

**The role of networks in the commercialisation of rural weavers of  
Northern Kwazulu-Natal in South Africa**

Submitted by

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Submitted in partial fulfilment of the requirements for the degree of

**MInstAgrar**

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**September 2003**

### **Dedication**

To my Family, all rural weaving groups and craft markets in northern KwaZulu-Natal,  
and colleagues at the University of Pretoria.

## ACKNOWLEDGEMENTS

This dissertation is primarily based on the politeness of character a researcher should portray when he or she meets individual people who make it possible at the end to complete the report. Due to the multidisciplinary nature of this research a lot of people have contributed in their professional capacities.

I specifically would like to thank Dr. Tobias Doyer and Professor Johann Kirsten for their indispensable encouragement, strategic focus and direction during the two busiest academic years I have ever had. The improvement of the content of this dissertation may not have intensified otherwise. Professor Luc D'Haese and Professor Frank Bostyn's efforts are also appreciated.

Meanwhile, contributions by people on the ground in KwaZulu-Natal for all the logistics, crafting orientation, etc. are well appreciated. These include weavers (mostly women), marketing facilitators at diverse weaving groups, Institute of Natural Resource, especially Nicci Diedericks and Myles Mander, Mondi forests and Landcare, University of Natal (Department of Environment and Development), Donovan Kotze, Entrepreneurs, tourists, consumers in Gauteng province.

Further, the irreplaceable motivation and support by my colleagues at the University of Pretoria cannot be ignored. They were Professor C.J Van Rooyen (project funding), Dr. Moraka Makhura, Mr. Jonas Raphela, Mr. How-Chuin Wu and all postgraduate students in the Department of Agricultural Economics. In addition, Ms. Ilana Van Wyk (Department of Anthropology), Professor De Klerk (Department of Consumer Sciences) and Professor Du Plessis (Department of Marketing and Communications) at the University of Pretoria.

I dedicate special thanks to the Sefoko's family as a whole and friends who believed in me from the outset, especially my late Father, Mother and brothers and sisters.

This study was funded directly through Commercial Products from the Wild – a project commissioned by the Department of Arts, Culture, Science and Technology and the Agribusiness Management group in the LEVLO Department at the University of Pretoria. Collection of data was partly done through logistical organisation with the Institute of Natural Resources (INR), whereas another part was conducted through

# THE ROLE OF NETWORKS IN THE COMMERCIALISATION OF RURAL WEAVERS OF NORTHERN KWAZULU-NATAL IN SOUTH AFRICA

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## ABSTRACT

This study identifies intra- and inter-organisational barriers to commercialisation of rural weavers in KwaZulu-Natal and evaluate the role of local networks in procurement, processing and marketing activities in order to reduce transaction costs. The study specifically investigates the way local networks as an alternative organisational mode can become a solution to minimise transaction costs of rural weavers. The expectation is that weaving groups incur less transaction costs during commercialisation when they have well established local networks. This follows as transaction costs give a reflection of the market given the operating environment. The access to market information, assets, extension services and remunerative markets is of commercial importance.

An exploratory analysis suggests that existing networks in craft businesses in northern KwaZulu-Natal have an impact in reducing some of the transaction costs of weavers, thereby improving weavers' economic performance and commercialisation process. Local networks have therefore shown to be not only a pre-condition for non-local networks, but an important vehicle for information exchange, co-ordination of fragmented activities, conducting training services, and guarding against market failures for weavers. However, the two fundamental questions to be asked for future research are how to create local networks to improve supply chain functions in similar or different socio-economic settings to this study's cases and how to assure the sustainability of networks.

direct contact with weaving groups and other stakeholders in the natural fibre industry – the basis of the study breakthrough.

Long and behold, I thank God to keep me going when I had a feeling of despair at times. Words cannot express my gratitude.

*Yo ke **Ngwako** wa go thuntšha dinonyana,  
Gomme a tšea dihlogwana,  
A di fa bašemanyana  
Ke **Moše** wa mmala yo moso-moso,  
Efela wa pelo ye šweu-šweu*

Ngwako Moses Sefoko  
PRETORIA, South Africa  
September 2003

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**Table 1.1:** Definitions of terms utilised in the study

TERM	DEFINITION
LSM	Living Standard Measures
SWOTs	Strengths, Weaknesses, Opportunities and Threats analysis
F.O.B	Free On Board prices
iLala palm	<i>Hyphaene coriacea</i>
iNcema grass	Salt Marsh Rush ( <i>Juncus kraussii</i> )
Weavers	Producers of fibre products, mainly rural women
SADC	Southern African Development Community
SEA	South East Asia
WA	West Africa
U.S.A	United States of America
U.K	United Kingdom
NIE	New Institutional Economics
TCE	Transaction Cost Economics

## CHAPTER ONE

### THE RESEARCH MAP

#### 1.1 INTRODUCTION

*"People are starting to understand that arts, crafts and culture play a role in poverty relief. We use the arts and crafts to construct the South African brand. The imaging of the country is done with a strong arts, crafts and culture dimension"* - Steven Sack, projects director for the Department of Arts and Culture, South African government (Winter, 2001).

There are about 23000+ identified plant species in Southern Africa. These represent 10% of the world's species (Coetzee *et. al.*, 1999). Most of South Africa's resources are located in rural areas. These resources are at the disposal of a small section of the population as a result of the historical dispensation of apartheid, which impoverished a large number of its people. The black communities, in particular, were severely affected as a result of this dispensation (Makanjee, 1989; Cunningham, 1990). South Africa beholds its indigenous plants as a valuable natural resource and accepts responsibility to conserve the unique flora. Attempts are also made to utilise the plant kingdom economically and sustainably for the nation, but with acknowledgement of the legal owners (Coetzee *et. al.*, 1999).

A major obstacle to sustainable development in many developing countries like South Africa is a social structure that gives most of the nation's wealth to a minority of its people. Most of South Africa's pristine reserve areas are situated in the midst of appalling poverty - high unemployment, inaccessibility to basic services, restricted development options, illiteracy and gender related issues (PEACE Foundation, 1993). Rural industries and producer groups also lack the technological know-how to harvest, process and access markets for natural resources. It is imperative therefore that economic reform must unlock the potential wealth of the reserves for the poor people who besiege them to ensure the long-term sustainability of the system.

The creation and development of a vibrant craft industry using sustainable local resources such as indigenous grasses and palms is therefore critical (PEACE Foundation, 1993). Craft production is of vital economic importance to communities in northern KwaZulu-Natal where agricultural opportunities are limited

as a result of the distance from markets, lack of water, saline water, soil not suitable for agricultural purposes and climatic conditions. Craft production provides employment for vulnerable segments of society therefore acts as an entry point into the economy, a source of innovation for the entire economy, and it is linked to other industries (DACST, 1998). A major limiting factor in the growth of ethnic enterprises is the inaccessibility to remunerative markets (Perry, 1999), a cultural gap in style and tastes that separates rural, indigenous craftspeople from consumers in big cities and developed countries (DACST, 1998). Therefore, the term local can only be itself in marketing if ethnic communities themselves generate local markets. This is where impoverished people sell their less value added products to fairly long travelling distances like the Durban craft market to the rich consumers who still bargain for already cheap prices (Van Wyk, 2002).

It is within the development of Small, Micro and Medium Enterprises (SMMEs) that a vibrant fibre industry can be formulated. Agriculture, the agribusiness industry and agribusiness supply chains have unique problems and characteristics, as the agricultural sector faces unique challenges. For the past few years there has been a growing emphasis on the role of small, micro and medium enterprises (SMMEs) in the South African food and fibre sector (Adams, 2001). Two of the most significant challenges regarding SMMEs in the agribusiness industry are the establishment of economically viable SMMEs and the incorporation of SMMEs into the existing supply chains (Austin, 1992). Although most craft businesses are small businesses, the development of SMMEs is vital for the economy (DASCT, 1998). In particular, SMMEs play a crucial role in job creation, poverty alleviation and economic growth.

On employment, the DBSA (1994) asserts that “the informal economy currently absorbs between four and five million workers (roughly 28% of the national labour force) and contributes roughly 9% to GDP”. The most predominant reason for the growth of the informal sector is the increasing inability of the formal economy to provide employment for South Africans (DBSA, 1994). Employment opportunities are usually limited in rural areas. Self-employment through small enterprises can make it possible for affected groups to generate sufficient income to satisfy their needs and improve their standard of living.

For poverty alleviation and economic growth, various organizations and institutions have given support to alleviate the plight of these impoverished communities. These communities together with the resources they use play an integral part to ensure

sustainability of rural industries. Therefore, there is a need for development of these rural poor through commercialising economically viable products that rural people already utilise. Further, viable rural industries (SMMEs) are an important tool in poverty alleviation and key vectors to economic development and growth of regions within which these resources are situated. However, it is accepted that there are more survivalist enterprises than viable SMMEs in South Africa (DACST, 1998). Rural industries referred to in this case are survivalist enterprises. These are activities by people unable to find a paid job or enter into an economic sector of their choice. Income generated from these activities usually falls far short of even a minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. Poverty and the attempt to survive are the main characteristics of this category of enterprises (DACST, 1998).

One branch of viable SMMEs is in the way rural people organise themselves in groups in order to increase their livelihood as a primary objective. These rural poor are able to combine and make better use of their skills and resources, learn to co-operate with one another and in achieving other goals by working in groups for income generation as opposed to working as individuals (Cook and Bonitatibus, 1995). Working together makes the work lighter and easier, the exchange of views and ideas and choice of best options. A group has more bargaining power than an individual. Further, a group may satisfy individual members' needs and the ability to invest more in other production activities from current businesses. Small groups of less than 30 people work better than larger groups (Cook and Bonitatibus, 1995). This ensures that members know and 'trust' each other and tend to work more closely with fewer formalities (Powell, 1990). In this way self-sustaining groups are the products of networking.

Thus, this study argues that commercialisation of these impoverished, rural weavers would result into the improvement of quality of life through the minimisation of transaction costs by networking as an organisational alternative. However, a number of questions have been raised in this literature that relate to the way these producer groups improve their economic performance by networking at a local level and how they relate to other industry participants. The purpose of this paper therefore is to analyse the importance of local networks in minimising transaction costs in the procurement, processing and marketing of natural fibre products for the rural weavers of northern KwaZulu-Natal. It identifies these weavers' problems and

opportunities then classify underlying problems into transaction costs. In general, the reduction of transaction costs is an important tool to create competitive advantage for the local community, as it improves the cost of engaging in business activities (Hobbs, 1996).

## **1.2 PROBLEM STATEMENT**

### **1.2.1 Background**

Rural poverty is prevalent in rural areas of northern KwaZulu-Natal where people derive their livelihoods from natural resources. In general, previous efforts of social and economic upliftment have been disappointing thus far. More specifically, previous regional and localised promotion strategies focused mainly on sustainable utilisation of raw materials sources from the natural environment (Cunningham, 1987). Therefore weaving groups in rural areas find themselves involved in developmental strategies together with development agencies that create expectations, which are not attained (McAllister, 1988). The activities of different weaving groups in northern KwaZulu-Natal can be categorised in procurement, processing and market access problems. The business environment (both internal and external) determines the specific challenges related to these activities.

It has been established that women dominate the fibre industry due to the low barriers of entry and that better opportunities were available to White men, historically (DACST, 1998). The Zulu people are the largest tribe in Southern Africa, renowned for their artistry and craftsmanship (Krige, 1962). Dotted on the rolling hills of KwaZulu-Natal, there exists a beehive of industry, where weavers work at the art of basketry. They have taken the traditional art form and turned it into an income supplement and in many cases, their only means of income. Most weavers work from their homes, where they can assimilate basket-making into their normal routine – raising their children, working in the fields, collecting water and other daily chores. Production techniques are specialised with every product made by hand, using indigenous raw materials. The type of products (baskets, blinds, mats and lampshades) varies from area to area depending on the availability of raw materials and the use of the product. It can take up to one month to produce a medium-sized basket that will be unique in size, shape, pattern, intricacy of the weave, and colour. Originality, design and uniqueness are as essential for the definition of the product as the level of skill involved in the production (DACST, 1998).

The fibre and crafts industry is economically essential. It provides employment to a large percentage of developing countries' rural population. In Gauteng province alone, craftwork generated employment for about 319 000 people in 1997 (Central Statistical Services, 1997). Although these natural resources have a high economic value, care should be taken not to exploit them for financial benefits (Abdallah and Matete, 1999). The traditional natural fibre industry is promoted as an economic activity in many drought prone areas of southern Africa (such as Botswana, Zimbabwe and South Africa). The coastal sands of Maputoland and the Hlabisa district of KwaZulu-Natal are the centres of South Africa's domestic natural fibre industry – primarily based on the iLala palm (Cunningham, 1987).

The main constraint of producer groups has always been how best they can market their products (Cook and Thomas, 1994). The way weavers procure and process raw materials into products is of critical importance as well. These factors are assumed to be influenced by the role of networks that rural groups already utilise. Barriers (mainly transaction costs) to commercialisation in this study are evaluated on three business functions, namely, raw material procurement, production or processing and product marketing.

Behavioural (opportunism, bounded rationality) and transaction attributes (asset specificity, uncertainty, etc.) are the two transaction cost determinants prevalent in any business. To be competitive (Hobbs, 1996) and to improve economic performance (Williamson, 1985) businesses have to minimise transaction costs. This requires a specific governance structure to complete this process (Beckmann, 2000), and in this study a network is presented as an alternative institution of exchange that reduces behavioural transaction attributes, hence, the economics of market failures.

### **1.2.2 Specific research problem**

Rural weavers in northern KwaZulu-Natal are constrained by intra- and inter-organisational barriers to commercialisation (Abdallah and Matete, 1999). Therefore the goal of this study is to identify the problems experienced by weavers in the procurement, processing and marketing of their products and to relate these problems to specific transaction costs. Consequently, the role of networks to reduce these transaction costs is explored.

### **1.3 RESEARCH OBJECTIVES**

#### **1.3.1 General objective:**

The aim of this study is to identify intra- and inter-organisational barriers to commercialisation of rural weavers in KwaZulu-Natal and evaluate the role of local networks in procurement, processing and marketing activities to reduce transaction costs.

#### **1.3.2 Specific objectives:**

1.3.2.1 Profile the current situation or background and identify generic problems of rural weavers.

1.3.2.2 Categorise identified problems into transaction costs and discuss their implications.

1.3.2.3 Define, describe and discuss networks and their role as a potential alternative governance structure to overcome transaction costs of weavers.

### **1.4 RESEARCH FRAMEWORK**

In this study, the qualitative research data is analysed within the transaction cost paradigm.

1.4.1 The presence of networks should be able to offset some transaction costs.

1.4.2 The goals of networks are the integral vectors to successful craft businesses.

1.4.3 The functioning of networks - networks are presumed to affect all basic business functions; raw material procurement, processing and marketing.

1.4.4 Transaction costs are expected to be higher upstream as compared to the downstream due to the socio-cultural and economic situation of weavers.

## 1.5 MOTIVATION OF THE STUDY

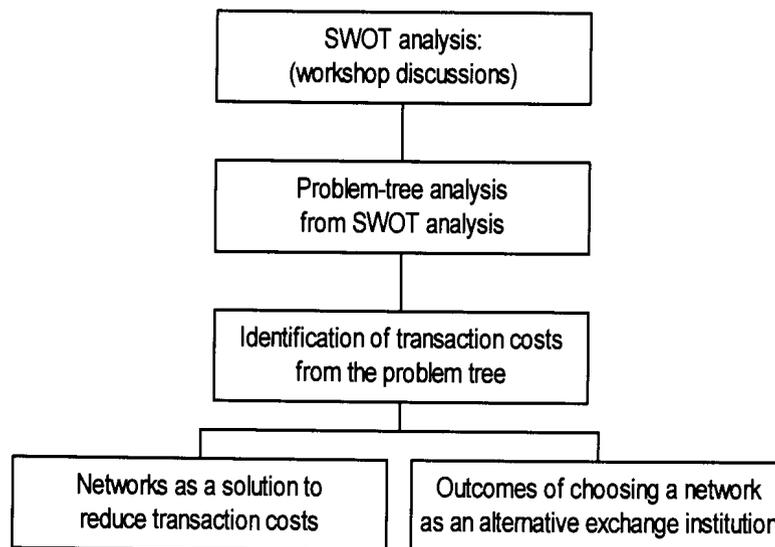
The fundamental element of the study is to shed some light into adding value in survivalist craft enterprises, which organise in groups of weavers in rural communities. Inferences made from this study with the identification of intra- and inter-organisational barriers to commercialisation and strategies to deal with problems thereof would be essential to diverse developmental bodies. It would assist the government, developmental agencies, Non-Governmental Organisations (NGOs) and the private sector to align their development policies, programs, services and strategies if they are to empower rural weaving groups. The study would also add to the network literature that recently sparked attention of both economists and sociologists alike (Witt, 2000).

The justification of a focus on natural fibre products over agricultural activities is twofold. Firstly, it is the fibre products' importance in employment (empowering labour) therefore beneficial to rural weavers and their communities. Mander (1998) found that the rural poor of KwaZulu-Natal, on average, derived only 13% of their annual household cash income from arable and pastoral agriculture. Natural products, on the other hand, contributed nearly 37% of their annual cash income, while remittances sent from friends and relatives in other parts of the country (mostly the urban areas) contributed another 28.5%. In contrast, given that urban unemployment levels have now risen to around 30%, an assumption can be made that the amount of cash income derived from remittances would have significantly declined, and the amount derived from natural fibre products have further increased. This leaves the biggest share of rural people's income to be derived from natural fibre products. In the end, potential areas to increase incomes for rural people like the natural product sector should be pursued to strengthen rural livelihoods. Secondly, a craftwork business is cash generating in nature. Unlike agricultural rural livelihood activities, natural fibre products generate income frequently and earlier once one starts producing the products (SAFIRE, 2001).

## 1.6 THE GENERAL APPROACH

Figure 1.1 illustrates the conceptual framework within which this study is conducted. At first, problems are conceptualised at the hand of a problem tree analysis from the SWOT analysis that in turn resulted from a workshop of weavers, conservationists, entrepreneurs, legal assistants, research institutions, government and development project agencies during January 2001. The problem tree approach is adopted to fully understand the essence (logic) behind the problem and to link problems to the relevant transaction costs. The underlying problems are then classified into potential transaction costs that are barriers for weavers to commercialise. The weaving groups' existing networks are highlighted to analyse possibilities and conditions under which prevailing transaction costs can be mitigated. The proposal and description of other networks that can function better are also made.

**Figure 1.1:** Conceptual framework of the study



### 1.6.1 Techniques and methods

#### 1.6.1.1 A Transaction cost approach

Two definitions of transaction costs are utilised in this study. The first is Jaffee and Morton's (1995) perspective which states that transaction costs are the whole array of costs associated with buying, selling and transferring ownership of goods and

services. These types of transaction costs include searching, screening, bargaining, transfer, monitoring and enforcement costs.

The second definition (Hobbs, 1996) of transaction cost states: *“transaction costs are simply the costs of carrying out any exchange, whether between firms in a marketplace or a transfer of resources between stages in a vertically integrated firm. These costs arise wherever there is any form of economic organisation, that is, within a vertically integrated firm, in a market or in a command economy...”* (Hobbs, 1996:17). Furthermore, Hobbs (1996) identifies four key concepts that classify the sources of transaction costs and that explain forms of transaction costs. These are bounded rationality, opportunism, asset specificity and information asymmetry, as discussed by Karaan *et. al.* (2001); and an extension to this, market access by Delgado (1999).

**Table 1.2:** A framework for analysing transaction costs of rural weavers in northern KwaZulu-Natal

TYPES OF TRANSACTION COSTS (JAFFEE AND MORTON, 1995)	SOURCES OF TRANSACTION COSTS (HOBBS, 1996)
Searching costs Screening costs Bargaining costs Transfer costs Monitoring costs Enforcement costs	Opportunism Bounded rationality Information asymmetry Asset specificity

**Source:** Jaffee and Morton, 1995 and Hobbs, 1996

The transaction costs mentioned in table 1.1 will be explained in chapter three (*section 3.3*) together with their application to the four case studies of rural weavers in KwaZulu-Natal pending the problem tree analysis.

#### 1.6.1.2 The network approach

Networks are one form of governance structures (Williamson, 1996). Governance structures aim to mitigate contractual hazards found between the partners in a transaction-cost economising way. Networks are expected to minimise transaction costs through the extension of the core model – transaction cost economics (Binswanger and Rosenweig, 1986). Within transaction cost economics, social

capital can serve to mitigate transaction costs by minimising the impact of bounded rationality and opportunism (Peterson *et. al.*, 1999). Social capital also serves as a person's or a group's sympathy that provides another person or group potential benefits, advantages, support and access beyond which might be expected between strangers in an exchange relationship (Robinson and Siles, 2000). Social capital seeks to distinguish networks in a spiral setting – local or non-local. The study extends the social capital theory to illustrate whether a particular existing and/or proposed network is weak or strong. Recommendation is made regarding the future need of the network as a distinct form of organisational mode for the weavers. A discussion is made on how existing networks or proposed ones contribute to reducing transaction costs incurred by rural weavers. This method is discussed in detail in chapter four (table 4.1).

## **1.6.2 Research design**

### **1.6.2.1 A case study approach**

A case study approach as defined by Yin (1994) is adopted, and specifically a multiple case study approach (Sterns *et. al.*, 1998) utilised in this study. The case study approach explains a sufficient range of rural weavers' activities in terms of an organisational mode. Attention is given to weavers in rural areas of northern KwaZulu-Natal and the markets they sell to. This research spans three levels of analysis: (i) identifying and understanding rural weavers' business relations and markets; and (ii) identification and description of transaction costs (iii) evaluating the role of local networks and strategies to support individual producer groups.

The term "case study" is commonly used in social sciences, if not a norm, with each discipline and sub-discipline defining it differently (Sterns *et. al.*, 1998; Westgren and Zering, 1998). Case study research is also important in agricultural economics as a means to collect data, building and testing theory.

Diverse researchers covered different angles of explaining a case study as a research approach. Yin (1994) argues a point of using quantitative analysis to augment more qualitative observations in doing good case research by suggesting ways of generalising the case study findings outside of the more traditional statistical sampling methods. Guidelines on how to focus and conduct case study research are provided in the process of articulating rules for drawing differences between a

statistical building of a representative sample from a known population by Yin (1994) and Kennedy (1979).

Eisenhardt (1989) describes three steps in theory building using case studies. These steps ask if there are priori behavioural constructs from theory or observation that guide the selection of case (s) or the data collection, if the design is based on a single or multiple cases. Peterson (1997) notes that there are epistemological differences between the kinds of research. Further, he credits that case study research is common in social sciences. Creswell (1994) and Mason (1995), place case study research among qualitative research techniques, including ethnographic studies, histories, biographies, grounded theory, phenomenological studies. Westgren and Zering (1998) do not agree more with these methods as they suggest that they are difficult to distinguish in practice.

The more recent studies of case study research focused their attention more on market research by agricultural economists and agribusiness firms. Sterns *et. al.* (1998) highlight the basic objectives (i) problem-solving research, (ii) development of new theory, and (iii) theory testing of case study research and suggest that case study research can generate a robust amount of knowledge about complex issues of economic and social phenomena. They further allude that it can also serve as the solution for conducting research in agribusiness firms. Nevertheless, the objectives of problem-solving case study research and the objectives of agribusiness research have much in common (Sterns *et. al.*, 1998). Though this neither implies that agribusiness research is only problem-solving nor suggests that case study approach is only applicable to problem-solving research (Sterns *et. al.*, 1998). The researchers conclude that case study methods provide specific implementation steps towards initiating case study research, selecting a case (or cases), conducting fieldwork, and analysing or synthesising research findings. Further, case studies are a viable alternative research strategy for agricultural economists seeking to address a variety of topics where traditional research approaches are inadequate and limited.

Just as much as case studies have been praised and adapted to they also have received some criticism. Westgren and Zering (1998) argue that case study research is good science only when it is well designed and well executed and one should not use case studies for research tasks where statistical analysis or simulation models are better suited. Like Sterns *et. al.* (1998), Westgren and Zering (1998) recommend

that case study research is especially useful in investigations of current issues like the structural changes in agri-food markets where structural and behavioural norms are in flux. In addition, it is hard to overstate the value of theory in grounding the case study. Proper use of theory will better focus the data collection and give “stronger voice” to qualitative data (Westgren and Zering, 1998).

A multiple case study research approach in this paper is justifiably utilised, as the research dwells greatly on economic sociology (human interactions) than on quantitative economics (where statistical analysis or simulation models are better suited). This study starts by identifying problems or barriers that hamper the commercialisation process of four weaving groups in northern KwaZulu-Natal. The problem-tree analysis framework is utilised to carry out this process. This methodological step enables one to analyse an existing problem situation, put identified problems in order and highlights the cause-and-effect relationships in a diagram (Van Rooyen *et. al.*, 2000). Instead of following a Log-frame analysis (problem, objective and strategic trees), a network methodology is adopted. Identified problems are then linked to transaction cost barriers (Karaan *et. al.*, 2001). Here problems are classified in terms of the types and sources of transaction costs that rural weavers encounter at the hand of transaction cost economics theoretical backgrounds or methods (Jaffee and Morton, 1995; Williamson, 1996; Karaan *et. al.*, 2001). Implications of these transaction cost barriers are then discussed (Karaan *et. al.*, 2001). The role of governance structures (Williamson, 1996) in general and networks in particular is proposed as a solution to minimise transaction costs classified.

#### 1.6.2.2 Geographic location

Basketry as a commercial activity is only well developed in areas with sandy soils and variable weather (rainfall between 750 and 1200mm per annum, falling mainly in summer), where weaving fibre is obtained from sedges and palms growing in high water-table sites (Osborne, 1995). Therefore, the northern KwaZulu-Natal (Maputoland region) is the centre or hub of South Africa’s domestic basketry trade (Cunningham, 1987). Four weaving groups of different settings and characteristics were chosen for the study in KwaZulu-Natal’s rural areas, namely Mtunzini (4) Richards Bay (13), Mabaso (25) and Mseleni (15). The numerical values in parentheses represent the number of weavers per group. The semi-formal markets studied were the Mbazwana, Sodwana Bay and Durban craft markets. For the formal

market, the focus was in the urban or intermediate markets mainly in KwaZulu-Natal and Gauteng provinces due to their large sizes and relatively stronger demand. Interior decorators, retailers, supply agents and distributors constitute the formal sector.

#### 1.6.2.3 The object or target group

The field and market studies were based on structures and unstructured questionnaires, market observations and discussions. Several key groups were identified and targeted for the study after realising market conditions to be met for the commercial viability of weavers, namely: harvesters, producer or weaving groups and traders (distributors and collectors). Consumers include (individual customers, private collectors, retailers, interior decorators, lodges, gift and curio shops). Although the external environment sheds light into the background and analysis of the situation in the fibre industry; the main focus is on the rural weavers and their networks for the purpose of this dissertation.

#### 1.6.2.4 Collection of qualitative data

This research forms part of the extensive study by the Commercial Products from the Wild project. The procurement of relevant information about the points touched upon in the introduction was done through an extensive literature survey and Internet search; field and market studies. It must be emphasised though that not much relevant scientific literature material is available, especially on the marketing of South African natural fibre crafts. Therefore, Internet search combined with informal and formal market studies in both KwaZulu-Natal and Gauteng provinces were carried out. Surveys were conducted only on fibre crafts because weavers mainly utilise iLala and iNcema raw materials to weave as opposed to other competing uses like wine tapping, medicinal purposes, and so on.

Group discussions and interviews were held with harvesters, transporters, weavers, and distributors. Workshops were held with institutions like the Institute of Natural Resources (INR), Mondi forests, academic institutions (Universities of Pretoria and Natal), and weavers. A market study was conducted to scan the external and dynamic environment rural weavers are exposed to. Three marketplaces in Gauteng province were surveyed, namely, Hatfield Plaza, Menlyn Park and Brooklyn Malls; and two in KwaZulu-Natal, namely, Sodwana Bay and Mbazwana craft markets; and

information about the Durban craft market was also mentioned by weavers as well. The field survey was conducted during January and August 2001, whereas the market study for the intermediary market was completed within a three-month period when business was normal (March to May 2001).

In the process interviews were held with a variety of respondents from harvesters, weavers, distributors (formal traders), marketing facilitators to customers. Interviews explored sources of supply, quantities sold, types of customers, seasonal nature of the craft business, prices and price setting mechanisms, supply, demand and marketing constraints. Internet and market searches were utilised to find market trends and needs, market growth, demographics, and competitive analysis. Formal and telephonic questionnaires were also administered to suppliers (supply agents and distributors), interior decorators and retailers.

The international market was analysed by setting structured questionnaires to domestic suppliers and/or collectors. Questions asked focused on whether they export or import and if so to or from what destinations, respectively? What opportunities have been identified that the industry does offer? Internet search was conducted to find distributors from Southern and Western Africa and other parts of the world especially South East Asia. Lessons can be learned from these organisations through their marketing strategies of related products. No secondary data was used.

Moreover, the main emphasis on networks for this paper puts focus on structured questionnaires for weavers at Mtunzini, Richards Bay, Mabaso and Mseleni weaving groups. The preceding data collection serves to support the relevance behind the findings.

## **1.7 ORGANISATION OF THE DISSERTATION**

This chapter outlines the problem statement and objectives of the study. The research hypotheses and a generalised approach to the analysis of networks through transaction cost analysis are also described. Further, the research design is outlined to cover issues pertaining to geographical location of the study, research target groups, and data collection methods. In short, this chapter serves as the research map or a guideline for this study.

Chapter two highlights the general background or a analysis of the current situation and in particular, the identification of problems in procurement, processing and marketing activities undertaken by rural weavers. The SWOT analysis and problem tree are also presented to link the problems to transaction costs of weavers.

Chapter three reviews the transaction cost approach as a framework to categorise problems experienced by rural weavers (from chapter two). It commences by discussing the theoretical aspects of a transaction cost approach and followed by its application on rural weavers based on results from the problem tree. Transaction costs are classified into types and sources, and their implications are discussed thereafter.

Chapter four provides a theoretical and practical background of networks. It links problems identified in chapter two through classifying transaction costs in chapter three with a network as a governance structure to reduce preceding transaction costs. The methodology described in chapter one is applied to the rural weaving groups in Maputoland region of KwaZulu-Natal province as a potential solution to overcome transaction costs from chapter three.

Chapter five summarises all preceding chapters and concludes with recommendations on areas of future research.

## **1.8 SUMMARY**

This chapter puts forth an overview of the research. It commences with the general introduction of the study that specifically tackles issues pertaining to obstacles of sustainable development of a fibre industry, employment limitations and networks in rural areas. The research problem, objectives, hypotheses, and motivation of the study that lend a focus of the study are discussed. The general research approach that consists of two components, namely, research methodology and techniques (methods) are outlined as well as how the entire study is organised from the next chapter onwards.

## CHAPTER TWO

### AN OVERVIEW OF THE NATURAL FIBRE INDUSTRY IN SOUTH AFRICA

#### 2.1 INTRODUCTION

The highest rate of unemployment is amongst African women, at 47%, followed by African men at 29% and Coloured women at 28%. These high rates of unemployment are debilitating for the country's social fabric and for the economy (DACST, 1998). However, the fibre and crafts industry provides employment to a large percentage of the South African rural population. as mentioned from the introductory section in chapter one, in Gauteng province alone, craftwork generates employment for about 319 000 people in 1997 (Central Statistical Services, 1997) working for SMMEs. These SMMEs may make a significant contribution to employment. The majority, however, tend not to be growth oriented (Gray, 1993), but still are an integral part of the economic and social fabric of rural communities. From both perspectives they form a vital component of the rural landscape and, as such, deserve specific attention in terms of both research and rural development policy efforts.

Despite survivalist enterprises' significance, little prior research has been conducted on the natural fibre industry as a distinct form of enterprise, the network among weavers and socio-economic constraints weavers encounter. Even less research has been conducted on rural craft industries (CRE, 1999) in rural UK, for instance. This is to say that small and medium sized rural enterprises have less been at the centre of researchers' attraction. That is, there is little transaction cost and network research devoted to small groups (Kaplan, 1995).

This chapter reviews the literature of previous studies devoted to natural fibre products in South Africa for an understanding of the relevance of this study within the overall picture. The section that follows discusses the current socio-economic situation of rural weavers in northern KwaZulu-Natal. The value chain or operational flow is used to explain the synergies among procurement, processing and marketing functions. The SWOT analysis framework and problem tree are outlined at the end of the chapter to identify problems and conceptualise them into logical cause-effect relationships.

## 2.2 SOUTH AFRICAN STUDIES ON NATURAL FIBRE PRODUCTS

Research work on regional and localised promotion strategies, local economic development initiatives focused mainly on the sustainability of raw materials but less on how markets operate (Cunningham, 1988 and 1990). Cunningham (1987) discusses commercial harvesting methods and has been supported by Mander (1997) on poor harvesting methods. Douglas (1998) further highlights that Maputoland has been over-studied on sustainability issues but under-developed on its human capacity and market infrastructure. Recently, Kotze (2000) has been focusing on how to balance craft business and wetland conservation. Kotze (2000) concludes that it is practicable for rural weavers to harvest iNcema grass on wetlands as long as environmental programs on sustainable resource management are in place.

Several other research studies have concentrated on botanical studies that profile and value shrubs and tree species (Van Wyk and Gericke, 2000), and to a less extent about rural people and their environment (Cooper, 1994; Kotze, 1996) in KwaZulu-Natal. These studies found that the iNcema grass (*Juncus krausii*) has been severely threatened, whereas the iLala palm (*Hypheane cocriacea*) is still fairly in abundance, although there is an increased trend towards its use. The studies also found that more and more people are interested in the weaving business and they are using inappropriate harvesting methods to harvest raw materials for both weaving and dyeing. Other researchers focused on gender and ethnic issues (Njoku, 1980; Bantje, 1995; Peters, 1995), and poverty and inequality (Whiteford *et. al.*, 1995) as general social constraints that hamper the commercialisation process of rural fibre weaving groups. Their findings were that it is very challenging to be a rural, Zulu, household woman in the craft business could prove to be a very challenging activity.

Nevertheless, few of the studies focused on processing and marketing of existing products and feasibility studies of new products. Abdallah and Matete (1999) highlighted some of the marketing constraints and processing technologies that impact directly on the fibre business. Mander (1997a, 1997 and 1998) profiled the economics and marketing of indigenous plants – medicinal and natural fibres. Mander (1998) further suggested that there has been little investment by the formal sector to address any issues associated with consumer demand, successful cultivation trials and that the marketing of medicinal plants is poorly developed. In addition, Mander (1998) emphasised that this situation is similar to the plants

harvested for craftwork. Recently, Maputoland has drawn up its own conservation programme with the aid of KwaZulu-Natal Nature Conservation Services due to a lot of pressure from an increased utilisation of the raw material and population increase (Odendal and Schoeman, 1990; Douglas, 1998).

Although Abdallah and Matete (1999) pursued research on the commercialisation of fibre products (Coetzee, *et. al.*, 1999); commercialisation of rural craft associations producing fibre products is still challenging. For the commercialisation of rural weavers, information pertaining to supply and demand, feasibility studies of new products and that of weaving organisations themselves has to be outlined. Analysis of the groups' organisational structures and activities includes networks that are already prevalent in rural settings. Thus, studying the networks of weavers is of vital development and commercial importance.

### **2.3 THE SOCIO-ECONOMIC SITUATION OF RURAL WEAVERS IN KWAZULU-NATAL**

The shift in research emphasis from studying plant species to rural people who utilise the raw materials was one major contribution in promoting indigenous plants to commercial level (Cunningham, 1990). Several researchers complement each other in terms of development indicators of rural people who besiege these resources. Almost 25% of the people in northern KwaZulu-Natal do not have access to basic services like water, food, shelter, etc. (De bruin, 1987; Makanjee, 1989; Møller, 1997; O'Leary, 1998). High population growth of 2.35% per annum puts pressure on the sustainability of raw materials (Cross *et. al.*, 1999), but this is counter-attacked by the plight of the HIV/AIDS epidemic where virtually 36% of women who visit the local clinics are HIV positive (Van Wyk, 2002). About 72% of the population is illiterate (Makanjee, 1989; Anon, 1991; Møller, 1997), 35% males and 85% females are unemployed (Makanjee, 1989; Anon, 1991; Møller, 1997) with an adult dependency of 63% women and 57% men in poverty (De Bruin, 1987; Anon, 1991; Peters, 1995; Møller, 1996). The political legacy of South Africa (Unterhalter, 1987; McAllister, 1988) limited opportunities and development actions for the rural people (Makanjee, 1989; Cunningham, 1990).

Opportunities for rural agricultural production are limited. Although some families (Hlabisa area) have access to larger pieces of land, no family can really live off their land. With men working away from home, subsistence agriculture is still a woman's

terrain (Van Wyk, 2002). The Maputoland region is marginal in terms of agricultural potential due to sandy soils, unpredictable rainfall, poor infrastructure, and common insect and plant diseases (De Bruin, 1987; Taylor, 1988; Cunningham, 1990; Wheeler and Ortmann, 1990b; Anon, 1991; Steenkamp and Hughes, 1997). Despite this fact, most people in the region practice traditional subsistence farming, with low average yields. Almost 90% of farmers do not meet all their food requirements (De Bruin, 1987; Taylor, 1988; Makanjee, 1989; Cunningham, 1990). Consequently, most households suffer food shortages, which is most acute during mid-winter (Makanjee, 1989). Other subsistence activities in Maputoland like thatching grass (competing use for weaving) are characterised by hard work with minimal returns (Cunningham, 1990). Meanwhile, iLala palm wine tappers make profit on the expense of natural resource destruction.

Most of the labour done in Africa is by women and 85% of women in Africa are subsistence agriculturists (Njoku, 1980; Suliman, 1991; Bantje, 1995; Fischer, 1998). Most of the weavers do not plant crops and have no livestock; they are all part of female-headed households (Van Wyk, 2002). This may be an indication of the 'feminisation of poverty'. Marked changes in rural Africa enable women to fulfil dual functions as both farmers and traders. The migration problem ensures the shortage of land in Tribal Authority areas and the lack of income (Cross *et. al.*, 1999). The large increase of people in these areas is largely due to the development of job opportunities by the Department of Forestry and the subsequent influx of people from the lower Mkuze area and coastal reservations (De Bruin, 1987).

Self-managed weaving groups are small groups that do not have outside managers to undertake tasks on their behalf (McAllister, 1988) – only group promoters. Therefore, weaving groups are forced to develop a certain level of organisational autonomy to facilitate production, processing and marketing activities. These groups take this form because they lack significant external support. All group members acquire a certain level of expertise in the household or through prior involvement in managed projects; therefore they are skilled through their experience (McAllister, 1988). Otherwise, technical training is provided by agencies involved within groups, which sometimes proves to be inefficient as weavers allege that agencies do this in the name of 'community development'.

The literacy level and differential income are dominant in weaving groups, whereas delegation of various responsibilities and decision-making roles (group leader,

secretary, and treasure) are allocated to the more reputable members within a group, especially men if present (as at Mabaso and Mseleni). This leads to a difficult situation to sustain commitment of members when anticipated returns are not forthcoming, especially for poor rural women who may be dependent on their husbands' remittances and/or government grants. The nature of dividing work into specialist functions has been proven to be difficult to sustain (McAllister, 1988). The fact that this type of group association is in a position to make its own decisions has increased its potential in sustaining other activities of its importance. Nevertheless, the possibility to use such structures to initiate other activities and projects is somewhat limited.

## **2.4 THE VALUE CHAIN OF NATURAL FIBRE PRODUCTS**

### **2.4.1 Methods of weaving**

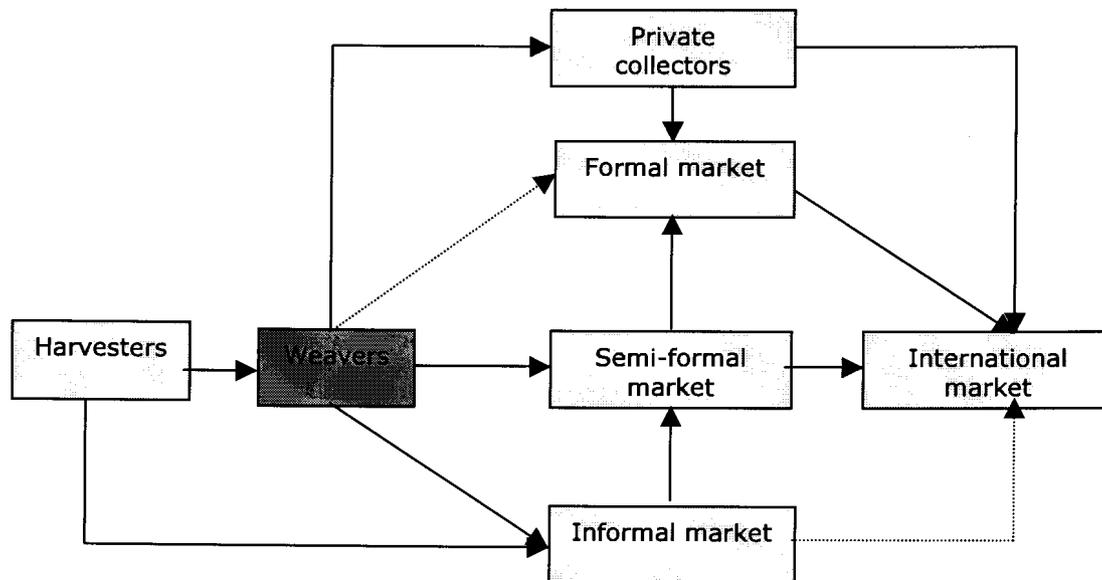
Conventional methods of weaving are used at present. Product supply is inconsistent as raw material supply is seasonal and weavers take a longer time to weave products as products are hand-woven. Weavers also to a lesser extent concentrate on other subsistence activities like crop production and livestock farming, so they do weaving at their own spare time. The 'art of the weave' reflects a personal creativity, has a unique design, and is produced by techniques that would prohibit mass production (Brown, 1980). This work requires a great deal of energy, creative effort, and skill to produce. In fact, it is so demanding that one could possibly work for eight hours a day, five days a week, over a long time to generate income (Brown, 1980).

Weavers usually make, by the coil method, winding fibres into coils and then binding the coils together with additional strips of fibre (Brown, 1980). Some baskets are bound so tight that they can hold water. Zulu weavers from South Africa use binding strips made of natural or dyed fibre to create intricate and geometric patterns in their coiled fibre products. Inspiration of these patterns comes from nature - the joints of iLala palms, for instance.

## 2.4.2 Distribution channels

### 2.4.2.1 Overview

**Figure 2.1:** The value chain of the natural fibre industry



### 2.4.2.2 Market segmentation

Figure 2.1 shows transactions among different actors in the natural fibre industry and the markets they utilise with broken lines indicating few (indirect) transactions. Domestic demand for products woven from both raw materials (iLala and iNcema) can be categorised at three levels: informal, semi-formal and formal, and the relative importance of each market to weavers is shown in table 4.1. Informal markets consist of weavers on roadsides in the absence of any formal marketing arrangements. This market is currently non-remunerative, but weavers continue to sell through it because that other market channels are expensive to service. Semi-formal markets comprise of weavers who sell crafts on rented stalls at flea markets (Durban, Mbazwana and Sodwana Bay craft markets). Traders either weave crafts they sell (as rural weavers) and/or collect finished products from weavers (as private collectors) - the latter is mainly from Swaziland and Mozambique. These markets are suitable for rural settings (OECD, 1995). The semi-formal market is currently more remunerative as compared to the informal market and important to weavers at a local level. This is more prevalent when some distributors within the region like iLala Weavers procure their products from semi-formal markets. It is difficult to acquire a market stall, as the criteria is set on a socio-cultural basis. The two groups of women (31-40 and 41-50)

seem suitable for the production of crafts on a full-time basis. They have settled into marriage, moved to permanent homes and are skilled to weave. They also have daughters and daughters-in-law to help out with household duties, which lightens their workload at home. Any woman outside of the above age group is denied an opportunity to own a market stall.

Formal markets (intermediary markets) include interior decorators, distributors, and retailers. Traders collect products from weavers or weavers transport the products to the market - very few transactions (orders) on the latter. This market has demonstrated to be the most lucrative market for weavers (see table 4.1) who may be regular suppliers of some businesses, for example Ntombi Weavers mentioned that the group made reasonable profits from supplying the retailer, Loads of Linen and Living. Both informal and semi-formal markets are tourist-driven, whereas the formal market sells to domestic tourists, individual customers (local and abroad) classified under Living Standard Measure (LSM) 7 and 8 (SAARF, 2000). The international market has high margins. Exporters buy weavers' products at negotiated prices and sell them at high prices in the international market, whereas businesses like iLala Weavers act as agents for the weavers.

#### Specific distribution role players

##### 2.4.2.2.1 Co-operatives

Weaving groups or associations may be co-operatives, but that their level of advancement into formal business procedures is still basic. Table 2.1 illustrates potential problems that emanate when groups are at a survival stage.

**Table 2.1:** Reasons for the low prevalence of cooperative structures

LIMITATIONS OF CO-OPERATIVES IN WEAVING	
The absence of regular income makes it difficult for the groups to plan and sustain their co-operative ventures	Remittances lead to low participation within groups
Poorer members cannot afford to contribute	Weavers invest less back into groups because of husbands' resistance
Fragmented local markets	Weavers operate on a part-time basis

**Source:** Preston-Whyte and Rogerson, 1991

#### 2.4.2.2.2 *Importers*

Individual collectors procure from West Africa, South East Asia and SADC countries constitutes about 10% of the crafts on sale in South Africa (Black, 2001). The suppliers importing from South East Asian countries utilise more synthetic materials and mechanically produced products. However, suppliers importing from SADC and other Southern African countries face unreliable supply, according to Zimbatik manager. Suppliers who procure from West African countries procure traditional baskets, but their transportation costs are higher due to bulkiness of the baskets (Black, 2001).

#### 2.4.2.2.3 *Distributors*

Initiatives by people in the formal trade have started buying Zulu crafts from the KwaZulu-Natal province and crafts from other African countries, and sell them in national and international markets over the Internet. African Art Centre, Afrika Trading, Zebra Trading Company, Calaloo Traders, Gardeners, Unitrade Distributors, etc. are just a few examples of world-wide distributors (Unitrade, 2001).

#### 2.4.2.2.4 *Exclusive agents*

Group promoters (marketing facilitators), who manage orders on weavers behalf from external markets, act as exclusive agents for weaving groups. Weaving groups are dependent on group promoters, as they themselves do not have marketing skills or required level of literacy. For weavers to sell in the international market they need domestic or international agencies to lead them (DACST, 1998).

## 2.5 THE PROCUREMENT ACTIVITY

The value chain discussed in section 2.4.2.2 is divided into three processes here. This is the operational sequence from procurement, processing to marketing (Austin, 1992). However, when conducting a feasibility study the marketing factor is the first and most important group of activities to be studied. The reason for this is that inadequate demand implies a lack of economic rationale for the business. The project should then be terminated immediately, if there is no demand for the product (Adams, 2001).

## 2.5.1 Raw material quantity

### 2.5.1.1 Raw material distribution

Literature on indigenous wild products, especially fibre basketry focused on the sustainability of raw materials (Cunningham, 1987). Fibre materials predominantly utilised are the iLala palm and iNcema grass found in the coastal regions of KwaZulu-Natal province – some in abundance (iLala palm). However, the fact remains that resources form part of the limited resources available to rural people (Makanjee, 1989; Cunningham, 1990). Resources have to be utilised in a sustainable manner to improve the livelihoods and economic conditions of local people (DBSA, 1991).

The advantages of using iNcema grass and iLala palm as a resource in a craftwork project are four-fold (SAFIRE, 2001). Firstly, the plants used for craftwork grow in either saline soil in wetlands (*Juncus kraussii*) or nutrient poor soil (*Hyphaene coriacea*), thus agricultural production does not jeopardise their availability. Generally, the iLala palm and the iNcema grass are distributed in fairly hot and relatively humid and dry areas of KwaZulu-Natal, southern Mozambique (Maputoland region). Secondly, the leaves of the species are unpalatable to livestock and 'phytophagous' to insects, probably as a result of their fibrous qualities (Van Wyk, 2002). Thirdly, the grasses have a high aboveground biomass production as compared to woody species. The amount of leaf material used for commercial craftwork is negligible when compared to the aboveground production of the species. Lastly, leafy plants used in craftwork like iLala palms are widespread and in abundance, but their difficulty to transplant ensured their depletion (Osborne, 1995).

#### 2.5.1.2 iLala Palm - *Hyphaene coriacea* (Arecaceae)

The iLala palm is a coastal species and is restricted to the east coast region of southern Africa, from KwaZulu-Natal and the Mpumalanga province in South Africa to southern Mozambique and the adjoining part of eastern Zimbabwe (Van Wyk and Gericke, 2000). The palm belt in South Africa alone is estimated to occupy an area of 156 000 hectares with 10.5 million trees producing roughly 33 million leaves per annum (Van Wyk and Gericke, 2000). Cunningham (1988) estimated that 2.5 million leaves per year could be harvested sustainably in the Ingwavuma district, north of the Ubombu district. Thus, the utilisation of the iLala palm in this region is almost 10% of the capacity of the same plant distribution in terms of iLala palms. However, iLala

palms are neither cultivated nor domesticated for commercial purposes because their seeds do not germinate rapidly and plants grow slowly (Osborne, 1995). The iLala palm also develops a strong taproot that makes it difficult to transplant (Van Wyk and Gericke, 2000).

#### 2.5.1.2.1 *Competing uses of the palmveld*

The young leaf is used to weave baskets, the fresh petioles for mats, and the dry petioles for doors and chairs. The seed is used for carving, and is even eaten during times of drought (Osborne, 1995). In Maputoland, iLala palms are tapped throughout the year to prepare palm wine (Cunningham, 1990 and 1991; Van Wyk and Gericke, 2000). The tapping of the palm sap has developed into an industry that contributes significantly to the economy of Maputoland (Cunningham, 1990 and 1991; Van Wyk and Van Wyk, 1997; Van Wyk and Gericke, 2000). Furthermore, the intoxicating fermented palm sap is nutritious and forms an important component of the people's diet (Cunningham, 1991; Pooley, 1994; Van Wyk and Gericke, 2000). Both tapping and basket weaving can be destructive, but with controls the palmveld of Maputoland can support these important local industries (Pooley, 1994). A further complication is that the large but limited plant resource leads to a conflict of interest between the leaf harvesters and the wine tappers. Burning grass for livestock grazing is also destructive to the palmveld (Osborne, 1995). Commercial exploitation of the leaves for paper production has twice been attempted but this venture has not proved economically viable (Osborne, 1995).

#### 2.5.1.3 iNcema grass/Salt Marsh Rush - *Juncus kraussii* (*Juncaceae*)

The iNcema grass grows in swamps and has long, slender, leafless culms rising from a rhizome that grows in a mud (Kotze, 2000). In South Africa, iNcema is relatively rare and occurs mainly in estuaries along north-eastern coast of southern Africa, particularly in the Kosi Bay and St. Lucia water systems (Van Wyk and Gericke, 2000). Cunningham (1987) identifies iNcema as the only local species (used in craft production) whose local demand may well exceed its commercial use due to its cultural and domestic importance to make durable sleeping mats (Van Wyk and Gericke, 1999; Kotze, 2000).

Some of the places where iNcema raw material can be found in KwaZulu-Natal are to buy it from the Sodwana Bay, Durban and Mbazwana craft markets. On average, 50

bunches of iNcema are up for sale on a market day at Mbazwana,. The bunches differ in length from 1.2m to 1.88m at an average length of 1.45m. iNcema is sold in bundles at an average price of R13 per bundle. Mbazwana market is only open twice per month and reserving an assumption that the same amount of iNcema is sold each market day then, 510 000 bunches per annum are sold. According to Cunningham (1987), a conservative estimate of iNcema's production would be 30 000kg per ha per year, which is considered a very high aboveground biomass production.

Intense harvesting pressure has resulted in concern about iNcema's sustainability (Cunningham, 1987; Van Wyk and Gericke, 2000). For example, at St. Lucia iNcema can now only be harvested only in May due to regulations by conservation authorities (KwaZulu-Natal – Nature Conservation Services) of harvesting activities in reserve areas (Van Wyk and Gericke, 2000). The current utilisation of the iNcema grass puts pressure on the resource base, but Kotze (2000) says that the cultivation of iNcema is practicable, and that its supply can be increased through cultivation – evident at Mtunzini and Richards Bay groups. Heinsohn (1991) also showed that the iNcema rush could easily be grown in fresh water paddy fields.

#### 2.5.1.4 The use of dyes (natural and synthetic)

Methods were developed by Cunningham (1987) to determine the amount of plant material used for dye. He estimated the utilisation of plants used for dyes by assuming a ratio of 1kg of bark or roots per 1kg of dye. From the estimations and assumptions, projections could be made on the amount of dye material used annually (Cunningham, 1987).

##### 2.5.1.4.1 IsiZimane/Natal Ebony: *Euclea natalensis* (Ebenaceae)

The roots of the IsiZimane are used to make a dark-brown, almost black dye (Van Wyk and Van Wyk, 1997; Van Wyk and Gericke, 2000). At the Mabaso clan, weavers also use the leaves of this tree to make dye. According to Cunningham (1987), using the roots is destructive and can cause the tree's local extinction. The only solution may be to phase out indigenous plant dyes in favour of more synthetic ones (Cunningham, 1987).

#### 2.5.1.4.2 IsiDokwe: *Dioscorea Dregeana*

IsiDokwe occurs in the eastern parts of South Africa, and it is common in KwaZulu-Natal, Mpumalanga and the Northern Province (Van Wyk *et. al.*, 1997). Its leaves are boiled to obtain a blackish-brown dye. Weavers in Mabaso also use discarded tins and rusted chains, which they boil to produce the brownish dye.

### 2.5.2 Raw material quality

#### 2.5.2.1 Quality requirements of raw materials

According to Cunningham (1988), iLala leaves with a leaf blade length of more than 80cm are usually selected for commercial basketry. On average, the length of iLala leaves used for commercial basketry is 109.5cm long (Cunningham, 1988). Each iLala palm produces a succession of leaves in a spiral shape around the uppermost meristem. The leaves remain on the stem for over two years with the leaf blade deteriorating to leave the petiole persisting on the stem. Only the unopened leaf at the centre of the spiral (youngest leaf) is supple enough to use for weaving (Cunningham, 1988; Pooley, 1994; Van Wyk and Van Wyk, 1997; Van Wyk and Gericke, 2000;).

#### 2.5.2.2 Quality requirements for weaving

Minimum required length of an iLala leaf is 80cm; and only folded, pliable young leaves are used for weaving. In terms of iNcema, harvested length can vary from 1.2m to 1.88m at an average length of 1.45m. Thus, iNcema needs to be at least 1.2m for craft use. Shorter iNcema culms have thinner wands and are not as durable and strong as the taller culms. Shorter leaves and culms harvested is the result of poor harvesting methods by harvesters and weavers. Current harvesting methods utilised are traditional and destructive. These methods affect quality of the raw material due to technical harvesting problems and storage damage. Currently, commercial dyes that are bought from Mbazwana are not subject to any quality control. Three months after the crafts are dyed the colours begin to fade. This may be ascribed to the fact that weavers use less dye than it is recommended. By 'stretching' the dye through dilution, one can produce more coloured strands of iLala.

### **2.5.3 Appropriate timing of harvest**

#### **2.5.3.1 Existing harvesting patterns**

Mtunzini and Richards Bay weavers cultivate iNcema from their tribal land. Seasonal harvesting patterns of iNcema exist and coincide with rainfall patterns. Weavers who harvest both iLala palm and iNcema grass outside their territories are regulated by authorities that control access to wildlife reserves where iNcema is found. The regulation influences iNcema's harvesting patterns. iNcema can now only be harvested in May due to the regulation by conservation authorities at St. Lucia (Van Wyk and Gericke, 2000).

### **2.5.4 Reasonable cost**

#### **2.5.4.1 Effects of supply and demand on the cost of raw materials**

At present iLala sells for R10 per bundle. Weavers from Mseleni buy iLala raw material from Mbazwana market twice monthly at R10 per bundle and have to pay transport for R14 per month, whereas Richards Bay weavers buy iNcema grass from Umbonami market from other weavers at R13 per bundle once in two months within a walking distance. Weavers in Mabaso harvest 70% of iLala from nearby conserved areas with the issue of permits and 30% from their own tribal land. Weavers from Mtunzini and Richards Bay obtain both iKwane and iNcema for free from their tribal lands. However, the demand for iNcema grass is higher than its supply (Cunningham, 1987; Van Wyk and Gericke, 2000). This makes iNcema more expensive than other sedges and reeds because of its cultural importance - the production of high quality sleeping mats (Kotze, 2000). Should the demand for sleeping mats increase, it will create an even bigger demand for the iNcema grass that may in turn cause an increase in the price of raw materials – currently R30 per bundle at the Durban craft market.

### **2.5.5 Organisation of the procurement system**

Within Maputoland as a whole, non-cultivating iNcema harvesters buy a R3 ticket that allows one 12kg bundle to be cut per day. The annual iNcema harvest (May) in St. Lucia estuaries drew over 800 people with over 165 000kg of grass during the 2000 season. The number of producers (harvesters) elsewhere in the current system is approximately 89 in Mbazwana and 11 in Sodwana. Weavers cultivating their own

trials within the study area are 13 in Richards Bay and 4 in Mtunzini. The number of transporters known in the region and spotted during the research was one minibus taxi company with more than 10 cars, and a large number of other transporters to sell to the Durban craft market by twice the price paid to the weavers. The number of buyers is greater than sellers, especially with the emerging retail and interior décor markets.

For the iLala palm, the number of producers (harvesters) in the current system is approximately 14 at Mbazwana, at least 60 more harvesters around Mbazwana and 25 in Mabaso and over 15 weaving groups of an average of 15 members at different clans within the region. The iLala raw material transportation business is a growing industry. For instance, an 11 ton truck owner was interviewed with his truck full of iLala raw material, which he bought for R5 per bundle and intended to sell it at R25 per bundle at the Durban craft centre. In general, the number of buyers is 204 in Sodwana Bay alone (Van Wyk, 2002) and 15 from Mseleni and over a 1000 in the intermediary and the international market.

#### **2.5.6 Environmental impact**

The democratic elections in April 1994 changed everything (Steenkamp and Hughes, 1997; Yeld, 1997; Harvey, 1999; Seaman, 1999). The environmental clause in South Africa's new Constitution states that "Everyone has the right to – (a) an environment that is not harmful to their health or well-being; and (b) have the environment protected, for the benefit of the present and future generations, through reasonable legislation and other measures. The measures are to i) prevent pollution and ecological destruction; ii) promote conservation; and iii) secure the ecologically sustainable development and the use of natural resources, while promoting justifiable economic and social development" (The Constitutional Assembly, 1996 in Yeld, 1997).

Conservation agencies like the KwaZulu-Natal Nature Conservation Services (NCS) followed the gist of the above-mentioned clause by introducing Community Conservation Programmes (CCPs) prevalent in Mtunzini and Richards Bay areas. These CCPs act as a vehicle for the execution of the community's policy concerning conservation of biodiversity through conservation-based community development (Steenkamp and Hughes, 1997; Douglas, 1998; Harvey, 1999; Seaman, 1999; Els 2000a).

Generally, all people living in tribal lands have access to natural resources for free. This access can only be limited when the resource base is visibly depleted and the tribal authorities decide to bar access to villagers until they are observably restored. These land types are a typical of the Mabaso clan, Richards Bay, and Mtunzini groups, wherein no costs are incurred for raw material purchase, and transportation to harvest or dyes used for colouring the products except at Mabaso.

## **2.6 THE PROCESSING ACTIVITY**

### **2.6.1 Introduction**

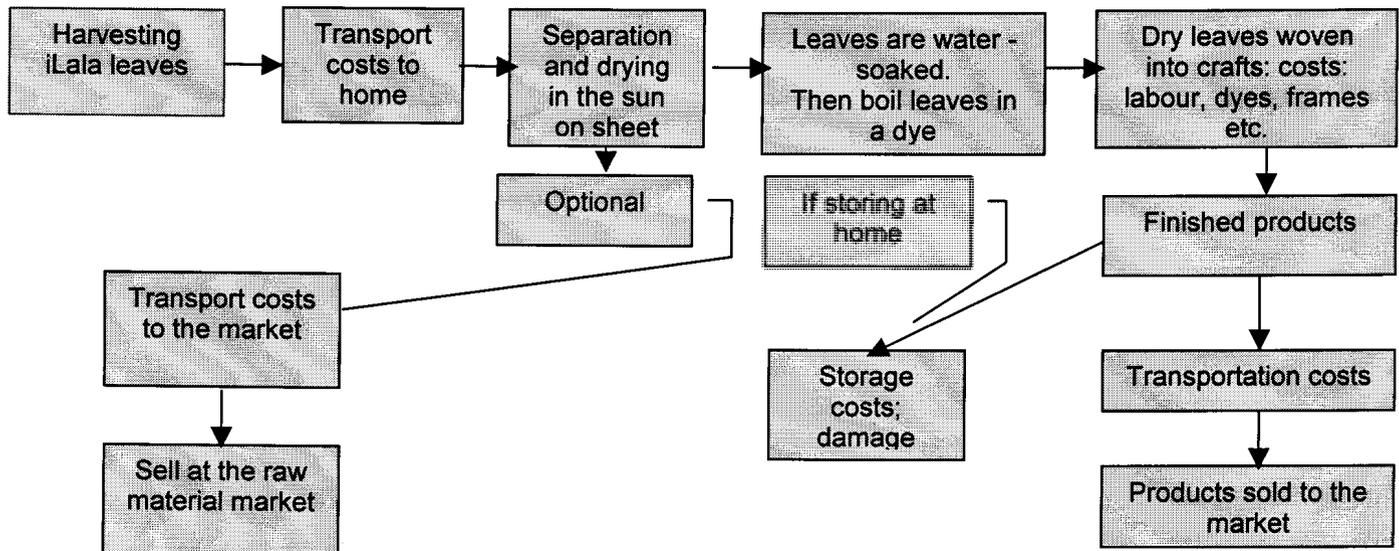
Processing distinguishes the intricacy of each weaver with regard to added value as compared to other weavers. This is because authenticity and quality are new trends emerging in the natural fibre market; product innovation and the intricacy of each weaver is therefore critical. In this case processing is synonymous to weaving or production as both are processes involved to transform raw materials into usable products.

### **2.6.2 Selection of the processing technology**

#### **2.6.2.1 iLala and iNcema processing technologies**

Value is added in terms of the form (using dyes), place (distances to markets) and the time taken to weave the products (Abdallah and Matete, 1999). However, very little investment in technology is added to the weaving process. Transport costs are the only major costs associated with bringing leaves to the weaver's home and taking finished products to diverse marketplaces. The use of natural fibres and the 'art of the weave' enhance the quality and value of crafts. Currently, criteria utilised to set quality standards in different market segments, especially the tourist market are unsatisfactory, as tourists want to observe and experience rural weavers weaving using natural products and conventional methods. The following diagram from figure 2.2 shows a process of processing iLala leaves into crafts.

**Figure 2.2:** The processing chain of iLala commercial products



### 2.6.2.2 Processing iLala products

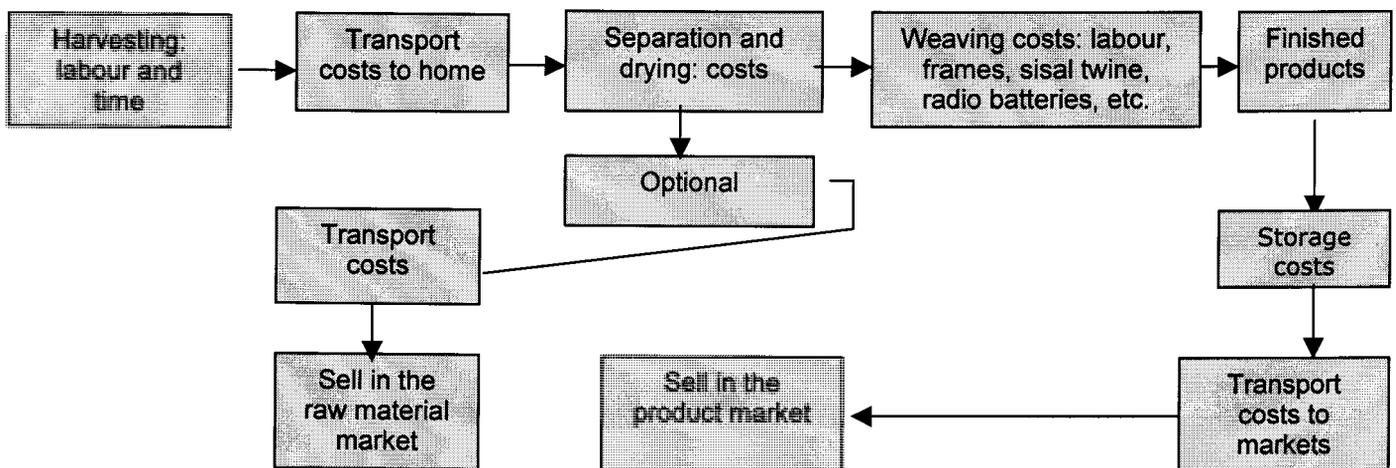
From figure 2.2, it is evident that after the leaves are separated into strands and dried in the sun, they are then soaked in water to make them soft and supple for weaving fine and often water tight baskets, whose natural colour is cream. It can take up to ten leaves and two weeks to produce a medium-sized basket and up to three months to make a big grain basket. All products are unique in terms of size, shape and pattern, weave and colour. Product types differ from area to area depending on the availability of raw materials and product usage.

Natural dyes are partly used to colour the products (as at Mabaso and Mseleni groups). The colours are obtained by boiling the leaves, roots and berries or bark of indigenous flora in an open fire. The most popular root dye used by weavers is *Euclea divinorum* and it is found in the Hluhluwe-Umfolozi Reserve (Cunningham, 1987). Harvesters are only allowed to harvest to a limited extent in conserved areas (St. Lucia estuaries) in a particular season. For harvesters in tribal lands, responsibility is put on them by conservationists and local tribal authorities to ensure sustainability of raw materials to be utilised by themselves and their children in the future.

### 2.6.2.3 Processing iNcema products

Incema culms are cut and piled into bundles of forty or fifty. After harvesting, the reeds are left in the sun to dry for three to five days. Thereafter, they are woven into sleeping mats, using a wooden frame and weights (stones or old radio batteries) at the ends of each piece of twine. A mat of approximately 70cm x 150cm takes twelve hours to weave with basic decoration. A big mat takes three days to make. A range of decorations are used, from different patterns with coloured twine, weaving-in reeds covered with natural products like papers, etc. The following diagram shows a process for processing iNcema grass into crafts.

**Figure 2.3:** The processing chain of iNcema products



### 2.6.2.4 iLala palm and iNcema grass crafts

Commercial (synthetic) dyes are used on products such as picnic, laundry and shopping baskets, rubbish bins, trays, bread bins, etc. All of these products have been observed in the intermediary market. The dyes are bought from commercial shops at R7 per teaspoon and iLala is boiled in them before or after it is woven into crafts. Contemporary or modern crafts comprise lampshades, lamp bases, fruit bowls, flower holders, gift boxes, placemats and iLala shelves. Plain, natural iLala leaves are used to weave the products.

#### 2.6.2.5 The common colours used to make dyes

- Brown or black (*Isizimane*) – roots of a tree crushed and boiled in open fire.
- Pink or lilac (*Mpheghumbetu*) – leaves of a small bush, boiled for 12-18 hours.
- Coral (*Magwenya*) – aloe roots, boiled for 4-6 hours.
- Purple or blue (*Umdoni*) – skin of ripe Umdoni Berries, boiled for 4-5 hours.
- Burgundy or maroon (*Isfixu*) – a bark of the Marula tree, boiled for 1-2 hours.
- Orange (*Xomisane*) – roots of small plants, boiled for 2-4 hours.
- Mustard or yellow (*Icena*) – paste of wood-ash and water, soaked overnight and boiled for 5-7 hours.
- Grey (*Ijuba*) – soaked in a black mud for 1 week.
- Khaki green (*Mxuba*) – fresh cow dung, water-soaked overnight, thereafter with palm leaves for 4-5 hours. The green colour is clearer in spring (Abdallah and Matete, 1999).

#### 2.6.3 Access to plant material

Weavers weave from their households (except weavers in Mtunzini) as a part-time job together with other household activities such as crop and livestock production, cooking, washing, and other daily chores. Each weaver's activities are mandated by the group. Transport costs to the weavers' homes are not accounted for if raw materials are carried (within a 800m to 1Km walking distance) by weavers. The current transportation cost to distant markets like the Durban craft market is R200 per bus trip. Some weavers (Mabaso and Mseleni) and their daughters are skilled to both harvest and weave fibre products.

Problems mentioned by all four weaving groups with respect to harvesting areas are weeding, retarded growth and submerged cultivated iNcema (as at Richards Bay and Mtunzini) knife injuries, snakes, criminals (at Mabaso). However, cultivation trails at Mtunzini and Richards Bay promise to provide consistent raw material supply. It costs weavers in Richards Bay, Mtunzini and Mabaso nothing to harvest in their own tribal and communal lands. It costs Mseleni weavers R 10 per bundle to buy iLala palm from the Mbazwana market.

#### **2.6.4 Inventory management**

Weaving groups are responsible to preserve their raw materials and woven products to avoid any damages after harvest. A failure to complete this activity results in the costs of processing. Mtunzini and Richards Bay groups are the only groups that have adequate storage facilities donated or built by development agencies. The other two weaving groups (Mabaso and Mseleni) store their products at their homes. Consequently, these weavers experience problems with rain (mould), rats and smoke damage. Although lack of storage facilities poses a real problem, there is a general lack of knowledge when coming to appropriate times to keep finished products in storage or sell. The cost of processing also comes from inexperienced labour to harvest and weave or lack of capital to purchase weaving equipment, namely, reeds, weaving frames, weaving twine or string and dyes. Working capital requirements change seasonally; in winter harvesting is done on a weekly basis as compared to every 2 days in summer for iLala palm weavers and vice-versa for iNcema grass weavers.

#### **2.6.5 Packaging and other processing inputs**

Packaging for both raw materials and their products is not common practise, as products are non-sensitive to environmental conditions and can be exposed to extreme temperatures. However, a raw material bundle is tied with a thin strand, whereas finished products are piled inside one other depending on their sizes. Further, most natural fibre products are cumbersome in nature and present weavers with transport problems.

#### **2.6.6 Programming and control**

A clear and systematic implementation plan and record keeping are non-existent within weaving groups, especially Mseleni group. This situation presents a challenge for a researcher to analyse financial viability of weaving groups. There are fewer schedules followed in the production mix - only when weaving in accordance to orders placed. Although weavers indicated that they get instructed by a group, at times of slow business each weaver weaves in accordance with his or her individual plans for the day or week. Meetings are not regularly held to discuss division of labour amongst the group members, which restricts the systematic planning of production. Harvesting is labour-intensive and mostly done by weavers as

coordinated by the group in short of stock. It has been evident from the research that if every group member is responsible for his or her own product line, he or she must ensure a consistent supply of finished products whenever requested, which is difficult if there is a sudden high demand for his or her products. Within groups (Mtunzini, Richards Bay and Mabaso) where a system to harvest raw materials together is used, the probability that every member is skilled to weave few product is high.

All four groups collectively assign tasks (number and type of woven products) to each member and the time frame, especially if an order is placed. Allocation of tasks is carried out through informal discussions (group promoters within each group). Timeous delivery of finished products is a shortcoming of the weavers as firstly, weavers in Mabaso and Mseleni groups are sometimes unable to meet orders at specified times and secondly that the costs of delivery are too high because of the bulkiness of products. This situation can be ascribed to weavers' distrustful relationship with their group promoters from development projects they are engaged in (as at Mseleni). Some groups (Mtunzini, Richards Bay and Mabaso) are on the verge to form marketing committees as a result of organisation-development training to obtain local orders and allocate them to group members. All groups organise for marketing activities to enable them to obtain 'fair prices' as compared to working individually, but have not been successful. Weavers pursue their own quality control and value-adding procedures on their own unless there is a specified order placed. The main reason is that other weavers do the same and secure reasonable prices.

#### **2.6.7 By-products of the iLala palm and iNcema grass**

Figure 2.2 and 2.3 show that both iLala palm and iNcema grass, respectively have no by-products because a production of a basket will always end up as a basket, as designing was the first process before producing it. However, both raw materials have competitive products. The competing uses of the iLala palm beyond basketry are iLala palm wine, which is profitable but destructive, paper production has also been attempted, but is not economically viable. Fruits are edible, the seed is used for carving, and it is even eaten during times of drought (Osborne, 1995). INcema grass is often utilised for brooms and beer strainers.

## **2.7 MARKETING POTENTIAL**

### **2.7.1 Description of products**

The general criteria for quality attributes of products in the intermediary market encompass colour, pattern, size, and material. On colour, customers want natural vivid colours during the festive season. The colouring process of each individual weaver is unique. A pattern to use one material horizontally and the other vertically adds value to the product as Woolworth's Menlyn Park manager mentioned. Pattern here can also refer to the configuration of the shade itself, in case of lampshades (Sutton, 2001). For instance, customers prefer conically shaped lampshades and less rectangular types. Determination of size depends on the purpose of the purchase. For the lampshades, the area that needs to be covered by the light is important. For instance, a medium shade carries a 60w bulb and a large shade should carry a 100w bulb. The iLala palm and natural seagrass make perfect material for lampshades. Table 2.2 shows different products woven by rural weaving groups and their uses.

**Table 2.2:** Description of products woven by weavers

PRODUCT	RAW MATERIAL	SHAPE	SIZE	COLOUR	PURPOSE
Lamp shades and bases	iLala and natural sea-grass	Conical, uprighters, squares, semi-drums, tubular or vertical	Small to large	Natural; Yellow, brown, blue, grey etc.	Shades are for lighting decoration Lamp bases provide support for shades in decorating
Sleeping and place mats	iNcema, iLala and iKwane	Flat, long	1.2 * 1.88m	Natural	To sleep or relax, Place mats are bases for hot objects to prevent tablecloth burning.
Blinds	iNcema and iKwane	Flat, long like a wall covering item	Small to large depending on the window size	Natural colours	Filter sunrays from entering a room with their consistent spacing between grasses.
Gift boxes	iLala	Small, square or rectangular box with a lid	All small	Natural; vanish, yellow, grey, blue	Decoration and as gift storage containers
<b>Baskets</b>					
Zulu	iLala	Large, round items with or without a lid	Medium to large	Natural, but mostly coloured with diverse dyes	Containers to carry and store water and goods. Can be used for home decoration as well.
Laundry	iLala	High volume and height, conical shape-like (dustbin)	Large	Light brown	To store laundry
Shopping	iLala	Flexible, rectangular with handles	Small to medium	Natural; brown	To carry shopping items
Picnic	iLala or natural sea grass	Small to large with a lid on top	Medium to large	Natural; vanish	Carries picnic utensils and necessities

## 2.7.2 Competition (major players)

This section profiles the structure of the natural fibre market and identifies industry competitors as potential threats to weavers. In general, a market analysis procedure is followed to evaluate the economic feasibility of the products traded by weavers in diverse markets. If products are found to be viable then the commercialisation process is continued.

### 2.7.2.1 The tourist market

#### 2.7.2.1.1 *Regional (primary level)*

In Maputoland region there are many small craft stalls alongside roads that tourists travel on. Craft stalls in or near wildlife reservations sell iLala crafts and sleeping mats similar to the ones sold at Sodwana Bay National Park and Mbazwana market. Weavers (Mabaso and Mseleni) here target tourists who visit wildlife reservations, but are less successful than weavers in Sodwana Bay market because fewer tourists visit wildlife reservations. Sodwana Bay National Park is the most popular reservation in KwaZulu-Natal (Van Wyk, 2002).

Seasonal harvesting patterns of iNcema exist and coincide with rainfall patterns. Another factor that influence harvesting patterns, is the conservation authority that regulates access to wildlife reserves where iNcema is found. For example, at St. Lucia iNcema can now only be harvested in May due to the regulation by conservation authorities (Van Wyk and Gericke, 2000). This leads to the inconsistent supply of raw materials and therefore products. Due the seasonal supply of materials, weavers sometimes spend more time on weaving to produce as much high quality crafts as possible during winter to obtain high prices in summer (an influx of tourists).

The number of visitors to coastal areas and the surrounding parks increases and decreases after the holiday season. During school holidays and weekends, the number of visitors increases, but during the slow season (winter) it could drop down to zero (Van Wyk, 2002). At production level, local weavers produce similar products to each other with the same raw materials. When analysing competition at the production level, it must be borne in mind that all weaving groups or individual weavers target tourists, and the different methods to weave have effects on quality.

Craft marketing in almost all districts from Hlabisa to Kosi Bay is similar with the usage of craft stalls. Few weavers like the four groups in this study are able to distribute their crafts to formal traders like iLala Weavers through orders, but supply is irregular and unreliable. It is not guaranteed that weavers' crafts will be bought on regular intervals. All four weaving groups indicated that they also sell at the Durban craft market and have to bear security problems at the market and high transport costs. Weavers within the Mabaso group have observed that tourists are afraid to go to Durban craft market due to escalating crime around Durban.

Competition at different markets and craft stalls on roadsides is very high, unless a weaver or a group of weavers can have an opportunity to sell outside the vicinity. All weaving groups often have capacity problems to honour quotas, thus, occasionally procure products at semi-formal markets. The groups collectively sell some of their products nationally to traders around KwaZulu-Natal, and to other provinces with the help of a community development project funded by Institute of Natural Resources, Landcare, Department of Arts, Culture, Science and Technology and Mondi forests (Kotze, 2000).

#### 2.7.2.1.2 *National level*

Initiatives by players in the formal trade (like Afri-can-do, African Baskets and Curios, iLala Weavers, Ngezandla Zethu, etc.) have started buying Zulu crafts from Maputoland region to resell them at the national and international market over the Internet. An example of such initiatives is iLala Weavers (Pty) Ltd. situated in Hluhluwe, this initiative advertises itself to be a "community-driven employment project" (Sutton, 2001). Apart from a gallery and a warehouse that sell iLala baskets, the iLala Weavers' village also comprises a live-in village where tourists can experience how Zulu people do beadwork and weave. The basic procurement strategy of this enterprise is to order iLala crafts from the weavers in Sodwana Bay, Mbazwana market and the surrounding areas. Weavers at Mabaso group indicated that the company negotiates for prices and demand that weavers use specific dyes. Its strict quality control like other distributors ensures that the products it buys can be sold at higher prices over the Internet and through its local contacts (Sutton, 2001).

In South Africa, the Basotho also produce baskets, but their tradition of basket making is almost extinct due to the nature of their baskets, the preferences of the

western consumers and an increase in illiteracy. The tribe's baskets are not decorated and are just “*simple utilitarian implements lacking establishment*” (Levinsohn, 1984b). Such baskets have less appeal to collectors and tourists who confine their attention to the decorated Zulu, Bayei and Hambukushu baskets (Levinsohn, 1984b).

#### 2.7.2.1.3 *International level*

Size and quality determine the cost in this market. Quality is determined by the fineness of the weave, symmetry, dye quality and the intricacy of designs. The combination of delicate colourations and the skilful execution of design have increasingly distinguished Zulu craftwork from other tribes like Bayei and Hambukushu of northern Botswana (Levinsohn, 1984b).

In Botswana, the government and United Nations funds are used to market Bayei and Hambukushu baskets internationally. This led to a greater demand for the baskets that exceeded their supply. The demand has led to negative results, as quality was abandoned in favour of quantity production (Levinsohn, 1984b). Overall, the profit margins on products bought from weavers in Maputoland and sold over the Internet are very high, in some cases up to 1000% (Sutton, 2001). Internet businesses target the North American market and all prices are quoted in American dollars (Black, 2001). Prices range from R40 for gift boxes to R4000 for big baskets. Unitrade distributors indicated that the international demand is increasing over time (Unitrade, 2001).

The biggest foreign market of baskets and other crafts (like lampshades, bases, placemats, blinds etc.) from South Africa is U.S.A, followed by UK and then Australia, Germany, France, the Netherlands and most south east Asian countries. UK is the biggest market for lampshades and bases. ILala Weavers exports approximately 12 000 items every year, and sometimes they are unable to meet the demand because of unreliable and inconsistent supply of the products (Sutton, 2001). Calaloo Traders based in South America sells South African blinds woven from iNcema and iKwane. Product prices are in the range of R40 to R400. Zebra trading company, Berkeley, California, trade with Zulu baskets in the price range of R195 to R350. It suggests that the beauty of African art lies in its uniqueness, and that the business must complement this through personal touches (Abdallah and Matete, 1999). International businesses trade Zulu baskets to basket collectors in foreign countries

at major museums and galleries. Lattice Inc., a non-profitable organisation distributes products for Ikusasaletu weaving group's baskets and beads. Unitrade distributors export and distribute sea-grass, iLala and wooden lampshades and bases to America (Unitrade, 2001).

## 2.7.2.2 Intermediary market

### 2.7.2.2.1 *National and international level*

There are local suppliers or collectors who procure finished products either from the same or different weaver (s). Procurement from the same weaver (s) rarely exists as collectors are looking for a wider variety, uniqueness, authenticity and quality in a craft of which an individual weaver may not have maximum capacity to consistently weave (Black, 2001). Other suppliers source products from West African countries like Nigeria, Niger, Ghana, Burkina Faso, Mali, etc. Traditional baskets dominate products procured from these countries and transportation costs are high due to long hauls and bulkiness of baskets (Black, 2001). Private collectors therefore tend to increase their prices to cover delivery costs. Irregular transactions in this market may result in a tendency to loose consistent quality, form, time, and place.

There are also suppliers importing from SADC and other Southern African countries like Kenya, Malawi, Zimbabwe, Zambia, Swaziland, Mozambique, Botswana etc. This market also has unreliable supply and most produce traditional baskets. Other suppliers import from South East Asian countries like India, Indonesia, China, Hong Kong and Thailand. Weavers in most of these countries utilise synthetic materials to produce products. These countries export their products in the South African market where the knowledge gap of the consumer towards the products is still prevalent. Most of synthetic products were observed in leading retail shops.

Most retailers have their own, established suppliers and are reluctant to disclose information about them. Retailers are satisfied to deal with their current suppliers as products meet their expectations and are therefore not inclined to switch suppliers. In general, some retailers source their products from South East Asian and SADC countries. Nevertheless, managers of retailers like Mr. Price, Woolworth's, Loads of Linen and Living, Edgars mentioned that most of their suppliers are local and predominantly from KwaZulu-Natal.

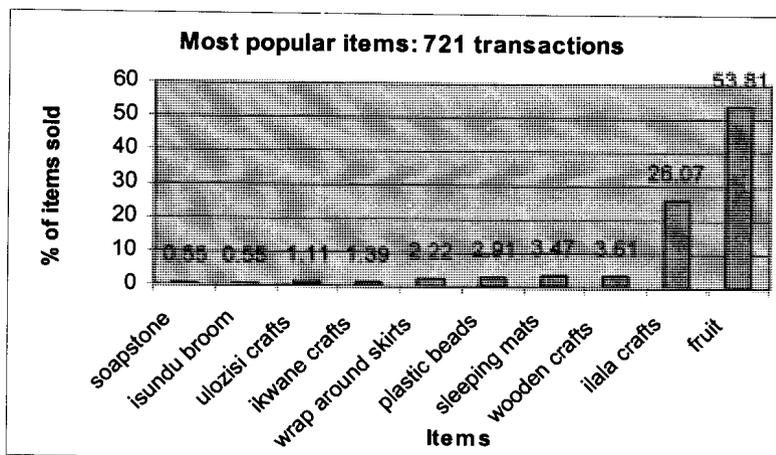
Interior decorators procure suppliers themselves on-line at a client's request. This operation is expected to be more frequent as demand for natural fibre products in home decorating is on the rise (Mayhugh, 2000; Avonwold, 2001). Suppliers of small curio shops like Linen Kist, Tetra Cotta, Pomegranate and Klein's obtain most of their products from West African countries and some of them from Southern African region. Sometimes, shop-owners travel to collect the products themselves. The curio shops mention that although supply is unreliable quality is satisfactory.

### 2.7.3 Market volume – only the tourist market

It is difficult to provide exact quantities of fibre crafts sold in South Africa annually since such data does not exist in the informal trading dominated industry. However, from the small market survey conducted by Abdallah and Matete (1999) it was observed that 6000 baskets and sun hats are sold annually by traders at the Hartebeespoort Dam market. Given the price range of R150 to R600 per item, annual estimation value of R225 000 is calculated. Distributors of the crafts like the iLala Weavers sell approximately 24 000 units of baskets, lampshades and bases every year (Sutton, 2001). The production and sale of handcrafts woven from indigenous plant materials have increased in South Africa since the 1970's. Despite the increase of utilisation, little data exists on the amounts of plant material used (Cunningham, 1987).

### 2.7.4 Market growth and value

Figure 2.4: Popular items sold at Sodwana Bay market

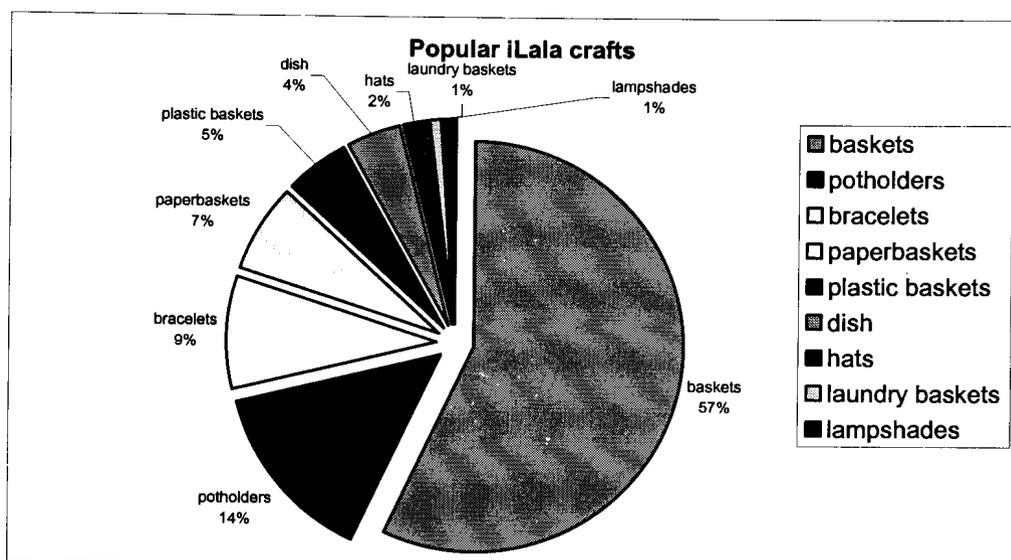


Source: Van Wyk, 2002

The local market for South African crafts has grown due to an increase in tourism and South Africa's enhanced global profile. The value of natural resources harvested in KwaZulu-Natal Wildlife protected areas during the 2000 season was estimated at R6,5 million, and included reeds, thatching grass, iNcema, marine organisms, fruit and herbs as well as a variety of other grasses and fronds used for weaving and basket making. There has also been some increase globally for craft related products that have a utilitarian and a value-added component. This is especially so in markets in the USA (DACST, 1998). According to iLala Weavers, demand for traditional baskets surpasses their supply. The reason is that baskets are hand-woven, thereby take a longer time to weave.

There are basically two reasons why the basket market supply is not growing faster as compared to contemporary or modern products with quality and an 'African theme' preserved like lampshades and bases, place mats, gift boxes and related products. The shortage of the baskets about five years ago compelled suppliers to increase prices (Sutton, 2001). Therefore, only few rich people can afford to buy them. Secondly, for the local and international markets, suppliers and consumers complain about the baskets' bulkiness – implications for transport and storage costs. It therefore paves way for other products like lampshades to improve their market growth and share, as they are newly introduced products and are natural as well.

**Figure 2.5:** The most popular iLala crafts sold at Sodwana and Mbazwana markets



Source: Van Wyk, 2002

The fact that products from figure 2.5 are not 'traditional' is not a constraint. Customers in the iLala crafts market like tourists do not want to be restricted to purchasing products because of the heritage and culture they offer, but because they look and feel natural (Mayhugh, 2000). Both transportation and storage costs for the products are low, therefore, it is easier for customers, especially tourists to make purchasing decisions due to the products' non-bulkiness. This is one of many factors that determine the product need in the formal market.

### **2.7.5 Demand forecasts and trends**

Responses from the market survey indicate that there is a demand trend for iLala products that shows a market potential for the iLala palm both as a raw material and product. The demand for Zulu baskets surpasses their supply (Abdallah and Matete, 1999). New products may therefore become more competitive than Zulu baskets from reasons mentioned in section 2.7.4. From the market survey the deduction is that demand for crafts is increasing (traditional and new basket markets), as the iLala palm raw material demand constantly increases. For the tourist market, there is an upward trend in the number of foreign and domestic tourists visiting South Africa (Foresight, 2000). Therefore, one should expect product demand to follow an increasing raw material demand trend in the future (Foresight, 2000).

There is a movement away from the usage of synthetic and manufactured products to natural fibre products. There are several factors affecting this consumption trend. Individualism, simplicity and spirituality are the three words that describe what will be influencing the design industry for the next 3-5 years (Mayhugh, 2000). Making what is old (natural), new again to thrive in a modern society is a competitive strategy. So, a more use of natural products by corporate businesses and home decorators will result from the preceding shift of consumer needs. 'Africanism': This is a term coined to describe the look of natural products being promoted by several interior decorators. It is an up-market style that embodies all the parameters of browns, greys, black and white, ethnic, rustic, single and angular, which is the new style of Africa (ExAfrica, 2001).

### 2.7.6 Consumer buying behaviour

We are living in a busy, stressful world and need a place where we can come home to and escape in comfort along with the constant search to find peace within ourselves – psychological needs. From this point meditation rooms will become common. Spiritually, people want to feel more relaxed within homes decorated with natural fibre products. Change in lifestyle or simpler lifestyle translate into nature-based products. Consumers request simpler, more meaningful lifestyles, and a parallel attraction to spiritual and new age topics that create another colour niche. Thereby, colour is a design tool that can be used by skilled home furnish retailers to add a meaning to their customers' homes and value to services they provide. There is a strong purchasing trend that reflects a desire to recapture a style ideal of a more civilized time. As a result, customers look to align their technology and their rushed lifestyles within the context of a more complex and rich home environment. Moreover, they are looking up to the past to provide the service. The colour direction for the year 2002 and beyond is lighter and softer (Mayhugh, 2000).

Interior decorating shops use more of natural products combined with other materials to make one product. For instance, natural seagrass lampshades woven on steel bases. A specific evidence of trends towards the usage of natural products is the Woolworth's product range. Previously, Woolworth's used to procure plastic lampshades, cotton place-mats and paper giftboxes, but realised the need for natural fibre products and made them available within the 2000 festive season as "new products of the millenium". The fibre products replaced the above-mentioned fabrics completely and sales increased by 45%. On sociological needs, consumers attach no need for culture and heritage backgrounds of the product because products are not strictly traditional themselves, but natural with an "African theme". The perception is that natural fibre products are just different products to buy for decorating.

The use of bold patterns and vivid colours attract buyers as sensory appeal of products. Consumers like different colours on both similar and diverse products, hence a wider variety of products (expanding the product line) in the market. Plain crafts (non-dyed) are bought for their natural appeal, authentic colour and the general atmosphere (spirituality or therapy) they provide within a home. None of the consumers indicated any need for social status as a primary reason for purchasing the crafts, but the basic principle is to decorate. More than half of the consumers buy natural products because grasses do not need any cleansing for the rest of their

lifetime as compared to fabrics, rugs and textiles, and can be found in superstores nowadays as well, which is convenient for consumers (Mayhugh, 2000).

The only item that consumers buy because of its importance (necessity) is the placemat for their kitchen tables, although they can always buy cotton placemats the difference is the price. Cotton fibre mats are more expensive than those woven from grasses. On shelf life, consumers make purchasing decisions based on the fact that products can serve their purpose for a long time without deteriorating in quality and colour at a 25°C room temperature.

## **2.7.7 The purchasing process**

### **2.7.7.1 Roles in the household**

Kotler, (1999) identifies six roles during the purchasing process, namely, initiators, influencers, gatekeepers, deciders, buyers, and users. For natural fibre products, mothers initiate the purchasing process and decide on what items to buy, whereas children and other family members influence the buying decision. Fathers are normally in possession of finances (gatekeepers), but at the end the whole family makes use of fibre products for home decoration.

Women spend enough time shopping and therefore have more time to evaluate products and their features. In general, women do like naturally woven, decorating products for the above-mentioned reasons, whereas men like products made of wood and wire such as walking sticks, cars etc (Van Wyk, 2002). Women choose the type of a product and raw material from which the product is woven. Most women choose iLala and iNcema crafts for decorating their homes.

### **2.7.7.2 Purchasing characteristics**

Women consider buying decorative items whenever they go shopping. A lot of deliberation also goes into a decision to buy articles that would decorate the house or support other items to decorate. Whenever women see a unique product for the first time they have a tendency to instantly buy it, especially if they are told that it is a rare item to source. For instance, giftboxes at the Shongololo Shop in Menlyn Park Shopping Centre. For home decorating the purchasing decision is irregular as it depends on price-quality relationship, income and the seasonal nature of the crafts.

## 2.7.8 Household market dynamics

### 2.7.8.1 Identification of potential customers

Domestic and foreign tourists who visit KwaZulu-Natal and who buy from the semi-formal craft markets are part of the Living Standard Measure (LSM) 7 and 8. these two consumer groups are classified in table 2.3 in the following page.

**Table 2.3:** Consumers classified under LSM 7 and 8

<b>LIVING STANDARD MEASURE 7</b>	
Demographics	11.4% of the total population Gender: Male - 49.6% and Female – 50.4% Age distribution:16-24:23.9%; 25-34:24.9%; 35-49:28.3%; 50+:23% Language: Eng./other:30.1%; Afr./both:38.8%; Nguni/other:15.6%; Sotho/other:14.4%
Household income	Range: R7000 – R11999 per month Average household income: R10429 per month
Holiday habits	38% take SA holidays: Half to the coast, half to stay with relatives, one third to timeshare accommodation(total is >100 because categories are not mutually exclusive)
<b>LIVING STANDARD MEASURE 8</b>	
Demographics	11.3% of the total population Gender: Male – 51.1% and Female – 48.9% Age distribution:16-24:9%; 25-34:23.6%; 35-49:36.9%; 50+:30.5% Language: Eng./other:44.9%; Afr./both:44.9%; Nguni/other:6.2%; Sotho/other:4%
Household income	Range: 12000+ per month Average household income: R14500 per month
Holiday habits	60% take SA holidays in the past year. Only 33.33% of these trips involved staying with relatives

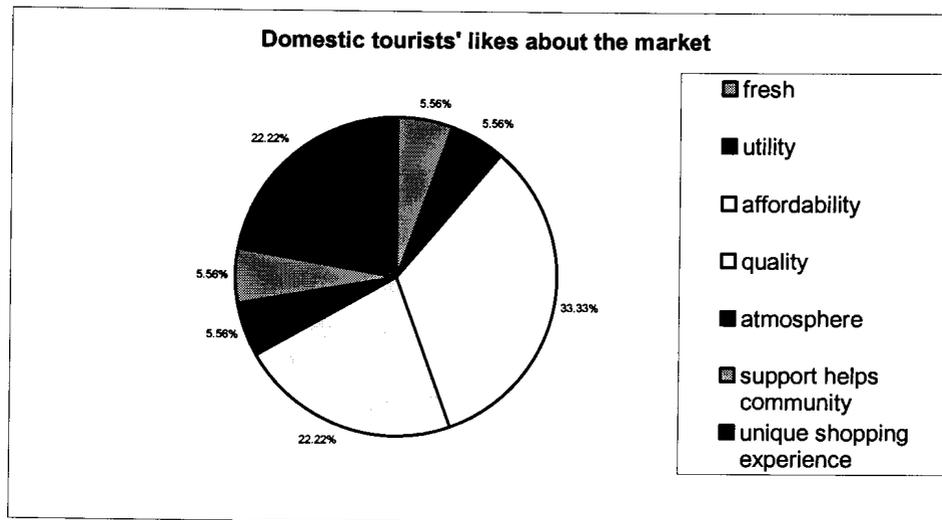
**Source:** SAARF, 2000 and Van Wyk, 2002

The domestic visitor survey conducted in 1996 by SATOUR (South African Tourism) indicates that KwaZulu-Natal attracts 30% of the South African domestic tourist market (the highest group). KwaZulu-Natal's most important source market in 1996 was itself, with 74% and 17% coming from Gauteng (second most important market).

The average amount spent by domestic visitors to KwaZulu-Natal in 1996 was R764.70 per trip [2 adults] (Colliers, 1998). According to Colliers (1998), KwaZulu-Natal attracted 50% of the wealthiest super group of travellers and 41% of the middle income tourists in 1996. The key to growth segment is the domestic market according to Colliers (1998).

#### 2.7.8.1.1 Market segmentation

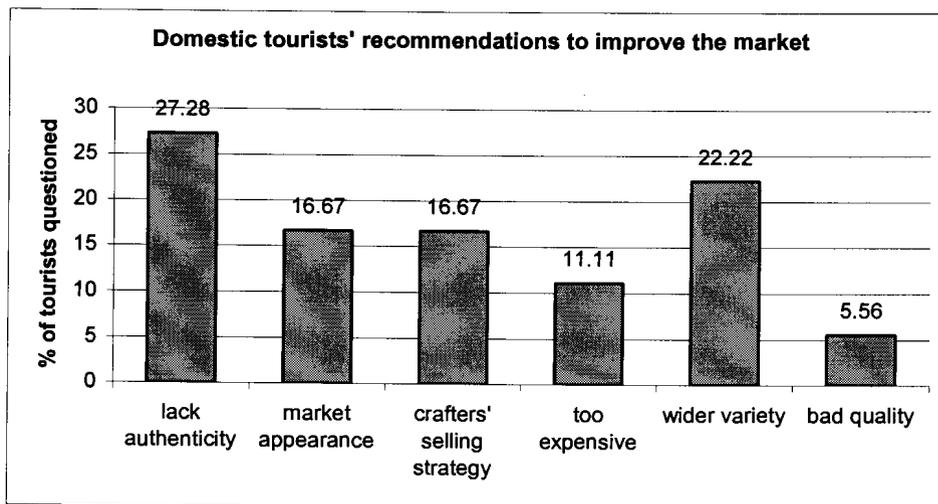
**Figure 2.6:** Domestic tourists' likes about the market



**Source:** Van Wyk, 2002

According to figure 2.6, domestic tourists seek crafts that are affordable and usable. Crafts bought by domestic tourists go either for house decorating or used to store smaller articles. According to these needs it is understandable that tourists long for novel items although other tourists think that some items do not fit the novelty status, and that a wider variety of products is needed.

**Figure 2.7:** Domestic tourists' recommendations about market improvement



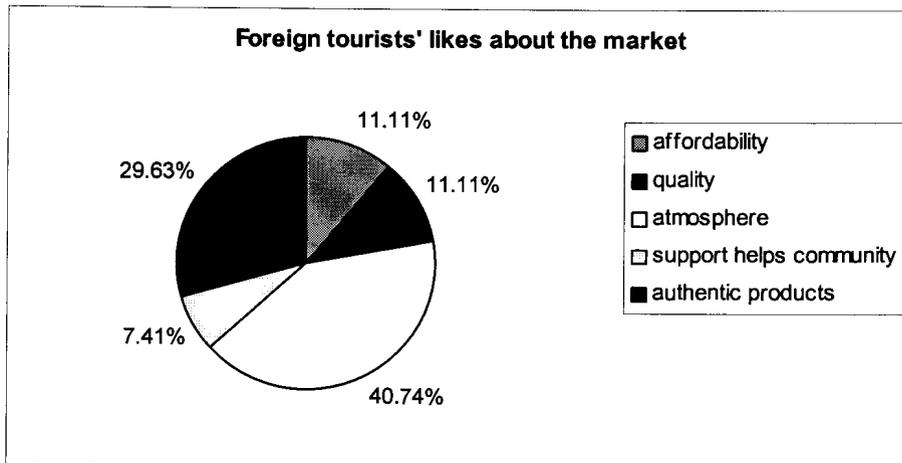
**Source:** Van Wyk, 2002

Figure 2.7 shows that with a wider variety to choose from, the chances of picking a unique product would be greater. The novel items may not be too exotic. Generally, the domestic market is very conservative in its preferences that are evident from consumers' buying behaviour.

#### 2.7.8.1.2 Foreign consumers buying fibre products

Foreign tourists seek an authentic "African" experience. When looking for authenticity, tourists look at both objects and experiences. An object's authenticity is defined according to uniqueness, workmanship, aesthetics, cultural and historical integrity and genuineness (Littrell *et. al.*, 1993; Wang, 1999). In this regard, 40.74% of tourists' responses indicated that iLala products were thought to be authentic. The measure against which experiences are compared as being authentic or not, often becomes the stereotyped images and expectations held by tourists on cultural groups or events (Waller and Lea, 1999; Wang, 1999). About 40.74% of tourists' answers related to the authentic "atmosphere" at the market.

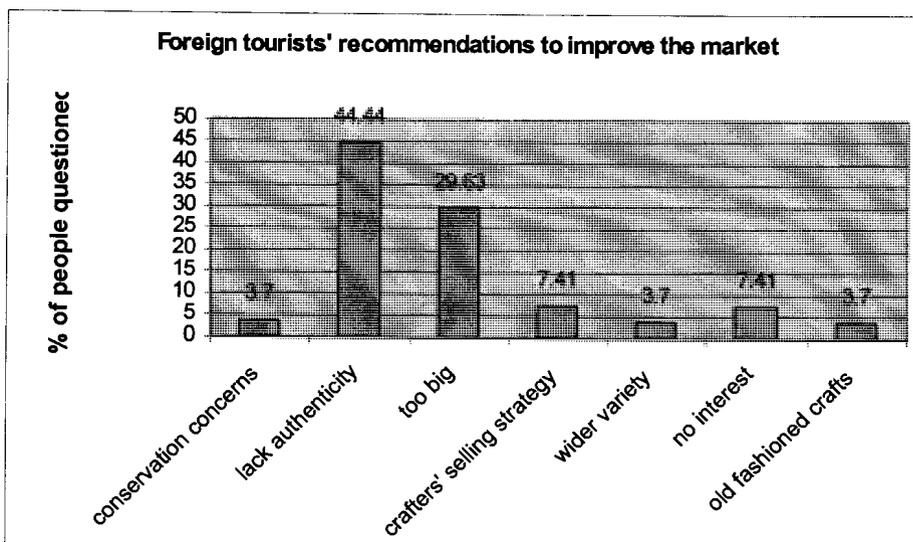
**Figure 2.8:** Foreign tourists' likes about the market



**Source:** Van Wyk, 2002

Figure 2.8 illustrates that 29.63% of foreign tourists' response is related to authenticity. Tourists want to know that what they see is a real Zulu weaver producing and selling real Zulu crafts. However, foreign tourists pursue an impression of an event and would buy something small to remind them of such an event. When tourists do buy crafts, it is usually small enough to fit into a suitcase and durable enough to survive the rest of the visit. These needs are reflected in tourists' recommendations on how to improve the craft market. From figure 2.9, about 44.44% of responses related to creating more authentic, recognisable Zulu crafts. For about 29.63% of tourists recommend that crafts be made less bulky for ease of travelling.

**Figure 2.9:** Foreign tourists' recommendations about market improvement



**Source:** Van Wyk, 2002

Furthermore, iLala baskets and iNcema sleeping mats cannot endure a rough journey in a cramped suitcase, as foreign tourists indicated. Thus, few tourists buy either iLala crafts or iNcema sleeping mats. Foreign tourists rather buy either a soapstone or small wooden crafts, and beadwork.

Looking at the needs and expectations of domestic and foreign tourists in terms of what they buy and what they intend to do with products, it is clear that the foreign tourist is not an ideal target market for bulky iLala crafts and iNcema sleeping mats.

### **2.7.9 Pricing**

At the primary level, product prices are directly influenced by fluctuations in raw material procurement prices. It has been noted from the field survey that there is little or no criteria followed to set prices on products; but could be attributed to the time costs and raw material amount used. Notably, Mabaso, Mtunzini, Mseleni and Richards Bay weaving groups determine the price of their crafts through size; the bigger the craft object, the more expensive it is. For raw materials, quality of leaves or grass is important. Due to the seasonal supply of materials, weavers in all four weaving groups sometimes spend more time on weaving to produce as much high quality crafts as possible before winter. Through the difficulty of defining a quality craft to be priced accordingly, recently marketing committees (Mbazwana) and weavers (Mabaso) seem to agree that the intricacy of each weaver and raw material quality are the main factors for uniqueness of products. The high quality crafts may secure high prices in summer, as there is an influx of tourists. Therefore, tourists may be willing to buy crafts based on price-quality relationship, and less on other values mentioned earlier attached on products.

The winter season presents a price-setting dilemma because raw material supply is low, but quality is also poor. Besides, for weavers who obtain raw materials for free in their tribal lands it is an advantage, as competitors that buy raw material may be inclined to increase prices cover their procurements costs. For the intermediary market, fibre products are luxurious and have a lot of substitutes. Price setting in the intermediary market is driven by authenticity and quality; as long as the two criteria are satisfied customers do not have a tendency to be price sensitive.

International market prices are set based on the size, quality and intricacy of the products in both business-to-business markets and consumer markets. Thus, a

product that displays all three attributes may secure higher bids than others. With the craft items it is difficult to offer volume discounts because of the mixture of light and heavy items to be found in shipments. Another reason could be the uniqueness of every product irrespective of whether certain products belong to the same category or not. Sometimes, it is not possible to provide prices that include freight costs on-line. For this reason, most prices exclude freight and packing costs – Free On Board.

Since price determination by weavers is a problem and may subject weavers to bargaining by buyers, the following table (table 2.4) sheds some light on different price-setting options depending on several pricing scenarios and options. It is evident from table 2.4 that weavers' current prices are low, however, traders still bargain for these cheap prices and sell products at significantly higher prices in the formal market.

**Table 2.4:** Projected products prices for each weaving group

PRODUCT	SIZE	PRICES	TIME/ PROD. (HOURS)	TIME PRICES	PROD. COST PRICES	R/D PRICES	COSTS W.O TRANS.	BUNDLES/ PROD.	COVER RM COSTS	PROD. COSTS INCL. RM COSTS	AVG. PRICES	AP'S R AND W	AP ALL
<b>MTUNZINI (4)</b>													
Sleeping mats	M	65	72	216	229,6	86,35	222,6	3	68	239,6	75,675	157,98	162,98
Place mats	M	15	2	6	19,6	26	10,6	1	16	27,6	20,5	22,8	26,8
Baskets	L	90	120	360	373,6	196,25	367,6	4	94	384,6	143,13	284,93	290,43
Table mat	L	15	2	6	19,6	62	10,6	1	16	27,6	38,5	40,8	44,8
Table mat	M	12	1	3	16,6	53	7,1	0,5	12,5	24,1	32,5	34,8	38,55
Table mat	S	10	0,83	2,49	16,09	34	6,34	0,25	10,25	23,34	22	25,045	28,67
Blinds	M	60	72	216	229,6	160	221,6	2	62	238,6	110	194,8	199,3
<b>RICHARDS BAY (13)</b>													
Sleeping mats	L	120	84	252	265,6	150	259,6	4	124	269,6	135	207,8	209,8
Sleeping mats	M	85	72	216	229,6	110	222,6	3	88	232,6	97,5	169,8	171,3
Place mats	M	20	60	180	193,6	26	185,1	1,5	21,5	195,1	23	109,8	110,55
Traditional Zulu baskets	L	80	72	216	229,6	170	222,6	3	83	232,6	125	199,8	201,3
Traditional Zulu baskets	M	70	48	144	157,6	102	150,1	2,5	72,5	160,1	86	129,8	131,05
Traditional Zulu baskets	S	60	24	72	85,6	90	77,6	2	62	87,6	75	87,8	88,8
Blinds	M	65	72	216	229,6	160	221,6	2	67	231,6	112,5	194,8	195,8
<b>MSELENI (15)</b>													
Lampshsades	XL	85	120	360	406,6	270	368,1	4,5	130	411,1	177,5	338,3	340,55
Lampshsades	L	50	60	180	218,6	125	187,6	4	90	222,6	87,5	171,8	173,8
Lampshsades	M	35	5	15	43,6	115	21,6	3	65	46,6	75	79,3	80,8
Lampshsades	S	18	2	6	29,6	95	12,1	2,5	43	32,1	56,5	62,3	63,55
Laundry Baskets on frames	L	85	120	360	418,6	310	368,6	5	135	423,6	197,5	364,3	366,8
Laundry Baskets on frames	M	65	96	288	336,6	250	295,6	4	105	340,6	157,5	293,3	295,3
Laundry Baskets on frames	S	50	60	180	223,6	190	186,6	3	80	226,6	120	206,8	208,3

MABASO (25)													
Storage box	L	20	4	12	25,6	102	15,6	3	23	28,6	61	63,8	65,3
Storage box	M	15	3	9	22,6	89	12,6	2	17	24,6	52	55,8	56,8
Storage box	S	13	1,5	4,5	18,1	69	8,1	1,5	14,5	19,6	41	43,55	44,3
Gift box	32cm*7cm	8	1,2	3,6	17,2	40	7,2	0,5	8,5	17,7	24	28,6	28,85
Gift box	25cm*6cm	6	1,2	3,6	17,2	30	7,2	0,25	6,25	17,45	18	23,6	23,725
Gift box	8cm*7cm	6	1,2	3,6	17,2	22	7,2	0,125	6,125	17,325	14	19,6	19,663
Rectangle place mat		3,5	0,5	1,5	15,1	24	5,1	0,125	3,625	15,225	13,75	19,55	19,613
Round place mat	L	5	0,6	1,8	15,4	35	5,4	0,25	5,25	15,65	20	25,2	25,325
Round place mat	S	3	0,5	1,5	15,1	26	5,1	0,125	3,125	15,225	14,5	20,55	20,613
Square place mat		3	0,3	0,9	14,5	21	4,5	0,125	3,125	14,625	12	17,75	17,813
Cladding mat		20	3	9	22,6	28	12,6	2,5	22,5	25,1	24	25,3	26,55
Washing basket (dyed)		40	168	504	517,6	310	507,6	6	46	523,6	175	413,8	416,8
Oval washing basket		30	144	432	445,6	299	435,6	5	35	450,6	164,5	372,3	374,8
Coster set		10	6	18	31,6	35	21,6	2	12	33,6	22,5	33,3	34,3
Baby basket	L	35	36	108	121,6	299	111,6	5,5	40,5	127,1	167	210,3	213,05
Baby basket	S	15	2	6	19,6	120	9,6	3	18	22,6	67,5	69,8	71,3
Container for scholars		15	2	6	19,6	45	9,6	3	18	22,6	30	32,3	33,8
Round two-handle basket		25	96	288	301,6	210	291,6	3,5	28,5	305,1	117,5	255,8	257,55
Basket uvie		13	60	180	193,6	40	183,6	2,5	15,5	196,1	26,5	116,8	118,05
Moon basket		20	72	216	229,6	110	219,6	3,5	23,5	233,1	65	169,8	171,55
Magarine rack		25	96	288	301,6	126	291,6	3,5	28,5	305,1	75,5	213,8	215,55
Potato basket		15	2	6	19,6	45	9,6	2,5	17,5	22,1	30	32,3	33,55
Wine bottle		12	1	3	16,6	35	6,6	2	14	18,6	23,5	25,8	26,8
Pot plant holder	L	10	0,83	2,49	16,09	22	6,09	2	12	18,09	16	19,045	20,045
Pot plant holder	M	7	0,6	1,8	15,4	15	5,4	1,5	8,5	16,9	11	15,2	15,95
Pot plant holder	S	5	0,5	1,5	15,1	10	5,1	1	6	16,1	7,5	12,55	13,05
Double basket		20	3	9	22,6	60	12,6	3	23	25,6	40	41,3	42,8
Waste basket		10	2	6	19,6	49,99	9,6	1,5	11,5	21,1	29,995	34,795	35,545

Plastic picnic basket		20	2,5	7,5	21,1	145	11,1	3	23	24,1	82,5	83,05	84,55
Light rack	L	20	3	9	22,6	89	12,6	3	23	25,6	54,5	55,8	57,3
Light rack	M	17	2	6	19,6	69	9,6	2	19	21,6	43	44,3	45,3
Light rack	S	12	1	3	16,6	59	6,6	1	13	17,6	35,5	37,8	38,3
Washing basket: metal frame		50	168	504	542,6	310	507,6	4	54	546,6	180	426,3	428,3
Patterned plan square basket		25	4	12	25,6	199	15,6	3	28	28,6	112	112,3	113,8
Fruit bowls		14	1,2	3,6	17,2	66	7,2	2	16	19,2	40	41,6	42,6
Fruit basket woven flat	L	12	1	3	16,6	45	6,6	1,5	13,5	18,1	28,5	30,8	31,55
Fruit basket woven flat	M	8	0,6	1,8	15,4	30	5,4	1	9	16,4	19	22,7	23,2
Fruit basket woven flat	S	4	0,5	1,5	15,1	27	5,1	0,5	4,5	15,6	15,5	21,05	21,3
Garlic bread		8	0,6	1,8	15,4	35	5,4	0,5	8,5	15,9	21,5	25,2	25,45
Paper serviette box		10	0,83	2,49	16,09	39	6,09	0,25	10,25	16,34	24,5	27,545	27,67
Fruit bowls		7	0,5	1,5	15,1	66	5,1	0,25	7,25	15,35	36,5	40,55	40,675
Round flower basket	S	15	1	3	16,6	48	6,6	2	17	18,6	31,5	32,3	33,3
Candle holder		20	2,5	7,5	21,1	60	11,1	2,5	22,5	23,6	40	40,55	41,8
Pole box	95*10*10 cm	1,5	0,25	0,75	14,35	10	4,35	0,125	1,625	14,475	5,75	12,175	12,238
Beer basket		25	6	18	31,6	230	21,6	3	28	34,6	127,5	130,8	132,3
Toast basket		25	9	27	40,6	170	30,6	3	28	43,6	97,5	105,3	106,8
Toilet roll holder		10	1	3	16,6	35	6,6	1,5	11,5	18,1	22,5	25,8	26,55
Round basket 1 handle		15	1	3	16,6	55	6,6	2	17	18,6	35	35,8	36,8

**NOTE:** Definitions of columns

Prices - these are current product prices set by specific weaving groups

Time/prod. - the number of hours allocated to weave a specific product

Time prices - price levels sufficient to cover the costs of time or labour

Prod. cost prices - products to be priced to cover production costs (excluding raw material costs)

R/ID prices - these are prices as observed in leading retail shops and interior decorators

Costs W.O trans. – these are product prices to be asked by weavers to cover production costs (excluding transport costs)

Bundles/prod. - the number of bundles used for weaving per product - Note: 1 bundle=40 leaves

Cover RM costs - these are product prices to be set by weavers to cover only raw material costs

Prod. costs incl. RM costs – product prices set to cover ALL costs in production and marketing

Avg. prices - average comparative prices between weavers' prices and retail prices

AP's (R and W) - average comparative prices between retail and weavers' prices to cover production costs (excluding raw material costs)

AP ALL - average prices between weavers and retail prices to cover ALL costs

### 2.7.9.1 Assumptions on projected prices

- On time costs per product, the minimum wage for farm workers is (opportunity cost) - R3 per hour (R600 for 30 days = R20 per day for 6 hours per day). Therefore, time costs are the number of hours multiply by R3 per hour.
- Production costs (transport costs and production costs, frames, etc.) equals to R10+R3.60+frame+raw material costs (fixed prices).
- Costs without transport costs, entails only the bushknife costs (R3.60 annually depreciated for a 5-year lifetime at a R20 cost price and a salvage value of 10%), time and raw material cost per bundle per product.
- Wholesale or retail prices were taken from retail stores in Gauteng province.
- For Mtunzini group, food costs of R7 were also incorporated in the total costs, as the weavers purchase food at the local shop.
- For Mseleni group, the R10 per bundle of raw material that the group purchases and the frames the group utilises to weave framed laundry baskets and lampshades.

### 2.7.10 Trade and export opportunities

#### 2.7.10.1 Mode of importing and/or exporting

Retailers source on-line and pay mark-up prices on shipment costs. Wholesalers source or shop on-line and pay all transportation and shipping fees. Individual collectors or suppliers travel to rural African countries that produce fibre products and negotiate for reasonable prices. Exporting is through shipping and airfreight. Internet plays a vital role for wholesalers and retailers that procure fibre products internationally, but equally important is for interior decorators who procure domestically. The purpose of interior decorators to source on-line is to reduce transaction costs (searching and time).

## 2.8 SWOT ANALYSIS OF THE RURAL WEAVERS

Problems to be presented under this section are initially from workshop discussions and specific weaving groups (Mtunzini, Mabaso, Mseleni and Richards Bay). These problems have been conceptualised and integrated into a SWOT analysis framework that follows.

### 2.8.1 Strengths

- (+) Weavers have an weaving experience, so it would not be costly (time and money) in training them to weave new products.
- (+) Coordinating action between weavers may prove to benefit weavers.

### 2.8.2 Weaknesses

- (-) Poor harvesting methods like harvesting roots for natural dyes kills plants.
- (-) Raw material quality compromised, especially when big orders are placed at short notice.
- (-) Illiteracy as a result of the historical dispensation the past regime leads to low negotiating skills and low technology adoption.
- (-) Lack of consumer knowledge due to lack of information in general.
- (-) Inflexible production system, as weavers are small in scale, less specialised and geographically dispersed; weavers have less access to the formal markets.
- (-) There is a tendency of weavers to be dependent on project agencies due to a lack of will to initiate things by themselves.
- (-) Weaving groups tend to be small and localised, therefore there is insufficient room to be creative and innovative (McAllister, 1988).
- (-) Weavers have little or no record keeping because of their lack of business management skills.
- (-) Unsustainability of investment funds by weavers that result from the insufficient output of weaving groups.
- (-) Orders are the only alternative market to the informal and semi-formal markets.
- (-) The usage of expensive synthetic dyes produce less authentic crafts.
- (-) High time costs spent by weavers on weaving, as conventional methods are used.
- (-) Selling similar products in one craft market results from fewer or no marketing alternatives available to weavers.

(-) Distributors impose strict quality control measures that make it virtually impossible for weavers to attain, therefore most weavers fail to deal with distributors despite the fact that this is where higher profits are.

### 2.8.3 Opportunities

- (+) Reasonable procurement costs - raw material is free in tribal lands and lower or no fees in conserved areas.
- (+) Profit margins are exorbitant especially when buying raw material from weavers and reselling in the formal market (2001 interview with the trucker, Joseph).
- (+) Less preparation of raw material, as it is only packed and binded
- (+) Possibilities of inter-group associations, thus, collective bargaining is expected to reduce transaction costs.
- (+) Weaving generates income more rapidly than other rural income generating activities (SAFIRE, 2001).
- (+) Product innovation is possible and modifying existing products will add more value at less training costs.
- (+) Consumer trends towards the demand for natural fibre products are positive, especially in the tourist and formal market.
- (+) The opportunity to expand to business markets and exports is possible.
- (+) Training and infrastructure improvement would assist weavers to turn their problems into successes.
- (+) Non-asset specificity, as any household equipment can be utilised throughout the weaving process and for other household activities.
- (+) Private collectors are satisfied about quality and prices and acknowledge the fact that quality variations are common, as each item is unique.
- (+) No specific packaging equipment and/or methods are needed.
- (+) Tourists are willing to pay more as long as products are 'natural' (authentic).

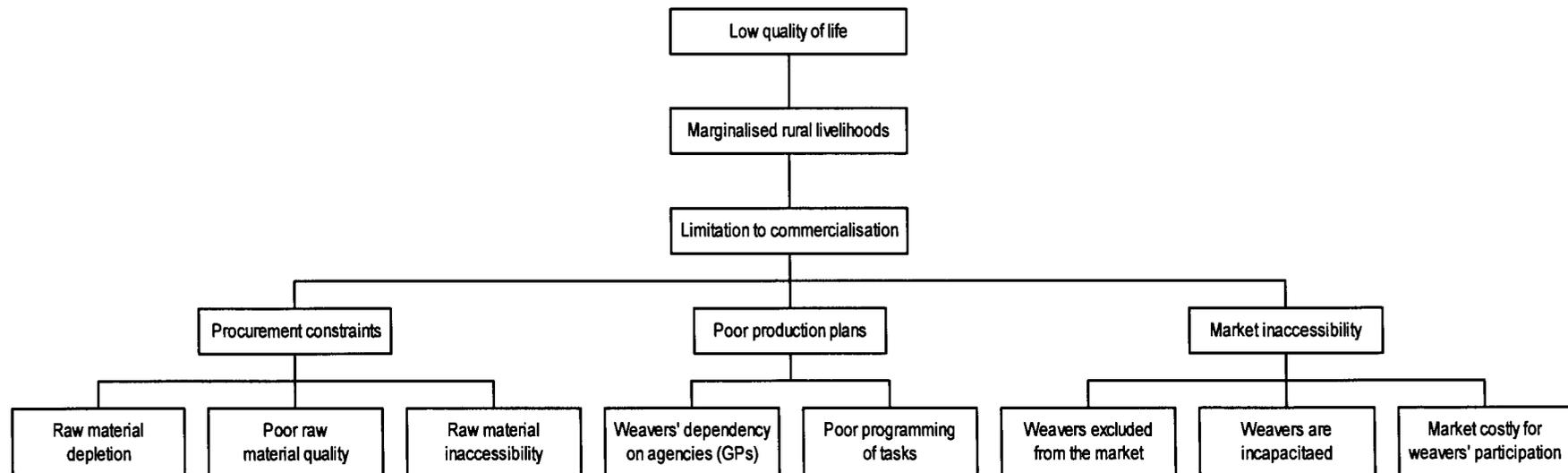
#### 2.8.4 Threats

- (-) Resource access problem results from competing uses and burning.
- (-) Permits are sometimes issued and change the appropriate timing to harvest.
- (-) Propagation problems of the iLala palm for commercial purposes.
- (-) Seasonality of raw materials causes irregular or inconsistent and unreliable supply.
- (-) Raw material is only available in KwaZulu-Natal; with a population increase of 2.5% in KwaZulu-Natal itself exert pressure on natural resources. This is accompanied by an increasing utilisation and reliance on iNcema grass and iLala palm species.
- (-) Raw materials and products get damaged whenever they are stored at a weavers' home (as at Mabaso and Mseleni groups).
- (-) Weavers are exploited due to their illiteracy on business issues.
- (-) Weavers in Gauteng province buy raw materials in Durban at relatively higher prices.
- (-) High transportation costs to and from Durban, weavers' output is not enough to ensure investment in product transport infrastructure.
- (-) Development projects focus only on sustainability rather than commercial possibilities of natural resources.
- (-) Competition from SADC, South East Asia and Western Africa.
- (-) Private collectors, raw material dealers and international companies (galleries, curio shops, retailers, interior decorators, private collectors, museums, etc.) bargain for lower prices.
- (-) Domestic and foreign tourists complaint about safety and security at marketplaces raises a serious concern about possible reduced sales and loss of consumer confidence.
- (-) Inaccessibility of weavers to the formal market is caused by retailers and interior decorators who exclude weavers in their trade.
- (-) Sophisticated and changing consumer preferences.
- (-) There is currently no domestic or international trademark for fibre products.
- (-) Distributors buy in bulk from weavers at negotiated prices and redistribute crafts to interior decorators and retailers at a reasonable premium.
- (-) Less government support for the fibre industry.
- (-) No fibre products export regulations set by the government.

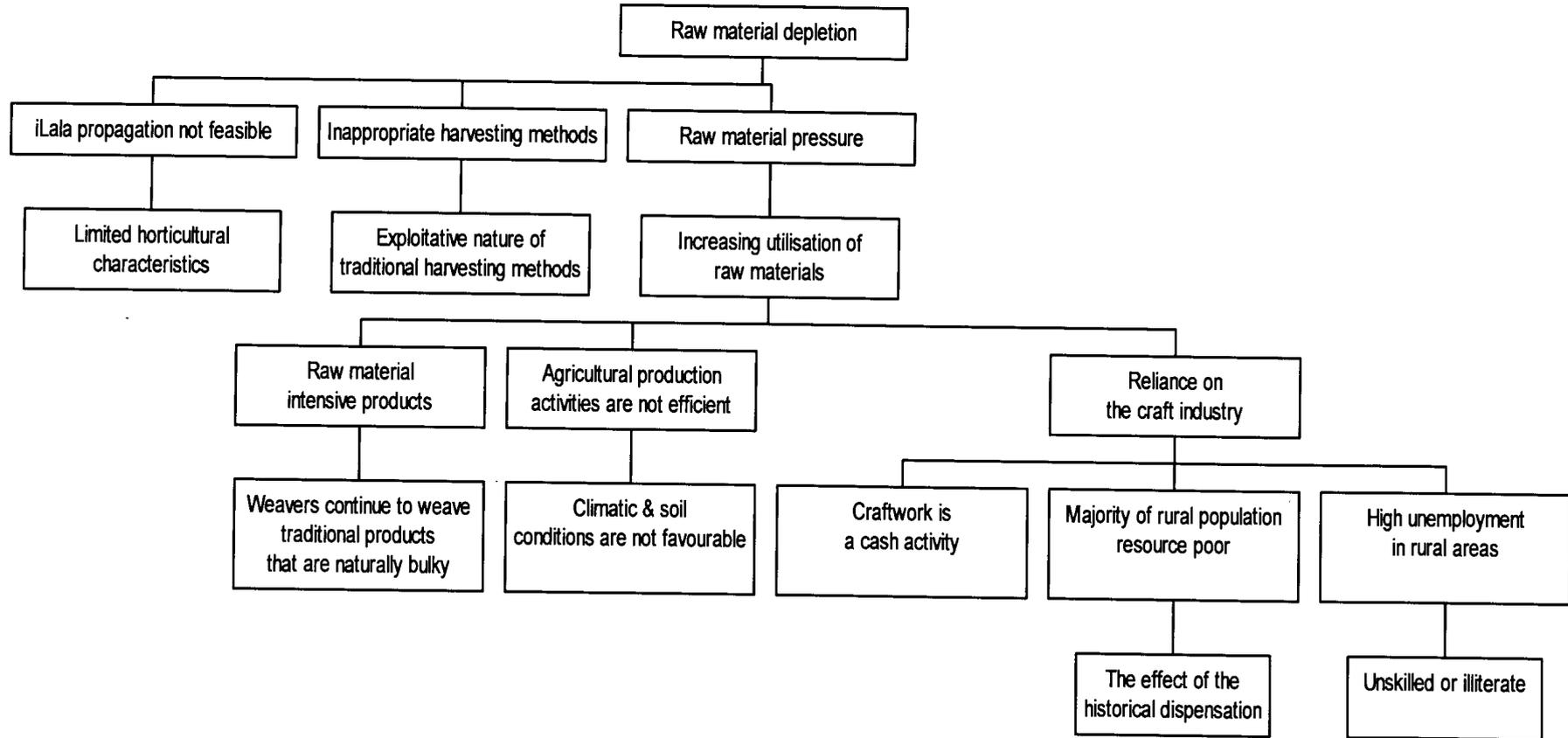
## 2.9 PROBLEM TREE ANALYSIS

The problem tree approach is adopted to fully understand the essence of the problem and to link problems to the relevant transaction costs. These problems have initially been conceptualised and integrated into a SWOT analysis framework from workshop discussions. This workshop or seminar was held in the course of January 2001 in Mtunzini, KwaZulu-Natal. It included weavers, academic institutions (Universities of Natal and Pretoria), conservation organisations [Landcare, Ecosystems (Pty) Ltd., Institute of Natural Resources and Mondi forests], entrepreneurs (Grasslands), and the Department of Arts, Culture, Science and Technology. Structured interviews were also administered later on (August 2001) to four case studies, namely, Mtunzini, Richards Bay, Mabaso and Mseleni weaving groups to validate problems that lacked rigour from SWOT analysis. Throughout the problem-tree analysis cause-effect relationships are conceptualised in figure 2.10 and some were discussed with weavers to provide a logical explanation. The discussions of the problems to be classified as transaction costs would be provided in chapter three in detail and their implications.

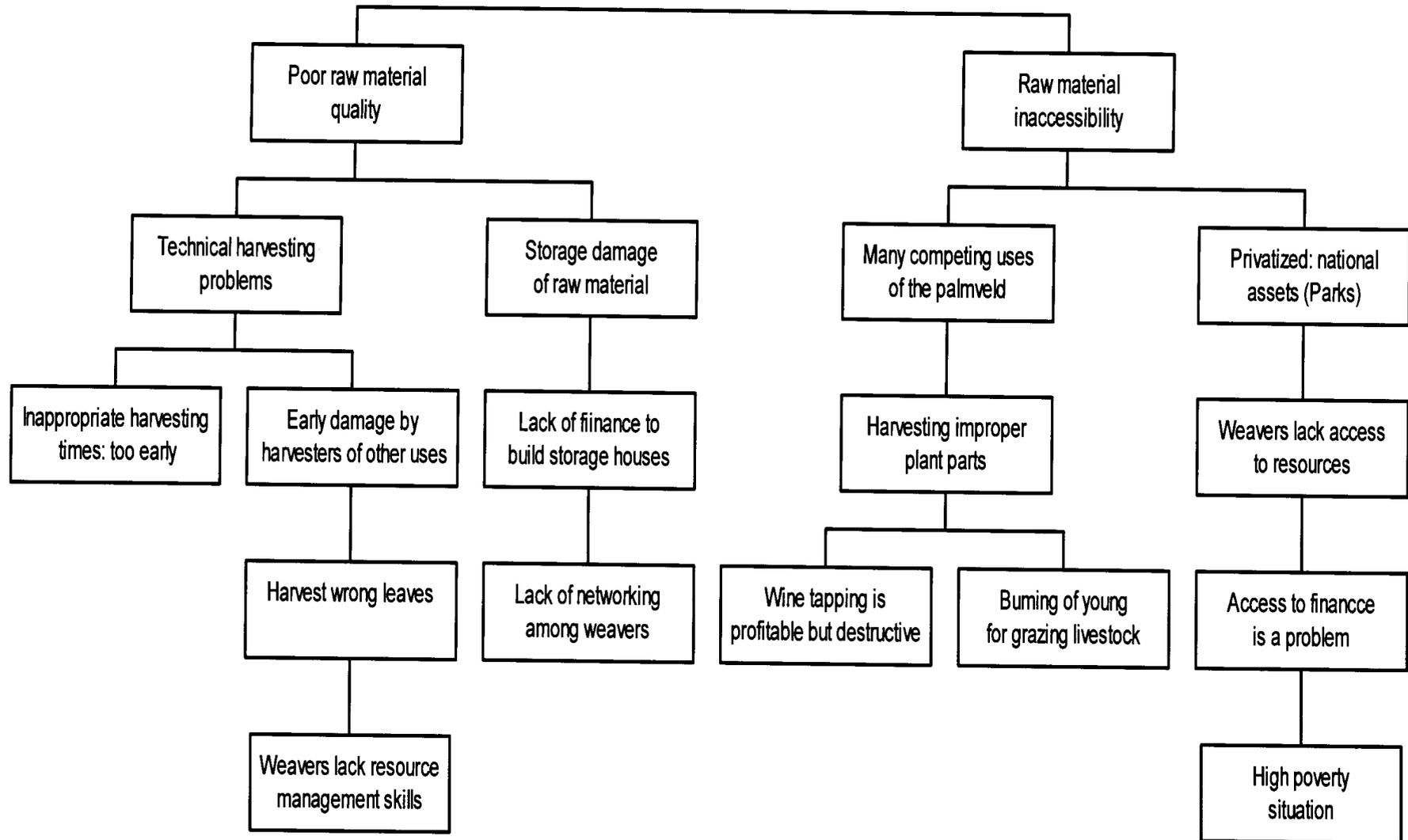
**Figure 2.10:** Problem-tree analysis of weavers (Note: The diagram must be read from the lower level upwards)



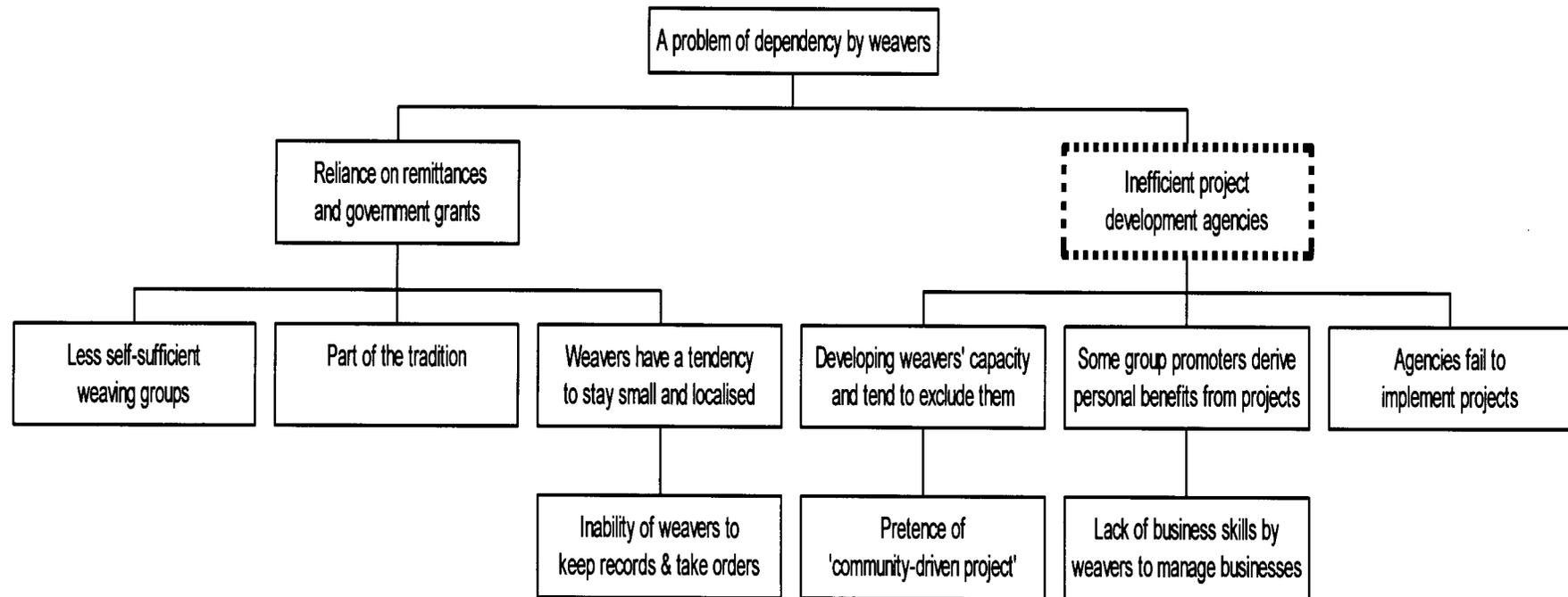
PROCUREMENT CONSTRAINTS



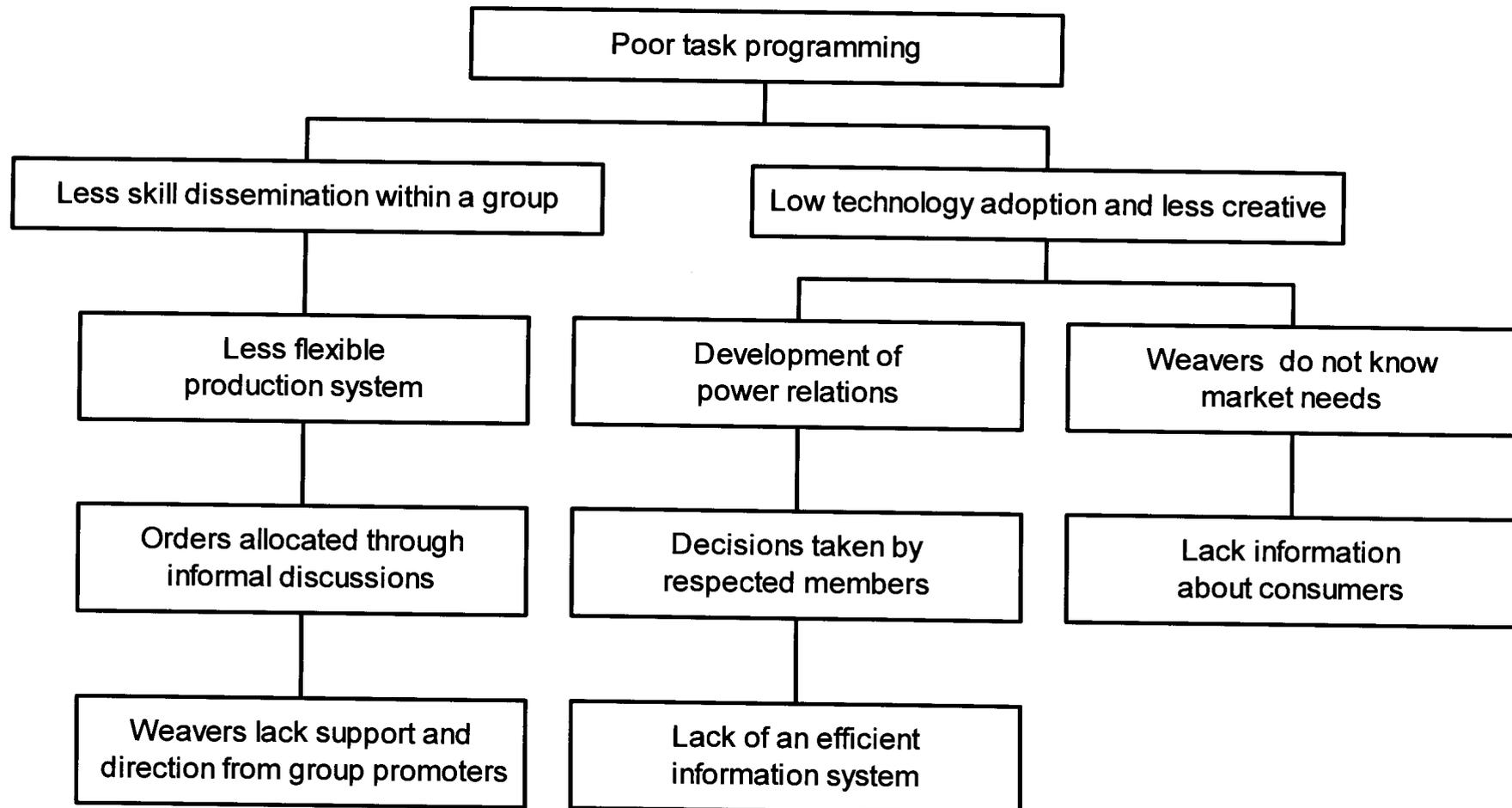
### Procurement constrains continue



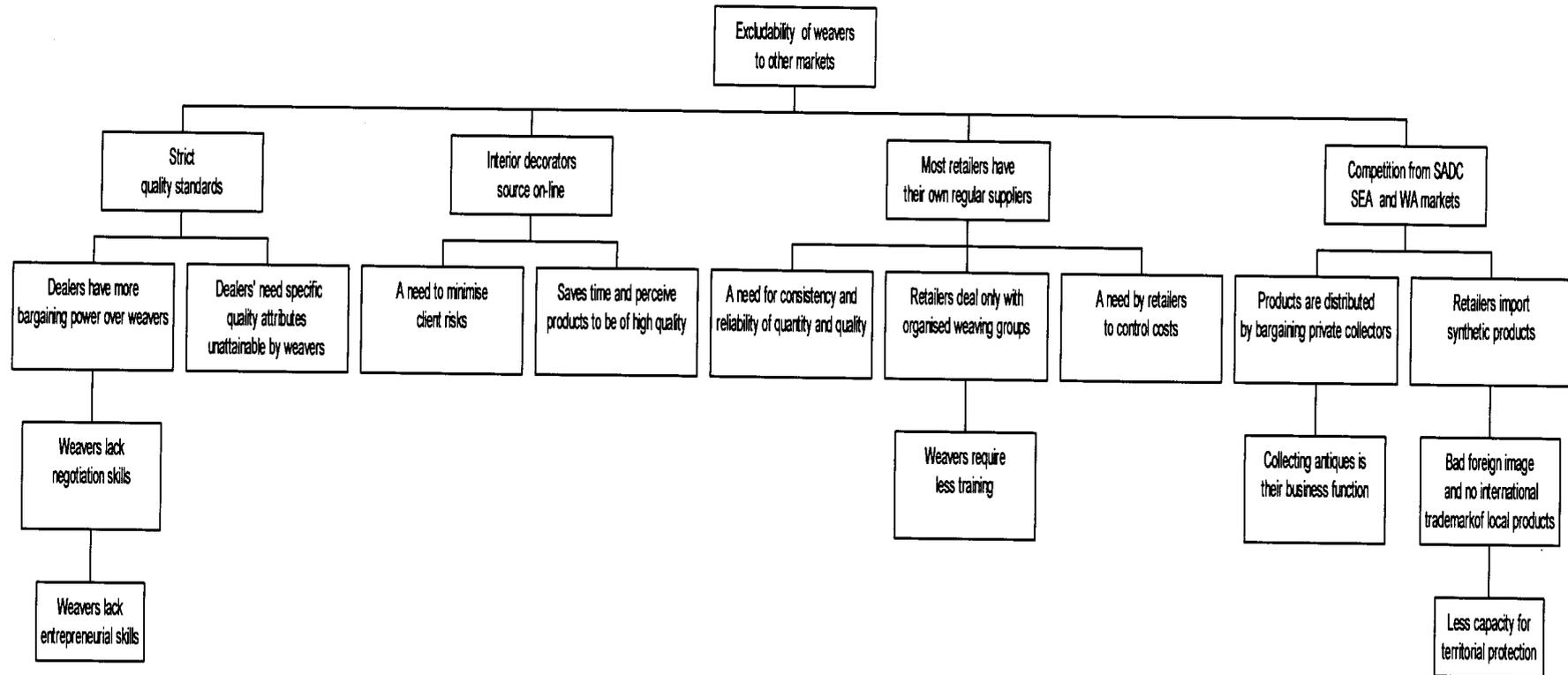
## POOR PRODUCTIONWEAVING PLANS



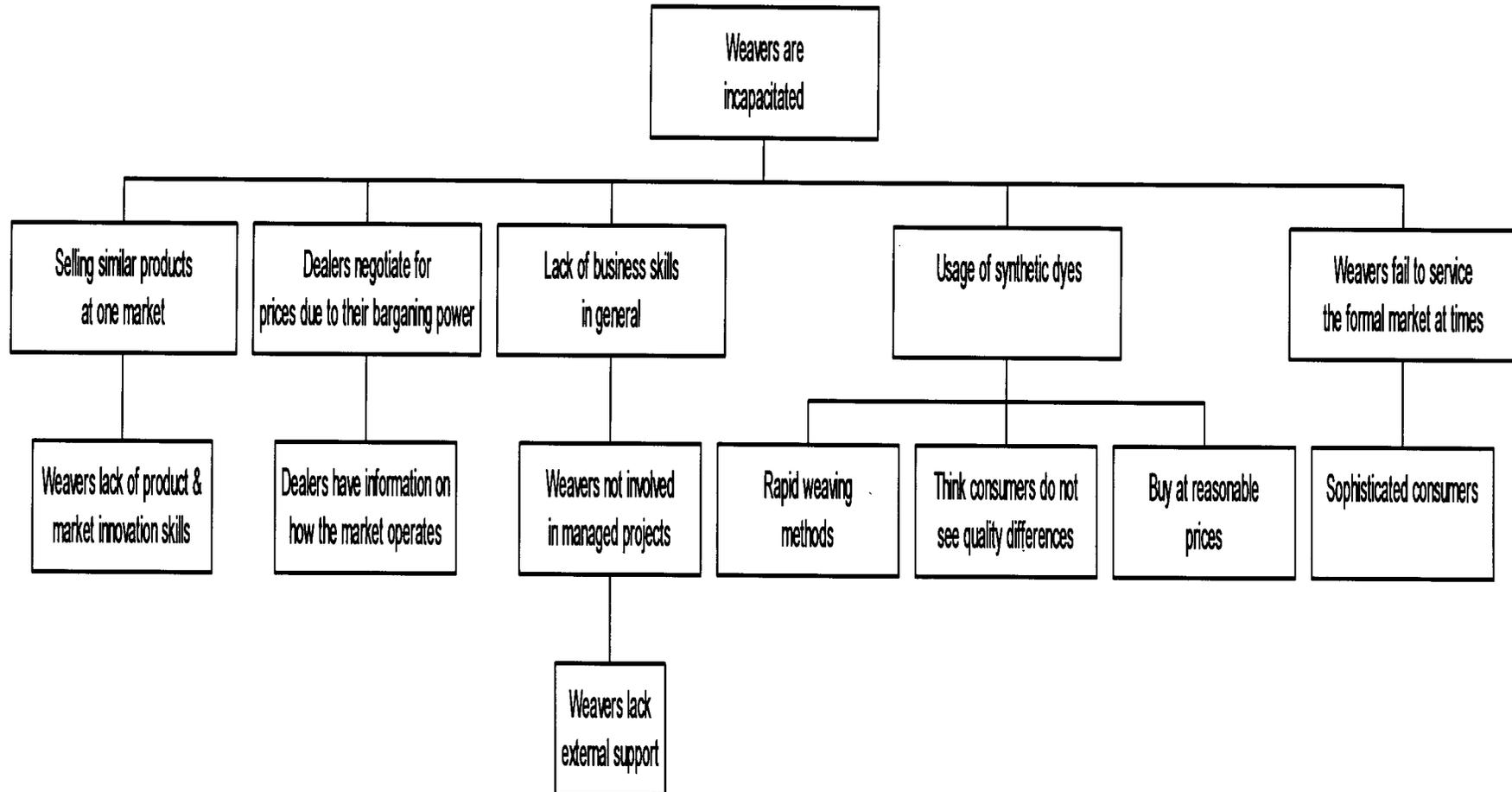
## Poor production weaving plans continue



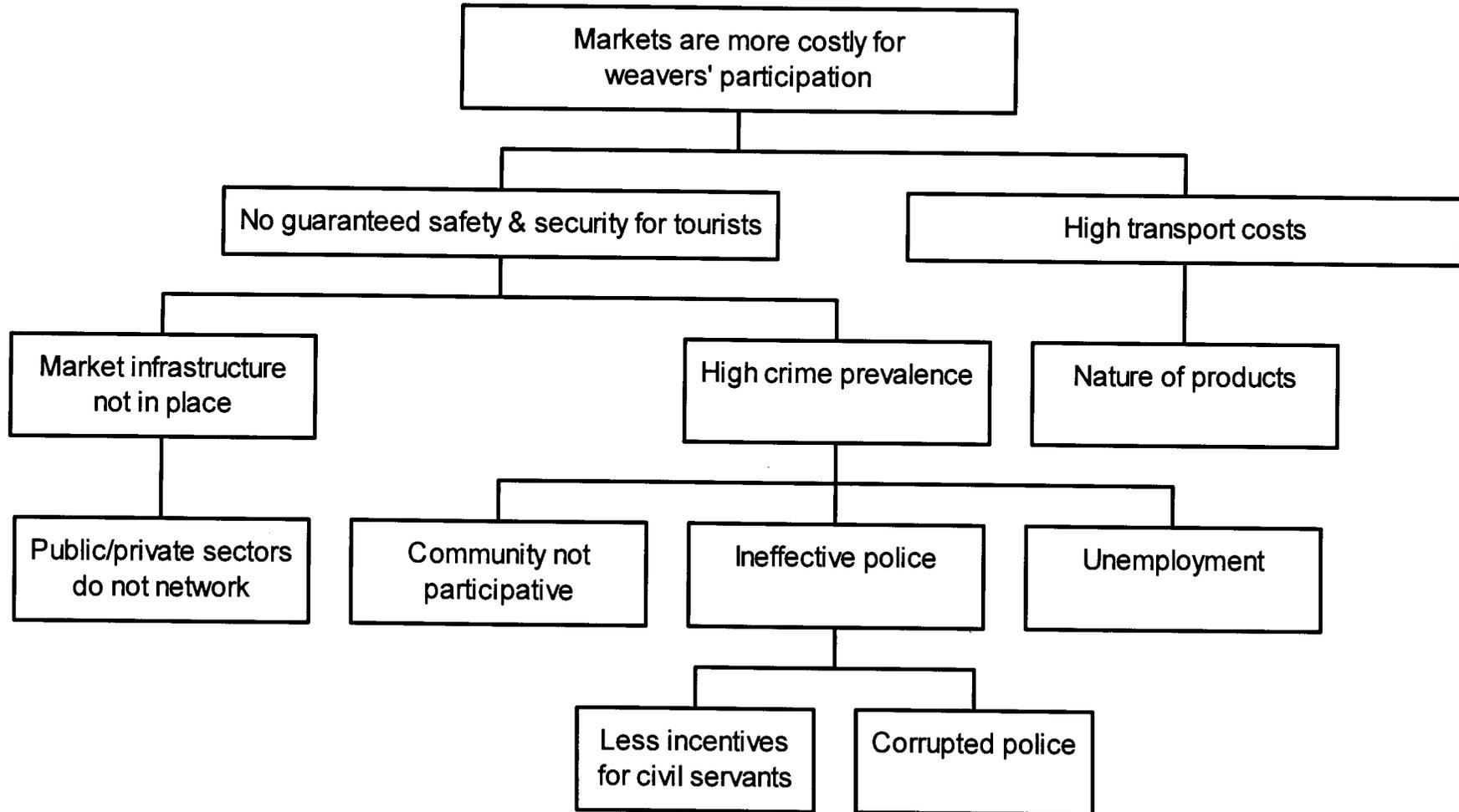
MARKET ACCESS PROBLEM



Market access problem continue



## Market access problem continue



## 2.10 SUMMARY

This chapter has provided the review of previous research conducted on natural fibre products in general. It gives the overall picture of individual weaving groups' situation pertaining to raw material procurement, production of fibre products and weavers' marketing environment. There is an inconsistent supply of raw materials and therefore products. This situation is affected by the seasonal nature of raw materials and is aggravated by few high quality raw material sources. A lot of value-added is attached by weavers to the time taken to weave products. Very little technology is employed, as weavers utilise conventional methods of weaving that take longer.

The literature review found that little attention has been given to rural weaving groups as an organisational form for employment opportunities in the fibre industry. Even little attention has been given to the way remote rural weavers are more restricted in their capacity to develop new opportunities because of difficulties in building sectoral contacts. The SWOT analysis framework is adopted to conceptualise problems identified from workshop discussions and from weavers. The problem tree approach provides the logical cause-effect relationships among different problems.

The general consensus over the literature and surveys conducted in the course of 2001 follow. The evidence shows that demand for fibre products exists, especially in the formal market, consumer trends towards fibre products are positive and product innovation is an essential process to service both the tourist and formal market.

In short, questions, which emanated from the literature on natural fibre products channel this study to highlight the way weaving groups improve their economic performance from their existing local (at a local level) and in forming non-local networks (weavers' relations to other industry participants). Therefore, it is considered essential for this study to cover both theoretical and practical aspects to analyse economic performance at the hand of transaction cost approach and networks. These issues will be covered in chapter three and four, respectively.

The next chapter classifies conceptualised problems from the problem tree at the hand of a transaction cost approach into transaction cost barriers that constrain weavers in the process of commercialisation.

## CHAPTER THREE

### A TRANSACTION COST APPROACH TO THE COMMERCIALISATION OF NATURAL FIBRE PRODUCTS

#### 3.1 INTRODUCTION

The objective of this chapter is to link individual problems identified at the end of the previous chapter through the problem tree to transaction costs. Problems have been identified, conceptualised and integrated into a SWOT analysis framework initially from workshop discussions and specific weaving groups (Mtunzini, Mabaso, Mseleni and Richards Bay). In this way, the problem tree was constructed from a weakness-threat analysis. This chapter categorises problems integrated from chapter two into potential transaction cost barriers that constrain the commercialisation of rural weavers. The transaction cost theory and practical application on rural weavers is highlighted and transaction cost implications are discussed afterwards.

#### 3.2 TRANSACTION COST THEORY

##### 3.2.1 Theoretical aspects

The New Institutional Economics theory (NIE hereafter) and Transaction Cost Economics (TCE hereafter) and social capital in particular, builds on Coase's (1937 and 1960) articles. NIE is an attempt to incorporate a theory of institutions into economics. The formation of institutions is determined by the cost of transacting, which is in turn caused by incomplete information and limited mental capacity by which to process information. NIE deduces that explanations in the social sciences should be organised around (partial) mechanisms rather than (general) theories (Williamson, 1996) with background conditions (institutional environment), mechanisms of governance (institutional arrangements), and individuals (economic actors).

Coase (1937) introduced the world of positive transaction costs to explain the existence and size of firms. His core argument is that without the existence of transaction costs there is no reason for firms to exist. Coase (1960) introduced the world of zero transaction costs with an argument that without transaction costs there is no need for state intervention as long as property rights are well defined.

Williamson (1975) picked up the concept of the 'nature of the firm' and developed what subsequently came to be known as 'Transaction Cost Economics'. This was to analyse different social arrangements (markets and hierarchies) based on transaction costs considerations. Williamson (1975) suggested that a transaction should be made the basic unit of analysis and transaction costs should be operationalised by systematically thinking about their determinants.

TCE subscribes to and develops a view that economising is the core problem of economic organisation (Williamson, 1996). TCE becomes relevant to the rural agricultural economy in developing countries where small producers and traders face high transaction costs resulting from market failure in the provision of credit, inputs, and services in remote areas, and incomplete or imperfect land and labour markets (Gabre-Madhin, 1999). Further, the transaction costs literature will be important, first explain the choice of contracts between different market participants. Second, to analyse the type of institutional innovation needed to integrate small producers and the poor. Third, understanding the role of government and the private sector in supporting the development of these institutions (Gabre-Madhin, 1999). It is within the second importance of transaction costs literature that has more relevance to this study.

### **3.2.2 Transaction costs and level of analysis**

Before describing what transaction costs are an idea about a transaction, as a unit of analysis needs to be defined. The basic unit of activity must contain in itself the three principles of conflict, mutuality and order to be defined as a transaction (Commons, 1934). Coase (1937) illustrates at the hand of an example that if a workman moves from department X to department Y, he does not do so because of the changes in relative prices but because he is ordered to do so. A transaction also occurs when a good or service is transferred across a technologically separable interface. One stage of activity terminates and the other begins (Williamson, 1985)

Transaction costs arise when there are frequent misunderstandings and conflicts that lead to delays, breakdowns, or other malfunctions (Williamson, 1981). Eggertsson, (1990) adds that transaction costs arise when behavioural attributes strengthen and induce activities such as information searches, bargaining, marketing contracts, monitoring, enforcement and the protection of property rights. Jaffee and Morton (1995) discuss this ideology in greater detail. It states that transaction costs

are the whole array of costs associated with buying, selling and transferring ownership of goods and services. The main components in this model are types, origins or sources and forms of transaction costs in summary.

Several authors debated the role of high transaction costs that constrain small-scale farmers' (in this case weavers') participation in an open economy (Binswanger and Rosenzweig, 1986; Hoff *et. al.*, 1993). Delgado (1999) adds that the presence of transaction cost factors suggests that these costs are high and when this happens the volume of transactions in a given market reduces. In addition, he acknowledges 'hidden' reasons for the lack of market participation namely, information asymmetry, contract enforcement problems, lack of skills and ability to engage effectively. Makhura (2001) describes transaction costs to emanate from different sources. Generally, these are household, location and commodity specific. These costs are further distinguished as observable costs, such as transport and administrative costs, and unobservable costs, such as cost of information and contract management (Makhura, 2001).

Hobbs (1996) states that "transaction costs are simply the costs of carrying out any exchange, whether between firms in a market place or a transfer of resources between stages in a vertically integrated firm. These costs arise wherever there is any form of economic organisation, that is, within a vertically integrated firm, in a market or in a command economy" (Hobbs, 1996). Hobbs (1996) further identified four key concepts that classify the origin of transaction costs and explained their forms. These are bounded rationality, opportunism, asset specificity and information asymmetry, which are put in practice by Hobbs (1996) and Karaan *et. al.* (2001).

Transaction cost theory has shown promise in an extreme variety of settings. It may be that it is the simplest way to describe "organisational rationality" (first in a formal sense, then in an institutional sense) (Kaplan, 1995). Table 3.1 provides the summary of transaction cost theory.

**Table 3.1:** Summary of the transaction cost theory

<b>TRANSACTION COST THEORY</b>	
Assumptions	Self-interest, goal conflict, bounded rationality, information asymmetry and efficiency criterion
Unit of analysis	Transaction
How to deal with information	Assume impactedness (costs of collecting information)
Contractual focus	Governance after
Theory of the firm	Governance structure
Organisational alternatives	Hierarchies, markets, hybrids and networks
Contracting problems	Opportunism and bounded rationality
Independent variables	Asset specificity and small numbers bargaining

**Source:** Kaplan, 1995.

### **3.3 A TRANSACTION COST FRAMEWORK OF ANALYSIS**

#### **3.3.1 Types or classifications of transaction costs**

The following types of transaction costs are analysed here as guidelines to shed understanding into how they are to classified in application.

- ❑ Searching – costs associated with identifying potential buyers and sellers and for exchange opportunities and partners.
- ❑ Screening – costs associated with gathering information about the reliability of a buyer or seller one wishes to deal with and the quality of goods being transacted.
- ❑ Bargaining – costs of gathering information on prices in other transactions, on factors that may influence the willingness to buy by the other party to the transaction, on implications of contract terms, etc. - terms of trade.
- ❑ Transferring – losses from transport, storage, processing, retailing, and wholesaling.
- ❑ Monitoring – costs associated with monitoring contract performance and/or exchange to assess whether the agreed terms have been complied with.
- ❑ Enforcing - incurred in ensuring that contract provisions are met, including the costs of default provisions (Jaffee and Morton, 1995).

### 3.3.2 Origins or sources of transaction costs

A variety of disciplines, namely, psychology, political, economic history and law have contributed to the theoretical development of transaction cost analysis (Karaan *et. al.*, 2001). Hobbs (1996) identifies following four concepts to underpin this analysis. This analysis together with the classification framework of transaction costs in section 3.3.1 categorise transaction costs of weavers. A network form in chapter four is perceived to reduce these transaction costs.

#### 3.3.2.1 Information asymmetry

The costs of transacting arise because information is costly and asymmetrically held by the parties to the exchange (North, 2000). Specifically, it arises when business negotiations are characterised by incomplete, imperfect or asymmetrical information. This asymmetry leads to *ex ante* and *ex post* opportunism. This is information hidden prior to a transaction (adverse selection) and hidden actions of individuals or organisations after a transaction (moral hazard). Hobbs (1996) highlights that involved parties may be tempted to act opportunistically to improve their economic welfare since their actions are not observed.

#### 3.3.2.2 Bounded rationality

Many economists treat behavioural assumptions as unimportant (Williamson, 1996). Most individuals or organisations intend to make rational decisions. However, their capacity to evaluate all possible alternatives is physically limited (Simon, 1976). The ability of individuals and organisations to make rational decisions is impeded in extremely complex or uncertain situations or a condition of limited cognitive competence to receive, store, retrieve, and process information. The basis of the behaviour is that it is (bounded rationality) intentional but only limitedly so (Williamson, 1996).

#### 3.3.2.3 Opportunism

Opportunism is the basis of bounded rationality, information asymmetry and moral hazard. Specific investments and incomplete information invite opportunism (Richter, 2001). Opportunism is defined by Williamson (1975) as “self-interest seeking with guile”. During uncertain situations, opportunistic (immoral) workers can manipulate information and exploit a situation to their own advantage. Not every

individual involved in a transaction will act opportunistically all the time; it gives cognisance to the presence of risk opportunism (Karaan *et. al.*, 2001). The fewer the number of alternative suppliers, the greater the risk of suppliers to change the terms of a transaction such as demanding higher prices.

#### 3.3.2.4 Asset specificity

Asset specificity is the degree to which the asset can be redeployed for alternative uses (imperfect mobility of resources) or users, without sacrificing its productive value (Williamson, 1996; Peterson and Wysocki, 1998 in Karaan *et. al.*, 2001). It arises when partner (A) makes a large investment in resources of little or no alternative use, for instance, the development of a product that is unique to one market. Partner (A) faces a risk of opportunistic behaviour by (B) since (B) is informed about (A) being locked into the transaction. In this case, (B) can forfeit the agreement by offering (A) a lower product price.

### 3.4 TRANSACTION COSTS OF RURAL WEAVERS IN KWAZULU-NATAL

#### 3.4.1 Analysis of transaction costs of weavers

The value chain structure is adopted as weavers act as harvesters, producers, and processors, transport organisers and marketers. The latter does not apply to all weavers with respect to the formal market. The multiple functions of weavers makes a thorough explanation of the study focus being wide enough to include the whole value chain. The focus is on weavers, of course, but their activities are so extensive that it would be inappropriate to ignore these activities. Table 3.2 identifies a total of twenty six problems from the problem tree and classifies into transaction costs of individual weaving groups and their implications.

**Table 3.2:** Transaction costs of natural fibre weavers in KwaZulu-Natal and their consequences

<b>PROBLEMS GENERATED FROM THE PROBLEM-TREE (SWOTS)</b>	<b>TYPES OF TRANSACTION COSTS</b>	<b>SOURCES OF TRANSACTION COSTS</b>	<b>IMPLICATIONS</b>
<b>PROCUREMENT</b>			
Limited access to resources	Bargaining and searching costs	Bounded rationality and opportunism	Physical decapitation of plants from burning and other competing uses
Poor harvesting methods	Transfer costs	Bounded rationality	Raw material unsustainability Poor raw material quality
High transport costs	Transfer costs	Bounded rationality	Difficult for weavers to compete in the market
Issuing of permits control specific times to harvest	Searching costs	Bounded rationality and opportunism	Alters appropriate time for harvesting Inconsistent supply of raw material
Seasonal effect of raw materials	Transfer and bargaining costs	Bounded rationality, and opportunism	Inconsistent raw material supply and quality
Raw material only available in KwaZulu-Natal	Searching costs	Opportunism	Less production and shortage of products Raw material quality compromised
<b>WEAVING (PROCESSING)</b>			
Weavers' lack of will to initiate or unsustainability of investment funds	Searching and screening costs	Opportunism	Dependent on project agencies Remain illiterate, localised and underdeveloped
Illiteracy or lack of consumer knowledge due to the language gap	Search and bargaining costs	Bounded rationality	Hampers development Offer wrong product attributes Agree to everything (price taking)
Inflexible production system	Searching costs	Bounded rationality	No clear division of labour and skill dissemination Impossible to service the formal market

			Loss of market opportunities
No record-keeping	Bargaining costs	Bounded rationality and opportunism	Unreliable and unaccountable Risk and uncertainty to the buyer
Usage of synthetic dyes and the use of natural dyes (roots)	Bargaining costs	Bounded rationality	Weave poor quality crafts Unsustainability of raw material (if roots) Raw material depletion
Storage damage of raw materials and products	Transfer costs	Bounded rationality	Lose quality of the crafts Lose products (income) altogether
Inefficiency of group promoters	Search and screening costs	Information asymmetry and opportunism	Weavers remain limited therefore cannot compete in the real world
<b>WEAVING IN OTHER PROVINCES</b>			
Raw material is expensive	Bargaining costs	Opportunism and information asymmetry	Utilise synthetic (less natural) raw material Weavers do not make profit
Weavers in other provinces have little weaving experience	Transfer costs	Bounded rationality	Poor quality products More training costs and time
<b>COLLECTING</b>			
Collectors and international dealers negotiate for lower prices	Bargaining and screening costs	Information asymmetry and opportunism	Collectors buy high quality crafts at cheaper prices Weavers sell quality products at lower prices
<b>MARKET DEVELOPMENT AND MARKETING</b>			
Competition from SADC, South East Asian and West African countries	Bargaining costs	Opportunism and Information asymmetry	Remain uncompetitive Less export opportunities Lower domestic prices
Tourists complain about safety and security	Screening costs	Bounded rationality	Reduced sales Loss of consumer confidence

Selling similar products on one market	Search, screen and bargaining costs	Information asymmetry and bounded rationality	Lack of product and market innovation Lower prices for authentic products Bad image for domestic products
Most retailers have their own regular suppliers and Interior decorators source on-line on a client's request	Searching and bargaining costs	Bounded rationality	Weavers barred from accessing this market Quality marginalised
Pressure exerted by opening international market opportunities	Searching costs	Information asymmetry	Weavers loose opportunities of higher income without agencies Weavers search for alternative markets
<b>PACKAGING AND DISTRIBUTION</b>			
Business enterprises impose strict quality standards	Searching, screening and bargaining costs	Information asymmetry and bounded rationality	Weavers are unable to meet quality standards required Products marketed through informal market
<b>INSTITUTIONAL FRAMEWORK</b>			
Less government support for the fibre industry	Searching and screening costs	Bounded rationality	Influence employment opportunities for local people
No fibre products export regulations (legislation) set by the government	Searching and screening costs	Bounded rationality	Affect foreign investment on (domestic) natural fibre products
Development projects focus only on sustainability	Searching costs	Bounded rationality	Local weaving groups do not benefit from their natural resources per se

### **3.4.2 Discussion of results (implications of transaction costs)**

#### **3.4.2.1 Procurement**

##### **3.4.2.1.1 *Limited access to resources***

Problems with access to resources are caused by both competing uses of the resources and privatised natural assets. The palm wine industry is profitable. Unfortunately, the tapping process is at best semi-destructive and repeated harvesting eventually kills the plant. Apart from the physical decapitation, plants are often burnt to stimulate sap secretion. This industry is having a negative impact on the plant population numbers in Maputoland (Osborne, 1995). Burning for livestock grazing also kills young, supple plants. The privatisation and conservation of natural assets bars more communities from accessing resources and the opportunistic behaviour of bribes for permits. The latter rarely happens, as there is lack of finance in poverty-stricken communities of this area. A further complication is that the large but limited plant resource is leading to a conflict of interest between the leaf harvesters and the wine tapers. Notwithstanding, the iLala tapping industry is said to be the most economically viable industry as compared to the craft industry (Cunningham, 1987). It is the inaccessibility of resources that causes more searching costs for raw materials by weavers.

##### **3.4.2.1.2 *Poor harvesting methods***

Poor harvesting methods utilised are both traditional and exploitative in nature. These methods lead to unsustainability and poor quality of raw materials due to technical harvesting problems and storage damage. These problems emanate from a lack of proper information on harvesting techniques. Conservation authorities would have a task to develop training programmes to train harvesters technical skills for proper harvesting. Harvesters incur transfer costs in the form of raw material quality losses from storage damage and inappropriate harvesting methods.

##### **3.4.2.1.3 *High transport costs***

Bulky raw materials and products have relatively low values per unit weight. They generate physical handling and transport problems to the development and utilisation of infrastructure capacities and are associated with potentially high logistical costs

(Jaffee and Morton, 1995). These costs affect all role players in the fibre industry, especially weavers. Weavers incur transport costs at different levels within the fibre commodity chain. Since it is difficult for weavers to invest in transport vehicles due to their insufficient output, weavers are compelled to incur transfer costs that may show some degree of fluctuation due to the volatility of petrol prices. This condition makes it difficult for weavers to compete in the natural fibre market and it increases transfer costs, as these costs are incurred three to four times in the total procurement, production and marketing effort. The issue of weavers being boundedly rational emanates, as they want to enter the economic system, but are limited to do so due to the high transfer costs as a result of losses from transportation.

#### 3.4.2.1.4 *Issuing of permits by conservationists*

In the wake of sustainability studies done in KwaZulu-Natal in the 1990s (Cunningham, 1987), conservation authorities deemed it necessary to regulate the harvesting patterns of iLala, iNcema and other species in selected areas. Due to the seasonal nature of raw materials, regulations brought changes in appropriate times for harvesting and led to inconsistent raw material supply. These initiatives generated more searching costs for weavers to locate high quality raw materials. Harvesters (especially truckers from Durban) may be tempted to bribe authorities for their own benefit. This has an effect on local harvesters in the same natural resource system.

#### 3.4.2.1.5 *Seasonal effect of raw materials*

Generally, South Africa's climatic conditions are variable over a small geographical area (Osborne, 1995). This situation where raw material is available only during a very brief harvesting period is aggravated by the biological nature of the species utilised for weaving. Weavers recognise this inevitability which is totally beyond their control (limited). This scenario normally leads to an inconsistent raw material and product supply therefrom. Inventory management therefore becomes important. Weavers try to harvest and store as much raw materials as possible before the winter fires damage palm leaves. This strategy is problematic since weavers' storage conditions are unfavourable and would result in a loss of income from a damage by rain, rodents, and mould. The seasonal nature of raw materials also creates problems in cost-efficient utilisation of transport (Jaffee and Morton, 1995), implying more transfer costs for weavers. Fibre commodities and their raw materials exhibit a considerable variability in quality from item to item and from one supply period to

another. This emanates from the biological nature of raw material species, strong influence of variability in climatic conditions and variation in each weaver's intricate weave. These features limit the scope of informative grading, create information asymmetries related to quality and reduce the likelihood of market prices to signal complete information about the quality of fibre products. Buyers bargain on the variability of quality of 'similar' products, which make weavers realise lower prices, as buyers have the basis to negotiate for prices. The weaver's inability to negotiate makes him or her vulnerable to the bargaining power by the buyer.

#### 3.4.2.1.6 *Raw materials are available only in KwaZulu-Natal*

Several botanical researchers like (Cunningham, 1987, 1988 and 1990; Van Wyk and Van Wyk, 1997; Van Wyk and Gericke, 2000) profiled the geographic locations of many wetland species in general and the iLala palm and iNcema grass in particular. Studies found the species to be dominant in some parts of KwaZulu-Natal, especially northern KwaZulu-Natal, which constitutes a portion of South Africa's land surface. Considering the bigger picture, not only are these species available on a small-scale and sometimes on potential agricultural land but also that they have several uses (iLala wine tapping, craftwork, medicinal purposes, firewood, etc.). Evidently, it is difficult to sustain these species situated in the proximity of appalling poverty conditions. Local communities have to benefit from these natural resources by supplying products to all nine provinces, the regional and the international market. With the iNcema grass close to extinction (Cunningham 1987; Kotze 2000), whereas the iLala palm is pressurised by high population growth and an increasing interest in craft production, there would be a decline in raw materials and therefore shortage of products. Raw material quality would be severely marginalised and it will affect finished products as well. Weavers incur searching costs for raw materials and are boundedly rational in defining optimal quality of crafts. An opportunistic behaviour by harvesters (truckers) mainly from Durban affect weavers when Harvesters (especially truckers from Durban) may be tempted to bribe authorities for their own benefit.

### 3.4.2.2 Weaving (processing)

#### 3.4.2.2.1 *Lack of will to initiate*

Small groups have a tendency to remain small and localised (McAllister, 1988). On one hand, this can be attributed to the fact that the weaving group does not have external support for assistance in development funds or with business skills that ensure proper cash management. On the other hand, there may be ‘free-riding’ (opportunistic behaviour) by some group members on the expense of others group members’ efforts. The ‘free rider’ problem creates a non-entrepreneurial spirit within a group. It may need a management agency to draft an organisational structure that works for all group members. Otherwise, the costs of searching and screening for new members may prove to be costly.

#### 3.4.2.2.2 *Illiteracy and the language gap*

There are several components that explain the literacy level of weavers. First is the low technology adoption because this concept may have been introduced at a high level of understanding by group promoters (as at Mabaso). This causes weavers to remain localised thereby making it impossible for them to compete – hindering the development process. Weavers who also act as harvesters utilise inappropriate harvesting methods. For instance, digging and pulling out roots of trees and shrubs to make natural dyes kills the entire tree – poor natural resource management. This leads to unsustainability and depletion of the stock in severe cases and will mean more harvesting costs for weavers in the form of searching for raw materials over long distances. This can force weavers out of business due to insufficient raw material supply from the affected ecosystem. Weavers lack prior information about prices before they engage in a transaction with another party and are limited to fully participate.

All factors that influence weavers’ lack of knowledge about who their customers are and what their preferences are results in finished products remaining at the weavers’ disposal. The Zulu language and culture is neither close nor complimentary to that of weavers’ customers – English. Usually, consumers may understand a bit about their producers’ language and culture, but producers seldom know the language and culture of their consumers. In this case, consumers already have an advantage on information to bargain with during the transaction. Weavers therefore offer irrelevant

product attributes to their customers. Weavers lose opportunities to enter lucrative markets and it takes them more time to constantly search for new markets.

#### 3.4.2.2.3 *Inflexible production system*

The main determinant of this transaction cost source is the lack of information by weavers on business skills that result in more bargaining by buyers (bargaining costs for weavers). There are no schedules for the program of action on tasks to be completed within all four weaving groups. A conventional system of assigning tasks to individual members by the group leader is common and may prove to be inefficient (McAllister, 1988). Skills are less disseminated among group members and each weaver specialises to weave one or two items. At the end weavers lose market opportunities, as it becomes difficult for them to service the formal market. Currently, part of the formal market accessible to weavers is through orders. If weavers are unable to honour their quotas due to low skills in the product ordered; the buyer cancels the transaction and searches for another supplier. Therefore, the information costs incurred to align weavers' production process to meet their customers' needs increase let alone searching for other market segments.

#### 3.4.2.2.4 *No record-keeping systems*

The non-record keeping culture of the four weaving groups is caused by the inability to store information, let alone process it. This makes weavers unreliable and unaccountable, therefore making them vulnerable to more bargaining costs by buyers who realise that weavers lack the basis on which prices are set. When weavers discover that they are unable to complete most business functions due to their poor entrepreneurial skills, they tend to depend on development project agencies, who may align transactions to their own advantage – opportunistic behaviour.

#### 3.4.2.2.5 *Usage of synthetic and natural dyes*

Individual weavers may benefit in the short-term from supplying low quality crafts, but not for long as the consumers in the semi-formal and formal markets are active purchasers. Buyers always have an incentive to buy high quality crafts and may want to bargain on 'less natural' fibre products. The lack of business skills at Mabaso and Mseleni weaving groups may lend a better explanation of the purchase of expensive

synthetic dye than natural dye although the former does not produce authentic crafts. However, harvesting methods of natural dyes (especially roots) by weavers are destructive due to the lack of prior information about appropriate harvesting methods. In general, less authentic dyes lead to lower product prices due to their negative appeal to buyers. This may be another contributing factor for weavers' reliance on informal market arrangements.

#### *3.4.2.2.6 Storage damage of raw materials and products*

Throughout the production season, some weavers (Mabaso and Mseleni) utilise their houses for storing surplus raw materials and products. Season after season raw materials and products are damaged by rain (mould), smoke and rats. Weaving groups are boundedly rational and have limited alternatives. This happens since some weavers (Mtunzini and Richards Bay) are equipped with proper storage facilities whereas others (Mabaso and Mseleni) are not. Losses from storage (poor quality crafts) cause the increment of transfer costs.

#### *3.4.2.2.7 Inefficiency of group promoters*

The uncertainty of weavers (Mabaso and Mseleni) concerning the value of their products and that group promoters are less transparent in signing placed orders at weavers' absence shed some light on irregularities formulated by group promoters for their self-interest – opportunistic behaviour. This situation may happen as group promoters have prior information about quantities and prices agreed upon with the buyers in the formal market thereby causing information asymmetry between weavers and the formal market. The non-transparency feature was spotted at both Mabaso and Mseleni weaving groups, as groups are lead by the same group promoter, but insider trading by the promoter could not be confirmed. Weavers continue to strive for competition and to constantly screen market prices that reflect their products value in order to set competitive prices.

#### *3.4.2.3 Weaving in other provinces*

##### *3.4.2.3.1 Raw material sold is very expensive*

Harvesters (raw material dealers) bargain on raw material prices to their advantage (opportunistic behaviour) with weavers in distant markets or other provinces. Profit

margins are exorbitant in the raw material market and weavers who are unable to harvest from either their own tribal and/or conserved land like the Mseleni weaving group have no alternative but to buy raw material at higher prices at nearby marketplaces. The severity of this condition is observed with weavers in other provinces where a R5 iLala bundle in KwaZulu-Natal is sold at R30. Weavers (as at Mabaso) in KwaZulu-Natal end up raw materials illegally in conserved areas causing an imbalance in the stock for future generations primarily because the raw material is available only in KwaZulu-Natal.

#### 3.4.2.4 Collecting

##### 3.4.2.4.1 *Private collectors negotiate for lower prices*

The bargaining process and impact of information asymmetry are major issues here. Weavers do not have selling power due to a lack of information about the value of their products as perceived by consumers (business enterprises) who buy from them. Consumers (businesses) have a substantial purchasing power with knowledge about products, their break-even budgets, etc. This has a negative impact on the bargaining power of weavers of which can be ascribed to incomplete market information. Private collectors strive to buy high quality crafts at cheaper prices (Black, 2001), whereas weavers may agree to sell at lower prices and incur more bargaining costs in the process.

#### 3.4.2.5 Market development and marketing

##### 3.4.2.5.1 *Competition from SADC, South-East Asia and West Africa*

Small, dispersed producers face a situation of monopsonistic competition with only one or very few (large) buyers within weavers' proximity. This emerges as a considerable inequality of bargaining power and information asymmetry. Having said that, weavers who supply distributors that are close-by have co-ordination problems because production schedules for different suppliers must be consistent over time. This is different from weavers from the Learn and earn Trust in Gauteng province, as they are more co-ordinated in their efforts to service the formal market. The skills development programme at Learn and earn Trust put weavers in a better position to negotiate for the product prices with distributors. Competition from SADC (unreliable supply, mostly traditional baskets, lack of knowledge about market needs, etc),

South-east Asia (utilise more synthetic materials and mechanically produced products) and West Africa (traditional baskets result in high procurement costs due to their bulkiness) is a serious cause for concern. This makes domestic weaving groups to remain uncompetitive, realise less export opportunities and lower domestic prices.

#### 3.4.2.5.2 *Tourists' safety and security at marketplaces*

Both foreign and domestic tourists complain about safety and security at marketplaces in certain geographical locations, especially at the Durban craft market. Although this is a district specific problem tourists always attribute it to other market outlets from all over the country due to the influence of the first tourism experience (Van Wyk, 2002). Consequently, this situation leads to the reduction in craft sales and the loss of consumer confidence in the market and its participants. The screening costs affects weavers' income. The more sceptical tourists are about semi-formal and informal markets the less weavers get customers and they have to find customers. Weavers at Mtunzini, Richards Bay, Mabaso and Mseleni groups share a common view that marketplace infrastructure and security assurance is a responsibility of the government. The conditions of marketplaces limit intentions of weavers to sell their products freely.

#### 3.4.2.5.3 *Selling similar products on one marketplace*

Most marketplaces offer products of similar intricate and geometric designs, configurations and patterns, colour, shapes and sizes. These attributes however do not mean that these products are identical. The main reason for weavers selling similar products on one marketplace is because they do not have alternative markets for their products (Van Wyk, 2002), as their knowledge of those markets is constrained by insufficient knowledge of consumer preferences. Weavers have to constantly search and screen for relevant markets to supply. This forces weavers to sell high quality crafts at lower prices and also shows a lack of bargaining power by weavers. This results in low quality (synthetic) crafts in the formal market that are difficult to distinguish from synthetic imports from Southeast Asian countries that assign a bad image to local indigenous and 'natural' products in foreign tourist markets.

#### 3.4.2.5.4 *Retailers and interior decorating markets*

Retailers in the formal market reduce their searching and screening costs by sticking to one or few regular suppliers who are mostly larger distributors of fibre products like ILala Weavers (Pty) Ltd. Retailers have indicated from the market survey that 30% of their fibre products are imported from Southeast Asian countries. In addition, they want to sustain their relationship with suppliers for as long as they deem it necessary. Interior decorators practise a similar business principle by procuring products on-line at a client's request. Both of these participants in the formal market have an excluding influence – limited participation. By reducing their number of suppliers, retailers and interior decorators become more efficient, but exclude rural weavers in the process. This makes rural weavers to have less participation in the market, which affect the weaving group's income.

#### 3.4.2.5.5 *Pressure exerted by opening international markets*

Recent developments in the natural fibre industry show some positive consumer trends and preferences in natural fibre products (Mayhugh, 2000). More and more domestic and international companies seek local handicrafts and act as agencies to promote weavers' products, and domestic retail and interior decorating market growth are some of the trends that indicate the opening of domestic and international markets. But in the plight of incomplete information, part of the industry received these market signals, virtually all weaving groups did not, which led them to continue producing fibre products considered to be uncompetitive. Therefore, this information asymmetry results in these products having poor demand both in the domestic and international market.

#### 3.4.2.6 Packaging and distribution

##### 3.4.2.6.1 *Business enterprises impose strict quality standards*

Individuals in the formal market impose strict quality standards so that they can get the highest quality crafts available. But weavers do not always attain these requirements or if they do they are being paid lower prices for them because they are not informed about the market value of their products due to bargaining by distributors. Therefore, these weavers are exploited because of their illiteracy and few lucrative market alternatives in their proximity. At the end weavers opt to market

their products through the informal market that has lower returns. This increases searching, screening and bargaining costs for weavers, as they have to keep searching for alternative markets in the plight of not attaining high quality standards set by the dealers. Weavers may not find lucrative markets with poor quality products after all.

#### 3.4.2.7 Institutional framework

##### 3.4.2.7.1 *Less government support for the fibre industry*

Industry related legislation has been developed with the interests and needs of large businesses which are very different from the needs of small businesses and the craft industry in particular (DACST, 1998). In the wake of development efforts (studies and projects) pursued; the participants in the fibre industry started initiatives towards the promotion of arts and crafts in a sustainable manner. However, the current status of government support still does not offer sufficient development services to local communities who besiege indigenous resources that South Africa is endowed with. The lack of government support therefore influences employment opportunities of local people (weaving groups). This limits weavers' chances to enter the fibre market, as they struggle to search and screen fibre products buyers and price information.

##### 3.4.2.7.2 *No fibre products export inspections set by the government*

During the course of the study, a review of domestic commodity and product export regulations (Coetzee, *et. al.*, 1999) was undertaken and none of them reflected stipulations concerning natural fibre products. This situation may provide a 'hidden' story that individual weavers are impeded in their marketing efforts because institutional market arrangements are not in place. The fact that there is currently no domestic or international trademark set by the fibre industry for indigenous products contributes to less recognition of weavers' activities. Proudly South African may volunteer to ensure that weavers attain their marketing objectives. One options in this direction is to establish local production systems for territorial marketing advantages. Otherwise, weavers strive to locate (search and screen) remunerative markets.

#### 3.4.2.7.3 *Development projects focus only on sustainability issues*

Supported or funded studies on the iLala palm and iNcema grass species in KwaZulu-Natal focused their attention on the sustainability of these raw materials rather than on business enterprise issues (Cunningham, 1987). Although conservation is vital in the management of local natural resources, a balance between sustainability of natural resources and weavers' income generating activities – craftwork. Otherwise, business systems to be designed for weavers for poverty alleviation are overlooked. In general, market participation by individual weavers is difficult. Thus, weavers constantly search for exchange opportunities in distant markets like the Durban craft market.

### 3.5 SUMMARY

In this chapter, the theory of transaction cost was outlined. The theoretical basis of transaction cost economics generally lies in the type, source and form of that transaction cost. Both observable and unobservable costs are analysed with less emphasis on the former. The point to acknowledge is that the theoretical and empirical aspects of the New Institutional Economics in general and Transaction Cost Economics in particular are still debated. Therefore, it is on this basis that each and every additional author enriches this literature.

Transaction definitions may differ from diverse authors, but the basis of a transaction as a unit of analysis is similar. The findings from this chapter show that the linkage between a constructed problem tree in the previous chapter is effective with the use of a method in table 3.2 to identify and classify transaction costs. Issues of bounded rationality and information asymmetry appear to be dominant in the South African natural fibre industry in general and to weavers in particular. Asset specificity does not emanate as an important factor in weavers' activities. These findings may clarify the use of a network approach to reduce transaction costs.

The following chapter puts emphasis on the theory and application of networks as a possible organisational alternative to reduce transaction costs that have been identified and classified under this chapter.

## CHAPTER FOUR

### THEORETICAL AND PRACTICAL ASPECTS OF NETWORKS

#### 4.1 INTRODUCTION

Small producers can increase their economies of scale and bargaining power by joining with other producers engaged in similar activities (Funes *et. al.*, 2001). Groups can further join other groups to acquire new skills in the management of larger organizations. Producer groups also serve as useful development vehicles, not only helping producers solve their own problems, but making it easier for governments to assist them in their development efforts (Cook and Thomas, 1994). However, the relationship between group promoters (GPs) and people (men and women) in rural communities in joining together to work and improve their income and living conditions is a priority for networks (social and business) to function better (Cook and Thomas, 1994).

This brings about the issue of sustainable functioning and efficiency of local production systems or survivalist enterprises. Rural social capital networks are therefore proposed as an effective tool to address challenges faced by the rural communities in their economic activities, especially the commercialisation process. The first notion of a network in this study is used as social capital. Social capital refers to features of social organisation in general and in particular, horizontal associations such networks between members of weaving groups and between groups of weavers. The second notion of a 'network' is used, as the economic institutions of capitalism that have the main purpose and effect of economising on transaction costs (Williamson, 1985), and as cooperation and a sense of formality through repeated interaction among individuals (Perry, 1999). With economic institutions in the formal market economising on transaction costs there is a need for channel co-ordination at a small-scale level (weavers) to deal with transaction costs in procurement, processing and marketing activities.

This chapter outlines the literature review of networks within which local weaving groups operate. It focuses on the theoretical background of network definition, types and different scenarios under which small rural enterprises find themselves in. The role of networks in the reduction of transaction costs from chapter three is outlined. This theoretical basis enables an application of a network through case study

analysis of rural weaving groups (Mabaso, Mseleni, Mtunzini and Richards Bay) in KwaZulu-Natal towards the end of this chapter.

## **4.2 THEORETICAL ASPECTS OF NETWORKS**

### **4.2.1 Network development approaches**

#### **4.2.1.1 Advantages of a small group approach in local networks**

There are five main benefits for individuals (weavers) to organise as a group. First, is for the economies of scale. It may be expensive for some governments to provide development services to an individual producer. Small self-help groups alleviate this problem, as they represent many individuals and not just one. Groups ensure the efficiency and greater impact of development services provided by the government (Cook and Thomas, 1994). For instance, a bank can provide one big loan in a season instead of many small ones. Second, is the increased production and income. The rural poor people can accomplish high production and income if given better access to credit, inputs and information. In turn, improved income formulates savings that can be invested back into the business to expand production and to meet other business and/or social needs (Cook and Thomas, 1994).

Third, is through the acquisition of new skills. It is always expected within a small group that the poor (especially rural) learn rapidly how to work, plan and analyse problems together. Skills are transferred through interaction. These skills are imperative in the development process and can be used at a later stage in the formation of inter-group associations and organisations at national level (Cook and Thomas, 1994). Fourth, is for the issue of sustainability. Two of the most important primary benefits of rural people joining small groups are that they become self-reliant and can be linked up into a network of self-sustaining organisations. Therefore, participation allows the rural poor to contribute constructively to development. Some secondary benefits carried out are stimulation of economic growth in rural areas and overall national government through increased efficiency of development services (Cook and Thomas, 1994). Fifth, is for information exchange. Social networks guard against market failures caused by asymmetry of information (Gabre-Madhin, 1999). Information contributes greatly as one of the transaction benefits during the process of goods and services exchange. Of more benefit is when information is shared among parties engaged in similar business activities that result

in enterprise business growth and therefore aggregate regional economic growth (Cook and Thomas, 1994).

## **4.2.2 Review of types of networks**

### **4.2.2.1 Family businesses and social networks**

Small business networks constructed around social networks develop through associations formed by family, friends and acquaintances. The construction of a social network is influenced by two forces (Szarka, 1990). First, is the personal network of relations with specific individuals and the business activities to which they are attached. Second, are the wider cultural dimensions that shape the nature of relationships formed. Although personal contact network has been viewed as the strength of ethnic minority business networks, generally too much emphasis on social networks is seen to be a weakness of many small businesses (Birley, 1985). However, social networks' strength is primarily derived from trust and commitment and to mutual support and resource sharing in strong socially and personally connected businesses – the situation that prevails within weaving groups of KwaZulu-Natal.

These networks are generally not sufficient for business purposes, especially if they are constrained within markets generated by the ethnic community; there is little prospect for any marked growth. Business expansion is possible if the groups have access to ownership and assistance by the external environment (Perry, 1999), like development projects through agencies.

### **4.2.2.2 Community-based networks (industrial districts)**

Community-based networks are spatially contained within a specialised industrial district, combining innovations, craft skills, and a strong attachment to a specific location. Specialisation permits the disaggregation of production chains. Companies compete while simultaneously learning about changing markets and technologies through informal communications, collaborative projects and common means of gaining access to industry associations and research agencies.

These networks' interest has recently been captured by scepticism of their value (Perry, 1999). There are three paths of paths associated with this scepticism. First, is

the absorption of creativity and innovation from these networks by former participants in larger industries. Second, is that shifting technology advantages increasingly disperse production capacity. The third scenario concerns the reinvigoration of the district through public policy intervention. This prevents weakening of the district through investment in 'regional innovation architecture'.

#### 4.2.2.3 Organisational networks

Organisational networks are a large range of business networks held together through relations of ownership, investment or shared membership. They also present limits of business group integration and their considerations underlie the relevance of giving attention to industry associations as a basis to stimulate business co-operation. Strategic alliances and franchising are common network forms in industrialised business systems. These systems offer opportunities for small firm development, but more risks to the entrepreneur by depending on larger organisations (Perry, 1999).

### 4.3 LITERATURE REVIEW OF NETWORKS

The literature on networks is so extensive that it is futile to attempt to cover it (Economides, 1996). This literature review limits itself and discusses only some issues (nature of networks within the locality of rural settings) that arise and the way these networks can reduce transaction costs. Although sociologists have long been studying social networks in relation to economic issues and arriving at the same conclusion about the impact of social networks – 'social capital' with economists, strong interest in networks has only developed over the past ten or fifteen years (Witt, 2000). Since then, business co-operation and networking have been proposed as crucial elements within successful approaches to local economic development and reform (Phillipson *et al.*, 2001). This development ensured the increment of interest in networks.

As an interest in networking has grown, different views have emerged regarding the extent to which networking relations are a distinct set of business linkages separate from other interactions (Perry, 1999). It has been suggested that networks play an important role in the activities and effective functioning of SMMEs (White *et al.*, 1996). Thus, the ability of a firm to learn from and manage its inter-dependency with other parties (such as the family, bank, customers, suppliers, big

firms) is crucial for survival and in assisting SMMEs to scan the wider business environment, anticipate future needs and innovate (CRE, 1999). Networks may further provide a basis for resource sharing, information gathering and for harnessing the collective capacities of business (Perry and Goldfinch, 1996).

Further, the vast and multifaceted body of literature that has grown out of Granovetter's article (1973), focused mostly on identifying the benefits of network forms of organisation. For instance, networks can foster learning because they preserve greater diversity of search routines than hierarchies and they convey richer, more complex information than markets to allow high quality in production (Podolny and Page, 1998). Networks may also allow actors to share the legitimacy or status of affiliated networking actors, which can affect changes of organisational survival, market value or access to scarce resources (Witt, 2000). Furthermore, networks can improve economic performance by reducing transaction costs through trust (Sako, 1992), providing better information than markets and thus allowing higher quality in production, and allowing actors to adjust more quickly to environmental changes (Powell, 1990). Academics and policy-makers, too, are focusing more and more on the processes of entrepreneurship and innovation that lead to the formation and development of such enterprises.

In short, the major idea associated with the interest in networks is of the insight that strong networking activities will assist local economic performance through increased information and knowledge sharing between individuals, enterprises and organisations (Atterton and Courtney, 2001). The most relevant network definition in the context of this study is that offered by Szarka (1990), who argues that networks can refer to both social relationships among individuals and interactions among organisations. This study focuses on a view of networks for building social capital. Social capital here is defined by Robinson and Siles (2000) as *"a person's or group's sympathy that provides another person or group potential benefits, advantages, support, and access beyond which might be expected between strangers in an exchange relationship."* This approach utilise the network in this manner to mitigate transaction cost barriers identified in chapter three. In this way, economising on transaction costs (Williamson, 1996) is the main reason for the existence of networks.

Having said so, very little research appears to have focused specifically on the linkages, interdependencies and information sources or flows among rural micro-businesses or on the issues of inter-firm collaboration and utility of networks (Phillipson *et al.*, 2001). Furthermore, only a limited degree of attention has been given to network issues from the perspective of rural firms in general (North *et al.*, 1997; Okagaki *et al.*, 1998) where the main emphasis is on the spatial distribution and level of economic linkages (Errington and Courtney, 1999). North *et al.* (1997) have noted, for instance, how remote rural firms are more restricted in their capacity to develop new opportunities due to difficulties in building sectoral contacts and in developing non-local markets. It is within this premise that a need to study the role of social (local) and non-local networks is inspired.

#### **4.4 SOCIAL CAPITAL AND TRANSACTION COSTS**

According to transaction cost theory, transaction costs of market exchanges arise from uncertainty, bounded rationality, asset specificity and opportunism (Williamson, 1975). Social capital can serve to mitigate these transaction costs by minimising the impact of bounded rationality and opportunism (Peterson *et al.*, 1999). Social capital has been defined in different ways. According to Putnam (1995) and Sorensen (2000) social capital is defined as the norms and social relations embedded in the social structures of societies that enable people to coordinate action to achieve desired goals. However, a more relevant definition of social capital for the purpose of this study is offered by Robinson and Siles (2000), as *“a person’s or group’s sympathy that provides another person or group potential benefits, advantages, support, and access beyond which might be expected between strangers in an exchange relationship.”* Social capital exchanges, thus serve to mitigate transaction costs as an alternative institution in countries with underdeveloped regulating institutions.

Alternative institutions that develop to combat transaction costs, are formed by societal norms (North, 1990). With the disintegration of social services and income supports historically provided by the apartheid regime, individuals and communities in rural areas may be compelled to replace missing formal institutions. Social capital can serve to facilitate market exchange in the absence of a functional market and effective monitoring and enforcement institutions (Foss, 1995). In northern KwaZulu-Natal, it is a concern with the malfunctioning local markets (see table 4.1), where entry barriers to lucrative markets are high and procurement strategies are not in

place. Although conservation institutions have emanated to regulate the harvesting patterns within the region, government agencies do not do enough to promote local products on the basis of their territorial advantage – this can be seen as a lost opportunity of commercial importance. In the presence of social capital, parties in a transaction may forego opportunistic behaviour and serve the interests of all parties, thus reducing transaction costs. This behaviour arises from a sense of mutual caring or sympathy, which can replace selfish motivations, and ultimately lead to economic gain (Peterson *et. al.*, 1999). Rural households in northern KwaZulu-Natal may have indeed experienced increased economic gain as a result of expanding social networks. This proposition is feasible as rural weavers have already formed groups to participate in income generating activities.

## **4.5 CASE STUDY ANALYSIS**

### **4.5.1 Cases**

The criteria of choice of case studies spans three levels. Firstly, cases were chosen on the basis of the weaving groups' involvement in development projects to assess if any gains have been realised due to this condition. Secondly, weaving groups are expected to experience high transaction cost barriers through efforts to commercialise. Thirdly, there are notable social networks within individual groups already. All activities are coordinated and mandated by the group as compared to an individual weaver, so it makes sense to study groups in general.

The commercialisation focus is on the iLala palm (*Hypheane coriacea*) and the iNcema grass (*Juncus kraussii*) natural resource species used to weave a variety of products. The existing and suggested networks for each group are analysed together due to the generic (common) problems of procurement, processing and marketing each group has. Therefore, it is within this study's basis that the operational flow be explained in detail, as evident in chapter two, three and this chapter as well. Apart from generic problems the following section describes case studies (per weaving group) in accordance with a procedure of activities (procurement, processing and marketing), constraints, options and development projects. The numerical values in parentheses indicate the number of individuals within a group.

#### 4.5.1.1 Mtunzini group (4)

Mtunzini weaving group utilises iNcema, iKwane, Maxeba and iMizi raw materials, but the latter two to a less degree because of quality problems. The group weaves blinds, mats, baskets, etc. Several empowerment projects have already been geared to and conducted in this area from 1998 until recently. The Community Joint Project in particular (*Senza nje iNcema*), focused on the cultivation of the iNcema grass on removed timber by Mondi forests and heavily drained wetlands. The cultivation of iNcema is practicable, and that its supply can be drastically increased through cultivation (Kotze, 2000). Kotze (2000) further states that an additional iNcema problem is that it is sharp.

The group used to take more time in their weaving process. This is because weavers were required to produce seedlings, plant, weed and weave at the same time. Weeding is a specific problem as it is to be done continuously from the cultivation of plants to their harvest. The iKwane and iMizi species can be harvested from Dogodweni and the plantation is under the community's control. The group mainly sells its products to local customers, the Durban craft market and orders for the curio shops in Durban. There have not been any other opportunities beyond the current project from which economic gains are less forthcoming.

#### 4.5.1.2 Richards Bay group (13)

The Richards Bay group specialises with iNcema and iKwane raw material and harvests these resources from the community land, but cultivate iNcema (rare in the forests) to weave blinds and mats. Only two out of thirteen members use mechanical weaving equipment (spinning machines) and can produce faster than the other weavers. Otherwise, the remaining weavers weave manually. The fact that the two weavers who possess weaving equipment are expected to weave much faster than the others create an imbalance of the workload. The group has a problem with the iNcema grass's tendency to submerge in water after torrential rains that delay harvesting periods and therefore the production process. This ensures that iNcema raw material is bought after every two months to supplement shortages. The group sells its products to the Durban craft market and orders in the formal market, around local markets and shops, and to local people especially for traditional wedding purposes, as the bridegroom has to purchase traditional mats for the parents-in-law

in Zulu culture. This group also generates 2% of its income from selling vegetables from its vegetable project.

#### 4.5.1.3 Mabaso group (25)

The Mabaso group utilises iLala palm material to weave washing baskets and giftboxes and to a less extent iKwane as well. The group has problems with wild winter fires for iLala palm. The group is able to produce eight laundry baskets in two weeks, which is not that efficient notes Myles Mander from the Institute of Natural Resources (INR). Picnic baskets, giftboxes and laundry baskets with lids are produced with five leaves for three days (double-woven).

This group has several marketing channels out of which it earns reasonable income (see table 4.1). These channels comprise markets in the formal sector in Cape Town and Johannesburg wherein businesses (Interior Decorating Shops and retailers) place orders, Mbazwana and Durban craft markets, and foreign tourists also buy from the group. The group also sells its raw materials to truckers who take these resources to the Durban craft market and other local weavers. The group has realised inconsistencies of membership, dropout by members and new members coming in during the 1999 to 2001 seasons. It has three years in operation, and has logistical and organisational problems of dissemination of skills. It has six male weavers, and this causes problems during allocation and sharing of tasks. The biggest constraint is that formal markets are not guaranteed and weavers themselves do not have bargaining power to negotiate prices to their own advantage when orders arrive. The nearby semi-formal market, Mbazwana is also expensive (R50 per day) to operate in, which is only opened twice per month. The ownership of a market stall at the Sodwana Bay market serves as a barrier to entry for individual weavers.

#### 4.5.1.4 Mseleni group (15)

The Mseleni group purchases all its raw materials (iLala and iKwane) from the Mbazwana craft market, the same area were iLala Weavers distributors source theirs. Weavers mentioned that the raw material quality is poor and it has a negative effect on the quality of the end product - framed laundry baskets and lampshades. The group is isolated and needs a lot of co-ordination to form a well functioning association. The will to try new products or modify existing products is less practised. Group members put a blame on group promoters pertaining to the 'distorted'

premiums the group gets from selling crafts – lack of ‘trust’ between the two parties. The main constraint is the delivery of frames that needs to be solved with the suppliers from Pongola. The group has been selling its products at the Mbazwana and Durban craft market, and also receive orders placed by businesses in the formal market.

#### **4.5.2 Impact of development projects on household income**

The low income nature is a common characteristic of rural South Africa. The poverty gaps (the difference between income of each household and the poverty line) for Maputoland and the surrounding areas are the smallest in South Africa (Dube, 1995; Whiteford *et. al.*, 1995; O’Leary, 1998). In 1994, the poverty line defined for a rural household with two adults and three children was R740 per month (Whiteford *et. al.*, 1995). In 1995, the average per capita income for Maputoland was R400 per month (Dube, 1995). Male-headed households earn R1 175.31 per month on average while female-headed households earn R721.05 per month. At virtually all groups, only two weavers reported a family size of less than three people. On average, a family consists of 9 people in this region (Van Wyk, 2002).

Table 4.1 shows the monthly income per group and per weaver within each group at an average calculated following information from a structured questionnaire in appendix 7.1. Richards Bay group buys the iNcema raw material once in two months, especially in summer when supply is low at R13 per bundle, whereas Mseleni group buys iLala palms twice per month at R10 per bundle. Mabaso group utilises commercial dyes and buys them once in two months at R27 per sachet, whereas Mseleni group does so every month. Only iNcema weavers (Mtunzini and Richards Bay) indicated to buy looms at R10 and R25 sufficient for the entire group for a month, respectively. Strings and twines are purchased at R20 for Mtunzini, R33 for Richards Bay, R5 each for Mabaso and Mseleni groups. Needles are utilised by the Mabaso and Mseleni groups at R5 per weaver, whereas Mtunzini group utilises tins to add value to its baskets at R10 per tin and an average of eight tins per month. Mseleni group also purchases its frames for baskets (small for R7, medium for R9, and large for R13) and lampshades (small for 15, medium for R20, and large for R32) from Pongola every month. Opportunity cost of weaving is the average income from other sources (activities) multiplied by the total percentage contribution of alternative activities to the total income. These are 14%, for Mtunzini and 10% for the rest of the groups.

Storage damage was mentioned to be a problem in Mabaso and Mseleni groups due to the absence of proper storage facilities like the ones in Mtunzini and Richards Bay. Storage damage costs were noted to be 30% and 25% (quarter) of products to be sold at all markets if stored at a weaver's home. Mabaso and Mseleni groups rent to sell products at Mbazwana semi-formal market that opens for trade twice a month. Mabaso group rents the market twice per month at R50 per time and incur R7 transport costs per trip, whereas Mseleni rents the market once per month and incur R14 per trip. The Durban craft market is rented by all weaving groups. Mtunzini group mentioned to sell its products at the Durban craft market every three months at a R50 rent cost and R100 cost for transport, whereas Richards Bay group pays the same amounts every month. Mabaso and Mseleni groups incur R200 every month for transport due to their geographical location from Durban. Mabaso is the only weaving group that sells raw materials at R5 for truckers and R4 for other weaving groups. Weavers in this group mentioned that they get an average R100 per month per weaver from the raw material selling activity. Income from regional (informal and semi-formal) markets is valued as the average number of products weavers indicated to sell per month at an average price. Mtunzini group sells eight items per month at R40, Richards Bay group sells ten items at R70, Mabaso group sells 50 items at R30 whereas Mseleni group sells thirteen items at R60. Income from the formal market is valued with the same procedure, where Mtunzini sells fifteen items at R45, Richards Bay sells eighteen items at R80, Mabaso group sells three hundred items at R10 and Mseleni group sells twenty items at R60.

**Table 4.1: Monthly financial and economic assessment of rural weaving groups**

	MTUNZINI (4)	RICHARDS BAY (13)	MABASO (25)	MSELENI (15)
<b>COSTS:</b>				
<b>Harvesting costs</b>				
Raw material	0	84,5	0	300
Bushknife used for harvesting	18	20	20	0
<b>Weaving costs</b>				
Dyes	0	0	13,5	27
Looms	10	25	0	0
Strings/twine	20	33	5	5
Aluminium tins	80	0	0	0
Needles	0	0	125	75
Frames	0	0	0	108
Opportunity cost of weaving	56	54	34,5	44
<b>Marketing costs</b>				
Storage damage	0	0	210	57
Mbazwana and rent	0	0	114	64
Durban and rent	50	200	250	250
<b>Total costs per group</b>	<b>234</b>	<b>332</b>	<b>519,5</b>	<b>356</b>
<b>BENEFITS:</b>				
Raw material sales	-	-	2500	-
Income: regional markets	320	700	1500	780
Income: orders (formal market)	675	1440	3000	1500
<b>Total Revenue per group</b>	<b>995</b>	<b>2140</b>	<b>7000</b>	<b>2280</b>
Revenue per weaver	248,75	164,62	280	152
<b>Profit per group</b>	<b>761</b>	<b>1808</b>	<b>6480,5</b>	<b>1924</b>
Income/weaver from selling fibres	190,25	139,1	259,22	128,3
Income/weaver/month (respondents)	160	200	270	90
Income from other sources	400	540	345	440
<b>Total monthly income (calculated)</b>	<b>590,25</b>	<b>679,1</b>	<b>604,22</b>	<b>568,3</b>
<b>Total monthly income (respondents)</b>	<b>560</b>	<b>740</b>	<b>615</b>	<b>530</b>
% income: raw material market*	-	-	35,71%	-
% income: regional markets*	32,16%	32,71%	21,43%	34,21%
% income: formal market*	67,84%	67,29%	42,86%	65,79%
% income from other sources^	71,43%	72,97%	56,10%	83,02%
Average group age	45	55	40	50
Percentage males	0,00%	0,00%	24,0%	26,7%

**NOTE:** Table is constructed from structured questionnaires in Appendix 7.1 and values are averages.

Income/weaver/month - is the average monthly income per weaver from group respondents

Income per weaver is the average monthly income per weaver as calculated per weaving group.

\* - Percentage of income only within the fibre business, thus amounts to 100%.

^ - This value is calculated apart from total income from trading fibre products, that is, the overall contribution of the natural fibre business will then be 28.57% (Mtunzini), 27.03% (Richards Bay), 49.3% (Mabaso), and 16.98% (Mseleni) to the total income in the same order from the table.

The impact of weaving on weavers' average incomes is considerable although weavers in Richards Bay and Mseleni weaving groups mentioned that in certain months (winter) the group does not earn any income at all. From table 4.1 it is

evident that weavers at the Mabaso group earn more than other weavers in other groups. First, this may be caused by the frequency, quantity and value of the group's products in the formal market and the capacity to service this market. Second, the iLala raw material that the group sells provide each weaver with an extra R100 on monthly earnings. Weavers in this group have an age average of forty years as compared to Mtunzini (45 years) Mseleni (50 years) and Richards Bay (55 years), therefore 80% of Mabaso weavers have realised that they do not earn additional income from government grants. Whereas weavers in other groups on average indicated that they do earn government grants (bigger share), vegetable project (at Richards Bay) and selling thatching grass (at Mseleni). Worth mentioning is that all weaving groups are determined to continue and stay in the weaving business mainly due to short-term gains of craft production and an experience to weave (at Mabaso); weaving is the main income generating activity and it is just enough to afford basic needs (at Mtunzini); weaving is more profitable and less hard work than agricultural production (at Mseleni); weaving needs creativity and can work in a relaxing home environment (as at Richards Bay). This can also be justified by the percentage share of weavers' average monthly income where iLala, iNcema and iKwane weaving activities constitute 50% for Mtunzini group, 48% for both Mabaso and Richards Bay groups, and 20% for Mseleni group. The Mabaso and Mseleni groups are the only groups with male weavers at 24% and 26.7%, respectively. This may explain to a certain extent why Mseleni group members think the group is governed by politics.

The importance of the formal market (at 67.84% for Mtunzini, 67.29% for Richards Bay, 42.86% for Mabaso, and 65.79% for Mseleni) precedes that of the regional and local markets (at 32.16% for Mtunzini, 32.71% for Richards Bay, 21.43% for Mabaso, and 34.21% for Mseleni). In contrast, the Mabaso weaving group is able to generate 35.71% of its income from selling raw materials through network relationships with customers (truckers and other weaving groups). In general, local networks (among individual weavers and between weaving groups) are necessary, but not sufficient to generate reasonable incomes as compared to non-local markets.

Broadly, a long-term objective is to reduce poverty, improve the quality of life, generate livelihoods, and achieve sustainable, economic and social development of the rural communities. This will be in the form of employment opportunities that ensure consistent monthly income generation within (women-headed) households to sustainably feed themselves over a long period of time.

### 4.5.3 The importance of networks through the operational flow

**Table 4.2:** A network framework of analysis

LOCAL NETWORKS	P	F	NON-LOCAL NETWORKS	P	F
Among weavers			Weavers and raw material truckers <i>Mabaso group</i>	*	**
• Harvesting <i>All weaving groups</i>	**	**	Weavers and private collectors <i>All weaving groups</i>	*	*
• Weaving <i>All weaving groups</i>	**	**	Weavers and group promoters <i>Mseleni and Mabaso</i>	*	**
• Marketing <i>All weaving groups</i>	**	**			
Between groups (inter-group associations)			Weavers and distributors <i>Richards Bay and Mabaso</i>	*	**
• Harvesting <i>All weaving groups</i>	(-)	*	Weavers and individual consumers (tourists) <i>All weaving groups</i>	*	**
• Weaving <i>All weaving groups</i>	(-)	*	Weavers and retailers <i>All weaving groups</i>	*	**
• Marketing <i>All weaving groups</i>	*	**	Weavers and interior decorators <i>All weaving groups</i>	*	**
• Services <i>All weaving groups</i>	*	**			

- (-) - No ties  
\* - Weak network ties  
\*\* - Strong network ties  
P - Existing networks  
F - Future prospects

#### 4.5.3.1 Overview of networks in the fibre weaving industry

From table 4.2, it is evident that existing strong network ties only occur in a local network form due to similar socio-cultural and economic conditions of weavers within the four weaving groups. The same reason may also be a counter-effect on rural weavers' growth potential, as weavers tend to remain localised and do not improve or explore into other skills rather than just weaving from a lack of entrepreneurial skills. Advanced activities like marketing become a challenge, especially when markets are non-local. An inter-group association is a new concept in economic rural organisation settings. It is only operational in marketing but may also function better in both harvesting and weaving only if a spatial location of diverse weaving groups is not vast. An important link throughout the networking process is the group promoter assigned by a development agency to co-ordinate the process of arranging business matters with different groups. Otherwise, inter-group associations are bound to fail. The non-local network form of organisation exhibits weak ties between weavers and the formal market – less internalisation of transactions (Demsetz, 1988). Both

(weavers and other market participants) are in conflict. On one hand, weavers complain that distributors, collectors and retailers exert power over them. Weavers cannot say with certainty whether their prices reflect those of the market. On the other hand, downstream industry participants blame it on the weavers that it is difficult to establish long-term business relationships with less organised individuals who are illiterate, lack communication infrastructure, finance, etc. More work needs to be done to find out the dynamics of non-local relationships from other weaving groups that are already involved, for instance, Ntombi Weavers group supplies the retailer Loads of Linen and Living with contemporary natural fibre products. The Mseleni group also mentioned to sell some of its products to Ntombi Weavers.

#### 4.5.3.2 Local networks

**Table 4.3:** Group, inter-group and non-local networks

	WEAVING GROUP			
	MTUNZINI (4)	RICHARDS BAY (13)	MABASO (25)	MSELENI (15)
Association	Yes, but no membership fees	Yes, but no membership fees	Yes, but no membership fees	Yes, pay R50 once-off and R5 every year
Harvesting	Harvest as a group Do not sell raw material Do not buy raw material	Harvest as a group Do not sell raw material Buy raw material in summer shortages at market prices	Harvest as a group Sell raw material to other weavers at R1 less than market price	Group does not harvest Buy raw material from other weavers at market prices
Network with Truckers	-	-	Target weaving groups and not individual weavers	-
Weaving and processing	Group weaving	Group weaving	Group weaving	Group weaving
Buy products from other weavers	Only when orders over capacitate the group and get discount prices	Only when orders over capacitate the group at market prices	Only when orders over capacitate group at market prices	Only when orders over capacitate group at market prices
Market meetings	Do not attend	Attend and helpful	Attend and helpful	Do not attend
Transportation	Organise transport together, but send one weaver to the market	Organise transport together, but send one weaver to the market	Organise transport together, but send one weaver to the market	Organise transport together, but send two weavers to the market
Network with group promoters	Co-ordinate with the group at all times	Very good	Introduce advanced skills beyond our literacy level	Sceptical about the group's products value
Network with the formal market	Traders bargain for prices through the group promoter	Distributors come by and bargain for the group's prices with weavers	Traders bargain for prices through the group promoter	Not certain about the true reflection of the group product value

#### 4.5.3.2.1 *A network of group members*

Table 4.3 shows results from specific topics of networks as derived from questionnaires administered to the four weaving groups above. The group members' network is more social and predominately based on trust and ethnic values for survival (Grannovetter, 1973). This is where culture influences social and business decisions are taken by the group. Put differently, weaving groups are coerced by their clan culture; their personal relations and interaction with their families in harvesting, weaving and marketing activities suffice. The latter prevails in the relationship between mothers and their daughters in harvesting and weaving activities mentioned by the Mabaso and Mseleni groups. Virtually, all weavers within groups find themselves stuck in specific groups due to the strength of prevailing cultural connections – the Zulu clan (Krige, 1962). It is difficult for a group member to switch between groups, as there are cultural differences between different clans although not vast. Relationships of group members differ during the processes of harvesting, weaving and marketing. Some group members dwell too much on social relations than business relations evident of the Richards Bay group.

Table 4.3 shows that in all four cases, weaving associations (Mtunzini – *Senza nje iNcema*, Richards Bay – *Siyathuthuka*, Mabaso – *Likukhanya* and Mseleni – *Bambisanani*) are operational. Weavers are satisfied with their associations' current status, except the Mseleni group that indicated that their group is very much governed by politics. However, it is only in Mseleni that membership fees are paid as a criterion of selection of potential weavers and to buy raw material. This lends some lessons into the membership variability at the Mabaso weaving group, as entry and exit barriers are low. Mabaso group has also indicated that procurement of extra products from other weavers in the informal and semi-informal markets was pursued at times when other members detached themselves from the association. The weaver selection criteria at Mtunzini and Richards Bay groups is more formal and project agencies ensure that weaves understand the high exit barriers before they commit themselves.

During harvesting, there is a sign of division of labour at the Mabaso and Mseleni groups. This follows when some weavers go to harvest, whereas others stay behind to weave. This process makes both the procurement and weaving processes to run concurrently thereby reducing time (labour) costs. Weavers who harvest in Mtunzini and Richards Bay areas also cultivate and weed their iNcema fields. Group members

agree on the harvest location and the appropriate time to harvest. In the case of raw material shortages, a decision is taken by the group as to whether to purchase raw materials (as at Richards Bay) and/or products (as at Mtunzini) from the market or pay permit premiums to harvest in conserved areas (as at Mabaso). On weaving, the lack of a flexible production system in Mabaso and Mseleni groups results in the poor service of the formal market during high demand for one specific product although the procurement network appears to be efficient. This, however, arises due to the lack of skill dissemination whereby other group members do not know how to weave that particular product. This situation disables a weaving group to satisfy the orders agreed upon thereof. In marketing, communication pertaining to the division of labour is prominent as well. All weaving groups indicated that group leaders assign tasks to members to sell either on roadsides, local semi-formal markets or the Durban craft market whilst other members continue weaving.

#### 4.5.3.2.2 *Networks between groups*

The inter-group association is a fairly new concept and most of the activities and procedures have to be co-ordinated by group promoters of diverse weaving groups. Local networks of inter-group associations in harvesting and weaving activities were not observed during the time span of the research. One area where this concept is being practised currently is in marketing. First, the Mabaso group sells raw materials to other local weaving groups. This group also mentioned a social network where the group is sympathetic to local weavers when it offers discounts (at R1 less than the price offered to truckers), as defined by Robinson and Siles (2000). Mtunzini weavers also indicated that weavers at semi-formal markets offer them lower prices because of their bulk purchases.

Second, Richards Bay and Mabaso groups delegate two weavers from their groups to attend market meetings. Points of discussions include the incorporation of time costs and definition of quality for setting prices on products. Initially, prices are set by weavers with prior information from other weaving groups or market meetings (as at Richards Bay and Mabaso), then traders and consumers bargain for the products. All weaving groups indicated that Indian buyers always bargain on weavers' prices. Further, weavers at all weaving groups mentioned to buy products from other weavers operating in semi-formal markets only when orders are beyond their capacity. Mainly, groups are organised and assembled to acquire new skills of weaving through modifying existing products with modern ones – the entire notion of

*'making the old look new again'* (Mayhugh, 2000). Continuous improvement of these methods is a priority in this case. However, the product innovation process can to a larger extent be put into jeopardy by the same group promoters operating within groups, where individual groups or individuals within a group do not trust facilitators. This issue will be explained in the non-local linkage between weavers and group promoters in the next section.

#### **4.5.4 The reduction of transaction costs in the network process**

##### **4.5.4.1 Harvesting**

Mseleni group's inability to access resources is solved by other groups like Mtunzini through their purchase of raw materials and products from reliable weavers whose quality is high and prices are reasonable. In cema grass can be cultivated (Kotze, 2000) as shown in projects in Mtunzini and Richards Bay groups, whereas iLala palm can be regulated by conservations where permits to harvest serve only as tokens of prove. It is imperative that weavers form an association (network among themselves) and coordinate with tribal authorities and conservationists to provide proof of their affiliation to a specific association that makes it easier for regulators to issue permits. It does not come as a surprise to learn that the Mseleni group's performance is low, especially because the group is dispersed and governed by politics. On the use of dyes, group members in Mabaso have collectively realised that harvesting roots for dyes kills plants; the group now uses 50% of commercial dyes and 50% of natural bark and leaf dyes. The social network between mothers and their daughters (as at Mabaso and Mseleni) benefit both parties. Assistance from daughters during both harvesting and weaving activities capacitate weavers to supply high raw material quantities to truckers and to service the formal market (orders). In turn, daughters acquire weaving experience through practise and skills dissemination from skilled mothers. ILala weaving groups (Mabaso and Mseleni) overcome the seasonal nature of the palm by harvesting substantial amounts of iLala palm for storage just before winter.

#### 4.5.4.2 Weaving

The inflexible production system of the Mseleni group is solved by other weaving groups through assigning specific tasks to each weaver and a time frame thereof. Once this is done, planning costs of group leaders are minimised. The procurement of raw material and/or products from other weavers in the informal or semi-formal market (s) take place only when orders placed by the formal market are huge and sudden therefore weaving groups find it difficult to satisfy the orders. In certain cases such as at the Mtunzini group, discount prices are offered upon buying products in bulk from weavers in informal markets. This feature is a crucial step for the survival of inter-group associations, especially in marketing activities. Otherwise, the rest of the weaving groups pay normal prices to purchase products from other weavers in informal and semi-informal markets where specifications of a particular order are honoured. Mabaso weavers indicated that they have developed close relations with weavers they used to buy extra products from. It reduces the group's search and screen costs of new weavers to buy products from, although prices are the same for all customers, assurance of a market and quality are the main immediate benefits. It is especially true given the fact that purchasing decisions are sporadic. The use of weavers at semi-formal markets may indicate that local weaving groups are not as 'local' as perceived, as there is a weaving group per clan.

The opportunity cost of time or labour is offset by the dissemination of skills within a group, especially when large orders are to be serviced and that profits are distributed to weavers on an equal basis. This way of organisation ensures that each weaver has an ability to weave few or all products within the limited product range produced by the group and at times weavers even help each other to weave one product at a time as at the Mtunzini weaving group. In this way, weavers who were supposed to specialise in those particular products of greater demand have more time to pursue their other household activities. The inefficiency of group promoters as indicated by the Mseleni group is being avoided by the Mseleni group itself to start organising to sell products at the Durban craft market. However, existing networks are unable to solve the issue of transport costs to Pongola to fetch frames, so at the end the group relies on the inefficient group promoter for the transportation activity after all (see figure 2.10).

#### 4.5.4.3 Marketing

Transport costs are the main transfer costs in the natural fibre industry, especially for weavers. All weaving groups delegate one (Mtunzini, Richards Bay and Mabaso) or two (Mseleni) weavers to represent the group in both the informal and semi-formal markets. Costs of transfer are therefore reduced than an individual weaver would have done. Weavers at the Mabaso weaving group also reduce transfer costs by selling the iLala raw material within hundred meters from their meeting place to truckers who have become repeat customers pending weavers' existing network.

Through the difficulty to define a quality craft to be priced accordingly, marketing committees (Mbazwana) and weavers (Mabaso) seem to agree that the intricacy of each weaver and raw material quality are the main factors for uniqueness of products. Tourists' concerns about safety and security at the market is only at the Durban craft market. Weaving groups know less about the Durban crime statistics, but coincidentally utilise less of this market in favour of nearby informal and semi-informal markets thereby reducing transfer costs. All weaving groups constantly strive to find innovative ways that ensure the uniqueness of their products, but are impaired by the lack of information. The group promoter is therefore the critical link for updates on market trends to minimise the prevalence of similar products in one marketplace. Again, the group promoter plays an essential role to link weavers and the formal market, but his or her absence ensures that weavers are barred from entering the formal market, unless weavers are capacitated. Thus, the relationship of weavers within a group and the group promoter is crucial for this reason. It is easier to secure a market stall on behalf of a group than on an individual basis thereby reducing the barriers to entry into the semi-formal market.

#### 4.5.4.4 Shortcomings of existing local networks

The horticultural characteristic of the iLala palm cannot be solved directly by existing networks. If weavers such as the Mseleni weavers do not have access to resources then raw material procurement strategies become very important. None of the groups mentioned that they utilise both iNcema and iLala. This situation can be viewed as an opportunity lost because of the sequential seasonal peaks of the two resources. Mtunzini and Richards Bay groups mentioned that the iNcema raw material and products sell better from the beginning of winter to the beginning of spring (May to August) whereas Mabaso weavers indicated that the end of spring to mid autumn (mainly summer months) is the best selling season for iLala raw material and its

products. This confirms Van Wyk's (2002) findings of the seasonal markets for the iLala and iNcema raw materials and products. Therefore, if a specific group wants to assimilate greater value of the fibre market the utilisation of both raw materials offer that opportunity.

The fact that the raw material is only available in KwaZulu-Natal is a natural phenomenon that is beyond weavers no matter how advanced their network is. Existing social networks within weaving groups do not satisfy a condition of keeping records, which causes risk and uncertainty to the buyer, especially the price setting mechanisms. The more accountable the weavers, the less the customer has the platform to bargain for prices. The Mtunzini and Richards Bay groups utilise storerooms build by project agencies and therefore do not have associated problems of losing products due to storage damage. The weavers in these groups have done little to prevent damage of products like the situation in Mabaso and Mseleni groups where up to 30% and 25% of raw material and products is lost respectively. Evidently, only external support from project agencies has proved to be effective.

The illiteracy of and a lack of consumer knowledge by weavers is evident in weavers' expectations over functions of the government for their (weavers') development. Weavers expect the government to do everything for them and all they can do is weave. All four weaving groups mention skills for proper harvesting, introduction of new products or modifying existing products, entrepreneurial skills, and market information and outlets. Existing networks of weavers are not sufficiently capacitated to undertake above-mentioned critical elements of success. Entrepreneurial skills are more essential to reduce bargaining costs by negotiating private collectors and international dealers. Currently, a local network of weavers (Mtunzini, Richards Bay, Mabaso and Mseleni) coordinate to sell products in the informal and semi-formal markets thereby coincidentally avoiding competition of products from SADC, south east Asian and west African countries in the formal market in the process. Weavers currently lack market information concerning competition of products in the international market, let alone the ability to process it. The local networks of weavers are also insufficient to curb the pressure exerted by opening international markets, as their non-local networks with international agencies are non-existent. If this were the case, searching costs for other markets, and bargaining costs by agencies would be reduced. A greater part of institutional frameworks are insufficient for both local and non-local networks, especially government policies of less promotion strategies for local products. Research information on sustainability of raw materials ignore their

uses in income generating activities. Therefore, weavers benefit less. Government should focus on promoting local products and stimulating export opportunities of fibre products.

#### 4.5.4.5 Non-local networks

The high income percentage of the formal market (non-local network) and the response of the need for government support by weavers in all four cases studied are sufficient to explore opportunities in non-local networks. Non-local networks cannot minimise all remaining transaction costs as well. Other better suited methods (market innovation, new product development, etc.) may be employed to reduce transaction costs, as a network approach is just one among various ways to reduce transaction costs.

##### 4.5.4.5.1 *Weavers and group promoters*

The situation where weavers are dependent on 'inefficient' group promoters is paradoxical as observed from figure 2.10. There is less trust and in some cases (as at Mseleni) complete mistrust between group promoters and weavers. On one hand, group facilitators blame group members to lack a will to initiate, and reluctance to try out new products, and weavers are dependent on them and do not invest back into the group. On the other hand, weavers at Mabaso and Mseleni have indicated that facilitators inform the group of huge orders at short notice and weavers are perceived to be laggard whenever they do not honour their order quotas. Further, when facilitators present revenues to weavers, weavers are filled with uncertainty as to whether the total revenue reflects the true value of the order placed, as weavers do not get privileges to view any receipts. The major tie that keeps both the group promoter and weavers in business and provides a logical explanation of the paradox in figure 2.10 is that weavers hope to get funded by the development agencies, whereas development agencies may be intended to go through the process in the name of 'community-driven development projects', as weavers at Mseleni allege. The major challenge towards capacity building efforts is that both parties do not equally share the commercial focus. This has made delivering big orders difficult as weaving groups such as Mseleni group fail to honour their quotas. The network between the two parties may ensure not only efficient management of orders, but the success of inter-group associations and introduction for weavers to access other formal markets as well.

#### 4.5.4.5.2 *Weavers and truckers*

The relationship between weavers (Mabaso and Mseleni groups) and truckers is two fold. On one hand, weavers at Mabaso sell raw material to truckers, on the other hand, truckers sometimes hire weavers such as at Mseleni to harvest for them. Weavers who are unable to sell their items in the value-added market (due primarily to market failures) and need extra or alternative income relegate themselves to sell in the raw material market. This market is deemed moderately lucrative as it ensures rapid cash generation though little as compared to the product market. Truckers cannot afford to sell their raw material to weavers at R5 per bundle as compared to selling at the Durban craft market where prices go as high as R30 per iLala palm bundle. There are few truckers in the raw material business due to the capital intensive nature of the business. They (truckers) are so few in fact weavers know them by their names. Thus, this network depends on whether the truckers know their suppliers (weavers) and their geographical location. Truckers highlighted that it is easier for them to remember weaving groups in specific clans rather than individual weavers; the process ensures targeting of interested parties, and minimises low quality raw materials. This also happens during the hiring process. Regular truckers who network with specific weaving groups empower the groups (Mseleni) by hiring them to harvest.

#### 4.5.4.5.3 *Weavers versus private collectors and distributors*

Private collectors are different from distributors in that they are individuals and not corporations. Private collectors travel all over Africa in search of original (authentic) antiques, traditional and cultural connecting novelty products. The basic business principle of private collectors is to obtain a perfectly rare novelty product at a relatively low price. In the process, weavers find themselves exploited due to their lack of negotiating skills. Collectors bargain for lower prices even when prices are already cheap. This is one network which cannot work, as private collectors have indicated that they are not interested to form any network relationships with specific weavers since they (private collectors) always travel on the look out for unique products (Black, 2001). A local network of organised weavers could suffice to negotiate for reasonable product prices.

The distribution market may seem easy to access since local (in KwaZulu-Natal) distributors visit the semi-formal market to search for products themselves (Sutton, 2001). In fact, the opposite is the case wherein strict quality standards are imposed - consistency and reliability of quality and quantity. Individual weavers and weaving groups (as at Mseleni) do not have sufficient capacity to weave the required quantities and qualities. Like truckers, distributors deal with organised weaving groups, as it is easier for them to empower and form networks with a structured association as compared to an individual weaver. This is where the advantage of a network of individuals within a group becomes imperative especially in being reluctant to accept lower price offers from distributors. If the network between weavers and distributors is to be efficient, distributors should set attainable quality standards with their regular and non-regular weavers to impose a shorter distribution channel. In this manner bargaining costs of transacting in the negotiation process over prices are minimised. Transportation and marketing costs are also greatly reduced as at the Mabaso and Mtunzini groups. Although transfer costs are the main costs reduced here, searching and screening costs for buyers by weavers are also minimised.

#### 4.5.4.5.4 *Weavers versus retailers and interior decorators*

Most retailers have their own established suppliers who supply in total 70% of natural fibre products available on retail shelves, whereas 30% are imports of synthetic products from south east Asia. Some of the suppliers are weaving groups that have been assisted in the process to attain consistent and reliable quality and quantity because they (weavers) were initially organised like Ntombi Weavers. Otherwise, other weaving groups (all four cases) not targeted by the formal market are barred from participating. The need for weaving groups to form social networks among group members and between groups is also apparent in this case. The Mseleni group try this strategy, but the transaction fail because the group does not trust the promoter. The suggestion is that once members are capacitated through skills development and training programs they develop a better knowledge of transactions. The network between weaving groups and retailers reduces searching and screening costs for new buyers and monitoring costs for both parties.

All interior decorators source on-line on a client's request (Black Smith Interiors, 2001). In accordance with the client's request, interior decorators utilise the fast and efficient on-line service to procure the specified product within no time at low cost. Weaving groups are not reached through such a system, and weavers do not have capacity to participate in the market themselves. The Mabaso group is the only group that participates fully in the interior market but cannot efficiently service it, as weavers are themselves inflexible in their production and that orders are sporadic due to the lack of non-local networks. Like the raw material and retail market, improved participation in the interior market requires weavers to organise more efficiently with the assistance of group promoters as a pre-condition for the non-local network with interior decorators. Other buyers may show interest on the weavers' products once products are marketed through the Internet in this way.

#### 4.5.4.5.5 *Weavers and individual consumers (tourists)*

Tourists claim to buy products because they have been woven by poor rural weavers, but those who actually do so are not more than 30% (Van Wyk, 2002). The same consumers who claim to practice this activity bargain for prices that are already cheap for them and do not take recognition of environmental issues, atmosphere at the market and the rural poor themselves. Weavers only know some of the semi-formal market's needs and do not know the needs of the intermediary market at all. Besides, it is difficult, if not impossible, to network with tourists or other individual customers, but this is where the local networks among weaving groups may suffice for information exchange and knowledge about the market.

#### **4.5.5 Strategic options for better networking**

Evidently, existing local networks between individuals within groups and between individual weaving groups have shown to be less effective due to internal problems of weavers. Non-local networks have shown to be more lucrative and important to weavers (see table 4.1). Thus, the robust link between weavers and their market, be it consumers, distributors, retailers or interior decorators, is important to internalise transactions (Demsetz, 1988) within one well-functioning network in a transaction cost economising way. This study, proposes networks as an alternative form of exchange and organisation that can improve efficiency in the absence of an efficient market. The non-local network strategy can function better if it is directed at pockets of weaving groups to network with the market.

All four weaving groups assign tasks to individual group members or pockets of members to complete products individually or collectively, but creativity is encouraged by group promoters. However, innovativeness and creativity should be imbedded within weavers themselves. Quality of products is greatly influenced by raw material quality. Mtunzini and Richards Bay groups ensure their raw material quality, whereas Mseleni group mentioned that its customers in the formal market are reluctant to buy low quality products due to the low quality raw material that the group buys at the semi-formal market in Mbazwana. Weavers in all four groups indicated to purchase raw material and/or products from other weavers only when orders placed by the formal market are at short notice and huge. The network should be strengthened only if a group, Mtunzini in this case, secures discounted prices by purchasing products in bulk from other weavers; otherwise weavers should be capacitated to service the formal market without buying extra products from the informal and semi-formal markets.

The semi-formal and formal markets are very important to weavers (see table 4.1), but the latter depends on the placement of orders, which is sporadic and inconsistent. The raw material market (for Mabaso group) has shown to provide weavers with an extra income to complement income earned from product sales. Raw material price to local weavers is R1 less than the price at which the group sells to truckers. The Mabaso raw material pricing strategy should serve as a lesson to other weaving groups. Market meetings to discuss craft trade issues reduce a limited part of transaction costs, because weavers have noted that traders always bargain for prices set by the marketing committee. None of the groups utilises both the iLala palm and iNcema grass raw materials to weave; this is viewed as an opportunity lost from remunerative markets. Weaving groups that wish to make use of both raw materials must assess possibilities of, and strategies for raw material procurement.

In general, resource inaccessibility, depletion and poor quality; programming tasks in processing and market access constraints are areas of great concern. This situation emanates as more and more rural people (especially women-headed households) in rural KwaZulu-Natal are dependent on iLala and iNcema resources and selling products for their livelihoods as compared to other subsistence activities. Although domestic and international demand exists; product diversification and innovation lack within weaving groups. There is a need to mix traditional crafts and contemporary products like lampshades, gift boxes, etc., within weavers' product range, as

international demand is driven by new trends of colour, intricacy of the weave and authenticity. Suppliers or private collectors acknowledge that competition is primarily based on transport costs. Lessons from South East Asia, West Africa and SADC countries provide insights into marketing strategies for fibre products. But each industry in each country has unique characteristics: therefore approaches have to be specific for weaving groups.

The outcomes of choosing a network as an alternative institution of exchange for four weaving groups studied highlight competition strategies in four main areas, i) quality of raw material and of products by attending market meetings (Mabaso and Richards Bay), ii) product innovation when the group gets involved in development projects, iii) reduction of production and transaction costs and iv) access to the formal market by coordination through weavers' social networks. The following section outlines areas of importance in the natural fibre industry as a whole. However, networking (local and non-local) is but just one strategy to solve transaction costs; other methods may be used in settings suited for them. The results have shown consistency with hypotheses that transaction costs are expected to be higher upstream than downstream; the presence of networks reduces some transaction costs and networks affect harvesting, weaving and marketing activities of weavers.

#### **4.5.6 Strategic areas of focus**

Table 4.4 in the following page highlights areas of critical importance for parties involved in business or government agencies that seek to assist the rural weavers in their income generating efforts.

**Table 4.4:** Specific areas of focus for better commercialisation in the fibre industry

<b>THE FIBRE INDUSTRY ELEMENTS OF SUCCESS</b>	
<b>HARVESTING (PROCUREMENT)</b>	<b>WEAVING (PRODUCTION)</b>
Issue of permits (Conservation regulations) Usage of acceptable harvesting methods Acknowledge the seasonality of raw material Sustainability of raw materials Continue to network with other weavers and truckers	Collective group action Weaving skills and experience are critical Entrepreneurial skills have to be acquired Positive consumer trends and secure orders Flexible production system within a weaving group Participative approach with project agencies Keep records and invest back into the business
<b>PROCESSING – BY WEAVERS (LABOUR)</b>	<b>PRIVATE COLLECTORS</b>
Storage constraints cleared Less usage of synthetic materials Natural dyes – usage of rejuvenating plant parts Maintain conventional weaving methods The illiteracy problem to be addressed	Retain reputation of the international market (rare antiques) Minimise transportation costs as much as possible Improvement on negotiating skills
<b>WEAVERS IN OTHER PROVINCES</b>	<b>MARKETING AND MARKET DEVELOPMENT</b>
Nurture the (lucrative) formal market Assistance by National Craft Association is needed at the beginning of weaving projects Reduction of transportation costs Alternatives for expensive raw materials at the Durban craft market Weaving skills development projects to be initiated	Emphasise the ‘natural theme’ of the products Beware of SADC, SEA and WA competition Devise strategies to reduce bargaining power by national and international agencies Reduce transportation costs Sell a variety of products in one market place Establishment of an international trademark for fibre products Safety and security of domestic and foreign tourists Capacity of weavers to service the formal market Quality dilemmas and price-setting mechanisms
<b>PACKAGING AND DISTRIBUTION (LOGISTICS)</b>	
Evaluate quality standards by diverse distributors Reduce transportation costs	

#### 4.6 SUMMARY

This chapter has reviewed the role of networks from both a theoretical and a practical viewpoint. The theoretical aspects of networks offer several advantages like economies of scale, skills, increased income, information exchange, co-ordination of activities, etc. However, the practical aspects exhibit difficulties in achieving all network goals. Local networks have not been extensively utilised by weaving groups and table 4.1 may shed some light into the reasons why. Firstly, a larger portion of weavers’ income is generated through the formal market only when group promoters secure orders. Secondly, internal, organisational problems of specific weaving groups have an impact on the network goals to be wholly accomplished. The importance of the raw material market utilised by the Mabaso weaving group generates considerable income to supplement income from the product market.

Non-local networks are proposed to mitigate transaction costs that could not be reduced by local networks. However, non-local networks have also shown not to

solve all transaction costs either. The primary reason is that the use of networks is just one approach among few strategies to reduce transaction costs. Despite this, networks have shown to contribute in quality of raw material and of products, product innovation, reduction of production and transaction costs and access to the formal market.

The next chapter summarises preceding chapters including this one and concludes with future recommendations for further research.

## CHAPTER FIVE

### SUMMARY AND CONCLUSIONS

#### 5.1 SYNTHESIS

It is evident from chapter one and the literature in chapter two that previous studies, local economic development initiatives, regional and localised promotion strategies on natural fibre resources focused more towards their sustainability (Cunningham, 1987) and the feasibility of their products (Mander, 1997; Abdallah and Matete, 1999) and less on promoting and commercialising craft industries (Cunningham, 1988 and 1990). The gap between the situation of the weavers and that of the external environment in chapter two creates an anticipation of greater power relations (bargaining), high transaction costs. This scenario is put to rest by the analysis of weavers' problems using the problem tree framework at the end of chapter two. The classification of these problems into possible transaction costs in chapter three shows that there are more transaction costs associated with rural weavers. The introduction of networks in chapter four as a possible solution to minimise transaction costs of weavers to improve their economic performance seems to have a considerable impact. It has to be emphasised though that networks are just one out of several mechanisms that can minimise transaction costs during the commercialisation process. This chapter concludes from the body of work as from chapter one to four by linking previous studies in the literature with inferences to be made and future research.

Mander's (1997 and 1998) findings were that commercialisation potential of natural fibre products is plausible from feasibility studies conducted over existing products, but the problem lies with the weaving groups themselves, especially their attention organisational structure. The fact that development (empowerment) projects devoted to rural weavers have been failing at the execution level cannot be ignored. This may have been sparked by the fact that the commercialisation process in principle is not easy. Therefore, major areas of focus that still need a lot of improvement are product development and marketing. But to attain these, capacity building, natural resource-base management and markets have to be in place (SAFIRE, 2001). For a development project of these case studies' nature it is always advisable to start building weaving groups' empowerment and confidence through participatory development and social networks. Resource-base management requires enhancement of local level capacity (communities and traditional leaders) to control

and manage natural resources. The creation of a sustainable income relies on the capability of project facilitators and personnel to establish sustainable markets locally and abroad.

## 5.2 CONCLUSIONS

The findings show that all four weaving groups (Mtunzini, Richards Bay, Mabaso and Mseleni) have internal problems and possible power relations and bargaining costs from other industry participants towards commercialisation. This situation happens especially when extremely illiterate suppliers exchange goods and services with sophisticated consumers. Some of these internal problems are addressed through the formulation of social networks as an essential process to reduce transaction costs. Networks in this case offer an alternative development approach by internalising transactions among weavers. This notion is embraced by Klein et. al., (1978) when they explicate that problems of incomplete contracting are often relieved by unified ownership (by taking transactions out of markets and organising them internally). If, however, the distinctive contribution of internal organisation is that of 'management' (Coase, 1988 and Demsetz, 1988), then the relief of maladaptation in the market (through the conscious coordination of these maladapted transactions by the firm) is prioritised (Williamson and Masten, 1999). This emanates as market institutions become inefficient by failing to address issues such as missing local and non-local markets, incomplete land and labour markets, and failure in the provision of credit, inputs, services in remote areas. Although the external business environment is equally important, a development strategy should focus on a training strategy in business issues (improvement of social capital), development of new products and market infrastructure as a point of departure to eliminate internal problems of weavers. Marketing channels were found to be highly unorganised and fragmented in all four weaving group cases.

The four case studies of small weaving groups in northern KwaZulu-Natal have also indicated that the view that individual weavers need not be organised to engage in craft production is incorrect. Co-ordination is needed within the rural community through strengthening family businesses, ethnic, and social networks, as these types of networks already exist in rural settings. In contrast, Perry (1999) argues that this type of network is generally not sufficient for business purposes, especially if it is constrained within markets generated by the ethnic community itself; there is little prospect for any marked growth. However, business expansion is possible if the

groups have access to ownership through the assistance by the external environment (Perry, 1999) – development projects through agencies. Perry's (1999) suggestion is being practised in all four cases and it is evident that formal markets organised by development agencies add more value to weavers' income than locally generated markets. The fundamental issue is that weavers are sceptical about development agencies, as in most cases tangible results are not accomplished. Although the non-local market is remunerative it is sophisticated to service and formulate more transaction costs to weavers. Further, retailers and interior decorators have mentioned that they need to deal with organised weaving groups not only because they are easily accessible but for a guaranteed and consistent quality and quantity of products as well. Capacitating weavers with entrepreneurial skills by efficient development agencies is therefore imperative.

Lessons learned from the four case studies illustrate that local networks have shown to be an important vehicle for information exchange, co-ordination of fragmented activities, and conducting training services. If the network is 'local' and the organisation of the business is 'informal', then an issue of protecting the traditional, local products may emanate as a competitive strategy. Therefore, a network solution that will realise weavers' economic gains from their weaving activities and subsequently reduces their transaction costs to exchange appears to be imperative in the process of commercialisation. This condition emanate because social networks are a necessary, although not a sufficient condition to minimise a larger scope of transaction costs and generate high income. Areas of importance are raw material and product quality, reduction of production and transaction costs, product innovation and relations with the formal market. Therefore, this paper recommends a perpetuation of a local network of weavers within groups and between diverse weaving groups and a non-local network with other fibre industry participants to facilitate market exchange. In this way, distribution channels are shortened through internalising transactions and therefore minimising transaction costs. This paper viewed networks as alternative governance structures to be more feasible than market exchanges generated by the ethnic community and reliance on tourists and other non-guaranteed markets.

### 5.3 RECOMMENDATIONS FOR FURTHER RESEARCH

Following Economides' (1996) notion that the literature on networks is so extensive that it is futile to attempt to cover it; evidently a lot of theory building and testing have to be conducted to understand network literature especially in agro-food and fibre complexes. The limitations of this study are addressed hereafter. Future research projects should profile major obstacle (s) towards the development of local production systems or networks and optimal number of weavers per group. The type of institutional arrangement or the way the network is distributed is very important in alleviating power relations.

Another area is concerned with differentiated products where the basic question is whether to change the organisational strategies in delivering these products and to what magnitude? The equally relevant question is how to create local networks in a commodity system and deflationary economy like the one in Japan? Following these aspects, the organisation of institutions and products for the creation of markets becomes very important. At an advanced level of networking there is a need to distinguish between supply chains and clusters. The capacity of local institutions to deal with change should be evaluated; as capacity is often challenged external support is required. The determination of long and short marketing channels is essential with the proximity to markets as the criteria of choice, but always not forgetting what 'local' means. At the end, it is required of governments to promote local industries and regulate trade in the fibre private sector for global markets.

As a point of departure, both economists and sociologists should fully understand the dynamics of how a local network is created and its sustainability thereof in a setting similar to this study's cases – survivalist enterprises. Further efforts to explore other mechanisms of importance for the reduction of transaction costs in the commercialisation process will be a significant addition to problem solving research.

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## 7. APPENDIX

### 7.1 Appendix 1 Questionnaires utilised

#### 7.1.1 Appendix 1.1: iLala Harvesters

**CP Wild Project SUPPLY CHAIN ANALYSIS: iLALA AND INCEMA HARVESTERS**

Questionnaire no.:

#### Socio-economical background information

What are the sources of your income?

1. \_\_\_\_\_ %
2. \_\_\_\_\_ %
3. \_\_\_\_\_ %

What is your monthly income?

0-500	
501-750	
751-1000	
1001-1250	
1251-1500	
>1501	

Do you have a husband? Y/N What job does he have? \_\_\_\_\_

What is your husband's monthly income?

0	
1-500	
501-750	
751-1000	
1001-1250	
1251-1500	
>1501	

#### iLala value chain: Harvesters

How long have you been harvesting iLala? \_\_\_\_\_

Do you sell the iLala that you have harvested? Y / N

Where do you sell the harvested iLala raw materials? \_\_\_\_\_

- Who do you sell to?
1. \_\_\_\_\_ %
  2. \_\_\_\_\_ %
  3. \_\_\_\_\_ %

Is harvesting iLala raw materials your only source of income? Y / N

Do you harvest other natural fibres as well?

Y / N

If yes, which? \_\_\_\_\_

How is the price that you receive for your iLala raw material determined?	Never	Always					
There is a known price in the market	1	2	3	4	5	6	7
The trader bargains with you	1	2	3	4	5	6	7
The weaver bargains with you	1	2	3	4	5	6	7
If there is very little product the price is high	1	2	3	4	5	6	7
Better quality iLala gets better price	1	2	3	4	5	6	7
I receive a fair price for my product	1	2	3	4	5	6	7
The traders determine the price	1	2	3	4	5	6	7
The weavers determine the price	1	2	3	4	5	6	7
The price is determined at a market meeting	1	2	3	4	5	6	7
Harvesters do not get a good price for the product	1	2	3	4	5	6	7
Do you make a good living from harvesting iLala raw material?	1	2	3	4	5	6	7

Do you attend market meetings where the price of iLala raw material is determined? Y / N

What are the points that you discuss about price at the market meetings?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

How much iLala raw material do you sell?

Bundles/month: \_\_\_\_\_ Bundle size: \_\_\_\_\_

Number of active months per year: \_\_\_\_\_

Selling prices of iLala raw material (only three most important):

Buyer:	Price offered: (Specify price and quantity)

Harvesting areas:

Area	Times that you harvest here %	Do arrange with owner/manager?						
		Never	Always					
Farm		1	2	3	4	5	6	7
Plantation		1	2	3	4	5	6	7



Tribal/community land		1	2	3	4	5	6	7
Government land (eg. national parks)		1	2	3	4	5	6	7
Don't know		1	2	3	4	5	6	7
Other: specify _____		1	2	3	4	5	6	7

Do you negotiate with owners? Y / N

If YES, whom do you negotiate with? \_\_\_\_\_

If YES, what are the most important points of the discussion?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

If YES, do you have to pay to harvest? How much? \_\_\_\_\_

How long does it take to harvest one bundle?

\_\_\_\_\_ hours

If NO, does the owner know you harvest? Y / N

If the owner knows you harvest – does he approve of you harvesting? Y / N

What is the most likely reaction that you expect if the owner finds out?

\_\_\_\_\_

—

If NO, are there guards? Y / N

How do you avoid the guards?

\_\_\_\_\_

—

Where do you sleep when you go out to harvest?

\_\_\_\_\_

How much does it cost to sleep there?

\_\_\_\_\_

Where do you get your food when you harvest?

\_\_\_\_\_

How much does the food cost? \_\_\_\_\_

What are the biggest problems experienced when harvesting?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

How often do you go to harvest? \_\_\_\_\_

How long does it take to sell your harvest? (Specify the time, as well as the amount sold in that time period) \_\_\_\_\_

Which times during the year are best for iLala harvesting? \_\_\_\_\_



To which markets do you transport your harvested iLala raw materials?

Sodwana Bay / Mbazwana market / iLala weavers (any distributor) /

Durban market / Indians / Other: \_\_\_\_\_

Transportation:

Mode	How often do you use %?	How much do you harvest if you use:	Cost
Taxi			
Bus			
Bakkie			
Truck			
Other specify _____			

Do you go with other harvesters in a group? Y / N

How many go together? \_\_\_\_\_

Do you arrange for transport together? \_\_\_\_\_

What tools do you use to harvest? \_\_\_\_\_

How much do the tools cost? \_\_\_\_\_

Where do you buy the tools? \_\_\_\_\_

How often do you have to replace the tools? \_\_\_\_\_

Does anybody help you to harvest? Eg. Children, paid labour How many? \_\_\_\_\_

Do you store the harvested iLala raw materials? \_\_\_\_\_

For how long? \_\_\_\_\_

Where? \_\_\_\_\_

How much does the storage cost? \_\_\_\_\_

How long does it take for iLala raw material to go bad in the market place? \_\_\_\_\_

How many bundles have you lost last year? \_\_\_\_\_ (bundles)

Why do you lose some of your product?

Reason	Very little	Very much
Theft of iLala raw materials from yourself	1 2 3 4 5 6 7	
Theft of iLala raw materials left at harvesting site	1 2 3 4 5 6 7	
Guards chase you away	1 2 3 4 5 6 7	
Forget where iLala raw material is stored	1 2 3 4 5 6 7	



Other: specify _____	1	2	3	4	5	6	7
----------------------	---	---	---	---	---	---	---

Very little

Very much

Is transport expensive?

1 2 3 4 5 6 7

Do you think that you can reduce transport costs?

1 2 3 4 5 6 7

Are your customers :

Male

\_\_\_\_%

Female

\_\_\_\_%

Repeat customers (always come back – you know them well)

\_\_\_\_%

New customers (sometimes never see them again)

\_\_\_\_%

Why don't men work in iLala harvesting and selling?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

What do you think of the Indian iLala buyers?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Where do the Indian iLala buyers get their iLala?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

**Impact on household income:**

How much does iLala harvesting contributes to your monthly income?

\_\_\_\_\_

Did your iLala harvesting activities have an impact on your quality of life?

Yes / No

If yes, please motivate your answer:

\_\_\_\_\_

In your opinion, is staying in harvesting better than doing other household income generating activities?

Yes / No

Please motivate your answer:

\_\_\_\_\_

How much do you harvest less/more in winter/summer?

\_\_\_\_\_

7.1.2 Appendix 1.2: iLala and iNcema Weavers

**CP Wild Project: SUPPLY CHAIN ANALYSIS: ILALA AND INCEMA WEAVERS**

Questionnaire no.:

**Socio-economical background information**

What are the sources of your income?

1. \_\_\_\_\_ %
2. \_\_\_\_\_ %
3. \_\_\_\_\_ %

Do you have a husband? Y/N What job does he have? \_\_\_\_\_

What is your husband's monthly income?

- |           |  |
|-----------|--|
| 0         |  |
| 1-500     |  |
| 501-750   |  |
| 751-1000  |  |
| 1001-1250 |  |
| 1251-1500 |  |
| >1501     |  |

**iLala value chain: Weavers**

How long have you been weaving iLala products? \_\_\_\_\_

Where do you sell the woven iLala products?

- 
- Who do you sell to?
1. \_\_\_\_\_ %
  2. \_\_\_\_\_ %
  3. \_\_\_\_\_ %

How much do you weave yourself?

How much do you sell to other weavers?

Is the selling of woven iLala products your only source of income Y / N

Do you sell other products as well? Y / N

If yes, which? \_\_\_\_\_

How do you decide on which product you are going to weave?

Reason	Not important	Very important
Traders ask you to weave product	1 2 3 4 5 6 7	
Your own stocks are finished	1 2 3 4 5 6 7	
Stocks of the product in the market is finished	1 2 3 4 5 6 7	



The price is high	1	2	3	4	5	6	7
Many people need the woven iLala products	1	2	3	4	5	6	7
Other: _____	1	2	3	4	5	6	7
Other: _____	1	2	3	4	5	6	7

How is the price that you receive for your woven iLala products determined?	Never							Always
There is a known price in the market	1	2	3	4	5	6	7	
The trader bargains with you	1	2	3	4	5	6	7	
The customer bargains with you	1	2	3	4	5	6	7	
If there is very little product the price is high	1	2	3	4	5	6	7	
Better quality products gets better price	1	2	3	4	5	6	7	
I receive a fair price for my product	1	2	3	4	5	6	7	
The traders determine the price	1	2	3	4	5	6	7	
The weavers determine the price	1	2	3	4	5	6	7	
The price is determined at a market meeting	1	2	3	4	5	6	7	
Do you make a good living from weaving iLala products?	1	2	3	4	5	6	7	

In your opinion, how is the price of woven iLala products determined?

---



---

Do distributors collect your products? Always / Sometimes / Never

If not, do they compensate you for your transport costs when paying you for your products?

Yes / No

If they do pay transport compensation, how much is paid?

---

If distributors do collect your products, do they negotiate for prices based on the incorporation of their transportation costs? Yes / No

Do you attend market meetings where the price of woven iLala products are determined?

Yes / No

What are the points that you discuss about price at the market meetings?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

How much woven iLala products do you sell per year?

Product description	Amount sold per year	Busy months




Selling prices of woven iLala product (only three most important):

Product:	Buyer:	Price offered: (Specify price and quantity)

Do you buy from other weavers if your stock is finished?

Y/N

If YES, how many times last year?

\_\_\_\_\_

If YES, how much did you buy?

\_\_\_\_\_

–

If YES, how much more or less than the market price?

\_\_\_\_\_ (%)

How much time do you allocate to weaving per day?

\_\_\_\_\_ hours

How many days do you allocate to weaving per month?

\_\_\_\_\_ days

How many months do you allocate to weaving per year?

\_\_\_\_\_ months

Do you pay any money for the water used to soak leaves?

Yes / No

If yes, how much do you pay?

\_\_\_\_\_

Describe the water quality effects on the end product:

\_\_\_\_\_

–

How often do you buy commercial dyes?

\_\_\_\_\_

–

What quantities do you buy per time?

\_\_\_\_\_

–

How much do you pay for the following items used in woven lampshades?

Size:	Shape:	Price:	Bought from:
Small	Conical		
Medium	Conical		
Large	Conical		
Small	Tubular		
Medium	Tubular		



Large	Tubular		
Small	Square		
Medium	Square		
Large	Square		

Describe the items which you use to make the woven iLala products (like for example string, bamboo, etc.)

---

—

---

Describe the costs of these items:

---

—

---

What are the biggest problems experienced when weaving?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

Which times during the year are best for selling woven iLala products?

---

—

To which markets do you transport your woven iLala products?

Sodwana Bay / Mbazwana market / iLala weavers (any distributor) / Durban market / Indians /

Other: \_\_\_\_\_

Transportation:

Mode	How often do you use (%)?	How much woven products do you transport if you use:	Cost per trip (one way)
Taxi			
Bus			
Bakkie			
Truck			
Other specify _____			

Do you go with other weavers in a group? Y / N

How many go together? \_\_\_\_\_

Do you arrange for transport together? \_\_\_\_\_

What tools do you use to weave? \_\_\_\_\_

---

How much do the tools cost?

\_\_\_\_\_

Where do you buy the tools?

\_\_\_\_\_

How often do you have to replace the tools?

\_\_\_\_\_

Does anybody help you to weave? E.g. Children, paid labour Yes / No

If yes, please specify:

\_\_\_\_\_

\_\_\_\_\_

Do you store the woven iLala products? \_\_\_\_\_

For how long? \_\_\_\_\_

Where? \_\_\_\_\_

How long does it take for woven iLala products to go bad in the market place? \_\_\_\_\_

How many products have you lost last year?

\_\_\_\_\_

Why do you lose some of your product?

Reason	Very little	Very much
Theft of iLala products from yourself	1 2 3 4 5 6 7	
Theft of iLala products at the market	1 2 3 4 5 6 7	
Forget where iLala products are stored	1 2 3 4 5 6 7	
Other: specify	1 2 3 4 5 6 7	

Is transport expensive?

Very little Very much

1 2 3 4 5 6 7

Do you think that you can reduce transport costs?

1 2 3 4 5 6 7

Do you belong to a market association? Y / N

Do you pay to belong to the association? Y / N How much? \_\_\_\_\_

Is the association useful?

Very little Very much

1 2 3 4 5 6 7

Is the association democratic?

1 2 3 4 5 6 7

Is the association controlled by **weavers**?

1 2 3 4 5 6 7

Is the association controlled by **politics**?

1 2 3 4 5 6 7

Is the association controlled by **yourself**?

1 2 3 4 5 6 7

What does the association do?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

What can government do to help you?



- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_

What do you think of the Indian iLala product buyers?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Where do the Indian iLala product buyers get their iLala products?

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_

**Impact on household income:**

How much does iLala weaving contributes to your monthly income?

\_\_\_\_\_

Did your iLala weaving activities have an impact on your quality of life? Yes / No

If yes, please motivate your answer:

\_\_\_\_\_

In your opinion, is staying in iLala weaving better than doing other household income generating activities? Yes / No

Please motivate your answer:

\_\_\_\_\_

\_\_\_\_\_

**THANK YOU FOR YOUR TIME!!!**

7.2.1 Appendix 2.1: Questionnaires for the feasibility study

CP Wild project: Commercialisation of natural fibre products  
Telephonic questionnaire: Suppliers

Questionnaire no: \_\_\_\_\_

Date: \_\_\_\_\_

(Please answer ALL questions)

Respondent's details:

Name of the business: \_\_\_\_\_

Address: \_\_\_\_\_

**Questions:**

1. Which interior decorating products are you dealing with, in general?

(Please specify the material types and product categories)

.....  
.....

2. Which specific natural fibre products do you sell?

.....  
.....

3. What is the market potential, which you observed, regarding natural fibre products?

.....  
.....

4. What is your opinion on the market potential of the following products, made from natural fibres: lampshades, place mats and gift boxes?

.....  
.....

5. What kind of businesses do you sell your products to?

.....

6. More specifically, whom do you sell your products to, both locally and abroad? Contact details of buyers

.....  
.....

7. Who else is selling the same products? (Contact details of other suppliers)

.....  
.....

8. Will you be willing to give an opinion on product samples that may be presented to you?

(Regarding aspects such as the feasibility of the products, comments on suggested prices, willingness to buy and distribute the products etc.)

YES	NO
-----	----

9. What are the main constraints associated with selling your natural fibre products?

7.2.2 Appendix 2.2: Retailers/Interior decorators

**CP Wild project: Commercialisation of natural fibre products**  
**Questionnaire: Retailers/Interior decorators**

Questionnaire no: \_\_\_\_\_

Date: \_\_\_\_\_

(Please answer ALL questions)

Respondent's details:

Name of the business: \_\_\_\_\_

Address: \_\_\_\_\_

**Questions:**

1. Which interior decorating products are you dealing with, in general?

(Please specify the material types and product categories)

.....  
.....

2. Do you sell any natural fibre products?

YES	NO
-----	----

If yes, please specify the types of products and the material they are made of?

.....  
.....

3. Can you give an indication of the bought quantities and prices of these natural fibre products in the recent years?

(If possible supply information on the quantities of the different categories of natural fibre products)

.....  
.....

4. From which suppliers do you buy these products? (Contact details)

.....  
.....

5. Do your suppliers supply to other retail outlets as well?

YES	NO
-----	----

If yes, do you know which retail outlets?

.....  
.....

6. What is your opinion on the current prices, which you are paying for these natural fibre products?

.....

7. What is your opinion on the quality of the natural fibre products, which you are currently buying and selling?

.....  
.....

8. Will you be willing to give an opinion on product samples that may be presented to you?  
(Regarding aspects such as the feasibility of the products, comments on suggested prices, willingness to buy and distribute the products etc.)

YES	NO
-----	----

7.2.3 Appendix 1.7: Telephonic questionnaire of Distributors/Suppliers/Wholesalers

**CP Wild project: Commercialisation of natural fibre products**  
**Questionnaire: Distributors/Suppliers**

Questionnaire number: ..... Date: .....

**Respondent's details:**

Name of respondent: .....

Name of business: .....

Business tel number: .....

Business fax number: .....

Business address: .....

**Questions:**

1. Which interior decorating products are you dealing with, in general?

(Please specify the material types and the product categories)

.....  
.....

2. Which specific natural fibre products do you sell?

.....  
.....

3. Where do you get these natural fibre products from?

(Individual weavers/Producer groups)

.....  
.....

4. How do you negotiate for prices with individual weavers/producer groups?

.....  
.....

5. How much does it cost you to procure suppliers?

.....  
.....

6. How long does it take to procure suppliers?

.....  
.....

7. How do you go about to procure suppliers?

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.....

.....  
 .....  
 8. How much natural fibre products do you normally procure?  
 .....

.....  
 .....  
 9. What do you pay for these products?  
 .....

.....  
 .....  
 10. To which types of businesses do you sell your products?  
 .....

.....  
 .....  
 11. More specifically, to whom do you sell your products to, both locally and abroad? (Contact details?)

Yes	No
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.....  
 .....  
 12. Which other businesses, which you know of, also sell the same type of natural fibre products as your business? (Contact details?)  
 .....

.....  
 .....  
 13. Do you undertake delivery by yourself?

14. If you do, who is paying for the delivery costs?

(For example: your business, the client, both, etc.)  
 .....

.....  
 .....  
 15. How much do you spend on distribution? (Locally and internationally)  
 .....

.....  
 .....  
 16. In your opinion: what is the market potential for natural fibre products in general?

<b>Excellent</b>	<b>Good</b>	<b>Moderate</b>	<b>Poor</b>	<b>Very poor</b>
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.....  
 .....  
 17. In your opinion: what is the market potential for the following natural fibre products:

	<b>Excellent</b>	Good	<b>Moderate</b>	<b>Poor</b>	<b>Very poor</b>
Lampshades					
Place mats					
Gift boxes					
Blinds					

.....  
 .....  
 18. What are the main constraints associated with selling your natural fibre products?  
 .....

19. Will you be willing to give an opinion on product samples that may be presented to you?  
(Regarding aspects such as product feasibility, prices, buy willingness, etc.)

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.....

## 7.2 Appendix 2: Less scientific sources

### 7.2.1 Personal communication

Sutton Graig, (2001). Personal Interview, iLala Weavers (Pty) Ltd. [www.ilala.co.za/](http://www.ilala.co.za/)

Avonwold, (2001). South African Interior Design Magazine. [www.avonwold.co.za/](http://www.avonwold.co.za/)

Calaloo Traders, (2001). International suppliers' details. E-mail communication.  
[www.calaloo.com/](http://www.calaloo.com/)

ExAfrica, (2001). Exafrica suppliers' listing. [www.exafrica.com/](http://www.exafrica.com/)

Unitrade, (2001). Unitrade international distributors of iLala products. [www.unitrade.co.za/](http://www.unitrade.co.za/)

### 7.2.2 Telephonic interviews

#### 7.2.2.1 Retailers, interior decorators and curio shops

Black (2001) and Black Smith (2001). Telephonic communication. Boardmans stores, Edgar's stores, Curzon products (Pty) Ltd., Galleria Interior Lifestyle, Homefront, Mr. Price Homezone, Habitat Interiors, Gift Gallery, Woolworth's stores, Shongololo shop, Jo Laine Interiors, Linen Kist, Anglo Lamps and Shades, Archneers, Maria Morrison Interiors, Kite Works, Julius and Company, Blacksmith Interior Design, O'Sullivan and Le Grange (Pty) Ltd., The orange tree antiques, Pomegranate, Tetra Cotta, Wetherlys Decorating Warehouse, Lemon lounge, Loads of Linen and Living, Marco's Interiors, Otto Reney Interior Consultants, and Clicks stores.

#### 7.2.2.2 Suppliers and distributors

African collection, Africa in Gear, African Creation, Badia Trading, Black Mamba Company, Cosy Lamps, Grasslands, Ngezandla Zethu, Ntombi Weavers, Zimbatik/Zambesi Baskets, Carla Black and Elana – private collectors, Learn and Earn Trust, Zulu crafts, Botswana Craft Marketing, and Ilala Weavers.