

**RESPONSE STRATEGIES ADOPTED BY HANDICRAFT
TRADERS IN KENYA TO CHALLENGES OF EXPORTING**

BY

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DECLARATION

This research project is my original work and has not been submitted for another degree qualification of this or any other university or institution of higher learning.

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This research project has been submitted for examination with my approval as the University supervisor.

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I would not have done it without your help and may God bless you all.

DEDICATION

This research project is dedicated to Liam my lovely son who has brought new meaning into my life and to my late mum who taught me the true value of hard work and the importance of a good education.

ABSTRACT

Numerous studies carried out on strategy have concentrated on response strategies of different organizations with none on the handicraft sector. Handicraft business has increasingly become an important employer for majority of rural population and the youth. Majority of these players lack appropriate knowledge on export business thus facing major challenges. Unlike horticulture export, handicrafts are a small scale undertaking and lacks structured export bodies which can assist in export. Review of past studies reveals that nothing much has been covered on the handicraft sector compared to other export commodities from the Kenyan economy. This study employed a descriptive research design. The target population consisted of 177 traders who are actively involved in export of handicrafts. The sample size of the study was 85 export traders. Simple random sampling method was used to obtain the sample size. Data collection was done using a questionnaire while data analysis was done using descriptive statistics.

From the findings, the study concluded that the majority of the handicraft businesses were based on individual ownership with limited financial capital base to expand and take advantage of the existing opportunities in the global market. In addition the main destinations of Kenyan handicrafts are European countries and USA respectively. There is wide range of handicraft products from the Kenyan exporters which enhances their competitiveness in the global market. The majority of handicraft traders export their products indirectly through agents and majority of them never promote their products abroad. This has been attributed to lack of adequate marketing skills and financial resources to fund marketing efforts. The most significant challenges facing export of handicrafts by Kenyan traders were high packaging and shipping costs, high and ever changing tariffs, certification and quality standards set by importer countries, counterfeits and lack of patent laws and lack of innovation and creativity amongst artisans to meet market specifications and demanding contracts respectively. The action plans to overcome export related challenges of handicrafts in Kenya included ‘participation in training programs and workshops to enhance skills, use of credit

facilities and loans to support business and differentiating of products to offer unique and high quality products respectively.

The study recommends that the government and other key players in the handicraft sector should coordinate to address the challenges facing Kenyan handicraft traders in exporting their products. The study also recommends that government and other stakeholders should explore ways of enhancing accessibility of credit facilities to the handicraft traders to enable them expand their enterprises and reduce the middlemen in order to maximize on their profitability. The study further recommends that government and other stakeholders should organize regular marketing forums and scale up the existing ones for the Kenyan handicraft traders in the various export destinations to promote the handicraft sector. The study also recommends that Kenyan handicraft traders should adopt the modern technologies of production and marketing of their products to gain a competitive edge in the export business.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Exporting is the most traditional as well as well established form of operating internationally (Keegan, 1998). Many African countries Kenya included have an export structure that is predominantly composed of primary commodities mainly coffee, tea, horticulture and tourism. With globalization and growth in international trade, markets have changed in recent decades with new commodities like handicrafts trading in the world markets. Handicraft sector plays a vital role in economic development, has cultural value and represent the richness of culture, tradition and heritage of a country.

Organizations exist in open systems that are in continuous interaction with the environment. The environment is highly dynamic, turbulent, unpredictable and ever changing presenting opportunities as well as challenges to an organization. It is important therefore for an organization to configure its resources in a foresight, flexible and speedy way in order to respond to the changes in a timely manner (Ansoff and McDonnell, 1990).

Kenya handicraft sector is mainly dominated by SME who face a variety of challenges in export trade. It is important for traders and stake holders to come up with suitable strategies for success and survival in the global market. To survive in a dynamic environment, organizations need appropriate strategies that are focused on their activities and respond to emerging environmental conditions accordingly

(Njoroge, 2006). Response strategies require firms to change their strategy to match its environment and also to at re-look at their capability and align them to the strategy.

1.1.1 Response Strategy

Over the years, different definitions of strategy have been put forward depending on the author or field one is looking at. The various definitions as much as they may vary all attempt to give a deep understanding of what strategy is all about. The general consensus however is that strategy is not static and varies with changes in business environment. According to Zenithal (1998) a strategy is a pattern of actions and resource allocation designed to achieve the goals of an organization. It is a match between an organization's resources, skills, environment, opportunities risk and the purpose it wishes to accomplish (Schendel and Hotler, 1979). Strategy is a plan that integrates an organization's major policies and allocates an organization's resources into a viable posture based on its relative internal competences and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents Mintzbergh, Quinn and James (1999).

According to Porter (1998) companies must be flexible to respond rapidly to environmental changes which in turn pose challenges to an organization. Ansoff and McDonnell (1990) view responses as the activities that either the total organization or its building blocks carry out so as to handle change. Responses can be strategic or operational in nature. Ansoff and McDonnell (1990), state that strategic response involves changes in a firm's strategic behavior to ensure success in transforming the future. Johnson and Scholes (2002), note that strategic response is concerned with the

overall purpose and scope of the business to meet stakeholder's expectations. Operational response is concerned with efficiency in operations. According to Hunger and Wheelen (1990), firms respond to environmental changes by crafting new operational changes which are taken up by functional areas of the organization to achieve corporate and business unit objectives.

1.1.2 Challenges of Exporting

While advantages of exporting far outweigh the disadvantages, small and medium size enterprises especially face some challenges when venturing and operating in the international market place. Export traders are faced with both tariff and non tariff barriers to trade (Keegan, 1998). A tariff which is a form of tax increases the price at which the goods are sold therefore making them less competitive. Many countries also have export control systems which are designed to deny or delay the acquisition of strategically important goods by adversaries (Czinkota and Ronkainen, 2004).

Political legal challenges are some of the other issues affecting export trade. Political risk like change in government policy can adversely impact a firm's ability to operate effectively in a foreign market. Legal issues like licensing bilateral agreements, procurement, standards and certification requirements, discriminative exchange rate policy, are export related problems (Peng, 2000). Logistical problems, contractual issues, paperwork and management of export operations are other export trade issues.

Deciding where to trade and the right market for products is a big challenge for would be exporters. Due to financial risk and time commitment necessary to enter an export

market, one need to be sure he/she is choosing the right market (Keegan, 1998). Small traders especially lack resources and exposure of other cultures making selection of markets abroad difficult. Advertising, product modification, sales promotions and getting marketing information are additional efforts undertaken by exporters.

Geographical differences and distance translates into higher transport costs different cultures, language, and climate. The distance between different trading countries will mean higher air freight or shipment costs which are added to the final prices of products. Different languages and cultures mean packaging goods and promotional campaigns to meet specific market needs (Czinkota & Ronkainen, 2004).

1.1.3 Responses to Challenges of Exporting

To be successful export traders need to take a planned approach and decide the best export strategy to employ. Good market research reveals which markets offer the best opportunities for investment, enlightens one on the cultural and regulatory requirements (Czinkota and Ronjainen, 2004). Traders can work with the government and stakeholders in their export efforts. Policies and programs adopted by government bodies and stakeholders to promote exporting are increasingly important forces in the international environment (Albaum, et al 1998).

Understanding customer needs is vital in international market. Modify products to address customer needs and meet regulatory requirements. Focus marketing targeting specific regions and customers is a useful market strategy for traders with limited

resources (Porter 1998). Peng, (2000) asserts that services of experts like clearing agents, distributors can benefit traders as they have local contacts and expertise

The internet is a good way of marketing to customers overseas or even selling directly to them. Trade visits and fairs can be important in creating awareness, building relationships and making sales (Peng, 2000). Traders can also come together and work as groups with the help of other stake holders. Continued training and creativity is vital to enable the traders keep up with customer needs and market trends.

1.1.4 The Handicraft Industry in Kenya

There is no exact definition of handicraft but as is suggested by the term, handicrafts are hand made goods in the sense that they require little or no machine production. What distinguishes handicrafts from other hand made products is that they are either part of a culture or they reflect the culture of a region or country. EU market survey (2003) define the term handicraft as items produced by artisans either completely by hand or with the help of hand tools or even mechanical means as long as the direct manual contribution of the artisan remain the most substantial components of the finished products. These are produced without restrictions in terms of quantity and using raw materials from sustainable resources. Other commonly used terms used to refer to handicraft items include commercial crafts, craft or artisanal products.

In Kenya handicraft industry falls under Small and medium enterprises (SMEs). These enterprises cut across all sectors of Kenya's economy and provide a source of employment, income generation and poverty reduction. Handicraft production is

cultural, traditional and predominately a cottage industry. The enterprises that are generally family owned exploit skills passed along family lines dictated by proximity and availability of raw materials. Production is mostly based on indigenous knowledge and carried out in open shades, under trees in homes and cottage industries (Namu, 2005). Handicraft artisans belong to low income brackets and consist mainly of the handicapped, illiterate and those with low academic qualification. Kenyan handicrafts consist of textile and non textile items. Textile crafts include beaded jewelry, kiondo (basketry), sandals and clothing made from local fabrics like kitenge, kikoi and kanga. Non textile handicrafts comprise of wooden and soapstone carvings, metalwork and art work. Handicraft production is dispersed throughout the country with wood carving found mainly in Eastern and Coast province while pottery is mainly found in Western and Nyanza provinces (Atieno, 1988).

Statistics from Ministry of Trade indicate handicrafts exports have been increasing steadily over the years with sales growing from 556 million in 2004 to 580 million in 2006 and 620 million in 2009 (EPC, 2010). Globalization has linked continents and many developing countries are increasingly looking at handicrafts trade as a means of foreign exchange. There are a number of organizations, SMEs, youth and women groups who are engaged in handicrafts some as exporters selling on order basis and others as local entrepreneurs selling to tourists. Atieno, (1988) states that the export side of handicraft sector is generally urban oriented with many middlemen and few producers directly engaging in export trade. Many export traders work closely with

NGO and the government through the ministry of Trade. The main markets for Kenya handicrafts are found in USA, Europe, Japan and the Middle East

1.2 Research Problem

The world has become a global village and this has seen growth in international trade. Peng, (2000) contend that international marketing has made the world a much smaller place with the advent of communication, transport and financial flow. Firms have expanded their markets and are selling their products beyond their borders in what is commonly referred to as export trade. Entry into foreign market has a lot of risks and challenges. Similarly staying at home without exploring can be risky especially with stiff domestic competition and limited expansion opportunities. Biegon (2007) contends that, export structure by its very nature continues to pose challenges to exporters. It is therefore important that firms come up with appropriate strategies that will assist them in addressing export challenges.

Numerous studies carried out on strategy have concentrated on response strategies of different organizations with none on the handicraft sector. Handicraft business has increasingly become an important employer for majority of rural population and the youth. Majority of these players lack appropriate knowledge on export business thus facing major challenges. Unlike horticulture export, handicrafts are a small scale undertaking and lacks structured export bodies which can assist in export.

Review of past studies reveals that nothing much has been covered on the handicraft sector. Much effort has been on other type of export products especially in the

agricultural sector. Njoroge (2006), Mburu, (2007), Njuguna, (2008) concentrated on strategies in export of agricultural product. Ateino, (1988) did a study on handicraft exporters concentrating on the export marketing process while Nyambu (2011) looked at competitive strategies in export of handicrafts.

The issues affecting handicraft sector have not been fully addressed and in particular the appropriate response strategies for this sector thus creating a knowledge gap. In this respect, this study sought to fill this gap by studying response strategies by Kenya handicraft traders to challenges of exporting. The realization of the importance of this sector and its continued growth warrants a closer look at the different issues arising in export of handicraft. This study was meant to fill a void on the different response strategies exporters of handicrafts adopt in the global market. The question addressed was: What are the response strategies employed by Kenya handicraft traders to challenges of exporting?

1.3 Research Objective

The objectives of the study were

- i. To identify the challenges of exporting experienced by Kenya handicraft exporters
- ii. To determine the response strategies applied by the handicraft exporters to meet the challenges

1.4 Value of the Study

Existing handicraft exporters and those interested in venturing in this trade would benefit from the study by understanding challenges of handicraft export business and the best way to cope. It would especially assist those with little understanding of the export trade in making informed decisions. The government and policy makers would get a better understanding of export of handicrafts. This would assist them in the formulation of relevant and practical policies that can assist the sector.

Stake holders like NGO would find the study useful in assisting traders in export of goods. In their effort to alleviate poverty through creation of jobs, handicraft production can assist people in self employment and empowerment of women in rural areas which is an area of interest for NGOs. Researchers on the other hand would benefit by getting an insight into specific challenges encountered in the export of handicrafts and strategies adopted. This would in turn form a basis for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focused on relevant literature review on response strategies and export trade. The literature cited is a combination of data and ideas from local research, external bodies, government and NGO reports. The chapter also reviewed the challenges experienced by SMEs in exporting and the response strategies adopted.

2.2 Concept of Response Strategies

Strategy is a pattern of actions and resource allocation designed to achieve the goals of an organization (Zenithal, 1998). A strategy can further be defined as the broad program of goals and activities to help a company achieve success. It is a match between an organization's resources, skills, environment, opportunities risk and the purpose it wishes to accomplish (Schendel and Hotler, 1979). Different environments demand different strategies for firms to succeed. Porter (1995) asserts that companies must be flexible to respond rapidly to environmental changes which in turn pose challenges to an organization. Response strategy is seen as a move taken to counter the effects of environmental changes. Firms often respond to environmental changes through strategic and operational responses.

2.2.1 Strategic Response

There is a general consensus in strategy literature that successful firms alter their strategies to address changes in the environment and enact more favorable conditions. Different beliefs about cause and effect have been established as a plausible

explanation for different responses to environmental changes. Pearce and Robinson (1997), see strategic response as the set of decisions and actions that result in the formulation and implementations of plans designed to achieve objectives of a firm. It is a reaction to what is happening in the organization's environment. Ansoff and McDonnell (1990), note that strategic response involves changes in a firm's strategic behavior to ensure success in transforming the future environment. According to Johnson and Scholes (2002) strategic response is concerned with the overall purpose and scope of the business to meet stakeholders' expectations.

Strategic response may take different forms depending on the organizations capability and the environment in which it operates. Thwaites and Glates (1992) argue that for an organization to succeed in an industry it must select the mode of strategic behavior that match the level of environmental turbulence and develop a response capability which complements the chosen mode. The assessment of the environment threats and opportunities and firms strengths and weaknesses are core to developing strategic responses. Organization need to harness both tangible and intangible assets to maintain strategic fit. If an organization strategy is not matched to its environment then a strategic gap arises and if the internal capability is not matched to its strategy the capability gap arises. Strategic responses therefore are the choices that firms make in an attempt to address key issues that arise from internal and external analysis of the firm and its business environment (Migunde 2002). These responses include restructuring, marketing, diversification, integration, innovation, pricing, quality

improvement, collaborative agreement and porter's generic strategy of cost leadership, differentiation and focus.

2.2.2 Operational Response

According to Hunger and Wheelan (1990), firms respond to environmental changes by crafting new operational changes which are taken by functional areas of the organization to achieve corporate and business objectives. They note that operational responses are concerned with developing and nurturing a distinct competent to provide an organization with competitive advantage. In a dynamic environment the real source of competitive advantage is the ability to respond consistently to the markets with new products. A firm can achieve this ongoing renewal by identifying, developing and maintain its critical capability. Operational response is concerned with efficiency of operations.

The nature and tasks undertaken by the operating core of the organization has an important influence on the various aspects of the organization. Operations are the core functions of an organization and continuously manage the flow of resources. Many operations activities involve the majority of employees with the firm's operational tasks concerned with the transforming process which takes inputs and converts them into outputs of goods and services which are needed by customers (Brown, 1998). Operational strategy include marketing, financial, human resource, purchase and distribution strategy and research and development (Byarus, 1991).

2.3 Export Trade

Export can be defined as the selling of goods or any other product of commerce to other countries. Many firms especially Small and Medium Enterprises (SMEs) prefer exporting as the primary foreign entry strategy as it is very flexible compared to complex strategies such as Foreign Direct Investment. There are two broad avenues of exporting direct and indirect export. Direct export involves the direct marketing and selling of goods to the customer. The responsibility of performing sales activities is in the hands of the producer. Indirect exporting is where the seller enters into an agreement with an agent, distributor or trading house for the purpose of selling the products in the target market (Keegan, 1998).

2.4 SME exporting challenges in transitional and developed economies

Small and medium-sized enterprises substantially contribute to country exports around the world (Fletcher, 2004). Not only are small firms becoming increasingly international, they appear to be entering the international arena at an earlier age than had been the case in previous decades (Andersson *et al.*, 2004). Exporters may face daunting challenges that limit their ability to realize growth opportunities in the global market. Smaller and younger firms may be particularly susceptible to export barriers, as resource constraints and organizational limitations increase their vulnerability.

Various researchers have investigated the problems facing exporting firms. Bilkey (1978) found that lack of finances, foreign government restrictions, inadequate knowledge of foreign sales practices, inadequate distribution and lack of foreign market contacts were common problems in exporting. Exporting may also be

inhibited by the SME's limited resources and management skills, language inability, cultural differences, and psychic distance (Fletcher, 2004; Miesenböck, 1988). Tesar and Tarelton (1982) distinguished between start-up export problems and problems associated with on-going export operations. They found that initiating issues involved identifying overseas opportunities, export documentation, and start-up costs, while on-going issues involved representation, servicing foreign markets, differences in consumers' standards, securing payment, and costs.

Classification of export barriers was also undertaken by Leonidou (2004), who distinguished internal barriers (those associated with an exporting organization's resources, capabilities, and approach to exporting) from external barriers (barriers stemming from the home or host environment, including foreign rules, regulations, tariff barriers, and different customer habits). The internal barriers were further divided into informational, functional and marketing barriers, while external barriers were classified as procedural, governmental, task and environmental barriers. Sullivan and Bauerschmidt (1989) focused on the location-related differences of issues specific to small firm exporters. In particular, aside from issues related to the size of the domestic market, they found that small firms in US and Europe have generally similar perspectives to their larger counterparts. Building on the country of origin distinction, Bell (1997) studied firms in Norway, Finland and Ireland and found very little difference in the nature, strength or rank of export problems due to location.

Scharf *et al.* (2001) used this prior work as a foundation to developing an understanding of the experiences of SME exporters. Their approach utilized

methodology focused on a “critical incident” faced by the manager. The results indicated that finding suitable intermediaries, distribution, product adaptation and finance issues were prominent issues encountered by SME exporters. Scharf *et al.* (2001) also distinguished between initiating problems and on-going problems, with initiating problems relating to a lack of experience or knowledge and on-going issues relating to greater involvement with foreign markets. They also noted problems due to outsourcing and sub-contracting components and finished goods.

With an assumption that exporting can lead to superior SME performance, then there is a need to understand why many SMEs do not export. Morgan and Katsikeas (1997) identified four sets of obstacles that affect SMEs doing export. First, an insufficient pool of resources can create strategic obstacles. Second, a firm’s cost base and profit margins can lead to operational (and logistical) obstacles. Third, a lack of fit between a firm’s strategy and its environment may result in limited knowledge of market opportunities (i.e. informational obstacles). Fourth, a firm may be unable to maintain necessary interactions with key parties because of limited resources (i.e. process-based obstacles). In line with resource-based regional development perspectives, it can be suggested that the majority of rural SMEs may have access to a narrower pool of resources. Financial constraints faced by SMEs and a reluctance to utilize external funding are strategic obstacles that may deter an SME from using the latest technology, and providing superior quality products or services.

2.5 Challenges in Export of Handicrafts

Government and institutional support in the sector is limited and not adequate for competitive trading. Namu (2005) cites lack of capital to finance production and marketing efforts, poor export marketing skills, lack of current information on global market, weak trade associations and regulatory body that do not efficiently lobby or assist exporters, cumbersome export procedures, poor laws on patents and copyrights as some of the challenges facing handicraft exporters. Biegon (2007) states that flow of information about changes in export markets pertaining to policies, quality requirements and certification usually does not get to suppliers in good time. According to Namu, (2005) the sector is highly fragmented with most traders acting as individuals and sometimes undercutting other traders in a bid to secure sales. Market accessibility and pricing also remains a challenge for most traders. The calculation of selling price while accounting for related costs and ensuring fair trade is a night mare for many traders. According to Cooperation for fair trade in Africa (COFTA) fair trade is about ensuring that a fair and reasonable amount is paid to the producers.

Consumer demands and requirements are constantly changing especially in the global market. Atieno (1988) states that the growing importance of handicrafts in international market arises from the desire by consumers in developed countries to possess products that portray the cultures of other people. Design, quality and price are the three key attributes by which buying decisions are made for both consumers and companies (Czinkota & Ronjainen, 2004). The consumer today is increasingly

demanding a focus on innovative designs, consistent quality, meeting product specification, on time delivery, competitive pricing, responsive communication, good packaging and capacity to increase production quantity without a decline in quality and deliverability (USAID 2009). Communication and ability to deliver on time as ordered are important supply attributes. Czinkota & Ronkainen (2004) argue that communication if well utilized can assist international marketer in conveying the firm's goals, solving conflicts and marketing goods. Most buyers want correspondent by email, in their own language, exchanging digital documents and images and to receive responses in a timely manner. Nowadays physical markets co-exist with virtual markets based on on-line promotions and e-commerce. Computer literacy and availability is limited amongst many players especially in the rural regions.

Recent changes towards liberalized market economies and globalization concern for food safety, sustainable production practices, workers welfare pose a threat to the contribution of SME to the export volume (Songa & Gikonyo, 2005). As Corporate Social Responsibility (CSR) takes root in many sectors, company's behavior with regard to the environment, workers and community increasingly influence purchase decisions. Legislative standards enforced through European Union member countries increasingly pose obstacles for exporters in developing countries (EU, 2003). Consumers are extending their concerns beyond the environment to social impact of business practices. Through consumer pressure, standard bodies of developed countries have started the process of adopting "eco labeling". To qualify producers must be willing to submit their production methods for inspection and certifications.

Unfortunately as stated by Ithondeka (2007) many firms in Kenya find it challenging to satisfy the required international export health standards required by some countries. Additionally, the use of child labour in production of goods is a serious concern in many EU member countries. Exporters who can guarantee that their products are made without child labour have competitive advantage over other exporters and establish long term business relationships. A “social clause” enforced by EU members allows for tariffs reduction for products that are produced in a humane way.

Stiff competition and the inability of Kenyan exporters to compete effectively is a major setback for handicraft traders (Atieno, 1988). Kenya traders face competition from other traders in Africa, Asia and Latin America (Namu, 2005). Buyers are able to get greater product diversity, competitive pricing and less costly shipping from other product sources in the world. Economic crisis have resulted in overall drop in handicraft sales in the past two years (USAID, 2009). Handicrafts are especially vulnerable to the effects of recession as consumers focus on purchasing only necessities. Kenya handicraft products are not very competitive as artisans tend to produce traditional designs or copy other items in the market rather than make creative modifications or develop new products (USAID, 2009). Lack of resource and proper market information limit penetration into other regions and in diversification of product offering to counter competition faced by many traders.

2.6 Response Strategies to Challenges of Exporting

According to Porter (1998), firms must be flexible to respond rapidly to environmental changes which in turn pose challenges. Challenges are defined as encounters an organization faces. These encounters could be problems, hiccups or threats that a company faces. All organizations have to respond to challenges in order to survive. The responses adopted can be strategic and operational in nature.

2.6.1 Strategic Response

Strategic response is concerned with how to plan for the use of the organization resources to pursue long term objective of a firm. Strategic response ensures that an organization is ready for challenges and has planned how to combat the obstacles. Common strategic responses include technology, restructuring, marketing, product and market development; strategic alliance, diversification, innovation, and porter's generic strategies of overall cost leadership, differentiation and focus (Porter, 1995).

Information technology strategy has become increasing important in today's business world. Information processing capability can improve an organizations strategic capability. Use of technology has affected every aspects of business and created new business sectors. The use of website has allowed firms to develop cheaper ways of reaching markets while enhancing the level of customer service (Peng, 2000). Restructuring according to Thompson et al (1997) involves radical business process re-engineering as the business searches for new ways through which performance can improve. It calls for scrutiny of all organization functions and individual jobs as the processes may differ with the existing departmental structures.

Marketing is important in creating product awareness in the market place. Relationship marketing as a response strategy allows a firm to attract and maintain customers and consequently convert them into loyal customers and brand ambassadors (Kotler et al 2006). Market penetration and promotion efforts increase market share for present products or service through greater marketing efforts. Market development strategy is the selling of present products in new markets. The firm does target promotion, open sales and create alliances in these markets. Organization looking at diversifying into other regions can use this strategy. Product development strategy involves developing new products or modifying existing products so that they appear new and offering these products to current or new markets.

With change in the environment firms enter into collaborative agreement with other players in the industry in the form of strategic alliance, mergers, licensing and franchise (Shollei, 1999). Strategic alliance and collaborative partnership helps a company build global market presence or be a leader in the industry. Strategic alliances are an attractive flexible and often cost effective means by which a company can gain access to technology, expertise and business capability (Thompson et al 1997). Coordination and collaboration among producers and retailers Namu (2005) argues encourages and facilitates growth of handicraft sector. As stated by Cannon and Willis (1986) going it alone retains independence of actions but maybe financial ruinous a case of having the same effect of placing our eggs in one basket.

Diversification can assist a firm that is seeking to increase its profits through greater sales volumes obtained from new products or markets (Pearce and Robinson, 1997). It

is also a useful strategy in spreading a firm's risk associated with economic downturns in certain regions. According to EPC, (2010), over a third of exports are confined to EU and USA and when these regions are in financial crisis handicraft export is an obvious casualty. Strategies in diversification can include development of new products or markets, acquisition, alliance, or licensing (Peng, 2000). Innovation is a useful strategy in handicraft production as it can enable a firm sells its products at premium pricing. Strengthening skills of crafts person can encourage innovation. According to Namu (2005), stake holders in the sectors should support apprenticeship and skills formation activities and document training requirements and approaches.

Cost leadership entails the firm setting out to become the lowest cost producer in its industry while achieving the highest quality benchmark for the customer (Thomson and Strickland, 1997). To achieve this, the firm must find and exploit all sources of cost advantage. Burns (2000) says that cost advantage maybe derived from cheaper sourcing of raw materials, vertical integration of important functions, economies of scale operations and control costs to enhance efficiency. Differentiation occurs where a firm develops products and services with unique attributes likes special brand image, technological features, customer service and superior quality that customers value most and perceive to be much better than competitors. Focus strategic rests on the choice of a narrow competitive position. A firm selects a segment in the industry and tailors its strategies to severing them to the exclusion of others. This can be a particular buyer group, a segment of the product line or a specific market region.

2.6.2 Operational Response

According to Hunger and Wheelen (1990), firms respond to environmental changes by crafting new operational responses which are taken by functional areas of an organization to achieve corporate and business unit objectives. Operational responses are short term, functional and are concerned with efficiency of operations and in developing and nurturing a distinct competent to provide an organization with competitive advantage. Operational strategy includes marketing and financial strategy, research and development and human resource strategy.

Marketing deals with pricing, selling and distribution all which must be coordinated for success. Goods and services must be availed to customers in competitive superior manner. Packaging and presentation is especially important in handicrafts export due to distance (Namu, 2005). Financial strategies adopted are important as they impact on the well being of the organization. It's important to identify financial implications of corporate and business units and adopt the best financial course of action.

Research and development strategies are an effective way to safeguard an organization against product and production process obsolescence (Byars, 1991). Firms need to keep up with customer trends, needs and industry competition. A product leader company strives to produce a continuous stretch of state of the art products. To achieve this company must research market trends, embrace ideas usually originating from outside .Human resource strategy calls for attracting and holding capable staff. Staff development is important to develop skill. Handicraft industry calls for continuous innovation and training.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the method that was used by the study to achieve its objectives. It starts with the research design that was employed by the study. The population and sampling procedure are also outlined. Data collection methods and analysis make the end section of this chapter.

3.2 Research Design

This study employed a descriptive research design. This design refers to a set of methods and procedures that describe variables. It involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data. Descriptive studies portray the variables by answering who, what, and how questions. Descriptive study according to Cooper and Schindler (2008) discover and measure cause and effect relationship among variables. Descriptive study enabled the researcher to collect in depth information about the population of study.

3.3 Population of the Study

The population of interest in this study consisted of traders actively involved in export of handicrafts and that are registered with Export Processing Council in the Ministry of Trade. According to EPC 2010 report there are 177 handicraft exporters exporting to Europe, America and the Middle East. These are drawn mainly from Nairobi and other parts of the country and deal in a variety of craft items.

3.4 Sampling and Sample Size

Since a study of the entire population would not be practical the study targeted 85 export traders. This number was adequate as according to Mugenda and Mugenda, (2003) a sample size of 30 to 500 is considered adequate for academic research. Simple random sampling method was used to obtain the sample size. Members of the entire population list were allocated numbers and elements blindly drawn from this list. Any drawn number would form part of the sample size.

3.5 Data Collection

Data collection was done using a questionnaire comprising both structured and unstructured questions. The questionnaire was administered both personally and using drop and pick later methods. Mail questionnaire were used for far away traders and followed up with telephone reminders. The questionnaire was divided into 3 sections. Section A was on general and background information relating to the organization. Section B sought to establish the challenges encountered in export of handicrafts and section C sought to know the measures taken to counter these challenges. The target respondents were managers and owners of the firms as they have a better understanding of the operations of the organization.

3.6 Data Analysis

The data collected was checked for completeness, coded and then was analyzed through the Statistical Package for Social Sciences (SPSS). The generated data was

analyzed using descriptive statistics such as mean and standard deviation and was presented in tables, figures and charts.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The results were presented on the response strategies by Kenyan handicraft traders to challenges of exporting. The research sought to establish the following objectives; to identify the challenges of exporting experienced by Kenya handicraft exporters; and to determine the response strategies applied by the handicraft exporters to meet the challenges. The study targeted 85 export traders out of which 77 export traders responded and returned their questionnaires contributing to the response rate of 90.6%. This response rate were sufficient and representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This commendable response rate was due to extra efforts that were made via personal calls, emails and visits to remind the respondent to fill-in and return the questionnaires. The chapter covers the demographic information, and the findings are based on the objectives.

4.2 General information

In order to get a better understanding of the firm the study sought to know position of the respondent in the firm, the ownership sstructure of the business, years of operation in export business export destination and avenue of export among other information.

4.2 1 Respondents' position in the organization

The study sought to establish the respondents' position in the organization that he worked in and the findings are as shown in table 4.1 below.

Table 4.1 Respondents' position in the organization

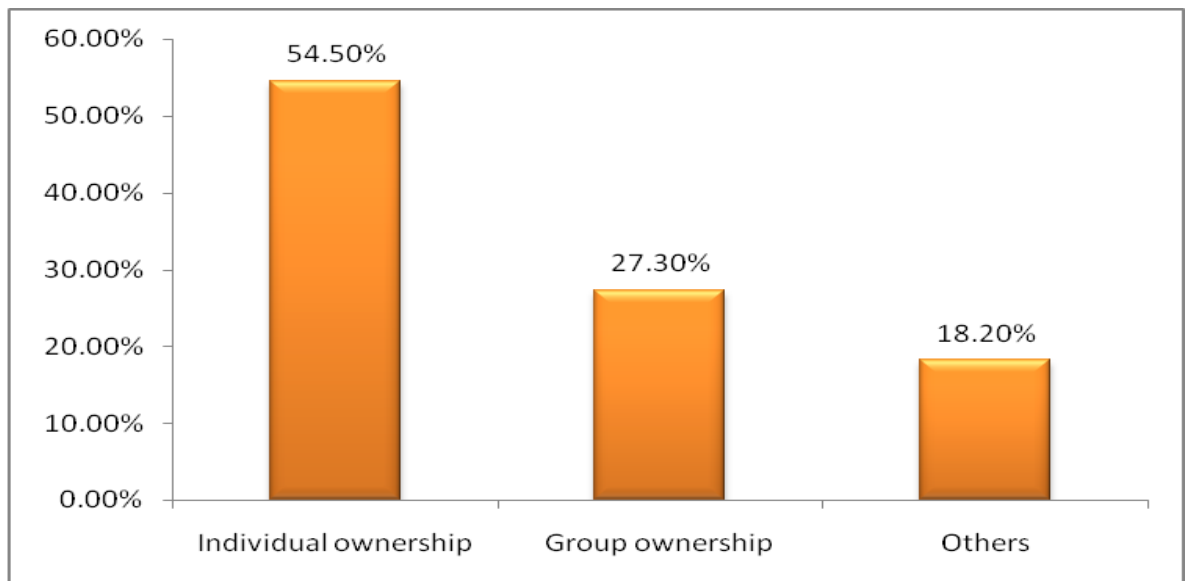
Respondent	Frequency	Percent
Sales persons	17	22.08
Director	29	37.66
Manager	22	28.57
Secretary	9	11.69
Total	77	100.0

From the findings, the study established that the majority of handicraft traders (37.66%) who participated in the study were directors, 28.57% were manager while 22.08% were sales persons, and 11.69% secretaries. This shows that majority of the handicraft traders who participated in the study are people with influence and had enough experience and knowledge in exporting handicrafts to give credible information with regard to the study.

4.2.2 The ownership structure

The study also sought to establish the ownership structure of the business

Figure 4.1 Business ownership structure

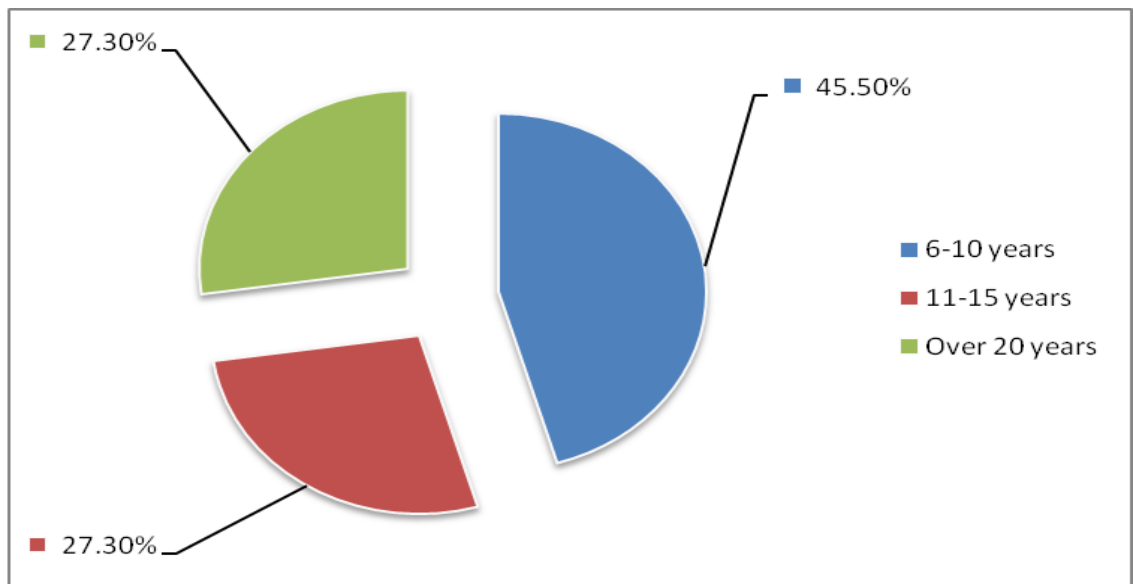


According to the findings, the majority of the handicraft businesses were of individual ownership as shown by 54.5% of the handicraft traders while 27.3% were group ownership type of businesses. This illustrates that the handicraft businesses in the country are mainly individually owned which is indicative of the fact that majority of them are small and medium enterprises and have limited financial capital to enable them expand and take advantage of the upcoming opportunities in the industry.

4.2.3 Number of Years in Handicrafts Exporting Business

The respondents were also asked to state the number of years that their business had been exporting handicrafts.

Figure 4.2 Number of Years in Handicrafts Exporting Business



From the findings, the study found that most of the of the handicraft traders (45.5%) had been exporting handicrafts continuously for 6-10 years, 27.3% for either for 11-15 or for over 20 years. This illustrates that the handicraft industry had operated long enough in the country and thus the information the handicraft traders gave was of high quality and reliable. This further illustrates the fact that the handicraft industry in Kenya is well established owing to the long duration it has been operational.

4.2.4 Export Destination Countries

The study also sought to establish the countries where the handicrafts from Kenya are exported.

Table 4.2 Countries of export

	Frequency	Percent
Africa	4	5.10
Middle East	12	15.58
USA	19	24.68
Asia	7	9.09
Europe	26	33.77
Others	9	11.69
Total	77	100.00

According to the findings, most of the handicrafts traders (33.77%) exported their handicrafts to Europe, 24.68% exported to United States of America while 15.58% exported to Middle East countries. 6.49% exported to Africa and 9.09% to Asian countries. This illustrates that the Europe and USA offered great opportunities for the growth of the handicraft business for Kenya. Europe has a large market for handicraft and pay well for the goods while U.S.A gives preferential trade through African Growth and Opportunity Act. African and Asian countries are mainly competitor in the global markets and thus formed low market for goods from Kenya.

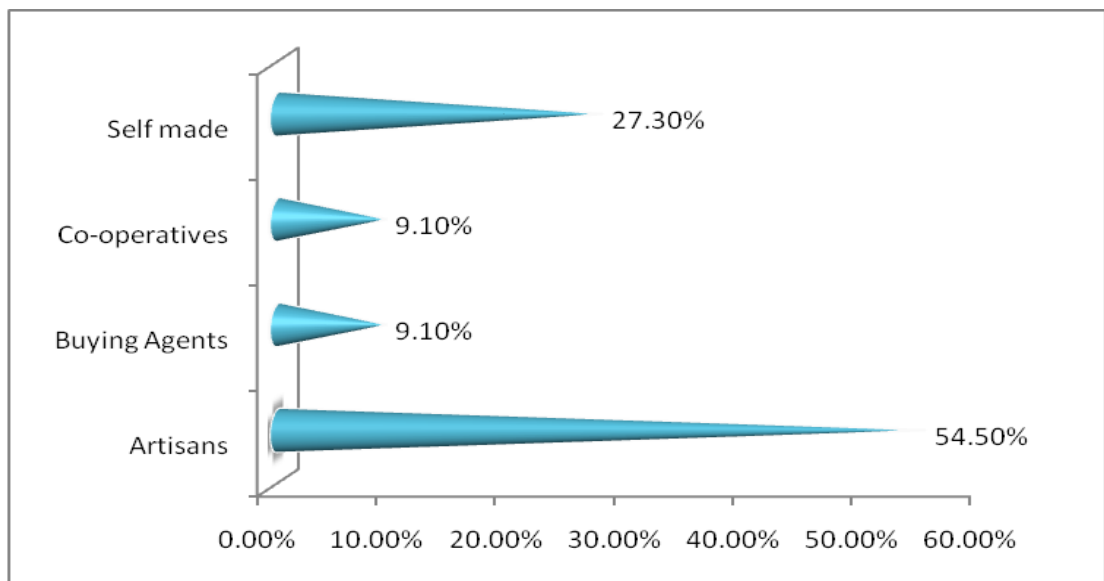
4.2.5 Type of products exported by the handicraft traders

The handicraft traders were further requested to identify the main type of products they exported. From the findings, the research found out that they exported jewels, carvings, greeting cards, baskets, kikoyo letter openers, doorstoppers, salad serving spoons, wall plates, bowls, trivets, musical instruments, and clothing among others. This depicts that there is a wide range of Handicraft products from the Kenyan exporters which enhances their competitiveness in the global market.

4.2.6 Sources of Products for export

The respondents were asked to state the source of the products for export.

Figure 4.3 The source of the products for export



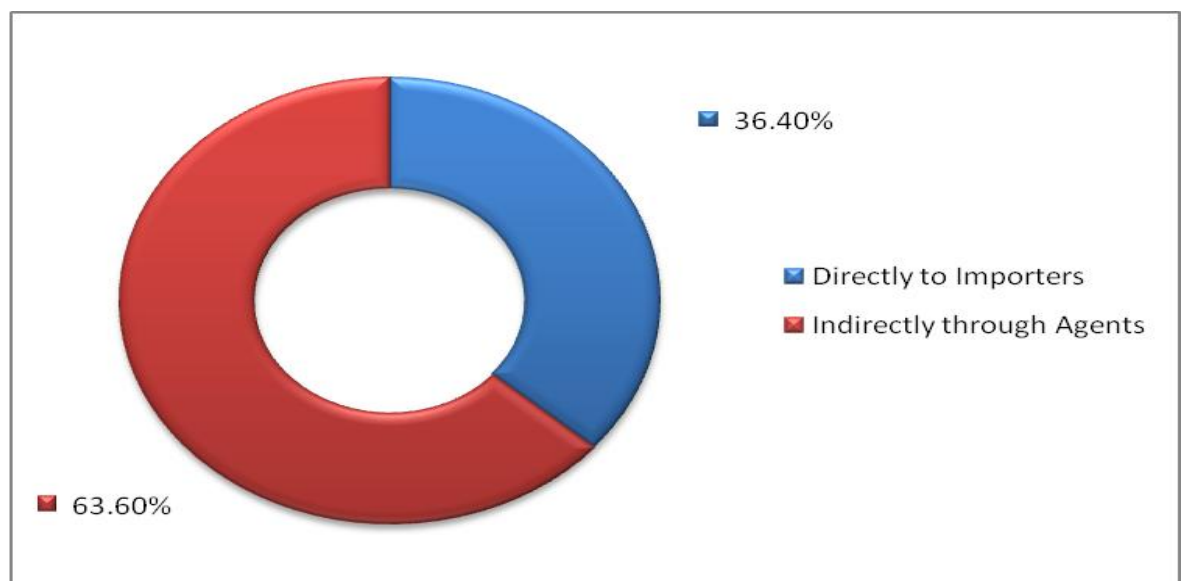
The response tabulated above show that majority of the handicrafts traders (54.5%) got their products from the artisans, 27.3% of the traders made their own products

while 9.1% either bought from agents or Co-operatives. The findings thus point to the value chain of the handicrafts since the majority of the products were manufactured by the artisans and then sold by the traders. Meanwhile the traders were also involved in the production of the handicrafts which helped them to maximize on their products while at the same time meet their client's specifications on the products sold.

4.2.7 Avenues of Export

The researcher sought to establish the different ways through which handicraft traders export their products to their customers

Figure 4.4 Ways through which handicraft traders export their products



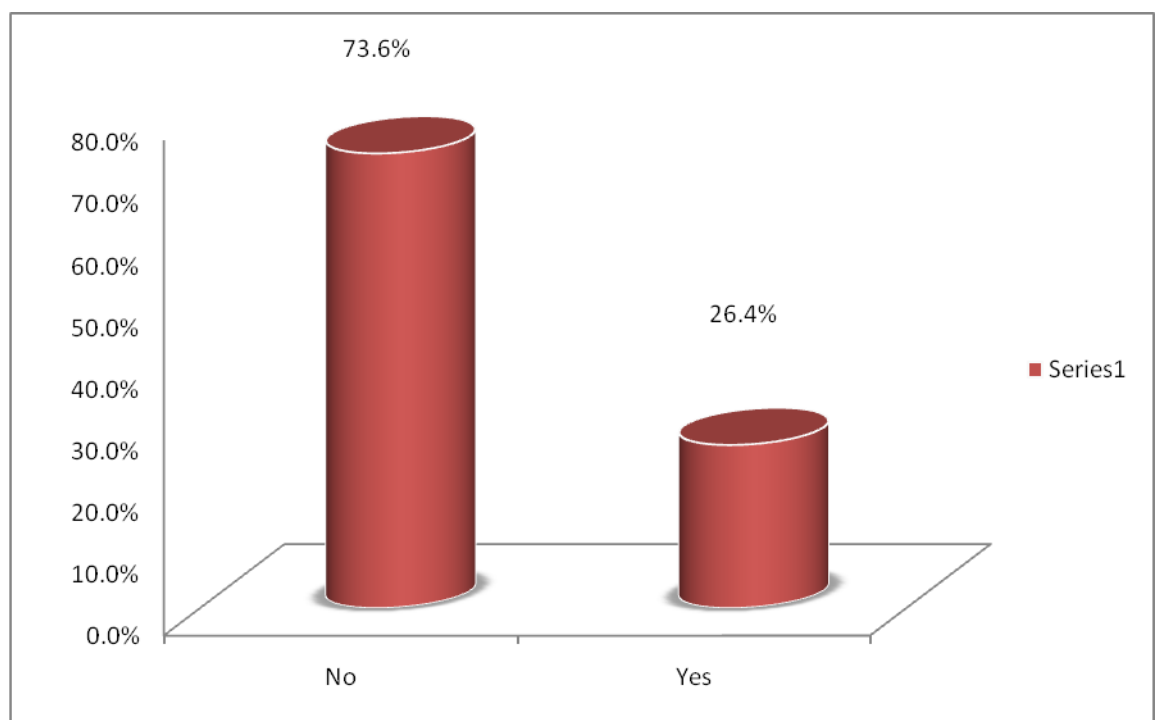
According to the findings, the majority of handicraft traders (63.6%) export their products indirectly through Agents while 36.4% export their products directly to the customers. Majority of the traders preferred to export indirectly through agents, distributors or trading house who acted on their behalf. The responsibility of carrying

out foreign sales is hence transferred to the agent. The use of agents meant that the handicraft traders never fully benefited from the profits accrued from the exports as they shared with the agents who at times benefited the most as they could negotiate for better prices than the prevailing market prices with the clients.

4.2.8 Carrying out promotional activities

The researcher further inquired whether the handicraft trades carried out any promotional activities

Figure 4.5 Carrying out promotional activities



From the findings, the majority of the handicraft traders (73.6%) never carried out any promotional activities to market their products. Only 26.4% of the traders carried out any promotional activities to market their products. This depicts that only a small

proportion of Kenyan handicraft traders promoted their wares in the global markets meaning the majority of them did not benefit from the many opportunities in the global market. This could be attributed to the lack of adequate financial resources to fund marketing efforts abroad like through on line marketing. This is further attributed to by the lack of technical knowledge about the modern marketing strategies.

4.3 Challenges affecting export of handicrafts

The study sought to establish the extent to which different challenges affected export of handicrafts in Kenya. The responses were rated on a five point Likert scale where: 1-To no Extent, 2 – To a small extent, 3- To a moderate extent 4- To a large Extent and 5- To a very large extent. The mean and standard deviations were generated from SPSS and are as illustrated in table below.

Table 4.3 Different challenges affecting export of handicrafts in Kenya

	Mean	Std. Deviation
Competition from other exporters in the world	3.2727	1.36340
Lack of credit and working capital	3.6364	0.98554
High packaging and shipping costs	4.4545	0.50119
Lengthy export procedures and documentation	3.0909	0.90586
Communication, language and cultural barriers	2.1818	0.72051
Inadequate market information and poor export marketing skills and knowledge	3.0000	1.05131
High and ever changing tariffs, certification and quality standards set by importer countries	4.4322	0.99400
Poor government and institutional support	3.5455	0.99400
Lack of innovation and creativity amongst artisans to meet market specifications and demanding contracts	4.0000	0.95971
Counterfeits and lack of patent laws	4.1022	0.74339
Global economic downturn affecting sales and profitability	3.9091	1.09041

The statements with mean close to 1 were rated as to no extent, 2 as to small extent, 3 as moderate extent, 4 as to a large extent and 5 as to a very large extent. From the study findings in table above, majority of the respondents agreed that the major challenges affecting export of handicrafts were high packaging and shipping costs (M=4.4545); high and ever changing tariffs, certification and quality standards set by importer countries (M=4.4322); counterfeits and lack of patent laws (M=4.1022) and lack of innovation and creativity amongst artisans to meet market specifications and

demanding contracts (M=4.0000). This depicts that the most significant challenges facing export of handicrafts by Kenyan traders were high packaging and shipping costs, high and ever changing tariffs, certification and quality standards set by importer countries, counterfeits and lack of patent laws and lack of innovation and creativity amongst artisans to meet market specifications and demanding contracts

In addition, the majority of the respondents moderately agreed that the challenges affecting export of handicrafts were global economic downturn affecting sales and profitability (M=3.9091); lack of credit and working capital (M=3.6364); poor government and institutional support (M=3.5455); competition from other exporters in the world (M=3.2727) lengthy export procedures and documentation (M=3.0909) and inadequate market information and poor export marketing skills and knowledge (M=3.0000).

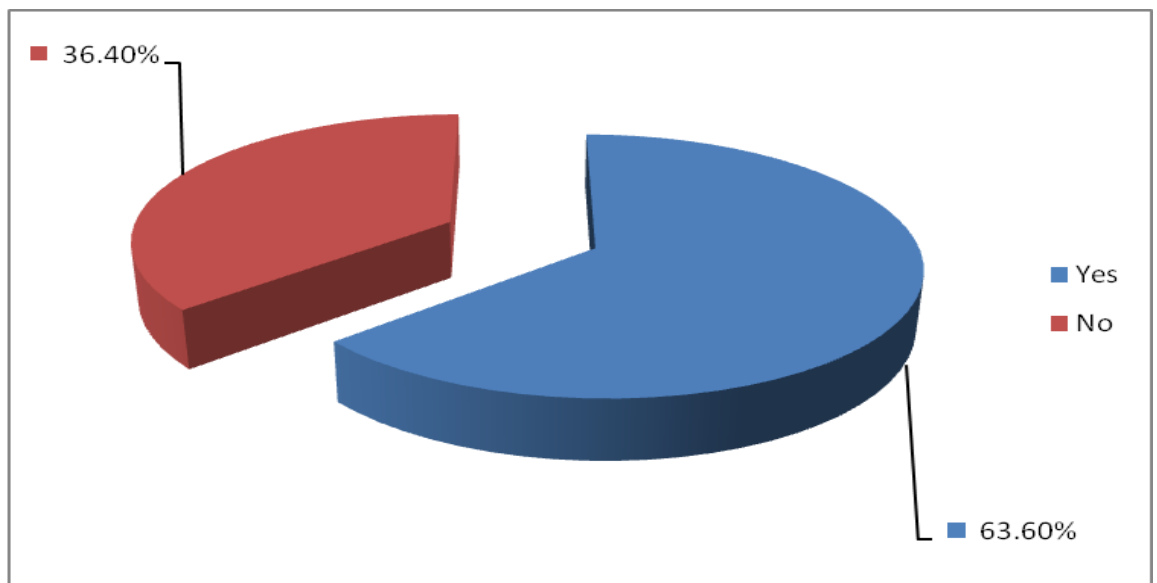
4.4 Other specific challenges encountered

The research also sought to find out the other specific challenges that handicraft traders encountered. From the findings the respondents explained the other specific challenges which included poor buyer-seller relationship, lack of access to credit particularly for women traders, limited access to trade-related information, limited capacity in terms of knowledge and skills stringent government policy on export, high taxes, loss of cargo in transit, lack of competent employees, irregular distribution of materials for production, breaking of fragile products and corruption among officers.

4.4.1 Managing the challenges

The study sought to establish whether the challenges the handicraft traders were within their control

Figure 4.6 Whether the challenges were within traders' control



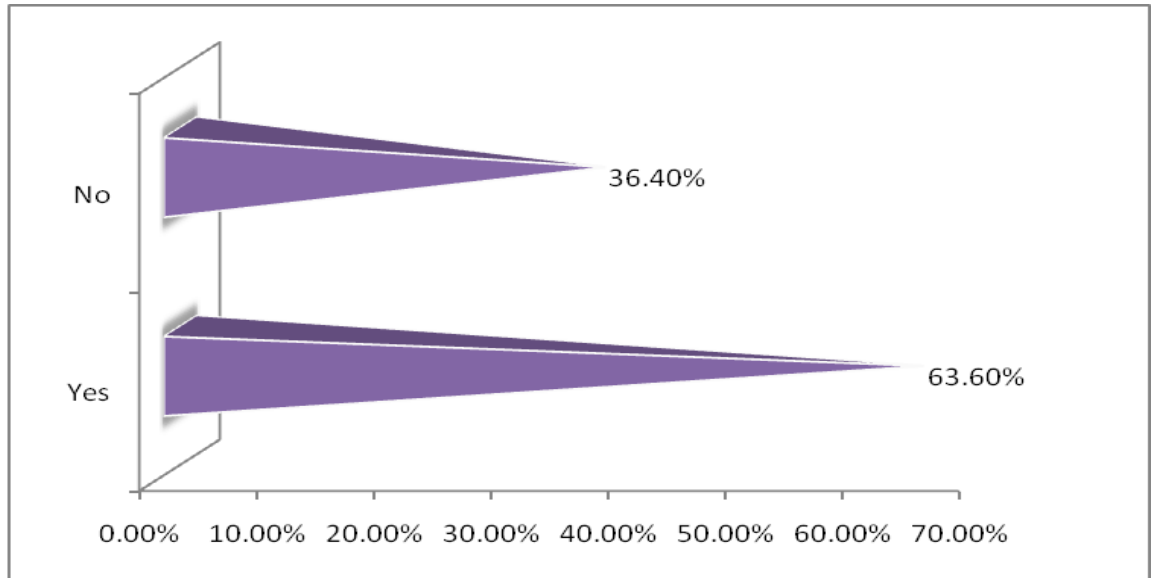
According to the findings, the majority of the handicraft traders (63.6%) indicated that the challenges they encountered were within their control. However, 36.4% of the handicraft traders indicated that the challenges they encountered were not within their control. This depicts that there was a big room for the growth of the handicraft export business if the challenges undermining its full potential could be addressed. It also depicts that the lack of coordination between key players in the handicraft export sector in addressing challenges affecting exportation prohibited the growth of this industry to its full potential and in turn offer the much sought foreign exchange and employment opportunities by Kenyans.

4.5 Response strategies to challenges of exporting

4.5.1 Strategic plan

The researcher also sought to find out whether the organization has a strategic plan

Figure 4.7 Whether the organization has a strategic plan



As shown in figure 4.7 above, the majority of the respondents (63.6%) posited that their organizations had a strategic plan while 36.4% indicated that their organization did not have a strategic plan. This point to the fact that most of the handicraft businesses were aware of the need to have a strategic plan to be able to respond to the challenges encountered in export trade. This also indicated that most business were being operated using modern methods of doing business which enhance their chances of competing favorably in the global market. It also shows that the handicraft businesses had future plans of expanding to take advantage of the growing global market.

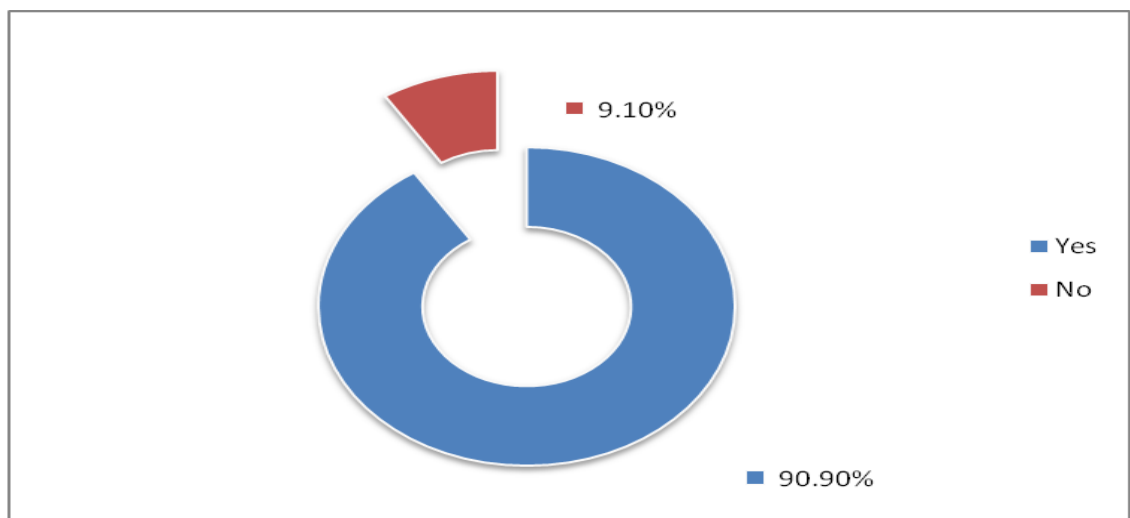
4.5.2 Handicraft traders ways of resolving export related challenges

The study further sought to establish the ways the handicraft traders attempted to resolve export related challenges. Some of the common ways employed included: continuous production innovation and capacity building for employees, use of agents to update traders on seasonality of exports, making high quality products that meet clients' needs, forming cluster to enjoy economies of scale, finding efficient and reliable shipment means, avoiding middle men to enhance profitability, explore other financing options like co-operative societies, undergoing training and seminars to understand the legal and regulatory issues governing export.

4.5.3 Success of strategies put in place by the organization

The study further sought to explore whether the strategic plan had been successful

Figure 4.8 The success of strategies put in place by the organization



From the findings, the majority of the respondents (90.9%) indicated that the organizations strategic plan had been successful while 9.1% posited that the

organizations strategic plan had not been successful. This illustrates that the strategic plans adopted by the majority of the handicrafts traders were instrumental in ensuring the success of their business.

4.5.4 Action plans (Responses) to overcome export challenges

The study sought to establish the different action plans or responses to overcome challenges in export of handicrafts by Kenya traders. The responses were rated on a five point Likert scale where: 1-To no extent, 2 – To a small Extent, 3-To a moderate extent, 4- To a large extent and 5- To a very large extent. The mean and standard deviations were generated from SPSS and are as illustrated in table below.

Table 4.4 Action plans to overcome export challenges

	Mean	Std. Deviation
Use of credit facilities and loans to support business	4.1818	1.27452
Diversified into other geographical markets	3.2727	.86809
Diversified and broadened product offered	3.6364	.98554
Focus on specific geographical markets and customers	3.7273	1.22083
Differentiating of products to offer unique and high quality products	4.0000	0.74339
Undertake aggressive marketing and promotion efforts to grow sales	3.6364	1.15746
Carry out market research to keep up with current market needs and information	3.8182	1.03526
Enhance customer service efforts	3.1818	.94210

Participate in training programs and workshops to enhance skills	4.2727	1.22083
Get into collaborative agreements with sellers abroad to supply and sell your products	3.6364	1.15746
Use of technology to communicate and market products	3.9091	1.51468
Enhance efficiency, Keep costs low and take advantage of economies of scale e.g. through bulk shipping	3.7273	1.22083
Participate in international market promotions like trade fairs	3.0909	1.24796

The statements with mean close to 1 were rated as to no extent, 2 as to a small extent, 3 as moderate extent, 4 as to a large extent and 5 as to a very large extent. From the study findings in table above, majority of the respondents agreed that action plans to overcome export challenges of handicrafts in Kenya were ‘participate in training programs and workshops to enhance skills (M=4.2727); use of credit facilities and loans to support business (M=4.1818); differentiating of products to offer unique and high quality products (M=4.0000).

Further the research established that majority of the respondents moderately agreed that action plans to overcome export challenges of handicrafts in Kenya were use of technology to communicate and market products (M=3.9091); carry out market research to keep up with current market needs and information (M=3.8182); focus on specific geographical markets and customers (M=3.7273); diversified and broadened product offered (M=3.6364); undertake aggressive marketing and promotion efforts to grow sales (M=3.6364); get into collaborative agreements with sellers abroad to

supply and sell your products (M=3.6364); diversified into other geographical markets (M=3.2727); enhance customer service efforts (M=3.1818); and participate in international market promotions like trade fairs (M=3.0909).

4.6 Other ways to address challenges facing handicraft traders in exporting their products

The research revealed the other ways adopted by handicraft traders to address challenges in exporting their products. These methods included; seeking comprehensive export information and services in global market through research, seeking assistant from stake holders like Non-governmental organizations and having contact /sales people in the foreign markets

4.6.1 Ways to improve the export market for handicrafts

The researcher further established the ways to improve the export market for handicrafts. They included organizing visits of delegation of handicraft traders abroad to explore overseas market opportunities; use air line for transport to enhance transport and avoid delay, the government should facilitate credit accessibility for traders, organizing trade fairs both local and in foreign countries to market the products, adoption of modern technology both in production and marketing of the products to gain a competitive edge in the global market.

4.6.2 Prospects of handicraft export business in Kenya

The study further sought to establish the prospects of handicraft export business in Kenya. According to the respondents there are immense opportunities that are not utilized in the handicraft sector. This is owing to the fact that there is a growing demand for Kenyan handicraft products both in the local and foreign markets. Use of e commerce is becoming increasingly important as this has made trading and communications easier than in the past years. This has saved translated into significant savings for the traders in times of money and time.

4.7 Discussion

From the study majority of the handicraft export trade businesses are individually owned and are in the category of Small and medium size enterprises . Many SME prefer exporting as the primary foreign entry strategy compared to other strategies such as foreign direct investment. SME substantially contribute to country's export around the world as stated by (Fletcher, 2004). The study shows that many traders have been in export business for over ten years which is in line with Andersson et al., (2004) observations that not only are small firms becoming increasingly international but they appear to be entering the international arena at an earlier age than had been the case in previous decades.

The study indicated that majority of the traders exported indirectly through agents who acted on their behalf. Inadequate knowledge of foreign sale practices, inadequate distribution and lack of foreign market contacts are common problems facing

exporters (Bilkey, 1978). SME limited resources, poor marketing skills, language inability cultural differences has most traders exporting through agents and acarrying out minimal promotional activities.

High packaging and shipping costs, ever changing tariffs certifications and standards, counterfeits lack of innovations among artisans are some the main challenges facing handicraft exports in the study. This is in line with Songa and Gikonyo (2005) who argue that globalization has brought with it a concern for food safety and workers welfare which pose a threat to the contribution of SME export volumes. Consumer bodies and standard bodies in developed countries are adopting eco-labeling which allows for tariff reduction for products made in humane way. The consumer today is demanding a focus on innovation, design, consistent quality, competitive pricing, good packaging and capacity to increase production quantity without decline in deliverability (USAID, 2009).

The study established that majority of the traders were aware of the need to have a strategic plan to be able to respond to the challenges encountered. Porter (1995) asserts that companies must be flexible to respond rapidly to environmental changes which in turn pose challenges to the organization.

Participating in training programs and workshops to enhance skills and use of credit facilities were important to address challenges of poor skills, and lack of resources as highlighted by (Namu, 2005). The study further establishes that other response stragies adopted include product differentuaion, focus marketing, market research,

enhanced customer service and use of technology all which are important to address the various customer needs. This is in support of Kotler et al (1996) who stated that marketing is important in creating product awareness, attracting and maintain customers. The study also found that traders diversified into other geographical markets and broadened product offering to grow markets and spread risk. This is in line with Pearce and Robinson (1997) who note that diversification can assist firm increase profits through greater sales volumes and it's a useful strategy in spreading risk associated with economic down turn in certain region.

CHAPTER FIVE: FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, discussion and conclusions drawn from the findings and recommendations made. The conclusions and recommendations drawn focus on the purpose of the study.

5.2 Summary of Findings

From the findings, it was established that the majority of the handicraft businesses were individual ownership. This illustrates that the handicraft businesses in the country are mainly individually owned which is indicative of the fact that majority of them are small and medium enterprises and who have limited financial capital to enable them expand and take advantage of the existing opportunities in the global market.

The study found that most of the handicraft traders had been exporting handicrafts for 6-10 years, and for 11-15 or for over 20 years respectively. This illustrate that the handicraft industry had operated long enough in the country and was well established.

The study also revealed that most of handicrafts traders exported their handicrafts to Europe and USA due to the fact that Europe is a larger market and pay well for the goods while the USA gets preferential trade through AGOA. Africa nations are competitor in handicraft industry and thus formed low market for goods from Kenya.

The research found out that the types of handicrafts exported included jewels, greeting cards, carvings, baskets, kikoys, letter openers, doorstoppers, salad serving spoons and wall plates, bowls, trivets, musical instruments, clothing among others. This depicts that there is a wide range of Handicraft products from the Kenyan exporters which enhances their competitiveness in the global market.

The study also established that majority of the handicrafts traders got their products from the artisans. Thus there was a value chain of the handicrafts since the majority of the products were manufactured by the artisans and then sold by the traders. Meanwhile the traders were also involved in the production of the handicrafts which helped them to maximize on their products while at the same time easily meet their clients' specifications on the products sold.

The researcher found out that the majority of handicraft traders export their products indirectly through agents. This depicts that the handicraft traders never fully benefited from the profits accrued from the exports as they shared with the agents who at times benefited the most as they could negotiate for better prices than the prevailing market prices with the clients.

The majority of the handicraft traders never carried out promotional activities to market their products. Only a small proportion of Kenyan handicraft traders promoted their wares in the global markets thus the majority of them could not benefit from the global market. This could be attributed to lack of adequate financial resources to fund marketing of their products in the global markets like through on line marketing. This

is further attributed to the lack of technical knowledge about the modern marketing strategies.

The study also established that as indicated by the majority of the respondents the most significant challenges facing export of handicrafts by Kenyan traders were high packaging and shipping costs, high and ever changing tariffs, certification and quality standards set by importer countries, counterfeits and lack of patent laws and lack of innovation and creativity amongst artisans to meet market specifications and demanding contracts respectively. The other challenges facing export of handicrafts by Kenyan traders were global economic downturn affecting sales and profitability; lack of credit and working capital; poor government and institutional support; competition from other exporters in the world; lengthy export procedures and documentation and inadequate market information and poor export marketing skills and knowledge respectively.

The research also revealed that the specific challenges facing the export of handicrafts included poor buyer-seller relationship, lack of access to credit particularly for women traders, limited access to trade-related information, limited capacity in terms of knowledge and skills stringent government policy on export, high taxes, loss of cargo in transit, lack of competent employees, irregular distribution of materials for production, breaking of fragile products and corruption among officers.

The study further established that as per the majority of the handicraft traders, the challenges they encountered were within their control. This was indicative of the big

room for the growth of the handicraft export business as the challenges undermining its full potential were within the traders' control. It also depicts that the lack of coordination between key players in the handicraft export sector in addressing challenges affecting exportation prohibited the growth of this industry to its full potential and in turn offer the much sought foreign exchange and employment opportunities by Kenyans.

The researcher also established that according to the majority of the respondents organizations had a strategic plan. This point to the fact that most of the handicraft businesses were being operated using modern methods of doing business which enhance their chances of competing favorably in the global market. It also shows that the handicraft businesses had future plans of expanding to take advantage of the growing demand of the handicrafts from the global market.

The study further established the handicrafts traders' ways of resolving export related challenges included; continuous production innovation and capacity building for employees, use of agents to update traders on seasonality of exports, making high quality products that meet clients' needs, forming cluster to enjoy economies of scale, finding efficient and reliable shipment means, avoiding middle men to enhance profitability, explore financing options like co-operative societies, understanding through training the legal and regulatory issues governing export. The study further revealed that the majority of organizations' strategic plan had been successful thus the strategic plans adopted by the majority of the handicrafts traders were instrumental in ensuring the success of their business.

As per the majority of the respondents, the action plans to overcome export related challenges of handicrafts in Kenya included ‘participation in training programs and workshops to enhance skills, use of credit facilities and loans to support business and differentiating of products to offer unique and high quality products respectively. The other action plans to overcome export related challenges of handicrafts in Kenya included use of technology to communicate and market products; carry out market research to keep up with current market needs and information; focus on specific geographical markets and customers; diversified and broadened product offered; undertake aggressive marketing and promotion efforts to grow sales; get into collaborative agreements with sellers abroad to supply and sell their products; diversified into other geographical markets; enhance customer service efforts; and participate in international market promotions like trade fairs respectively.

The research revealed the other ways adopted by handicraft traders to address challenges in exporting their products. These methods included; seeking comprehensive export information and services in global market and having contact /sales people in the foreign markets

The researcher further established the ways to improve the export market for handicrafts. They included organizing visits of delegation of handicraft traders abroad to explore overseas market opportunities; use air line for transport to enhance transport and avoid delay, the government should facilitate credit accessibility for traders, organizing trade fairs both local and in foreign countries to market the products, adoption of modern technology both in production and marketing of the

products to gain a competitive edge in the global market. The study further established the prospects of handicraft export business in Kenya being immense opportunities that are not utilized in the handicraft sector. This is owing to the fact that there is a growing demand for Kenyan handicraft products both in the local and foreign markets.

5.3 Conclusions

From the findings, the study concluded that the majority of the handicraft businesses were based on individual ownership. Thus the handicraft businesses in the country are mainly individually owned which is indicative of the fact that majority of them are small and medium enterprises (SMEs) and who have limited financial capital to enable them expand and take advantage of the existing opportunities in the global market.

The study concluded that the handicraft industry had been operational for long enough in the country and was well established as most of the handicraft traders had been exporting handicrafts for 6-10 years, and for 11-15 or for over 20 years respectively.

The study also concluded that most of handicrafts traders exported their handicrafts to European countries and to USA respectively. This markets offered great business opportunities for the growth of the Kenyan handicraft business with Europe offering large market with competitive prices while USA offered favorable trade terms under AGOA agreement. African nations were more of competitors for Kenyan traders.

The research concluded that there is a wide range of Handicraft products from the Kenyan exporters which enhances their competitiveness in the global market. The Handicraft products for export included jewels, greeting cards, baskets, kikoys, openers, doorstoppers, salad serving spoons and wall plates, bowls, trivets, musical instruments, clothing among others.

The study also concluded the handicraft business had a defined value chain as majority of the handicrafts traders got their products from the artisans. While some of the traders were also involved in the production of the handicrafts which helped them to maximize profit from their products while at the same time easily meet their clients' specifications on the products sold creating customer satisfaction, loyalty and retention.

The researcher concluded that the majority of handicraft traders export their products indirectly through agents. This depicts that the handicraft traders never fully benefited from the profits accrued from the exports as they shared with the agents who at times benefited the most as they could negotiate for better prices than the prevailing market prices with the clients.

In addition, the researchers concluded that the majority of the handicraft traders never carried out promotional activities to market their products abroad. Only a small proportion of Kenyan handicraft traders promoted their wares in the global markets thus the majority of them could not benefit from the global market. This could be attributed to lack of adequate financial resources to fund marketing of their products

in the global markets like through online marketing. This is further attributed to the lack of technical knowledge about the modern marketing strategies.

The study also concluded that the most significant challenges facing export of handicrafts by Kenyan traders were high packaging and shipping costs, high and ever changing tariffs, certification and quality standards set by importer countries, counterfeits and lack of patent laws and lack of innovation and creativity amongst artisans to meet market specifications and demanding contracts respectively.

The research also concluded that the specific challenges facing the export of handicrafts included poor buyer-seller relationship, lack of access to credit particularly for women traders, limited access to trade-related information, limited capacity in terms of knowledge and skills stringent government policy on export, high taxes, loss of cargo in transit, lack of competent employees, irregular distribution of materials for production, breaking of fragile products and corruption among officers.

The study further concluded that the challenges encountered by Kenyan handicraft traders were within their control. This was indicative of the big room for the growth of the handicraft export business as the challenges undermining its full potential were within the traders' control. It also depicts that the lack of coordination between key players in the handicraft export sector in addressing challenges affecting exportation prohibited the growth of this industry to its full potential and in turn offer the much sought foreign exchange and employment opportunities by Kenyans.

The researcher also concluded that the majority of the organizations had a strategic plan and that the strategies adopted were successful. This points to the fact that most of the handicraft businesses were being operated using modern methods of doing business which enhance their chances of competing favorably in the global market. It also shows that the handicraft businesses had future plans of expanding to take advantage of the growing demand of the handicrafts from the global market.

The study further concluded that the handicrafts' ways of resolving export related challenges included; continuous production innovation and capacity building for employees, use of agents to update traders on seasonality of exports, making high quality products that meet clients' needs, forming clusters to enjoy economies of scale, finding efficient and reliable shipment means, avoiding middle men to enhance profitability, exploring financing options, understanding the legal and regulatory issues governing export.

The study further concluded that the action plans to overcome export related challenges of handicrafts in Kenya included 'participation in training programs and workshops to enhance skills, use of credit facilities and loans to support business and differentiating of products to offer unique and high quality products respectively. The other action plans to overcome export related challenges of handicrafts in Kenya included use of technology to communicate and market products; carry out market research to keep up with current market needs and information; focus on specific geographical markets and customers; diversified and broadened product offered; undertake aggressive marketing and promotion efforts to grow sales; get into

collaborative agreements with sellers abroad to supply and sell your products; diversified into other geographical markets; enhance customer service efforts; and participate in international market promotions like trade fairs respectively.

The research concluded that the other ways adopted by handicraft traders to address challenges in exporting their products included; seeking comprehensive export information and services in global market and having contact /sales people in the foreign markets.

The researcher further concluded the ways to improve the export market for handicrafts. They included organizing visits of delegation of handicraft traders abroad to explore overseas market opportunities; use air line for transport to enhance transport and avoid delay, the government should facilitate credit accessibility for traders, organizing trade fairs both local and in foreign countries to market the products, adoption of modern technology both in production and marketing of the products to gain a competitive edge in the global market. The study further concluded that the prospects of handicraft export business in Kenya were high with immense opportunities that are not utilized in the handicraft sector. This is owing to the fact that there is a growing demand for Kenyan handicraft products both in the local and foreign markets.

5.4 Recommendations

Since the study found that the majority of the challenges encountered by Kenyan handicraft traders were within their control, the study recommends that the

government and other key players in the handicraft sector should coordinate in efforts to address the challenges Kenyan handicraft traders in exporting their products.

The study recommends that government and other stakeholders should explore means of enhancing accessibility of credit facilities to the handicraft traders to enable them expand their enterprises and reduce the middlemen in order to maximize on their profitability. The study further recommends that government and other stakeholders should organize and regular marketing forums and scale up the existing ones for the Kenyan handicraft traders in the various export destinations to promote the handicraft sector. The study also recommends that Kenyan handicraft traders should adopt the modern technologies of production and marketing of their products to gain a competitive edge in the export destinations.

5.5 Recommendations for Further Studies

Since this study explored the response strategies by Kenyan handicraft traders to challenges of exporting, the study recommends that;

- i. Further studies should be done on the Human Resource factors influencing the performance of Kenyan handicraft industry.
- ii. Further studies can also be carried out on the role of government in enhancing Kenyan handicraft industry.

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APPENDIX 1 : INTRODUCTION LETTER



UNIVERSITY OF NAIROBI

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TO WHOM IT MAY CONCERN

NDUNGU SARAH MUKAMI

Student Reg No: D61/8962/2006

The above mentioned person is a postgraduate student undertaking a Master of Business Administration in strategic management at the School of Business, University of Nairobi. As a partial fulfilment of the requirements for the award of the MBA degree, she is conducting a survey on “**Response Strategies Adopted by Handicraft Traders in Kenya to Challenges of Exporting**”

The existing handicraft exporters and those interested in venturing in this trade will benefit from the study by understanding challenges of handicraft export business and the best way to cope. The information you provide in this study will not be used for any other purpose apart from its intended academic use.

APPENDIX II : RESEARCH QUESTIONNAIRE

The aim of this questionnaire is to collect information on the challenges faced by traders in export of handicraft and the response strategies to these challenges. The information collected will be strictly used for academic purpose and will be treated with utmost confidentiality.

Please answer the following questions as accurately as possible.

SECTION A: GENERAL INFORMATION

1. (a) Name of the organization / Business
- (b) Location of the organization / Business
2. What is your position in the organization?
3. Which of the following best describe the ownership structure of your business?

Individual ownership []

Group ownership []

Others (Specify.....)
4. How many years has your business been exporting handicrafts? (*Please tick one*)

0-5 () 6-10 () 11-15 () 15-20 () Over 20 ()

5. Using categories below, please indicate your countries of export

Africa []

Middle East []

USA []

Asia []

Europe []

Other

(Specify).....

6. Please indicate the type of products you export.....

.....

7. What is the source of your products for export?

Artisans []

Buying Agents []

Co-operatives []

Self made []

Others (Specify).....

8. How do you export your products?

Directly to Importers []

Indirectly through Agents []

Others (Specify).....

9. (a) Do you carry out any promotional activities? Yes () No ()

(b) If yes please explain how you go about it

.....

SECTION B CHALLENGES AFFECTING EXPORT OF HANDICRAFTS

1. Please indicate the extent to which the following challenges relating to export of handicrafts affect your business on a scale of 1 to 5 where:

5 = to a very large extent, 4 = to a large extent, 3 = to a moderate extent,

2 = to a small extent, 1 = to no extent

1 2 3 4 5

Competition from other exporters in the world					
Lack of credit and working capital					
High packaging and shipping costs					
Lengthy export procedures and documentation					
Communication, language and cultural barriers					
Inadequate market information and poor export marketing skills and knowledge					

High and ever changing tariffs, certification and quality standards set by importer countries Poor government and institutional support					
Lack of innovation and creativity amongst artisans to meet market specifications and demanding contracts					
Counterfeits and lack of patent laws					
Global economic downturn affecting sales and profitability					

2. Are there other specific challenges that you encounter? Please explain.....

.....

3. Are these challenges within your control?

Yes [] No []

SECTION C RESPONSE STRATEGIES TO CHALLENGES OF EXPORTING

1. Does your organization have a strategic plan? Yes () No ()

2. How do you attempt to resolve above mentioned challenges?

.....
.....

3. Have the strategies mentioned above been successful?

Yes [] No []

4. Please indicate on a scale of 1 to 5 the extent to which your organizations used the following action plans to overcome export challenges.

5 = to a very large extent, 4 = to a large extent, 3 = to a moderate extent,

2 = to a small extent, 1 = to no extent

Use of credit facilities and loans to support business					
Diversified into other geographical markets					
Diversified and broadened product offered					
Focus on specific geographical markets and customers					
Differentiating of products to offer unique and high quality products					
Undertake aggressive marketing and promotion efforts to grow sales					
Carry out market research to keep up with current market needs and information					
Enhance customer service efforts					
Participate in training programs and workshops to enhance skills					

Get into collaborative agreements with sellers abroad to supply and sell your products					
Use of technology to communicate and market products					
Enhance efficiency, Keep costs low and take advantage of economies of scale e.g. through bulk shipping					
Participate in international market promotions like trade fairs					

5. Are there other ways you address challenges facing you in export of handicrafts?

.....

.....

6. What do you think should be done to improve the export market for handicrafts?

.....

.....

7. What are the prospects of handicraft export business?

.....

Thank you for your participation

APPENDIX I11: LIST OF HANDICRAFT TRADERS

1	Adako Women Group	Lodwar
2	Africa curios Ltd	Nairobi
3	African Art and crafts Enterprise	Nairobi
4	African Splendor Limited	Nairobi
5	Akamba Handicrafts	Mombasa
6	Ali Shiekh and Sons Limited	Mombasa
7	Arcade Trade	Nairobi
8	Art House	Kisumu
9	Asonomoo Carving Self Help Group	Nairobi
10	Asonomoo carving self help group	Kisii
11	Attika Crafts Agency	Nairobi
12	Awama Afrikana Arts	Nairobi
	A-Z Range of African Arts and Jewellery	
13	Limited	Nairobi
14	Beacon of Hope	Nairobi
15	Bemos Crafts Developers	Nairobi
16	Bingwa Curious	Nairobi
17	Biop company	Nairobi
18	Bombolulu Workshops and Cultural Centre	Mombasa
19	Bombululu Workshop and cultural Centre	Mombasa
20	Bosinange Jua Kali Soapstone	Kisii
21	Bwango Self Help Group	Malindi
22	Chakacha Handicrafts	Nairobi
23	Chemi Chemi ya Ukweli	Nairobi
24	Chuka Weavers	Nairobi
25	Clear crafts	Nairobi
26	Clear view promotios	Nairobi
27	Constant Gardener	Nairobi
28	Craft caravan	Nairobi
29	Crafts and Things	Nairobi
30	Crafts of Africa Cultural Gallery	Nairobi
31	Cross Cultural Crafts	Nairobi
32	Curois and Handicrafts	Mombasa
33	Design Giant Self Help Group	Nairobi
34	Diginity and Hope Women Group	Marsarbit
35	Dunga Cottage	Kisumu
36	Dupot Handicrafts	Kisumu
37	Dynamic Ventures Africa Ltd	Nairobi
38	Eastleigh Community Centre	Nairobi

39	Ecosandals	Nairobi
40	Elgon Curios	Nairobi
41	Elivab	Nairobi
42	Equitorial Handicrafts	Nyeri Uasin
43	FPI Imani Workshop	Gishu
44	Friends of Kinagop	Nyandarua
45	Gifts Centre of Africa	Nakuru
46	Githara Crafts	Limuru
47	Gramwa Designs	Nairobi
48	Hera Timo Self Help Group	Kisumu
49	Hyacinth Craft	Kisumu
50	Imani Workshop	Eldoret
51	Indegenous Resource Management Group	Marsarbit
52	Interweave Crafts	Nairobi
53	Isinya Weavers	Nairobi
54	Isolo Weavers	Kitui
55	Jacaranda Workshop	Nairobi
56	Janbella Kenya	Nairobi
57	Jedando Modern Handicrafts	Nairobi
58	Jony Craft Company	Nairobi
59	Kazuri Beads	Nairobi
60	Kenafro Crafts	Nakuru
61	Kenana knitters	Naivasha
62	Kencraft Curios Limited	Nairobi
63	Kenya Crafts	Nairobi
64	Kilimanjaro Curios	Mombasa
65	Kipenzi Designs	Nairobi
66	Kipepeo Designs Trust	Nairobi
67	Kisii Arts and Crafts	Kisii
68	Kisii Soapstone Carvers Cop Society	Kisii
69	Kisii Soapstone Project	Kisii
70	Kisumu Innovative Centre Kenya	Kisumu
71	Kiwas Crafts	Nairobi
72	Korogosho Bega kwa Bega	Nairobi
73	Lake Front Arts and Crafts	Kisumu
74	Langata Hansdmade Crafts	Nairobi
75	Lazarin Handicrafts	Nairobi
76	Ledama African Curious	Nairobi
77	Leo Arts	Nairobi
78	Lifebloom Services	Naivasha
79	Litha Crafts and Gifts	Nairobi

80	MA PANDIT & Company Limited	Mombasa
81	Maasai Hunt Kenya	Nairobi
82	Maasai Village Weavers	Nairobi
83	Machakos District Co-op Union Limited	Machakos
84	Madina Crafts	Nairobi
85	Magoto Handicrafts	Kiambu
86	Maisha Commodity	Mombasa
87	Maisha Poa Design	
88	Malindi Handicrafts	Malindi
89	Mamba curious and Crafts	Nairobi
90	Mango True Mirage Limited	Machakos
91	Manyatta Curious	Nairobi
92	Marleen Project	Nyahururu
93	Masaai Village Crafts and Weavers Limited	Nairobi
94	Mavisa Carvers and Exporters	Mombasa
95	Mazoea Carvings and Suppliers	Mombasa
96	Mega Exporters and Importers	Nairobi
97	Millenium Handicraft Company	Ukunda
98	Monda African Arts	Nairobi
99	Monic Self Help Group	Kisii
100	Morgen Crafts	Nairobi
101	Movenna Handicraft Organisation	Kisii
102	Muongano Artists Self Help Group	Kisii
103	Nairobi Handicraft Co Ltd	Nairobi
104	Naishad Trading Company	Nairobi
105	Nalamae Crafts	Nairobi
106	Namayiana Maasai women Group	Ngong
107	National Volunteer Network Trust	Nairobi
108	Nayma Limited	Nairobi
109	Ndovu Crafts	Machakos
110	Nik Nacks Limited	Nairobi
111	Nina Curious	Nairobi
112	Njemba Weavers	Nairobi
113	Nobel Exporters	Nairobi
114	Nyabienga Soapstone Carvers	Kisii
115	Omusi Craft Enterprise	Nairobi
116	Onja Uone Promotions Limited	Kitale
117	Ontaso Maasai Heritage	Nyeri
118	Opollo Curious and Crafts	Nairobi
119	Organisation For Youth Empowerment and Solidarity	Nairobi
120	Overseas Curios Limited	Mombasa

121	Passionate Funds International	Naivasha
122	Pearls of Nature	Nairobi
123	People Tree	Naivasha
124	Perfection Plus Limited	Nairobi
125	Primax Crafts	Kikuyu
126	Quill Crafts	Nairobi
127	Real African Arts	Nairobi
128	Revelo Links	Mombasa
129	Ripage Curious and General Exporters	Nairobi
130	Rozika Garden Centre	Nairobi
131	Ruma Crafts	Nairobi
132	Rumarco Trading	Eldoret
133	Sabara Crafts	Nairobi
134	Safari Bead Limited	Nairobi
135	Salom Enterprises	Nairobi
136	Sanbora Design House Limited	Nairobi
137	Sanpac Africa Limited	Nairobi
138	Seventh Gallery	Nairobi
139	Shalom Women Group	Makueni
140	Shanga Shanga Crafts	Malindi
141	Sheshe Handicrafts	Nairobi
142	Sifa Self Help Group	Kisumu
143	Simba African Arts and Crafts Galleries	Nairobi
144	Simba Handicraft Traders	Nairobi
145	SKC Suppliers	Nairobi
146	Smolart Self Help Group	Kisii
147	Swara Handicrafts	Nairobi
148	Tabaka Classic Carvers Self Help Group	
149	Tabaka Muungano Arts	Kisii
150	Tabaka Riotoya Youth Group	Kisii
151	Tabaka Soapstone Carving Agency	Kisii
152	Tabaka United	Kisii
153	Takwiri Creation	Kisumu
154	Tapa Trust	Nairobi
155	Taste of Turkana	Nairobi
156	Tausi African Arts	Nairobi
157	Temak	Kisumu
158	Tindi Enterprise	Nairobi
159	Training Talents For Development	Nairobi
160	Trinity Jewellery	Nairobi
161	Tunajivunia Africa Yetu	Mombasa

162	Undugu Society of Kenya	Nairobi
163	Utamadunu crafts	Nairobi
164	Vanton Craft Exporters	Nairobi
165	Victoria Handicrafts Group	Kisumu
166	Village Talent Network	kisii
167	Wanasanna Self Help Group	Kisii
168	Wasya wa Mwaitu	Mwingi
169	Worldlink Curious	Nairobi
170	Yatima Curio and Crfts	Nairobi
171	Yatta South Womens Group	Machakos
172	Young Christianity Self Help Group	Kisii
173	Zajiuza Crafts and Souvenirs	Nairobi
174	Zam Zam Weavers	Nairobi
175	Zingaro Percussions	Nairobi
176	Zingira	Kisumu
177	Zuri Crafts	Nairobi