



# Creative Manufacturing and Handmade: A Sector Whose Time Has Come

Report | February, 2021





# Executive Summary

With over \$500 billion in annual revenue today, the creative manufacturing and handmade (CMH) sector is projected to grow by 20% per year, reaching \$1 trillion by 2024.<sup>1,2</sup> Dominated by women, youth and rural populations, CMH is already the second-largest employer globally (after agriculture), but the sector has been chronically under-served by investment, digitalization, access to business finance and markets. Despite enormous scale and potential, the sector continues to be undervalued as a vehicle for economic, social and environmental impact. We undertook this survey to find out why.

Out of 191 enterprises on four continents employing nearly 35,000 people, we found the majority have significant potential to grow. Yet most lack tools and services required to compete in a global retail marketplace. They face three principal barriers: insufficient financing and market access as well as lack of technology for business automation and scale.

They also have clear advantages, including in-demand skills and pervasive mobile adoption. As a result, the sector is ripe for solutions that use data collection and analysis to support improved enterprise management. This will in turn enhance market access, while attracting financing and investment.

This report seeks to clarify the sector's challenges and opportunities, while igniting interest among partners and stakeholders. Only a combined effort by impact investors and venture capitalists; donors, philanthropists and non-profits; major retailers and wholesalers; bankers, logistics firms and artisan enterprises themselves will move this massive, dynamic, but often neglected sector forward.

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**“We’ve seen that increasingly discerning customers are on the hunt not only for ethically made and eco-conscious goods, but also for highly unique products that add beauty and meaning to their space. A growing market segment is willing to spend-up for quality, artisanal pieces that both remind them of far-off places and help them create the sense of sanctuary at home we’ve all been craving in 2020.”**

**- Whitney Gantt,  
Director of Production, The Citizenry**

While this report makes no claim to be definitive, it represents a substantial sample from four continents. Given the relative lack of data-driven studies of CMH to date, these conclusions should be of interest to a wide audience.

The report was undertaken with financial support from the Mastercard Foundation out of a shared conviction that by making more data, analysis and insights available, we can together identify and deliver the right enablers for long-term success.

Together with many visionary partners worldwide, we aim to expand opportunities in the CMH sector. By pinpointing where value is created in global supply chains, we can guide larger investments towards strategic results, thereby making CMH more mainstream. Digitally-enabled CMH producers have

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<sup>1</sup> Research and Markets, Ltd. “Handicrafts Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2018-2023.” Research and Markets, June 2018, [www.researchandmarkets.com/reports/4592343/handicrafts-market-global-industry-trends](http://www.researchandmarkets.com/reports/4592343/handicrafts-market-global-industry-trends).

<sup>2</sup> Creative manufacturing: a form of production, not conducive to automation, employing craftsmanship and other hand-made techniques to change creative elements and designs frequently; smaller-batch fabrication rooted in circular economy principles that integrate local traditions and niche natural inputs, while catering to global markets.

the potential to become an alternative manufacturing model for retailers, wholesalers, designers and consumers increasingly drawn to small-batch production, customization and transparent supply chains for unique, authentic and sustainably-produced products. CMH has the potential to deliver a strategic response, at scale, to the changing preferences of engaged consumers now seeking unique brands and designs that impact the well-being of those at the bottom of the pyramid. This new model has the power to deliver higher incomes for artisan producers living in some of the world's poorest regions.



## Who are we?

Powered by People (PBP) is a technology platform providing CMH enterprises with production and enterprise management software, as well as access to financing and markets. We produced this report with many partners. Trade + Impact was instrumental in survey preparation and data analysis. The survey was distributed through partners Nest, The Challenges Group, By Hand Consulting, Aid to Artisans, Trade Facilitation Office Canada, AOW Handmade, Stacey Edgar Consulting, ITC Shetrades, CBI, WFTO, Challenges WorldWide, MADE51 and Sprout Enterprise. We all share the same goal: to unlock the creativity and talent of millions of artisan entrepreneurs worldwide.

In launching this sector-wide report, we are profoundly aware of the central role handmade producers and creative manufacturers have played throughout the long history of human civilization and continue to play today.

Our motivation for launching the PBP platform is to use a data-driven approach and technology to transform existing skills and human potential into a growing CMH ecosystem that empowers producers; launches and grows sustainable businesses; and preserves traditions, while driving progress towards the Sustainable Development Goals (SDGs).<sup>3</sup>



## Our Methodology

The data for this report was collected from a 42-question online survey of enterprises, collectives, cooperatives and NGOs conducted over the spring and summer of 2020, when most were facing COVID-related restrictions.

We invited 605 stakeholders to take part in the survey. The results below are based on 191 responses of which 143 were complete and the vast majority nearly complete – a statistically small but significant sample. The total workforce of the 191 enterprises responding was approximately 35,000 employees. Our experience reviewing available CMH data over decades leads us to believe these results are indicative of trends across the sector today.

The survey results are grouped into three regional categories – Asia, Africa/Middle East and Latin America/Caribbean (including Mexico). Of the 191 organizations that completed surveys, 68% were from Africa/Middle East. The smallest sample size was from Asia, where India and Bangladesh accounted for most respondents.

We fully recognize that such a classification does not do justice to significant distinctions, for example, among Mexico, the Caribbean, Central and South America; among Turkey, Iran, the Levant and Arab world; between North and Sub-Saharan Africa; or between South and East Asia. But our review of the raw data has made us confident this three-region schema is the right framework for these insights.

The survey reflects a bias towards producers with internet access, though we know many CMH producers are not yet connected, particularly at individual artisan level. In 2019 5.2 billion people (67% of the world's population) were mobile phone subscribers, 3.8 billion with internet-enabled phones. By 2025, 5.8 billion people are expected to have mobile phones.<sup>4</sup> As a result, the vast majority of CMH producers – formal businesses and individual artisan creators alike – now enjoy or are on the verge of gaining internet access.



ALMOST TWO for co/riZom by zestrea & wiener times, @markglassner

<sup>4</sup> GSMA 2020 report: <https://www.gsma.com/mobileeconomy/>



# Creative Manufacturing and Handmade at a Glance

**“West Elm’s longstanding commitment to the artisan sector drives community-based income opportunity and preserves traditional technique while offering unique, differentiated products to our customers. Being a reliable and consistent business partner to our artisan communities provides the resources to help them overcome challenges and embrace new opportunities.”**

*- Jennifer Gootman,  
VP Sustainability, Williams-Sonoma, Inc.*

The CMH sector today provides work for approximately 300 million people — predominantly women, youth and migrants living in rural areas with low incomes and often operating informally. Many are already supplying the world’s largest retailers. The sector’s growth is being driven by rapid transformation of consumer preferences that increasingly emphasize product provenance and transparency, sustainability and storytelling, as well as the emergence of ethically-minded and responsibly-sourced brands.

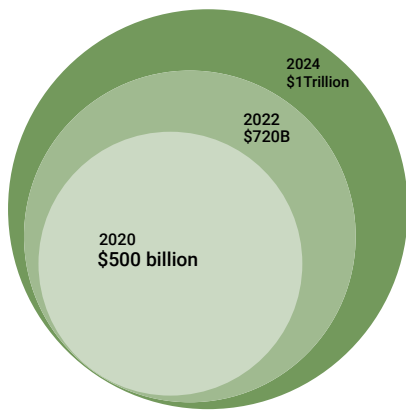
Many retailers, both luxury and mainstream, already source knitwear, rugs, embroidery, textiles, jewelry and other detailing from the CMH sector, yet this only accounts for a small fraction of total product selection, which is still largely sourced from assembly-line factories. Buyers lack the ability to reach artisan producers easily: strict compliance requirements often exclude CMH enterprises.

As a result, the CMH sector is at a crossroads. It can continue to grow at the same pace, remain principally analog and deny its workforce the digital advantages afforded to growing businesses. Or it can adopt the right digital tools, backed by financing and investment, to place itself at the forefront of a major shift towards boutique manufacturing and ethically-sourced products made by talented producers and creators, living in diverse communities with long-standing design traditions. Transformed by technology and entrepreneurship, CMH can flourish in the global marketplace.



Makaua, Mexico

## Sector Size



20% growth in the handmade sector

Total employed labour force globally is 3.5 billion. World Bank, 2020

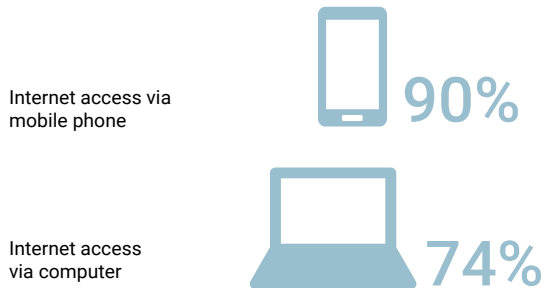


305M employed in handmade sector

1B employed in agriculture sector

## Internet Access

A large majority of all businesses have 6-8 hours of internet connectivity through both mobile phones as well as computers



## Demographics

76% of CMH business leaders are women



64% of the sector are youth under 35.



62% live in rural settings.



## Business Profile

Top countries by revenue

**Bangladesh, \$550,001**

**India, \$504,167**

**Uganda, \$503,126**

**Nepal, \$375,001**

**Afghanistan, \$375,001**

The average business in 2019 was headed by a woman, generating revenue of

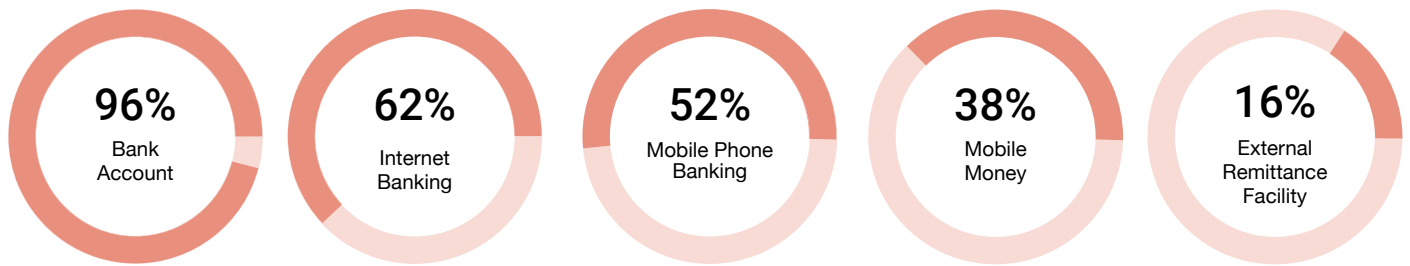
**\$183,487**

Employing 318 handmade producers with an average median order value of

**\$12,464**

## Financial Profile

Banking facilities are well established across the board with internet and mobile banking gaining traction.



## Challenges

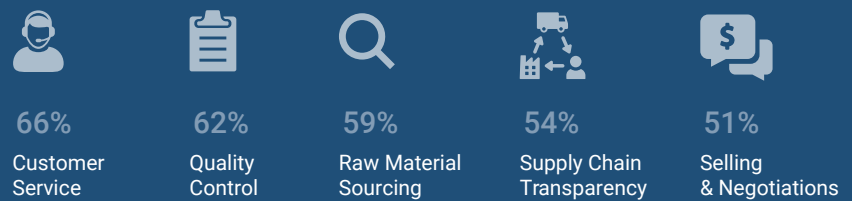
The top 5 challenges identified by companies ranged from financial and market access to product development and promotion.

### TOP 5 ISSUES REPORTED BY COMPANIES



### TOP 5 ISSUES THAT ARE NOT AN ISSUE REPORTED BY COMPANIES

On-ground operations is an area where companies in the sector reported being self-sufficient.







Turquoise Mountain, Myanmar

## Why Does the Sector Matter?

The CMH sector is a relatively “new” and unexplored sector. It is both ripe for investment and capable of generating significant growth in a new global economy.

CMH has immense job creation and revenue potential, particularly (but not exclusively) for low-income communities across Africa/Middle East, Asia, Latin America/Caribbean.

The CMH sector is vital for engaging women, youth and rural populations in the global economy as it provides meaningful work and income to such large populations.

CMH is by its very nature circular and employs less industrial and more sustainable processes such as small-batch production and boutique manufacturing, while relying heavily on renewable agricultural inputs.



### The CMH Sector is Vital for achieving the SDGs

The CMH sector has the scope and growth potential to have a tangible impact on most SDGs:

CMH livelihoods in rural areas underpin progress towards ‘no poverty’ (SDG 1).

High rates of participation by women and youth are critical to ‘global equality’ (SDG 5).

The scale and global growth potential of CMH deliver ‘good jobs and economic growth’ (SDG 8).

Digital, finance, logistics and training activities contribute to ‘Innovation and Infrastructure’ (SDG 9).

They also ‘reduce inequalities in and among countries’ (SDG 10).

CMH businesses ‘protect and safeguard the world’s cultural and natural heritage’ (SDG 11).

CMH also ensures ‘sustainable consumption and production patterns’ (SDG 12).

By empowering producers, CMH can contribute indirectly to ‘zero hunger’ (SDG 2), ‘good health and well-being’ (SDG 3), ‘quality education’ (SDG 4) and ‘clean water and sanitation’ (SDG 6).

Sector-wide CMH collaboration is also a powerful form of ‘partnership for the goals’ (SDG 17).





## Why Now?

### **Changing Consumer Demand: Small-Batch and Boutique Manufacturing**

Centralized factories became the standard template for manufacturing at a time when most customers wanted the same products. Today's consumers are seeking something different – unique, bespoke, innovative products that tell a story. Digitally-enabled CMH is at their service, with smaller-batch boutique manufacturing that empowers producers worldwide to meet this new wave of consumer demand for conscientious and authentic products.

### **Working from Home: A New Virtual Production Model**

Working from home is a new worldwide reality. For CMH, remote work is an unparalleled opportunity. With the right digital tools, CMH has the potential to become an alternative manufacturing model connecting producers through distributed and virtual networks to manufacturers, brands, designers and buyers. Instead of migrating to traditional factories in remote cities, this creative workforce remains in its home communities, capturing more value for producer families and mitigating the costs of migration and runaway urbanization.

### **Digitalization and Technology: Building an Inclusive Economy**

Already an effective enabler before the global pandemic, technology has now become a defining feature of CMH success. Given widespread mobile phone and internet access even in remote areas, CMH enterprises can leapfrog into a central position in the new economy. Closing the sector's digital gap can reduce poverty and underpin growing prosperity worldwide.

# Our Survey

The CMH sector is dominated by women, youth and rural populations. Fully 74% of all enterprises have female founders; 60% are under 35; and 62% live in towns or rural settings, away from major urban centres. Africa/Middle East have 80% female-led businesses, compared to 68% in Asia and 61% in Latin America/Caribbean.

According to our survey, the 191 surveyed CMH enterprises in total employ approximately 35,000 people, with each on average employing 318 people (excluding external networks used in periods of peak production). In Africa/Middle East, as well as in Latin America/Caribbean, nearly half those surveyed employ fewer than 25 people, with only a quarter employing over 100. This is in stark contrast to Asia, where only 20% of businesses employ fewer than 25 and 40% have more than 100 employees, accounting for the larger average workforce in the survey group.

The combined 2019 revenue of our respondents was \$35 million; the retail value of their production was five or more times greater, or \$175+ million. Businesses in Asia have the strongest sales, with 52% reporting over \$100,000 in revenue; in Africa/Middle East and Latin America/Caribbean, only 30% had annual revenues over \$100,000.

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**“We are trying to streamline our systems to be more virtual, and want to train artisans to access and interact with production information through improved use of their smartphones.”**

*- CMH survey respondent*

The average business had revenue of \$183,487 in 2019 but women-run enterprises in Asia, as well as in Africa/Middle East, generated considerably less than those run by men.<sup>5</sup> In Asia, women-led firms generated \$124,000 per year compared to \$1.2 million for those led by men. In Africa/Middle East, the difference was negligible: women-led businesses had \$166,000 in revenue as against \$174,000 for male-run. In Latin America/Caribbean, women-led businesses generated more annual revenue: \$97,000 on average as opposed to \$51,000 for male-run enterprises.

In Asia and Latin America/Caribbean there is a direct correlation between revenues and the number of years the business has been in operation. This is not the case in Africa/Middle East where enterprises report significant growth between years six and ten, after which business growth tends to plateau. Businesses in Africa/Middle East face higher barriers to achieving scale, notably due to limited access to markets and financing, but also because suitable production skills, marketing and raw materials were unavailable, or production and financial management tools inadequate.

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<sup>5</sup> Calculated as the weighted average of the revenue ranges respondents could select in the survey.



# Four Vectors for Investment, Growth and Prosperity

The survey aimed to understand what drives growth in the CMH sector. In analysing the data set, four vectors emerged as critical to success. Each one represents a dimension of progress that producers require to grow and scale their businesses.

There is a clear contrast between those producers that have moved along the four vectors, and those that have not. For the purposes of this report, we refer to ‘growth-stage’ enterprises as those that have broken through to achieve over \$250K in annual revenue (only 14% of those surveyed) and ‘small-scale’ businesses with lower but usually growing revenue levels (the vast majority, or 86%).



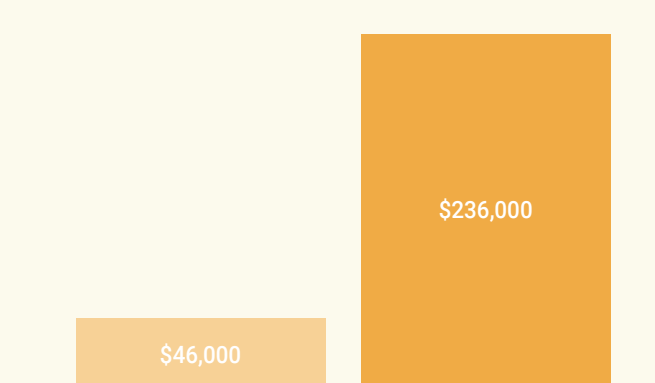
**Businesses that export see a 5 times growth in revenue, with a 30% growth in the first 2 years.**

## 1. Market Access Requires Business Readiness

Access to markets is the primary challenge for most enterprises. Strongly correlated to business size and revenue, larger and more capable enterprises face far fewer ‘market access’ challenges, with growth-stage businesses 25% less likely to cite it as an obstacle.

For most growing CMH businesses, exports and international sales are key drivers of market access. Enterprises with export experience enjoy on average five times higher sales, or \$236,000 compared to \$46,000 for those that are not exporters. An export track record translates into, on average, 37% revenue growth in the first two years of international sales; some respondents have achieved sales growth of up to 700% in five years.

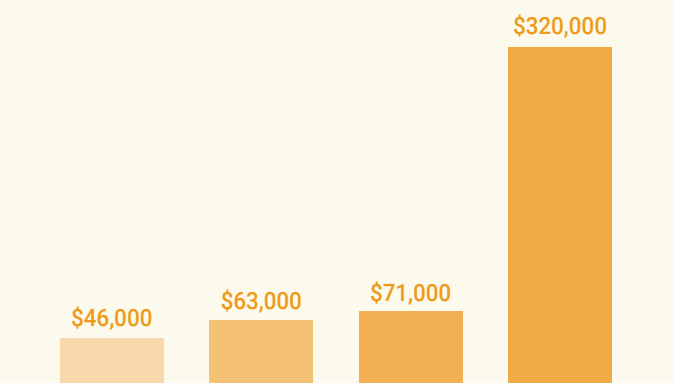
Those artisans with export experience see an average 5x growth in sales; an average revenue of \$236,000 compared to \$46,000 of those without export experience.



**LEGEND**

- No export experience and only regional export experience
- Some export experience

Artisans exporting internationally see an average 37% increase in sales within the first 2 years, with the potential to increase an average of 700% in 5 years.



**LEGEND**

- No export experience and only regional export experience
- 3-5 years export experience to international markets
- <2 years export experience to international markets
- 5+ years export experience to international markets

Enterprises in Asia are typically older, better financed and more experienced exporters, with 68% of CMH businesses in Asia having exported for more than five years compared to 45% in Africa/Middle East and 47% in Latin America/Caribbean.

In Asia and Latin America/Caribbean, business-to-business (B2B) or wholesale transactions dominated over direct-to-consumer (D2C) business models. In Asia, 66% of sales were B2B, while 34% were D2C. In Latin America/Caribbean, 69% were wholesale, while 31% were D2C. In Africa/Middle East, fully 50% of all sales happen through D2C channels.

Government support was not generally shown to have driven market access and business growth. Enterprises that had received government support did not have higher sales than their peers.

Given the global COVID-19 pandemic, more enterprises and organizations have been seeking to increase direct-to-consumer sales in order to be more self-reliant and less dependent on wholesalers who may or may not be open or able to operate in this new market environment.



While most individual artisans have mobile or feature phones connecting them to consumer style apps, including Whatsapp, Text and Facebook, most lack digital tools to manage their businesses.

## 2. Enterprise Technology Enables Scale

Access to technology and the internet is crucial to enterprise growth. Of all growth-stage businesses, 92% have access to the internet via computer for at least six hours a day. Only 71% of small-scale businesses had such access.

Enterprise management software is a key indicator for greater business size and growth. Businesses with no Enterprise Resource Planning (ERP) or Customer Relationship Management (CRM) systems had on average \$136,000 in annual revenues. Enterprises with either ERP or CRM had on average 2.5 times more revenue (\$342,000 on average), while those with both ERP and CRM had 6.5 times higher average revenue, or \$883,000. In other words, CRM and ERP solutions represent crucial prerequisites for larger scale, yet only 15% of CMH businesses surveyed now have either CRM or ERP.

Only 46% of enterprises have accounting tools – 25% desktop and 20% cloud-based. This figure is slightly higher in Asia. Accounting programmes vary widely by region, with Sage Pastel popular in Africa, Tally in India and QuickBooks in Latin America/Caribbean.

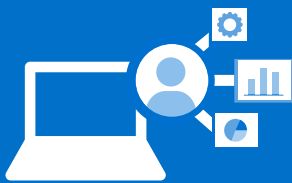
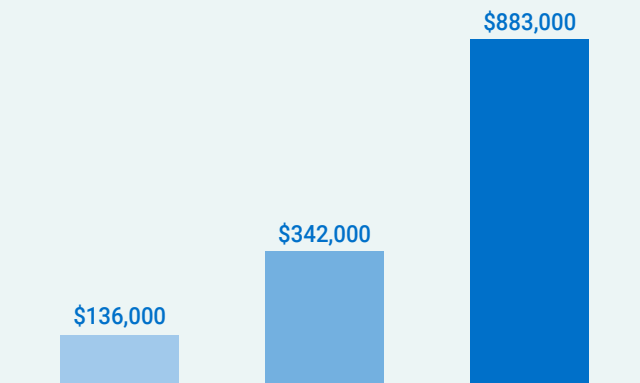


## Usage of Digital Tools for Business (% of companies )

Microsoft Office, cloud storage and email communication are popular online tools that are used to manage business.

### LEGEND

- Businesses that use **neither** ERP or CRM
- Businesses that use **at least 1** - ERP or CRM
- Businesses that use **both** ERP and CRM



Enterprises with either ERP or CRM had on average 2.5 times higher revenue while those with both ERP and CRM saw 6.5 times increase in sales growth.



Enterprises with financing solutions generally saw two and a half times greater sales.

### 3. Access to Financing Makes Larger Orders Possible

Access to financing is a challenge for almost every CMH business. Cashflow is a primary inhibitor to scale. The highly seasonal nature of retail means that cash is often not available in the months when larger orders are placed forcing many organizations to turn down business or wait on payment from past orders.

Of those surveyed, only 41% had access to purchase order financing; even fewer (37%) could rely on cash flow financing. Rates of access were slightly lower in Africa/Middle East and Latin America/Caribbean (41% for purchase order and 34% for cash flow) and higher in Asia (47% and 56%). Growth-stage enterprises are 33% less likely to report this challenge. Yet demand for financing at all stages consistently outstrips supply.

This issue is slightly more pronounced among women-led businesses, 49% of which benefit from access to financing, compared to 59% of men. Enterprises with financing solutions generally see two-and-a-half-times greater sales. While access to finance is often a result of sales growth, it can also be a driver of growth by removing cash flow constraints that prevent businesses from taking on the costs of production for larger or multiple orders.



**Enterprises with access to accounting tools (46%) had four times higher sales.**

Access to financing requires appropriate financial management and accounting procedures. Firms with access to accounting tools (46%) experienced four times higher sales, as well as better access to financing. Those using desktop accounting software (Sage Pastel, Tally) saw average revenues of \$322,000, while those with online accounting software (QuickBooks, Wave, Xero and Netsuite) had average revenues of \$353,000.

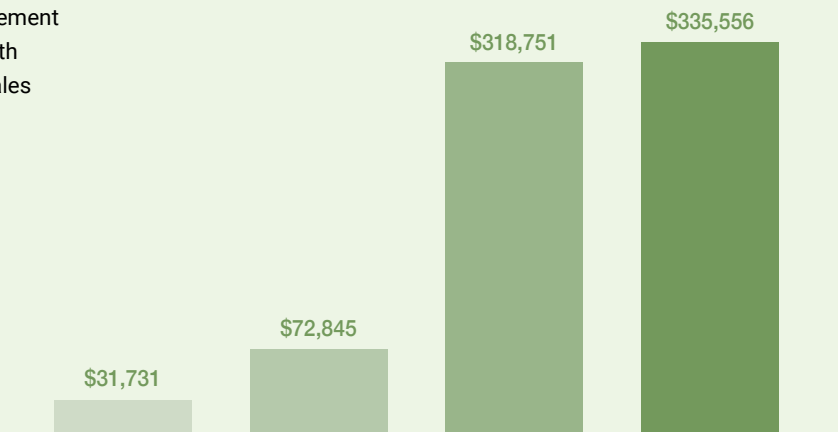
Fully 96% of CMH business respondents have bank accounts; 62% have internet banking; and 52% enjoy mobile banking access. Approximately 33% report financial management to be a challenge due to lack of specific skills and competencies.

**Use of Financial Management Systems and Business Growth (average revenue in \$)**

Access to financing is highly reliant on business management and accounting procedures; it can be seen that those with access to accounting tools saw progressively greater sales revenue (over 4x) and access to financing.

**LEGEND**

- Businesses using no systems
- Businesses using Excel
- Businesses using desktop accounting software
- Businesses using online accounting software



**4. Skills Development is Critical to Growth**

The vast majority of respondents named access to markets and finance as their two top challenges, but skills development and “lack of time” were also identified, especially by female-run firms. The survey also addressed access to skills and upskilling of the CMH producer workforce. Almost every respondent had difficulty recruiting employees with adequate production skills.

For small-scale firms, production and marketing skills were most needed, as well as merchandising, product design, and social media. For growth-stage businesses, operational efficiency and reporting were top priorities, along with





planning and operations, as well as raw material sourcing. Financial management and business skills were deficient across the board.

Early-stage enterprises emphasize entrepreneurship training while later-stage organizations are focused on education support programs. Growth-stage enterprises also commit over 50% more to impact in their communities around environmental and water projects and spend twice as much as small-scale enterprises on healthcare support programmes.

Growth-stage companies generally offer better wages and more benefits to employees, but they are 30% less likely to offer flexible working hours. This may be an important detractor for women in the CMH sector who often need flexibility around commitments at home, restricting them disproportionately to early-stage or lower-revenue firms.



## Insights and Conclusion

The CMH sector is significant in scale, filled with opportunity and ripe for transformation. With the right support and investment, it could drive a major shift in manufacturing by enabling artisans, creators and producers to connect through virtual networks anywhere to meet growing global demand for more meaningful, authentic and sustainable products everywhere. CMH is more sustainable, inclusive, diverse, female-friendly and dialled in to rural populations. It is also well-positioned to unlock the incredible digital advantage of its large and highly-talented youth component. We have identified five key insights that can help drive growth and development in the sector:

### Small and Medium Sized Enterprises (SMEs) Play a Crucial Role<sup>6</sup>

Without a thriving SME sector the overall economy is less dynamic. Most CMH enterprises surveyed for this report are SMEs - an often hidden branch of the SME universe in many low income economies. Once highlighted, supported, connected and given prominence, CMH represents an immense opportunity for job generation as well as social impact.

The key threshold is between small-scale businesses (with sales under \$250,000 per year), which represent 86% of those surveyed, and growth-stage enterprises with sales above \$250,000, which accounted for only 14% of those surveyed. With the right digital tools, backed by financing solutions and enhanced export-driven market access, a large number of small-scale CMH businesses can climb the ladder to become growth-stage exporters commanding a widening global retail market share.

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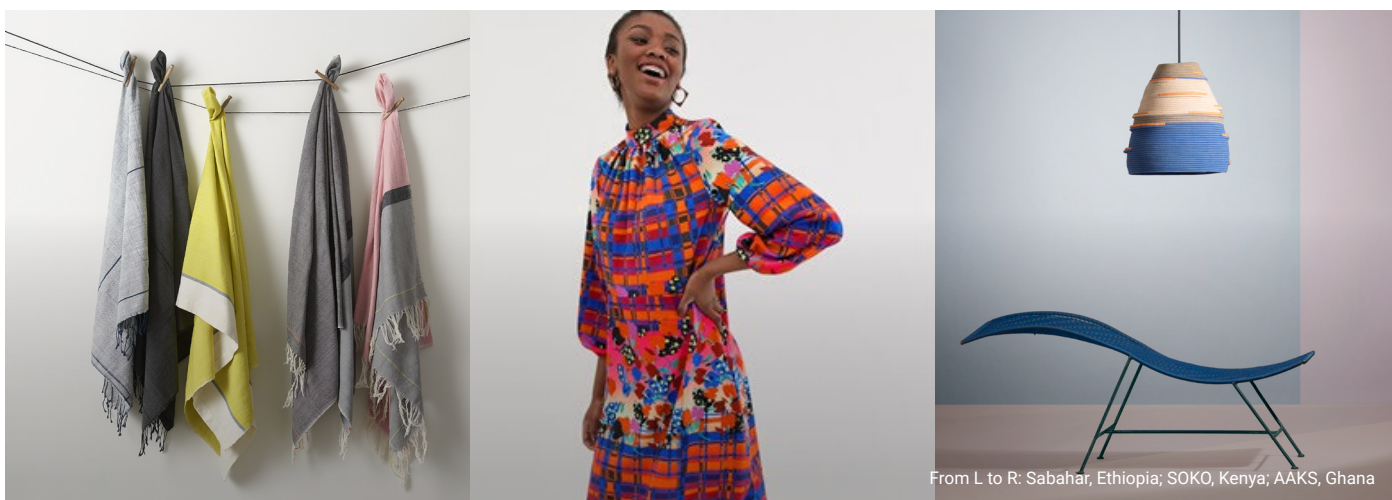
**“I am thinking about succession planning - the next generation will want to run the business much more digitally.”**

*- CMH survey respondent*

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<sup>6</sup> Small and Medium-sized Enterprises and decent and productive work creation, ILO, 2015: [https://www.ilo.org/wcmsp5/groups/public/--ed\\_norm/--relconf/documents/meetingdocument/wcms\\_358294.pdf](https://www.ilo.org/wcmsp5/groups/public/--ed_norm/--relconf/documents/meetingdocument/wcms_358294.pdf).





## Investing in Women and Youth Generates Impact

Women benefit strongly from CMH growth and job creation. Their role matters, especially given high unemployment rates for rural women, as well as the catalytic role economic empowerment of women can play in community development. By 2030, 75% of Africa's population will be youth and under age 35, women and youth entrepreneurs will expand their businesses if they have the right digital tools; enhanced access to financing, markets and new skills; and digital enterprise management.<sup>7</sup>

**“IKEA has ambitions to scale its social business partnerships in the coming years so that more consumers can enjoy these unique handcrafted products with strong stories, as well as to build a more inclusive supply chain delivering for our very strong sustainability agenda. This would create impact & momentum on our total business and inspire other like-minded retailers to make similar moves. That’s what I call impact!”**

**- Vaishali Misra,  
Business Leader, IKEA Social Entrepreneur Initiative**

Women-run enterprises have significant positive impact in their communities, especially with regard to clean water, education and health. Youth already play a major role in the CMH sector across all three regions. In many enterprises, the next generation is poised to take over. Enabled by a well-designed digital transformation, CMH may transition swiftly from analog roots towards a highly progressive, networked manufacturing model, driven by the digital skills of young people.

<sup>7</sup> Population Reference Bureau “Africa’s future: Youth and the Data Defining Their Lives”, 1 October 2019, <https://www.prb.org/africas-future-youth-and-the-data-defining-their-lives/>.



From L to R: Sidai, Tanzania; Kasigau Weavers, Kenya; Turquoise Mountain, Myanmar

## Financing Unlocks Growth

Today's CMH sector is 95% self-financed, with men much more likely to receive outside financing than women.<sup>8</sup>

Access to skills is a critical obstacle, with basic and consistent financial records a challenge for many smaller companies. Most businesses need purchase order and/or cash flow financing solutions, as well as new forms of collateral to access them.

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**“We need financing to stock raw materials and finance production for orders we know are coming within the next 2-3 months.”**

*- CMH Survey respondent*

Mobile wallets and apps now provide options for credit and transfers. Yet current risk/return ratios, as well as persistent bias towards physical collateral, mean these services are often available to individuals but not enterprises as cross-border payments of \$10,000 or more are routinely red-flagged by FINTRAC authorities. New digital financing solutions can power faster CMH growth.

## Digitalization is Transforming CMH

With the current reach of mobile technology, internet access and computers, digitalization is a realistic goal for CMH enterprises. However, small-scale CMH businesses lack basic digital enterprise tools: fewer than half have accounting systems; only 16% have ERP or CRM systems. Excel, Google docs and pen and paper still dominate CMH. As a result, producers are less efficient, less data-driven, less agile and more vulnerable to market shifts. They are less transparent at a time when consumers want to know much more about product provenance and the producer's background.

Enterprise technology tailored to the CMH sector offers the promise of data-driven story-telling on a consistent basis. Accounting, order tracking and quality control can be delivered by a single package of intuitive digital tools, providing better data to support businesses management, access to financing solutions and new markets. CMH-specific enterprise software can meet the challenges of scale, while harnessing export-led growth to employ a wider range of skilled producers working from home in their communities.

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<sup>8</sup> Research and Markets, Ltd. "Handicrafts Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2018-2023." Research and Markets, June 2018, [www.researchandmarkets.com/reports/4592343/handicrafts-market-global-industry-trends](http://www.researchandmarkets.com/reports/4592343/handicrafts-market-global-industry-trends).



## Boutique Manufacturing is Serving Shifting Consumer Demand

The retail industry is changing. Consumers are demanding authentic products from socially responsible brands. They want transparency and storytelling. The rise of small-batch production and boutique manufacturing is a unique opportunity for CMH businesses to upgrade the way artisan producers organize their work. By enabling entrepreneurs in Asia, Africa/Middle East and Latin America/Caribbean to connect virtually to sales opportunities, financing and skills worldwide, the CMH sector is making a vast new range of products more available to buyers worldwide, transforming CMH into a new digitally-enabled engine of global growth. Individual artisan producers and enterprises anywhere will finally be able to connect to market opportunities everywhere.

## Priorities for Investment

### Digitization

A myriad of urgent issues now faced by CMH businesses can be addressed by digitalization. By building a foundation of digital accounting, inventory and people management, CMH can participate more fully in mainstream economies; unlock greater access to markets and financing; meet the demands of compliance, scale, speed and price. The global technology shift has made new digital tools available, but they remain dominated by consumer technologies. There is now strong demand for mobile-enabled enterprise software to allow up to five billion mobile-first producers to meet growing bespoke, boutique and small-batch demand from buyers worldwide and ease their sourcing process. Efforts to support digitalization should also:

- **provide for a range of mobile-enabled enterprise software solutions;**
- **encourage donors to invest in digitization training and onboarding;**
- **strengthen multi-channel support for digitalization by having companies build technology and educators/trainers provide necessary skills;**
- **target women, youth and rural populations;**
- **feature in every CMH capacity-building, education and training programme; and**
- **complement efforts to increase mobile and internet access; and include a global network of partners committed to building a digital CMH ecosystem.**



## Financing

As the survey clearly shows, existing financial solutions and collateral are insufficient to drive rapid growth across the CMH sector. Inconsistent access to funds and failure to value and leverage CMH producer assets have slowed the sector's emergence. Investors need new forms of direct access to CMH business financial records. In the absence of physical collateral, enterprise-wide digital records documenting business status, performance on sales, orders and fulfillment, as well as exports for growth-stage businesses, must fill the gap. To achieve this, we recommend that:

- **CMH enterprise software features be fully interoperable with existing accounting and financial management systems;**
- **financial institutions increase CMH access to purchase order and cash flow financing;**
- **donors and philanthropists invest in training programmes for accounting, financial literacy and financial management;**
- **producers retain data wallets as digital collateral to anchor business financing solutions; and individual artisan producers retain control of their data and digital collateral within an enterprise management framework; and**
- **integrating customer relationship, financial, human resources/producer and order management functions.**

## Market Access and Skills

To allow growth-stage businesses to achieve greater scale, export markets are absolutely crucial. To scale up production, small-scale businesses require basic skills, while growth-stage enterprises need more specialized management competencies. We recommend:

- **multiple online B2B/wholesale marketplaces where buyers worldwide meet CMH producers;**
- **D2C channels for small-scale and growth-stage producers wishing to complement their wholesale market access;**
- **CMH-specific producer and enterprise skills training in every region;**
- **defined standards around payments, quality and compliance;**
- **service aggregation to facilitate design, marketing, quality assurance and logistics; and**
- **agreed global standards for quality and certification of handmade products.**



The Citizenry

## A New Agenda

With an untapped reservoir of over 300 million producers and entrepreneurs worldwide, the CMH sector has virtually unlimited scope for growth.

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**“In the fight for human rights, one of the basics is a fair wage for labor. American consumers need to realize that ‘handmade’ doesn’t equal ‘fairly paid’ and look more closely at the certifications and practices of the companies they buy from. The upside is that a ‘fairly paid, well made’ product from companies like The Citizenry lasts much longer, which has value for the consumer and the environment.”**

*- Rachel Bentley,  
Co-founder, The Citizenry*

But the CMH sector has to date lacked champions. CMH urgently needs capable new benefactors – individuals and organizations able to invest themselves, while convening other players, rallying support, providing strategic direction and implementing solutions.

As impact investing becomes more mainstream, most investors still expect market returns and low risk profiles. To unlock CMH’s full potential, a new partnership of public and private sector players needs to deploy blended capital to de-risk investment opportunities. By giving an extra push to digital infrastructure, innovative financing solutions and CMH-specific training, public sector agencies, not-for-profit organizations and philanthropists can leverage and activate large-scale private investment resources that need added reassurance to deploy.

The opportunities highlighted in this report represent a pathway towards a re-discovered global commitment to solving big issues. A successful CMH sector can harness the new potential of home-based production, while driving real progress towards the Global Goals. With focused support from a broad consortium of new partners, we can pave the way towards accelerating CMH business growth. We can also deliver choice, impact and sustainability for consumers, while empowering CMH producers and entrepreneurs to strengthen their communities and the world.