

# **Reflections on the constraints in entrepreneurial development among emerging survivalist and micro craft enterprises in Gauteng**

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## **Abstract**

The development of the creative industries sector is a key strategy of the South African (SA) government for sustainable development and the creation of employment opportunities. This study investigated the constraints in entrepreneurial development among emerging and survivalist craft enterprises in SA. A survey was conducted among 220 craft enterprises.

The findings revealed that craft enterprises face major challenges in terms of finance, technology adoption, training and development, quality assurance and new product development. Instead of relegating craft enterprises to the social welfare departments, it is necessary for the government and policy makers to incorporate such enterprises into the mission and operations of all departments of local governments. Local government and municipalities therefore need to work together in planning permanent trading areas within urban centres for craft enterprises. There is an urgent need to establish and formalise a national co-ordinating structure which can bring government and industry into a uniform national forum to drive growth, training and development and sustainability of the craft sector.

## **Key phrases**

*craft enterprises; entrepreneurial marketing; finance; internet adoption; product development; training and development*

## **1. INTRODUCTION**

The creative industries sector has recently drawn the attention of policy makers in South Africa, as evidenced by the series of reports produced regarding strategic priorities and the sector's potential for job creation and labour absorption (United Nations 2008:3; United Nations 2010:65). The creative industries sector is unique in that it has both economic and cultural dimensions and carry with the values, ideas and aspirations of the country of origin (Department of Trade & Industry 2005:6; United Nations Industrial Development Organisation 2007:18).

Within the creative industry, the craft subsector in South Africa is considered of particular importance because it is an ideal platform for the provision of job opportunities to emerging entrepreneurs (Department of Labour 2011:7; McCarthy & Mavundla 2009:34), the majority of which are previously disadvantaged and marginalised communities (Broembsen 2012:2; Hay 2008:2; Perreira, Shackleton & Shackleton 2006:478).

Craft enterprises also benefit from the increasing tourism in SA (Hu & Yu 2007:1087; Statistics South Africa 2011:7; Wilkins 2010:7). Statistics reveal that the South African craft sub sector contributes approximately R2 billion to GDP (0.14%) and provides income and employment to approximately 40,000 people through the economic activity with approximately 7,000 micro enterprises and small enterprises operating across the value chain (DED & SEDA 2007:23 in McCarthy & Mavundla 2009:34; Department of Labour 2008:38; Department of Trade & Industry 2007:28).

It is difficult to give a satisfactory definition of craft (Rogerson 2010:117). However, definitions of craft vary from the making of goods from various types of materials which may encompass products made as an expression of cultural and traditional heritage, artistry and enterprise (Hay 2008:1). Rogerson (2010:117) define craft as a product that is 80% handmade and 20% mechanical, using different materials such as clay, fibre, beads, recyclables and textiles, such products may include homeware (such as pieces of furniture, artistic decorative piece and wall art), collectables (where there are signs of originality and creativity within a cultural tradition), gifts and novelties (such as unique branded products for special events), jewellery or fashion accessories (such as bead necklace), curios (various types of souvenirs or memorabilia and garden products (products designed for outdoor use) (Rogerson 2010:117; UNESCO 1997:6).

The Department of Arts, Culture, Science and Technology (1998:8) define craft as “the production of a broad range of utilitarian and decorative items manufactured on a small scale with hand processes being part of the value added content which make use of a range of synthetic and natural materials”. According to the Department of Trade and Industry, craft is broadly defined as the creation and production of goods on a small-scale using hand processing (Department of Trade & Industry 2005:11).

## **2. LITERATURE REVIEW**

As in other developing countries, there are various barriers that inhibit the growth of the craft sector. Various sources of literature have identified key variables that inhibit the growth of

craft enterprises, these are primarily linked to information and marketing, finance, support infrastructure and training, product development and technology adoption (Department of Sports, Arts, Recreation & Culture 2007:10; Department of Trade & Industry 2005:85; Grobler 2005:42; Wesgro 2000:32). Some of the variables that impact on the development and expansion of craft enterprises are identified. These variables, with particular reference to the survivalist and micro-enterprises are the focus of the study.

## **2.1 Product development and quality assurance**

Owing to increasing international competition, the future of the craft industry in SA depends on its ability to design products that are of good quality in order to set them apart from those of competitors (Wesgro 2000:28). Product development is important for craft enterprises because it determines the saleability of their products. Some craft producers are driven by their desire to express artistic sensibilities and fail to create a balance between their artistic vision and the market demands. They are more driven by the former which implies that they fail to meet the market demands since some of their artistic visions do not reflect what craft retail organisations and consumers want (Phillip 2006:213; Torres 2002:230).

As a result, they create products without deriving the economic benefit from their production (Department of Arts, Culture, Science & Technology 1998:90). Addressing this often requires them to attend training on product design, product quality and quality assurance. Cawley, Gaffey and Gilmore (1999:55) and Wesgro (2000:32) affirm that product development, product quality and design and training are crucial for the development of craft enterprises. Global competition, market demand, shortening product life cycle, the need to grow the business and rapid technological developments, require that organisations, regardless of size, find ways to accelerate new product development processes and present products that are of high quality (Owens 2007:2).

Craft product customers such as retailers always expand their product range (Department of Sports, Arts, Recreation & Culture 2007:107). They buy new products from time to time and take new product proposal from new suppliers because competition demands that they always look for something new and unique. They also buy product designs that are in line with style trends in terms of lines, shapes, colour and finish (United States Agency for International Development 2006:34).

Makhitha (2013:214) found that craft retailers rate product quality, exciting and attractive product, styling and design as well as product distinctiveness as the most important product

aspects that determine whether they will buy from craft enterprises or not. The ability of craft producing enterprises to introduce new products and adapt existing ones can create entrepreneurial opportunities for them. However, some craft producers do not have adequate training in making products that are relevant to market needs and preferences (Grobler 2005:42).

For consumers, quality, product style, price and originality are the main factors considered when buying crafts (Kaizer & Associates 2005:31). Product quality helps differentiate the business from others and can be achieved through certification, in terms of possession of a quality mark or symbol, possession of a regional label and specification in terms of production, delivery and traceability or link to a culture, and attraction in terms of design, texture, appearance, price and personal attention (Cawley *et al.* 1999:40).

## **2.2 The Internet and technology integration**

Research undertaken by the Department of Arts, Culture, Science and Technology (1998:28) indicates that the value of electronic marketing has not been fully understood within the craft industry. The Internet provides a number of benefits for enterprises, which, in turn, create entrepreneurial opportunities for such enterprises (Migiro & Ocholla 2005:290). It is also a low-cost way of conducting economic activities (De Klerk & Kroon 2005:35). While other small enterprises in sectors such as tourism have adopted the use of the Internet (Migiro & Ocholla 2005:290), it is not known whether this is the case with craft enterprises in SA. United Nations Educational Scientific and Cultural Organisation (1997:5) noted that the Internet has become the most important medium worldwide for craft product marketing. It can bring significant enhancement to craft enterprises that are willing and able to integrate their marketing and daily operations (Batchelor & Webb 2002:9).

The advancement in Internet technology has created many opportunities for large and small enterprises. Although Internet adoption among small enterprises is in its infancy (Cloete, Courtney & Fintz 2002:8), benefits include email messaging, communication with customers, placing business and product information on the Internet, access to product and component information, search for new suppliers, gathering of information about current suppliers, providing information to suppliers, gathering competitive information and online ordering (Cloete *et al.* 2002:6; Osmonbekov, Bello & Gilliland 2002:159). It enables suppliers to post information about their products and businesses, allows for placement and filling of orders, facilitates product delivery and service performance (Gilmore, Gallagher & Henry 2007:236).

In addition to the above benefits, small enterprises can benefit from introducing Internet marketing into their marketing mix by providing online quotes and advertising in a variety of markets at low cost. Instead of using expensive printed materials such as catalogues and brochures, small enterprises can rely on the Internet (Gilmore *et al.* 2007:244). More importantly, Internet adoption could give them a wider market access since they can reach customers across the globe that they would otherwise not be able to reach owing to resource limitations. Internet adoption helps enterprises to gather information about their customers, to keep abreast of changes in consumer behaviour as well as to gain new product ideas (Migiro & Ocholla 2005:291).

The globalisation of the crafts presents both an opportunity and a challenge for the craft industry. The opportunity is derived from accessing the global market, which can be made possible by the adoption of information technology such as the Internet. The Internet is known for supporting the progression of globalisation as well as entrepreneurial market activities (Schmengler & Kraus 2010). However, globalization also leads to increased competition from other countries which require that crafters in SA place more emphasis on product development to remain competitive (Jena 2010:128). Internet shopping is also a growing trend in countries such as the US and Germany which are major markets for SA crafts (Kaizer & Associates 2005:31).

It seems therefore that through Internet adoption, craft enterprises may open up important avenues in terms of procurement and marketing. Failure by craft producers to adopt the Internet will hinder them from developing and promoting their products locally and internationally (Canadian Craft Federation 2001:46).

### **2.3 Access to training development and finance**

Training has been identified as one of the major interventions needed to develop and support craft enterprises and to bring them on par with their international competitors. This would involve training in product development, marketing, finance and how to manage their businesses. Craft producers do not possess the necessary skills and abilities to manage all aspects of their enterprise such as marketing, export management and product design (Kaiser & Associates 2005:23).

The ability of craft entrepreneurs to bring new products, innovative products or new product ranges to market depend on their access to education and training (Rogerson 2000:712). Some craft producers rely on traditional tools and techniques with a weak production base.

Training is therefore needed to upgrade their skills, which in turn will lead to improvement in the quality of production. Education and training play a key role in the success of small enterprises (MacDonald, Assimakopoulos & Anderson 2007:78). Training and development have a great influence on the emergence of strong and successful small enterprises as well on product development (Rogerson 2000:711).

To achieve socio-economic objectives, governments in many countries have put support structures in place to help facilitate the development of small enterprises. For example, the SA government has established structures at national, provincial and local government levels that support the establishment and sustainability of small enterprises. Such support structures include the formation of the Small Enterprise Development Agency (SEDA), which operate at a national level and supports small enterprises nationwide. The Gauteng Economic Development Agency (GEDA), which operates in the Gauteng province, is an example of the provincial structures available in South Africa to support small enterprises. These structures were established as a mechanism for reducing market failure and supporting the development of small enterprises, including craft enterprises (Department of Arts, Culture, Science & Technology 1998:86).

The establishment of the craft design centres in three major provinces: Gauteng, Kwazulu-Natal and the Western Cape, is crucial for marketing and training, particularly training in product development. The Gauteng, KZN and the Western Cape provinces are core market for the majority of craft enterprises (Wesgro 2000:4). The craft sourcing enterprise, which is still to be established, will serve as a distribution channel to bring the craft enterprise and craft buyers together (Department of Arts & Culture 2011:3). Since small enterprises lack financial resources to access training and development, these support structures are used by government to provide such support. It is of utmost importance that the training and development provided to small enterprises remain relevant to both their needs and those of the market (MacDonald *et al.* 2007:80). Finance has been pointed out as one of the major limitations for small enterprises affecting their survival (Rogerson 2001; Migiro & Ochola 2005:292). Financial assistance is also crucial for craft enterprises in order for them to improve their production (Jena 2010:134). Craft enterprises require a steady flow of capital since they are not capital-intensive industries and, in most cases, their revenues are seasonal.

While new product development and Internet adoption are critical for small enterprise development and success, access to available training programmes is also essential.

Training programmes are useful for small enterprises to learn how to develop new products and to manage quality assurance. They can also help them develop the benefits of Internet adoption. De Jong and Vermeulen (2006:598) identified training and development as an important determinant of small business innovation practices for some businesses. Kirby and Turner (1993 in Migiro & Ochola 2005:29) considered lack of knowledge of how to use technology as one of reasons for not adopting Internet technology.

### **3. PROBLEM STATEMENT**

Craft enterprises face stagnancy of product development, developing similar products over the years. They duplicate the best-selling products and fail to explore uniqueness (Zulaikha & Brereton 2011:56), which hinders their entrepreneurial success. There are many growth opportunities for craft enterprises in South Africa. These prospects originate from the export market, retail-based opportunities that are associated with the tourism industry, cultural activities and the fact that craft enterprises can create new products across product ranges (Wesgro 2000:34).

Growth opportunities can be pursued if craft enterprises develop products that are unique and meet the needs of the market (Makhitha & Bresler 2011:252). This would require them to develop new products from time to time, adapting them to suit the changing needs of customers, and bringing new in and unique products to remain up to date with changing consumer needs and tastes (Jena 2010:134).

Craft enterprises also tend produce quantities of products without determining whether the products will meet the needs of their market (Grobler 2005:42). While many studies focusing on craft enterprises exist (Grobler 2005; Ndlovu 2006; Rankin 2007), few of them have investigated the key variables that contribute to craft business success in South Africa. In addition, the Department of Trade & Industry (2005:5) report shows that there is an absence of reliable data on craft enterprise success and the changing dynamics of the craft industry. Rogerson (2011:125) concurs there are a limited number of studies which addresses the issues facing South African crafters.

### **4. RESEARCH DESIGN**

#### **4.1 Description of the population, measurement instrument and data collection**

A survey was conducted among craft enterprises in Gauteng SA. Gauteng province, one of the major urban provinces in South Africa has a substantial concentration of craft enterprises.

The study targeted craft producers producing different types of products. Convenience sampling was adopted since it is difficult to locate craft producers in the province. Although the provincial Department of Arts and Culture has a database of craft producers, it is still not well developed. Accessing the database is also a major challenge. Ease of reach, and cost were the main determinants in choosing the convenience sampling method (Cooper & Schindler 2006:245).

A questionnaire was developed based on the literature of previous studies, including government sources such as reports from the South African Craft Industry and DTI. There were 28 questionnaire items, which measured five constructs: product development, quality assurance, Internet adoption, finance, and training and development. Questions were formulated in Likert-scale format, 1 denoting strongly disagree, 2 denoting disagree, 3 denoting moderately agree, 4 denoting agree and 5 denoting strongly agree. There were eight items measuring product development, four items measuring quality assurance, eight items measuring training and development and six items measuring Internet adoption and 2 measuring finance. There were two demographic items in the questionnaire, one measuring the length of time the business was in operation and the other determining the number of workers employed by each enterprise.

Data were collected using fourth year Bachelor of Technology Logistics students from a university. Students were trained to perform their fieldwork duties. Data were collected from either owners or managers of the businesses. Since the study adopted the convenience sampling method, craft producers that were located in flea and craft markets were targeted for the sample. Flea and craft markets are the places most visited by tourists and other consumers looking for craft products (SA Tourism 2009). A total of 220 usable questionnaires was analysed for this study. Data analysis was carried out using SPSS version 20.0 for Windows. The descriptive analysis of the sample composition, correlations and factor analysis were undertaken. The reliability analysis was also conducted.

## **4.2 Reliability and validity**

Reliability analysis (Cronbach alpha) was computed to determine the internal consistency of the product development, quality assurance, Internet adoption, and training scales. The Cronbach alpha for the composite scale was 0.818 (as shown in Table 2). Malhotra (2010:319) deemed the Cronbach alpha of 0.70 to be satisfactory. The Cronbach  $\alpha$  of individual scales ranged from 0.801 to 0.822. The reliability of the scales is satisfactory and consistent with other studies (Swanson 2004:369).



Content validity was also established through a pre-test of the questionnaire with three academics. A pilot test was also conducted in the field with 50 craft producers. Question wording, formatting and content were adapted after the pre-test and pilot test stages.

## 5. ANALYSIS AND DISCUSSION OF RESULTS

This section discusses the descriptive results followed by factor analysis.

### 5.1 Descriptive results

The majority item of the respondents (31%) have been in operation from 3 to 5 years (n=68), followed by 25% who have operated for between 6 and 10 years (n=55) and 24% of respondents have been in operation for more than 10 years (n=52). The remaining group of respondents have been in operation for two years and less constituting 20% (n=43) of the population. This question was only answered by 218 of the respondents.

A majority of the craft enterprises employ 2 and 5 persons (n=108, 50%), followed by those who operated their craft enterprises by themselves (n=84, 39%). Very few of the craft enterprises employed between 6 and 10 employees, (n=19, 9%) and more than 10 employees (n=7, 3%).

Table 1 reports on the descriptive statistics of the five constructs: product development, quality assurance, Internet adoption, finance and training and development.

**TABLE 1: Descriptive statistics: mean and standard deviation**

Construct	Scales description	Item means	Standard deviation	Construct mean
Technology adoption	Have access to own Internet	2.61	1.462	2.63
	Access Internet at the internet café	2.83	1.347	
	Use Internet to sell and advertise the products	2.36	1.335	
	Use of email to communicate with customers	2.62	1.364	
	Internet is useful for our businesses	2.84	1.435	
	Use of email to communicate with suppliers	2.56	1.398	
Training and	Received training in marketing	2.12	1.221	2.31

Construct	Scales description	Item means	Standard deviation	Construct mean
development	Received training in how to manage our businesses	2.39	1.368	
	Implemented what we were trained for successfully	2.49	1.389	
	Received support in how to implement what we have been trained for	2.27	1.320	
Product development	Develop new products to keep up with the changes in the market	4.03	1.114	4.12
	Improve some of our products by adding new features	4.26	0.982	
	Develop unique products differentiated from those of competitors	4.12	1.153	
	Bring in new products from time to time	4.06	1.071	
Quality assurance	Have quality assurance management in place	3.37	1.294	3.63
	All products are quality assured	3.76	1.226	
	Produce products of consistent quality	3.76	1.241	
Finance	Do not have access to government funding	3.19	1.510	3.35
	It is difficult to receive government funding	3.53	1.447	

**Source:** Authors' processing of data from questionnaire

The results show that craft enterprises place emphasis on product development (M=4.12) through improving existing products by adding new features, bringing new products into the market from time to time, and development of unique products in order to operate within the competitive market.

This enables them to meet the needs of customers such as the retailers who are always on the look-out for something new and unique (United States Agency for Industrial

Development 2006:34). While it is advantageous to keep updating products and to be creative, it can be sometimes difficult for many crafters, especially those from black rural communities, who belong to a group and in trying to fit with the mainstream culture, have to conform to the norms of a particular community and thus produce items that are dictated by the community as being reflective of their heritage or culture (Department of Arts, Culture, Science & Technology 1998:81).

Hence, their products are a reflection of the society around them, rather than an outgrowth of the type of crafts they produce. This has serious implications for any development strategy for the domestic craft industry. Furthermore, the economic reality of many craft initiatives, especially in rural towns, is such that there are very few crafters who operate above the level of a survivalist enterprise and, as a result most are unable to undertake research and development in order to differentiate their products. Thus, they are forced to compete on price which results in very low profit margins that perpetuate the on-going vicious cycle of continued underdevelopment and underinvestment (Department of Arts, Culture, Science & Technology 1998:68).

Quality assurance is also an important aspect for craft enterprises (M=3.76). Quality assurance of their products and providing consistent product quality are necessary components of product development. One of the problems facing the craft sector is that products are perceived as having an inherently low value. In addition, the production of products of poor quality which are incompatible with customers' preferences contributes little to the growth and development of the craft sector (Hay 2008:13; Makhitha & Bresler 2011:250).

The Internet is moderately adopted among the craft enterprises (M=2.63). However, crafters do agree that the Internet is an important medium for conducting their business and communicating with their customers. Nevertheless, crafters seem to communicate less with their suppliers (M=2.56) and also make less use of the Internet for selling and advertising their products (M=2.36). The poor adoption of the Internet and other technology may be further exacerbated by the low levels of literacy and numeracy among many crafters, especially those emerging from the rural areas.

Craft enterprises find accessing finance from government and its agencies problematic (M=3.35). The absence of appropriate financial services and schemes to assist crafters seems to hinder their sustainability and further development. This further prevents from building adequate stock in order to provide the market with choices or from capitalizing on

seasonal demand curves (Department of Arts, Culture, Science & Technology 1998:72). Because of their survivalist nature, they are limited with regard to cash or credit facilities and have to wait for long periods for payment, which makes it difficult for them to enter into supply agreements with major retailers, who require between 30 and 90 days to effect payment.

The results also show that the majority of craft enterprises do not have access to training and development opportunities available to them (M=2.31). Previous research has shown that some crafters are not even aware of such training programmes (Makhitha & Bresler 2011:250). An understanding of what is involved in running a business and practical business skills such as pricing and costing, marketing, sourcing supplies, financial assistance and managing their finances, are essential for crafters.

New product development training should also include developing area-specific or country-specific products, since this might play a role in differentiating crafts made in SA from those of other countries. There should also be a change of mindset among craft enterprise especially those who perceive their products to be unique and of higher quality, even though they are similar to those of competitors (Makhitha & Dhurup 2012:134).

## 5.2 Factor analysis

Since this was an exploratory study, factor analysis was conducted to ascertain whether the variables developed from a review of the literature could in fact be grouped into meaningful dimensions to describe the essential factors which enhance business development among emerging craft entrepreneurs in small and medium enterprises and micro enterprises in South Africa. To reduce the volume of data from each of the constructs and to identify the underlying scales for each construct, the principal component factor analysis with Varimax rotation was performed. To facilitate factor extraction, factor loadings of 0.50 or more were considered meaningful in describing a variable loading onto a factor. The factors were extracted *a priori*, i.e. based on the literature on these constructs. The rotated factor loading matrix is reported in Table 2.

In keeping with the literature review, all factors loaded according to the appropriate dimensions, namely technology adoption, training and development, product development, quality assurance and financial support.

**TABLE 2: Rotated factor loadings matrix**

Scales description	Factor 1: Technology adoption	Factor 2: Training & development	Factor 3: Product development	Factor 4: Quality assurance	Factor 5: Financial support
Developed new products - changes in the market	.058	-.083	.826	.142	.174
Improve products by adding new features	.066	-.023	.847	.076	.024
Developed unique products differentiated from those of competitors	-.018	-.045	.792	.211	.029
Bring in new products from time to time	.133	.125	.694	.265	.055
Have quality assurance management in place	.028	-.041	.102	.835	-.053
All products are quality assured	.090	.051	.287	.847	.116
Produce products of consistent quality	.025	.015	.357	.694	.173
Have access to own Internet	.788	.167	-.002	.028	.066
Access internet at the Internet café	.676	.066	.136	.061	-.013
Use Internet to sell and advertise the products	.807	.046	.034	.037	.032
Use of email to communicate with customers	.909	.052	.050	-.037	.012
Internet is useful for our businesses	.827	.078	.066	.036	.059
Use of email to communicate with suppliers	.814	.161	-.028	.048	-.041
Do not have access to government funding	.055	-.073	.116	.059	.905
It is difficult to receive government funding	.024	-.050	.106	.092	.903
Received training In marketing	.230	.837	.053	-.028	-.056

Scales description	Factor 1: Technology adoption	Factor 2: Training & development	Factor 3: Product development	Factor 4: Quality assurance	Factor 5: Financial support
Received training to manage our businesses	.126	.916	.033	-.041	-.038
Implemented what we were trained for	.107	.910	-.018	.069	-.048
Received support to implement our training	.053	.879	-.098	.016	-.008
Eigen value	4.817	3.740	2.560	1.505	1.241
% of variance	25.355	19.687	13.473	7.920	6.531
Cumulative %	25.355	45.042	58.515	66.434	72.966
Reliability (Cronbach alpha)	0.834	0.788	0.896	0.821	0.918

**Source:** Authors' processing of data from questionnaire

**Factor 1:** technology adoption comprised six variables and accounted for 25.35% of the explained variance. For craft enterprises to remain competitive, they need to keep up with the market trends. This would require them to keep in contact with their customers and suppliers. They also need to collect information on customers, competitors and other members of supply chain. The Internet is known to provide such benefits by linking the business with its customers and suppliers, and small enterprises can also learn about their competitors (Batchelor & Webb 2002:11). In addition, Internet allows businesses to sell, distribute and communicate with the customers, suppliers and other important stakeholders (Hutt & Speh 2007:328; Migiro & Ochola 2005:292).

Craft enterprises have not fully grasped the benefits of adopting Internet marketing, which is only moderately adopted (refer to Table 2). The Department of Sports, Arts, Culture and Recreation (2008:6) also found that craft enterprises believe the Internet is of moderate importance. This implies that craft enterprises are not being adequately proactive and also lack the flexibility to adopt a new way of communicating with their stakeholders. These findings are similar to those of other studies which revealed that small enterprises have low adoption of Internet and other forms of technology in their communication (Al-Allak 2010:92; Cloete, Courtney & Fintz 2002:8). These findings are not uncommon as The Craft Council of Ireland (2006:16) also found a low adoption rate among craft enterprises in Ireland. The

United Nations Industrial Development Organization (2007:34) and Batchelor and Webb (2002:41) concurred that sales of craft products over the Internet were slow.

**Factor 2:** training and development comprised four variables and accounted for 19.69% of the explained variance. Training in the essential elements of marketing, and general training in the effective management of an enterprise are essential components that contribute to the success of a craft business enterprise. The Department of Arts, Culture, Science and Technology (1998:15) indicates that the marketing of craft products is often irregular and once-off. It is an unreliable industry according, to the international buyers of craft products from developing countries. Craft is often sold on the streets or in flea markets (Urban-Econ Tourism 2010:30) and the continuous packing and unpacking of goods can lead to breakages. In addition, the report noted that basic business skills, as well as skills in product development, production techniques and sourcing of materials are largely lacking among South African crafters for whom training is necessary.

Even though craft enterprises perceive themselves to be good at product development, they can learn more about product development to ensure that what they produce is what the market wants. This would allow them to serve other market segments, particularly the retail market, which they currently lack the skills, knowledge and abilities to reach (Department of Arts, Culture, Science & Technology 1998:25; Wesgro 2007:4:33). Training is most often conducted by small enterprises service providers, who often fail to acknowledge the importance of design in the training, and often measure the success of their projects quantitatively in terms of numbers passing through courses. This results in training projects producing trainees who are good copyists and produce products with a very short life cycle (Department of Arts, Culture, Science & Technology 1998:29).

**Factor 3:** product development comprised four variables and accounted for 13.47% of the explained variance. Entrepreneurial marketing requires that businesses adapt their products in response to customer needs and preferences by continuously developing and creating new products that meet the needs and preferences of customers (Al-Askari 2011:115). A study undertaken by Sellsschop, Goldblatt and Hemp (2005:120) revealed that those craft enterprises that operated from the craft and flea markets lacked knowledge of product development with regard to new product designs, resulting in many similar products being sold by craft entrepreneurs on the same premises. Frequent changes in product design are necessary to complement the changing trends and needs of the craft market (Grobler 2005:70). Khan and Creazza (2009:313) revealed that successful small enterprises use

product innovation as a means to achieve a competitive advantage. Craft enterprises need to introduce product differentiation, which makes their products unique. This is a winning formula since it enables them to combine products of the best quality with high performance, reliability, and also provides product variety and product range to appeal to a wider market segment.

**Factor 4:** quality assurance comprised three variables and accounted for 7.92% of the explained variance. Product quality characteristics are considered important for small enterprises to achieve competitive advantages (Cawley *et al.*1999:59). Craft enterprises are of the opinion that their products are quality assured and that they are of consistent quality. However, there is no evidence from South African literature to support such claims, as these products have not gone through any quality control audits. These findings also contradict claims that craft enterprises do not provide consistent quality and that they fail to bring new products that are in line with market changes (Makhitha 2013:171). This contradiction could mean that craft producers need to learn how their customers define quality and ensure that their understanding of quality closely matches those of their customers. A study by Grobler (2005:42) revealed that craft enterprises produce products without a proper understanding of what customers look for.

**Factor 5:** finance comprised two variables and accounted for 6.53% of the explained variance. Finance has been considered as one of the major limitations facing small enterprises. Having access to financial support would add value to craft enterprises. They might also require training on how to access financial support from government and its agencies.

## 6. RECOMMENDATIONS

The findings of this study have several implications for craft enterprises and policy makers within the government. While craft enterprises should continue with their current product development practices, they should ensure that they also develop products that serve the needs of various local market segments and the international markets.

The survivalist and micro-enterprises sell mostly from the flea and craft markets or on the roadside. The retail (retailers) and international markets are possible avenues for craft enterprises to explore. The retail and international markets are formal markets which require more in terms of quality and uniqueness compared with customers buying from the informal craft and flea markets. Therefore, there is a need for craft enterprises to undergo training and development so that they learn the skills of developing new products for such markets to



ensure their enterprise growth and sustainability. Such training should not be restricted only to the development of new products, but should also develop the capacity of crafters in design and innovation across the value chain. The Department of Arts, Culture, Science and Technology (1998:49) revealed that that some craft producers feel that intermediaries exploit them and they feel that their products are purchased for a very little and sold for much more as it was not uncommon to find by example, a basket sold by a weaver for R40 and then retailed at R400. Hence, there is a need to constitute a national co-ordinating structure, inclusive of relevant stakeholders which among other functions, oversees fair buying practices from larger retailers.

Craft enterprises are not benefiting from the adoption of technology and Internet marketing practices since the adoption level is low. They need to make use of technology as a means to gain market access so that they can reach customers who are not able to visit the flea and craft markets where they operate. Craft enterprises can also use such mechanisms for communication with customers. The government could assist with training on how to use technology as well as by providing such access to business owners. This would require government to train craft enterprise at local government level to ensure they can reach as many available businesses as possible. Government also needs to strengthen communication with craft enterprises regarding training available and the importance of such training to the survival of craft enterprises.

The formation of the Cultural Industry Development Agency (CIDA), a public-private partnership agency specifically geared towards building the cultural industries, is a step in the right direction and can provide services such as knowledge and information management, human resource development, strategic investment, grant funding as well as advocacy on behalf of the craft industry sector. Instead of relegating craft enterprises to the social welfare departments, it is necessary for the government and policy makers to incorporate such enterprises into the mission and operations of all local governments. Local government and municipalities should, therefore work together in planning permanent trading areas within urban centres for craft enterprises. There is an urgent need to establish and formalise a national co-ordinating structure which can bring government and industry into a uniform national forum to drive the growth, training and development and sustainability of the craft industry. In this way, synergies and seamless support programmes can be developed. This will lead to successful craft enterprises establishing themselves and building their business, leading to eventual integration into the formal economy.

## 7. LIMITATIONS

There were several limitations to this study. The study targeted the informal craft producers who operate from the flea and craft markets. The more established and formal craft producers operate in normal factory space, which means that these were not reached. The study targeted craft enterprises in the Gauteng province and might not represent the views of craft producers in other province who could be operating in a different business environment.

The study focused only on technology adoption, training and development, product development, quality assurance and financial support. Future studies could investigate entrepreneurial marketing practices of craft enterprises from broader marketing perspectives since the success of craft enterprises will depend not only on product development but also on other marketing elements such as market access, pricing, other promotion elements and distribution. Other variables such as access to markets, management of the craft sector, production capacity, infrastructure support, and availability of raw material, could be further areas of research.

## 8. CONCLUSION

The South African Craft Industry report show that a significant proportion of people presently involved in craft sector do so out of economic necessity rather than artistic aspiration or cultural heritage (Department of Arts, Culture, science & Technology, 1998). This may stifle innovation and creativity in terms of new product development among crafters. The provision of skills training for craft retailers and producers could be a project and a mechanism through which local economic development can be embraced by local government through ongoing capacity-building programmes. In terms of marketing, emerging craft entrepreneurs need more exposure of their products in the market, therefore, they need the support of local municipalities, provincial and national governments for marketing and promotion.

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