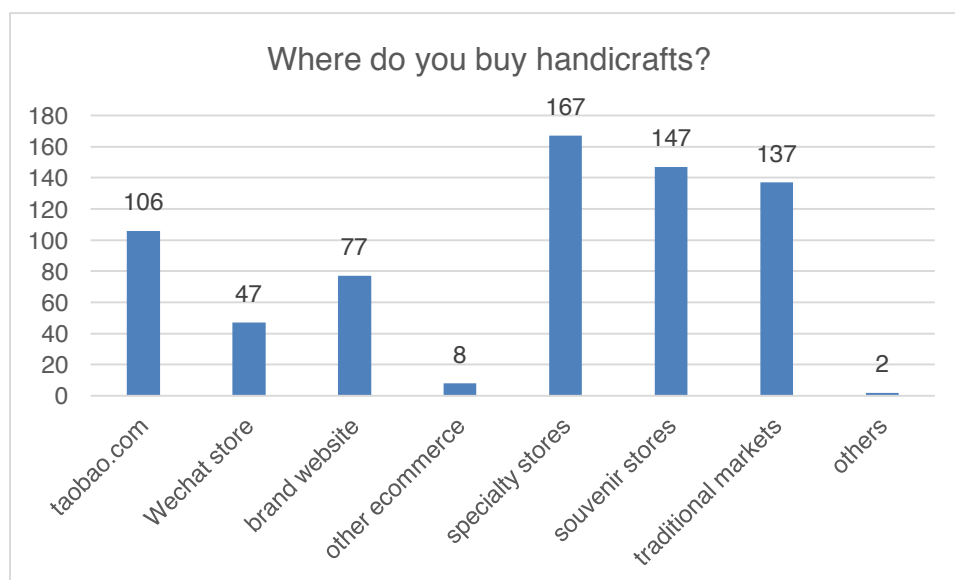
Some factors that increase people's willingness to buy handicrafts, including personalized design and stories behind the products followed by brand reputation and recommendation from friends.

#### 4. Information channels



Most people get information about handicrafts from offline channels, including stores, tourist destinations, and friends.

## 5. Purchasing channels

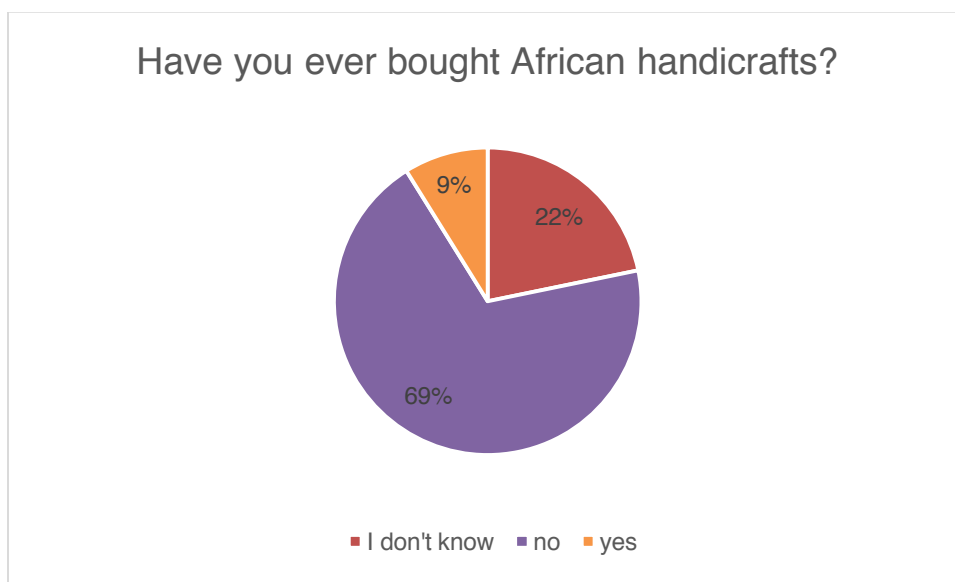


Similar to information channels, people tend to buy handicrafts from offline channels.

The most popular place to buy handicrafts is specialty stores, followed by souvenir shops and traditional markets.

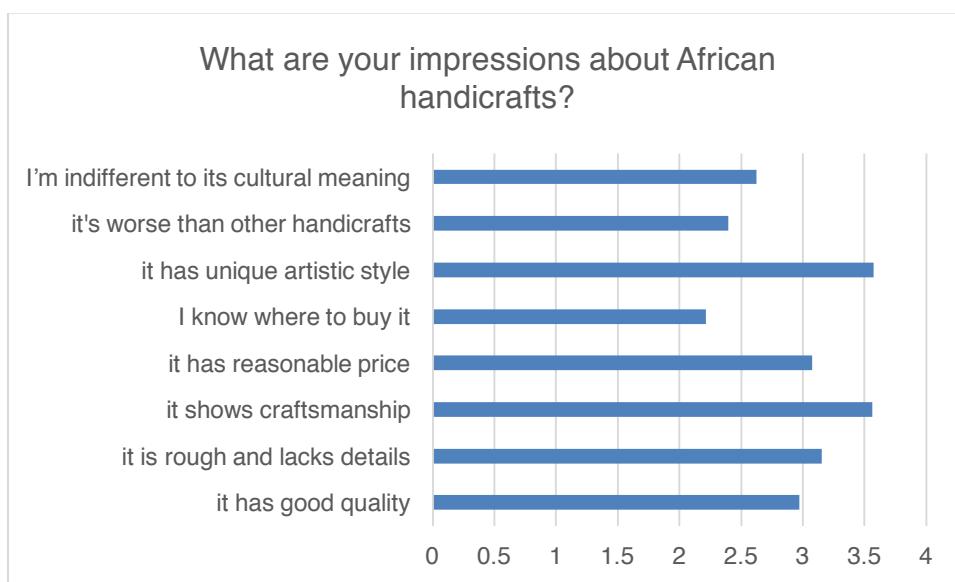
## [Part Two] African handicrafts market

### 1. Market share

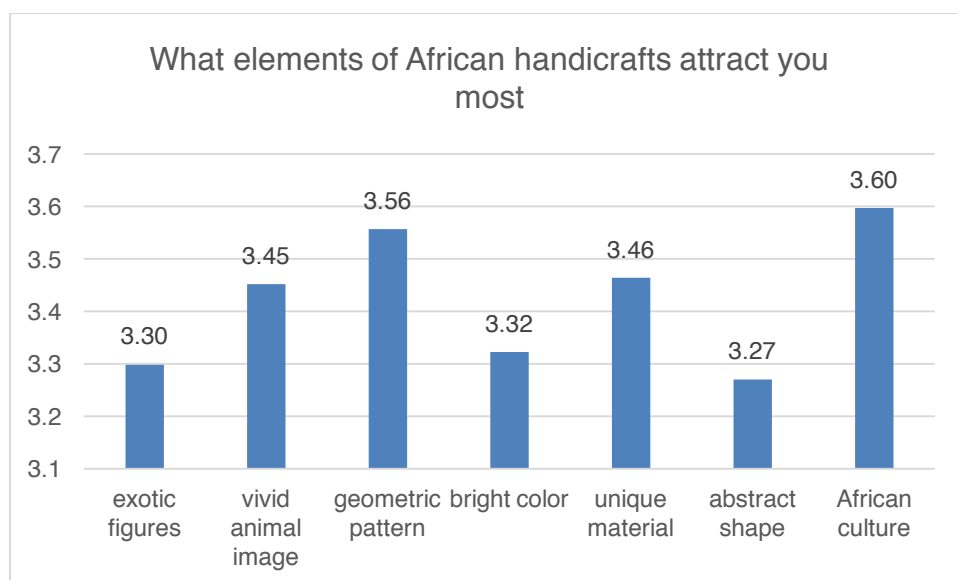


Only 9% of our respondents have bought African handicrafts, which is a tiny proportion.

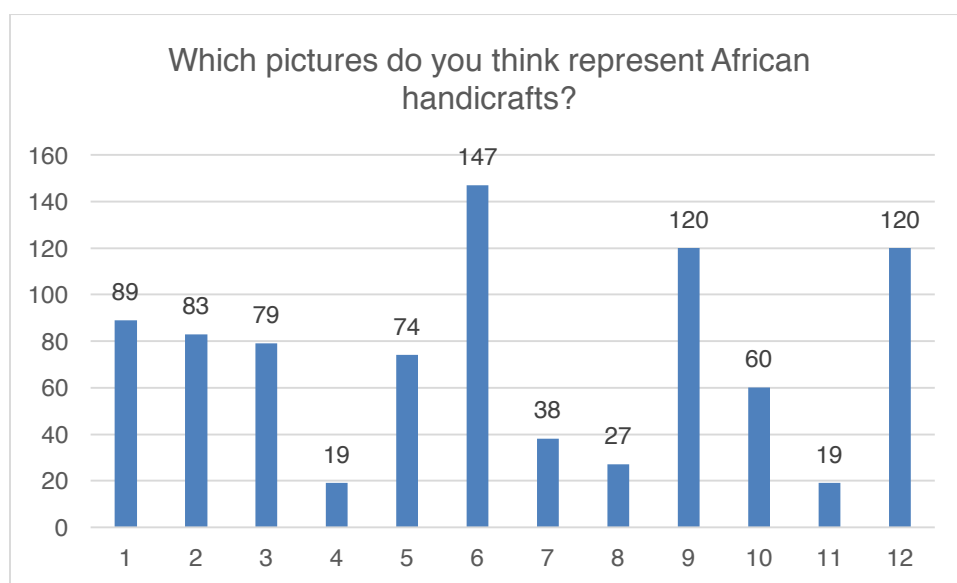
### 2. Impressions and attitude



People agree that African handicrafts have a unique artistic style, and they show craftsmanship. The problem is they don't know where to buy them.



The culture behind handicrafts is the most significant element that attracts people. The geometric pattern, unique material, and vivid animal images are also some interesting elements.



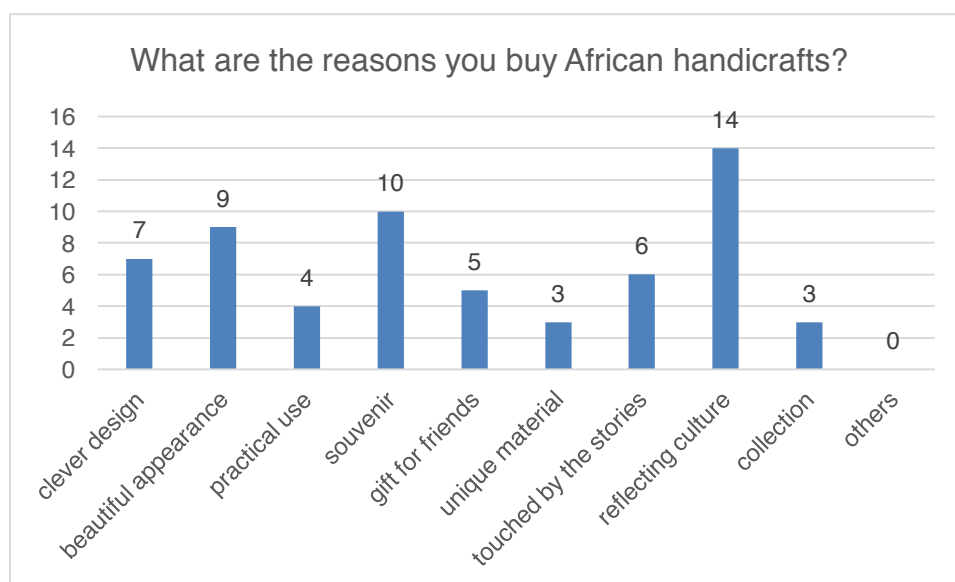
The most representative pictures for African handicrafts in people's mind are picture 6, picture 9, and picture 12.



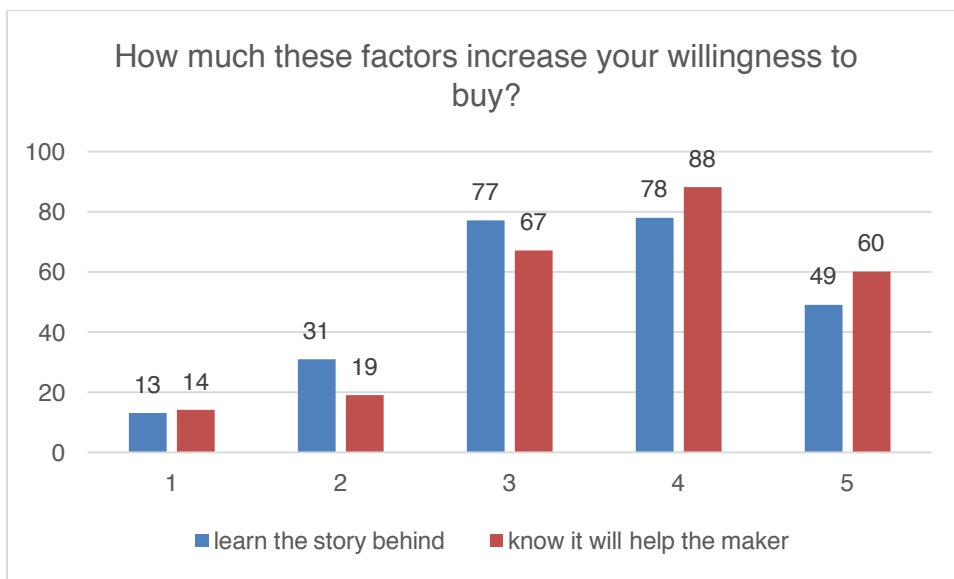
By contrast, picture 4,7,8, and 11 are not considered as African-style.



### 3. Purchase decision-making



Among our respondents, 22 people have bought African handicrafts. The most important reason for them to make a purchase is that the product reflects African culture.



If people learned the story behind the product, they would be more willing to buy the African handicraft. If they know purchasing the product will help the makers, their willingness becomes even higher.

## Segmentation

We considered various demographic and behavioral factors through findings from our survey, which has 224 observations, to establish the target market. The primary market of our products, which includes multiple kinds of African handicrafts, would consist of a population of 133,144,500 people. The authors derived this figure by segmenting populations from Tier I and New Tier I cities in China (based on standards proposed by Yicai Global, *Most Commercially Charming Cities*) by three variables: 1) Gender; 2) Interest level of handicrafts; and 3) Interest in African cultures. Other variables that were considered are age, education level, and product function.

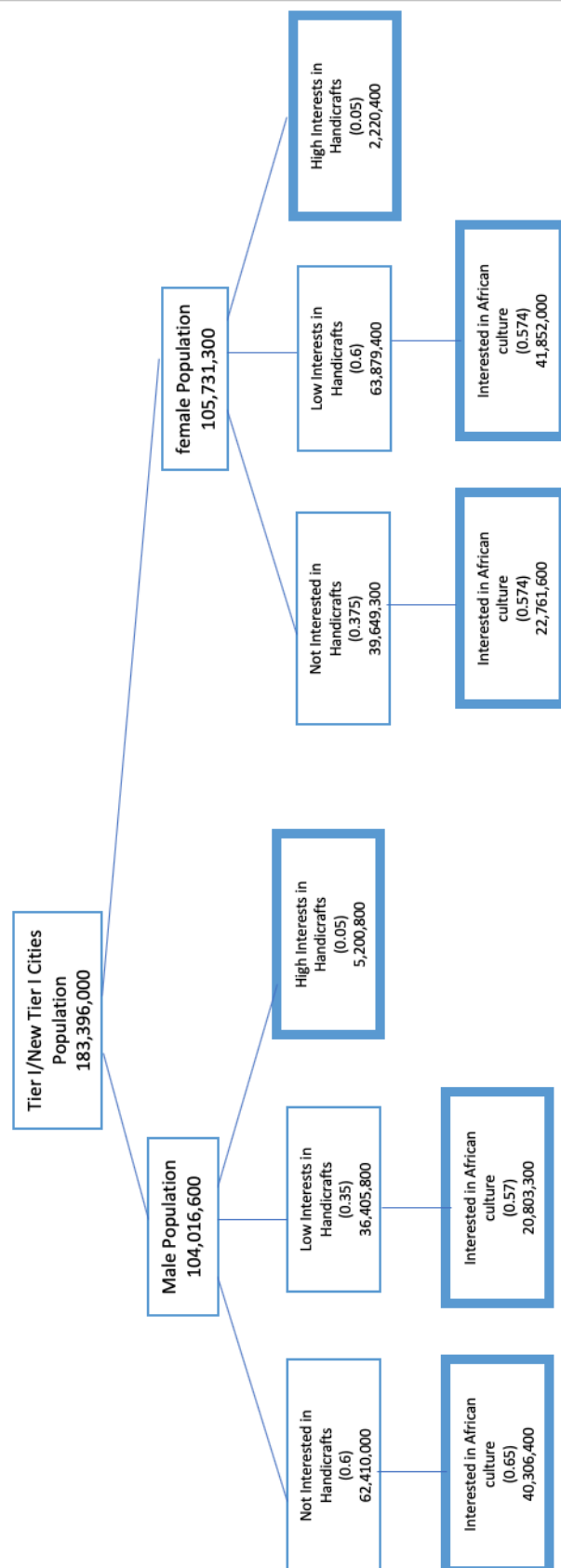
(See picture below)

We derived the variable of “Interest level in handicrafts” by the following survey question: What is your frequency of buying Handicrafts? We treated the less than once a year option as “no interest,” once to three times a year and 4-11 per year together as “low interest,” and more than three times a month plus 1-3 per month as “high interest”. The survey did not directly ask customers for their interest in handicrafts. Therefore, we used the frequency as an implication of willingness to buy our products.

For the variable of “Interests in African culture,” the survey also has no direct question asking for this concern. We looked at the factor “represents African culture” from this question: For the following factors, how much do they affect your purchase decision? from 1, no effect, to 5, very important, as an implication to people’s interests toward African culture and therefore, the likelihood of buying African handicrafts, and we consider it as a measurement of people’s interests in African Culture.

The reason we only considered Gender among demographic factors is that differences in the percentage population of interest level groups are seemingly significant (as shown in segmentation tree). Yet we could not see obvious differences in the percentage population of interest level groups divided by age groups and education groups.

We obtained the population information of each city from their Statistics Bureau of government (2016 Statistics Book), with 17 cities in total: Beijing, Shanghai, Shenzhen, Guangzhou, Chengdu, Hangzhou, Chongqing, Wuhan, Suzhou, Xi'an, Tianjin, Nanjing, Zhengzhou, Changsha, Shenyang, Ningbo, and Dongguan. Two cities in New Tier I cities list, Wuxi and Qingdao, were excluded from the market size calculation because the population data in 2016 is not available or non-accessible.



## Conclusion

This report analyzes both internal and external factors that influence African handicrafts' successful entrance into the Chinese market. Though there are many advantages for African handicrafts to find a niche, such as favorable political environment, multicultural trends, and strong potentiality in the Chinese market, they still face many obstacles, such as quality and price issues, e-commerce platform deficiency, cultural differences, and fierce competition from indigenous handicrafts.

In order to help African handicrafts to have better access to the Chinese market, the authors put forward the following recommendations:

- ✓ Integrate the existing numerous marketing channels, for instance, by setting up a specialized website for selling African handicrafts;
- ✓ Cooperate with transnational express companies like DHL and EMS to provide a more convenient distribution service for customers in China;
- ✓ Provide offline-purchasing channels simultaneously, including souvenir shops or creative merchandises fairs;
- ✓ Provide more detailed product parameters and more attractive pictures and samples;
- ✓ Improve the interaction between online and offline channels, and expand the influence of offline marketing to drive the development of online platforms;
- ✓ Broadcast the uniqueness and meaning of African culture, to reduce cultural differences and misunderstanding;
- ✓ Advertise local craftswomen's stories to enlarge the customer base for African handicrafts.