

# **Access to E-Commerce in the Ethical Trade Arena: A Case study of Artisans in Kenya.**

**By: Megan MacDonald**

**A project paper submitted in partial fulfilment of the  
requirement for the award of the M.A. degree in  
Development Studies.**

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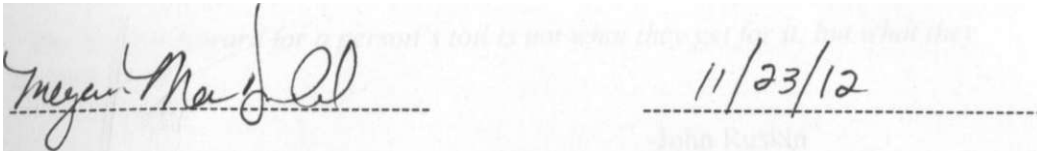


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## Declaration

This project is my original work and has not been submitted for a degree to any other university.

A photograph of a document showing a handwritten signature 'Megan MacDonald' and the date '11/23/12' written over a dashed line.

**Megan MacDonald**

**Date**

This project has been submitted with our approval as university supervisors.

**Dr. Paul K a mail**

**Date**

S L O P -

**Dr. Mary Kinyanjui**

**Date**

**Institute for Development Studies  
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## **Dedication**

This study is dedicated to women throughout the world who work daily to overcome the barriers in their path.

*"The highest reward for a person's toil is not what they get for it, but what they become by it.*

-John Ruskin

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## Abstract

As e-commerce increases its reach as the premier vehicle for global consumerism, the **expectation** exists **that the** benefits will reach producers in all corners of **the** globe. This study endeavoured to explore whether artisan groups in the developing world are experiencing the benefits of e-commerce by gaining direct access to consumers. **Following** a case study approach, the study identified one commerce arena, **ethical** trade, and three artisan groups in Kenya whose goods were being sold on an ethical trade website pioneered by one of the world's largest e-commerce companies. O1 Malo Designs, Bombolulu Workshops and Jorova Crafts were selected based on their **geographic** diversity in Kenya and the different partners they worked with that led to their participation in the website WorldofGood.com. The study groups' history in the ethical trade arena, established relationships with international partners and desire to understand and increase their market impact ensured their willing participation in this study. The study identified the structures and process that facilitated each artisan group's participation on the website WorldofGood.com. The study finds that wholesale buyers from the west remain critical components of e-commerce participation by artisan groups in Kenya. The benefits of e-commerce remain a step-removed from artisan groups, who continue to lack the technology, resources or an overall e-commerce paradigm in which to maximize their participation in this growing market vehicle. This study recommends that the government in Kenya enact and enforce policies to foster education, training and access to information technology **resources**. This can compliment the **role** of the buyers whose partnership with artisan groups remains critical. These buyers can assist in the training and exposure of artisan groups to the e-commerce platform. Such policy and training assistance can help promote an institutional shift in the artisan groups as they begin to conceptualize the new frontiers offered by e-commerce as **a** whole.

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## Acronyms

A.POK.	Association for the Physically Disabled of Kenya
g2B	Business to business
Q2C	Business to consumer
COFTA	Cooperation for Fair Trade in Africa
COMESA	Common Market for Eastern and Southern Africa
	East African Community
pTp	Fair Trade Federation
qqP	Gross Domestic Product
GVC	Global Value Chain
jqj	Information and Computer Technology
jFAT	International Fair Trade Association
jlCA	Japan International Cooperation Agency
K_EFAT	Kenya Federation for Alternative Trade
LDC	Least Developed Countries
LOHAS	Lifestyles of Health and Sustainability
NGO	Non-Governmental Organization
SME	Small and Medium Enterprise
SRB	Socially Responsible Buying
WIPO	World Intellectual Property Organization
WFTO	World Fair Trade Organization

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## J. INTRODUCTION

Kenyan artisans are amongst the most famous in Africa. Their crafts and techniques can be found throughout the continent, yet Kenyan artisans often struggle to market their wares directly beyond their own geographic locations. This leads to local market limitations while also contending with the challenges presented by local and **international** market flooding of mass-produced, cheap alternatives from China and other **fast**-industrializing nations. Many Kenyan artisans are beginning to see that to compete effectively with these cheap alternatives, they must add value to their products and target consumers willing to pay higher prices for the assurance of ethical trade. With the aid of third party Non-Governmental Organizations (NGOs) many have begun to follow production practices that offer the advantage of marketing their goods internationally under the broad label of "ethical trade." In an attempt to combat the inherent vulnerability such artisans face as a result of their remote locations, high cost of transport, various language and educational constraints, lack of access to technology and technical acumen, ethical trade advocates focus on protecting workers' rights throughout the supply chain as well as changing the buying practices of wholesale buyers, retailers and consumers alike.<sup>1</sup> This approach supports artisans in attaining improved incomes, working, and living conditions while at the same time responding to a growing international market demand for products that are positive **for the** producer, consumer, and environment.

### 1.1 E-Commerce Opportunities in Ethical Trade

The website WorldofGood.com is an ethical market place started in 2008 by eBay, the world's largest online market place. WorldofGood.com seeks to conjoin the increased popularity of shopping online and the demand for ethically produced goods. While the Fair Trade label is a leading method for recognizing ethically produced goods, WorldofGood.com does not limit the products it features to this label. Instead, it expands the idea of ethical production by bringing together a variety of organizations with experience in production and monitoring to verify all products listed on the site. Thus, while some are labelled Fair Trade, others utilize these third party organizations

<sup>1</sup> According to [www.ethicaltrade.org/faqs](http://www.ethicaltrade.org/faqs) this distinguishes "ethical trade" from the Fair Trade mark (which focuses more on products themselves and how they can be labelled in accordance with Fair Trade principles).

(known as Trust Providers) to verify their production practices follow the underscoring value of ethical trade, and specifically the protection of workers' rights throughout the supply chain.<sup>2</sup>

WorldofGood.com offers retailers an opportunity to set up an online shop in which they **conduct** their own business, paying a percentage of each sale to eBay, along with **an item-listing fee**. The ethical aspect of WorldofGood.com's operations are reflected **in** the requirement that each vendor be certified by a Trust Provider along with **ascribing production** labels to each product. These labels fall under **WorldofGood.com's** "Goodprint" labelling system, which offers consumers an **explanation** as to the ethical practices behind each product. This labelling system aims to increase buyer confidence as they participate in e-commerce by creating a means by **which** to evaluate listed items. Goodprint labels are divided into the **following four categories** and **their** implied impacts:

- 1. People Positive:** A *People Positive* label reflects a product created to benefit the artisan or producer involved in its production. Such products are part of projects that address a worker's quality of life through one or more factors. These factors can include the payment of higher than average wages (often according to Fair Trade or "living wage" standard), economic empowerment through participation in micro-finance or assistance with school fees or finally, what WorldofGood.com references as "preserving tradition." Products that are created using traditional methods or in the context of local culture are ascribed the *People Positive* label.
- 2. Eco Positive:** An *Eco Positive* label references production that promotes energy or environmental conservation. Products that are created using recycled or environmentally friendly materials can be labelled *Eco Positive* for their promotion of environmental conservation.
- 3. Animal Friendly:** To be labelled *Animal Friendly* a WorldofGood.com product must promote animal welfare. This can be done through the creation of products that are mindful of the materials involved, ensuring no habitats are destroyed as a result. Products that work to preserve endangered species can also fall under the *Animal Friendly* label.
- 4. Supports a Cause:** A product labelled with *Supports a Cause* indicates a portion of profits is directed towards a charitable purpose including non-profit organizations, foundations or trusts. This label ensures a customer that part of the sale price will be directed towards a reputable cause.

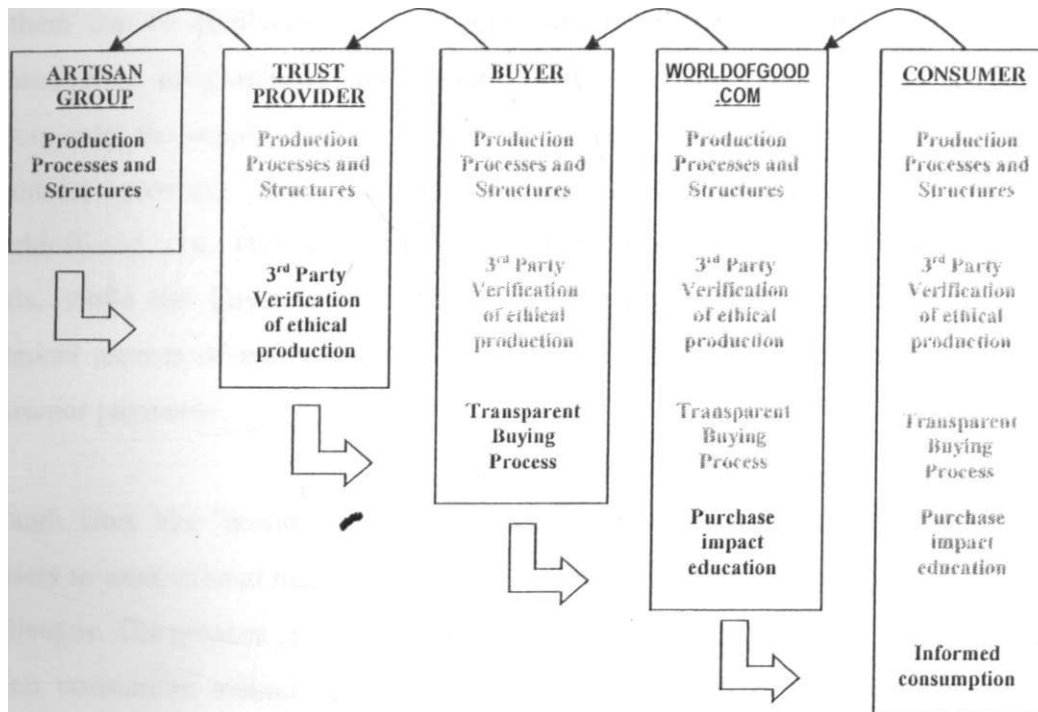
\* See [www.ethicaltrade.org/faqs](http://www.ethicaltrade.org/faqs)

See <http://worldofgood.ebay.com/ns/AboutGoodprint.html>

### 1.1.1 Access for Artisans

While a number of Kenyan artisan groups are represented on this site, they rely on **wholesale** buyers (buyers) based outside Kenya to market goods on their behalf. This is **largely** due to the fact that the payment system (PayPal<sup>4</sup>) utilized on the site is not **compatible with the** Kenyan banking system. To circumvent **this** challenge, buyers **work directly** with artisan groups to import their goods and then list them on their **behalf on** WorldofGood.com. In the process, the buyers ascribe the appropriate **Goodprint labels** to each item based on its materials and production. This study **sought to** explore the structures and processes of a select group of Kenyan artisan **groups and** the wholesale buyers who facilitate these partnerships as a means of **exploring** e-commerce opportunities for Kenyan artisans as a whole.

Figure 1.1: Ethically Transparent Supply Chain with WorldofGood.com



Source: Author's conceptualization

PayPal is a secure online payment system that encrypts customer banking and credit card information. See [www.paypal.com](http://www.paypal.com).

## 1.2 Statement of Problem

Kenyan artisans have long depended on a thriving tourist trade for the marketing of their goods. However, in recent years the tourism sector has declined due to the post-election violence of 2007 and the threat of piracy off Kenya's coast (Kenya Tourist Board 2010). The continued political instability in Kenya, coupled with the effects of the 2008 global financial crisis has added to the existing challenges facing artisan groups. These challenges include the growing competition of cheaply produced products from abroad, and a continued lack of access to credit and capital. At the same time, global market opportunities for goods originating in developing countries, like Kenya, that can be verified and branded as "ethically produced," are on the rise.

While such markets present opportunities for ethical consumers to access goods from developing countries without actually visiting distant locales themselves, direct access to them can be challenging (if not impossible) for artisan groups as a result of technological, geographical, and financial system barriers. To assist artisan groups, buyers enter the supply chain as facilitating intermediaries to purchase directly from producers products that can then be marketed on e-commerce sites like WorldofGood.com. This allows artisans to focus on the production aspect of their crafts, while the buyer and marketing organizations take responsibility for the technical aspects of marketing via e-commerce, including shipping and processing consumer payments.

Though sites like WorldofGood.com seem to provide an opportunity to remove barriers to international market entry for artisans themselves, they continue to present challenges. The greatest challenge that buyers help artisans negotiate is the method by which consumers abroad can pay for their products. WorldofGood.com utilizes PayPal<sup>5</sup>, which does not offer services in Kenya, as a means of receiving payment (though payments can be made with credit cards registered to U.S. or European addresses). Because of this, artisans continue to rely on wholesale buyers to provide cash or other forms of local payment to the group, and list the items on their behalf.

<sup>5</sup> [www.paypal.com](http://www.paypal.com) (which is widely regarded as the world's number one online payment system) in 2002. The site allows users to register a credit card and bank account from which to make as well as receive payments.

Local artisans face additional challenges based on their geographic location including **transport** and shipping fees that contribute to cost-prohibitive production. This is compounded by a lack of access to technology and the administrative training needed to utilize the Internet to enhance customer relations and marketing opportunities. Literature delving into these realities facing Kenyan artisans and the processes they use to overcome such obstacles is scarce. This study therefore sought to provide an **understanding** of the processes and structures that allow artisans to successfully **market their** wares abroad utilizing emerging e-commerce opportunities.

### **1.3 Research Objectives**

The overall objective of this study was to assess opportunities and challenges for Kenyan artisans hoping to access e-commerce opportunities abroad. The specific objectives can be summarized as follows:

1. To identify characteristics of Kenyan artisans who access e-commerce opportunities in ethical trade.
2. To demonstrate the processes that facilitate access to e-commerce for artisan groups in Kenya.
3. To analyse the structures that facilitate relationships with buyers in the ethical trade arena.
4. To identify barriers to e-commerce market access for Kenyan artisans.

### **1.4 Research Questions**

In order to meet the study objectives, the following research questions were pursued:

1. What characteristics, structures and processes facilitate participation in e-commerce for artisan groups in Kenya?
2. What barriers limit e-commerce market access for Kenyan artisans?

### **1.5 Justification**

For Kenyan artisans who may lack access to technology due to remote locations or living conditions, e-commerce offers the opportunity to bring the world to their doorstep. Despite having 12% of the world's population, African countries account for only 3.9% of global Internet users. Kenya ranks 7<sup>th</sup> for total Internet users out of

**all African** countries totalling roughly 3.4 million<sup>6</sup> - less than ten per cent of the total **population**. This presents challenges to artisans hoping to capitalize on the **e-commerce** retail market, which in the U.S. alone grew an average of 21% each year **between** 2002 and 2008 (compared with 4% growth for total retail sales).<sup>7</sup> Buyers **currently** help artisans circumvent their own technological limitations by serving as an **intermediary** between the artisans and consumers seeking ethically produced goods. **E-commerce** allows these buyers to save on retail space and administrative costs **while** accessing a growing consumer base. According to the U.S. Census Bureau E-StatsReport (2010), Clothing and Clothing Accessories (which a large percentage of artisan **goods** like jewellery are categorized under) make up the biggest merchandise **category** in U.S. e-sales (totalling \$17 billion).

In addition to general market trends demanding wider availability of products online, consumers are focused more than ever on the ethics behind the products they buy. This growing consumer base is ideally suited for the marketing of artisan goods. The Lifestyles of Health and Sustainability (LOHAS) market was estimated to be worth \$209 billion in the U.S. in 2006, with between \$10-11 billion in the Natural Lifestyles market segment, which includes many artisan goods (<http://www.lohas.com/about.html>, 2010). Further evidence suggests that the country in which a product originates is a key factor for many consumers interested in the ethics of production, especially in regards to the politics and production practices of the country (Crane, 2001).

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last accessed May 27, 2010.

• • Census Bureau E-Stats ([www.census.gov/estats](http://www.census.gov/estats)) last accessed May 27, 2010.



## 2. LITERATURE REVIEW

### 2.1 Theoretical Literature Review

Three theories informed this research project: Institutions Theory, Global Value Chain (GVC), and Transaction Cost Theory. Institutions Theory was **identified** for its ability to recognize the parameters in which operations and change can take place as the global market transitions into the e-commerce arena. GVC theory helps to identify the rules by which operations take place and how they are changing as the market transitions. GVC theory also focuses on transaction costs and identifying who captures the greatest benefit in market operations. Finally, **Transaction Cost Theory** addresses how costs and risks are reduced while **coordination** amongst the "players" in global trade is enhanced.

#### 2.1.1 Institutions Theory

Institutions theory defines institutions as the "rules" of the game, while organizations are the "players" (North, 1994a). Essentially, institutions can be seen as the "backdrop for all business activity," (McCormick et al., 2001). While institutions are recognized for their role in promoting or discouraging economic growth in development as a whole, they bear specific responsibility for managing uncertainty and conflicts, providing information and promoting trust amongst participants in the technology field (Oyelaran-Oyeyinka, 2005). This can be looked at from the external institutional structure in which artisans operate (government and other regulatory agencies) and the internal structure (the existing artisan community and the manner in which it operates). Organizations bear the responsibility to initiate change, and North (1994a) lays out various rules by which this change is likely to occur. A primary rule he outlines is based on incentives, according to which organizations adapt their behaviour. Another rule is based on skills, or what they perceive is likely to return the greatest yields (North, 1994b).

North (1994a) acknowledges that the mental models of the individuals and **organizations** involved in either the external or internal structures often reflect the **existing** institutional framework. This alludes to the paramount importance for **artisans** conducting their activities within the institutional framework of local markets,

**while** attempting to take their production and marketing to the next level of e-commerce and international trade. These are two examples found in the literature: **artisans** who express a distrust of e-commerce requirements for online data, fearing it **will not be** kept secure (Kinyanjui and McCormick, 2004) and artisans who fear that **posting their** products online will make them more vulnerable to copying and large-scale **reproduction** by global retailers (Humphrey, 2002).<sup>8</sup>

The changing framework of business requires institutional improvements to accommodate these concerns and enable further participation by firms. Understanding the institutional forces and changes involved in artisan market access can be used to address the potential the sector presents for increasing economic activity. As North (1994a) states, "...the informational and institutional requirements necessary to achieve such efficient markets are stringent," hence the need to analyse the structures and processes helping individual artisan groups make the changes necessary to expand their market reach and take advantage of emerging e-commerce opportunities abroad. Further, more institutions in developing countries must be mindful that their own technological development occurs in a manner different to the countries who pioneered the technology age - from which developing nations are likely to adopt and transfer such technologies (Oyelaran-Oyeyinka, 2005).

Because artisan groups and small producers do not have the bargaining power that larger organizations do as a result of their size and scope, they rely on governments and larger lobbying organizations to take the lead in promoting institutional change to better accommodate developing countries in their efforts to engage in e-commerce. According to McCormick et al. (2001), the state is especially recognized for its paramount importance in either promoting or stalling economic development. Legal and regulatory frameworks can enable market access by creating an accommodating institutional structure in which business can be conducted (Kinyanjui and McCormick, 2004). The establishment of such frameworks is sure to be challenging given the changing institutional structure of the marketplace, commerce and its participants as a whole. For this reason, further research is required regarding

<sup>8</sup> **h should be noted that this "fear"** is based in a very real practice of large retailers copying artisan **era ts and techniques from** developing countries. However, such concerns pose the potential to increase **ne vulnerability of least** developed countries (LDCs) and their likelihood of missing out on e-commerce **opportunities** due to lack of economic and social capabilities (Moodley, 2003b).

**institutional** environment standards that will enable the development of e-commerce **and** meet the needs of international partners (Kinyanjui and McCormick, 2004).

### **2.1.2 Global Value Chain Theory**

Global Value Chain Theory (GVC), picks up on the "contracts" and inter-**organizational** relationships that institutions theory acknowledges as helping to define the rules (North, 1994a). By looking at the activities involved in a product's **development** from conception to consumption, GVC theory traces the relationships that **accompany** products through their life cycle (Knorrinda and Pegler, 2006). Gereffi (1994) breaks the GVC down into five dimensions as part of the overall "Flow" or **input/output** dimension (see Table 2.1). These steps include the design of a product, the purchase/acquisition of raw materials, the use of these materials in production, and the subsequent distribution of the product in both the wholesale and retail markets. At each stage there is some level of material input/output along with what is referenced as the "knowledge flow," which is the expertise that is or is not needed at any given stage. For example, in the design stage of a pair of pants, expertise would be needed regarding body shapes, fit guidelines, current styles, etc. Once designs and patterns are drafted, the expertise needed for production is limited to basic sewing **skills**.

A second dimension involved in the GVC is the geographic spread of the chain. More and more, commercial sourcing tends to utilize producers and inputs across the globe, creating an intricate chain of interaction. In a recent paper on GVC theory, Sorensen (2009) defines a GVC as "a set of consecutive value-adding activities performed by a set of autonomous but interdependent actors located across borders in two or more countries." McCormick and Schmitz (2001) acknowledge that a value chain can also involve local, regional or national producers, though these value chains tend to have less geographic reach than more globally intricate chains (see Table 2.1). The artisan groups in this study have historically been part of this latter group, though opportunities to expand their geographic reach are presented by partnerships with Trust Providers and buyers.

**table 2.1: Dimensions of the Global Value Chain**

<p><b>Flow (Input/Output)</b></p> <ol style="list-style-type: none"> <li>1. <b>Material Flow</b></li> <li>2. <b>Knowledge/Expertise Flow</b></li> </ol>	<p><b>Five dimensions of the GVC</b></p> <ol style="list-style-type: none"> <li>1. <b>Design</b></li> <li>2. <b>Raw Material Purchase</b></li> <li>3. <b>Production</b></li> <li>4. <b>Distribution - Wholesale</b></li> <li>5. <b>Distribution - Retail</b></li> </ol>
<p><b>Geographic Spread</b></p>	<p><b>Types of spread</b></p> <ol style="list-style-type: none"> <li>1. <b>Local</b></li> <li>2. <b>Regional</b></li> <li>3. <b>National</b></li> <li>4. <b>Global</b></li> </ol>
<p><b>Governance</b> (Control of and by other actors in chain)</p>	<p><b>Types of GVC governance:</b></p> <ol style="list-style-type: none"> <li>1. <b>Market</b></li> <li>2. <b>Balanced Network</b></li> <li>3. <b>Directed Network</b></li> <li>4. <b>Hierarchy</b></li> </ol>

*Source: Author's conceptualization based on Gereffl (1994) and McCormick and Schmitz (2001)*

The final dimension of GVCs is referenced as Governance: the level of control held and practiced by the various actors involved in the chain, and specifically how this control can be organized amongst international actors (Sorensen, 2009). McCormick and Schmitz (2001) isolate 4 types of governance namely: Market, Balanced Network, Directed Network and Hierarchy.

The GVC is created as a result of production that extends beyond basic subsistence and into the profit arena, with product value increasing through the GVC cycle. Sales and marketing of products tend to provide the greatest returns, and therefore the firms

responsible for the later stages of the GVC cycle tend to capture the most profit, in contrast, the producers at the early stages of the GVC, largely assembling products with little to no technical or design involvement, often gain very low returns on their labour (Sorensen, 2009). For this reason, increasing market access directly to artisans could be a key function to improve their potential profit and incomes. The result draws attention to the third theory used in this study by highlighting the significance of transaction costs in GVCs and how barriers to market entry can be reduced.

### 2.1.3 Transaction Cost Theory

**Transaction** cost theory focuses on the costs involved with bringing products to **market**. E-commerce is noted for the opportunity it presents for sellers and buyers to **find** each other easily using the Internet, thereby reducing market entry costs (Hinson and Adjasi, 2009). As firms choose transactions that minimize costs, they are likely to **take** advantage of rapid cost performance improvements in Information and Communications Technology (ICT) (Moodley et al., 2004). Transaction Cost Theory breaks the benefits of e-commerce into six propositions (see Table 2.2). Humphrey (2002) echoes these propositions in stressing three core elements of Transaction Cost Theory: 1) reducing search costs 2) co-ordinating the activities of buyers and sellers **and** 3) reducing the risks posed by opportunistic behaviour.

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Figure 2: Transaction Cost Theory and E-commerce

1.	<b>F-commerce</b> creates the platform for more efficient inter-firm commercial transactions.
	<b>E-commerce</b> is likely to eliminate intermediate transaction layers between producers and the ultimate customer for a particular good or service.
3.	<b>E-commerce</b> is relatively simple and inexpensive to design and implement in developing countries.
X	E-commerce offers 'business to business' (B2B) online marketplaces the potential to increase transaction efficiency and reduce transaction costs, extend market reach, and increase choice for developing country producers.
IT	E-commerce facilitates international trade, by providing developing country producers with lower market entry costs and the ability to extend geographic reach to a much larger market.
6.	<b>E-commerce</b> is 'transformational' or 'revolutionary' technology, which challenges the pre-existing ways of doing business, of collaborating and of competing.

Source: Moodley et al. (2004)

On its own, Transaction Cost Theory is insufficient to encourage developing countries to invest in e-commerce. However, when viewed through the combined lens of Institutions and GVC Theory, the opportunity to identify key players and potential profit-enhancing improvements could provide the motivation needed (Moodley et al., 2004). Such understandings can in turn influence policy decisions for developing countries looking to enhance their e-commerce market activities.

Transaction costs as they relate to GVC theory can be categorized into two parts: coordination costs and motivation-related costs (Garicano and Kaplan, 2001; Humphrey, 2002). Coordination costs refer to the basic interaction between a buyer and seller that determine prices and the sharing of information between involved parties. Motivation costs speak more towards opportunities for value chain players to manipulate transactions for their own benefit, including practices like shirking<sup>9</sup> and shifts in bargaining power (Garicano and Kaplan, 2001; Humphrey, 2002). This raises the issue of ethics and the importance (especially in Fair Trade and eco-conscious arenas) of ensuring that products are well represented by retailers and, concurrently, that the supply chain process is transparent. While face-to-face transactions allow for the physical inspection of goods, e-commerce requires a supplementary ability to ensure

<sup>9</sup> They refer to the concept of shirking as defined by Williamson et al., 1993:16, in defining shirking, "The parties to the transaction have conflicting interests, and it is difficult or costly to monitor or enforce compliance with commitments. The more complex the transaction, the more difficult this may be." (Humphrey, 2002)

**that products** (and promises from buyers and/or sellers) are, in fact, what they say **they are** (Garicano and Kaplan, 2001). WoiidofGood.com's Goodprint labelling **system and** Trust Providers provide an example of how to bridge this gap when **transactions take** place via e-commerce.

## **2.2 Empirical Literature Review**

### **2.2.1 Ethical Trade**

The **rapid** development of new technologies and emerging markets has resulted in an **industry** where social and environmental costs are often superseded by financial profit **and** gain, leading countries and firms to willingly exclude human and environmental **standards** from their production practices for the sake of keeping costs down (**Fletcher**, 2008). In the 1990s, this trade-off became part of public dialogue when **outrage** over sweatshop conditions and toxic materials use in international factories **were** publicized by a variety of NGOs and student groups at American universities (Rivoli, 2009; Dickson et al., 2009; Fletcher, 2008).

Subsequently, consumers and investors alike have taken greater interest in the production ethics behind the products and companies in which they invest, rather than focusing exclusively on their profit margins (Roberts, 2003). The result has been an often-reactive attempt by global firms to implement codes of conduct and other supply chain improvements for the sake of protecting their brand image (Fletcher, 2008). These efforts have expffited opportunities for small producers who can verify their own production processes and offer an alternative to "big business," avoiding the negative publicity generated by large-scale production, human rights violations, and harmful environmental impacts. At the same time, the reach of NGOs, student groups and consumer-awareness groups has changed the arena to which these companies market their goods by demanding that a proactive incorporation of ethics on a social and environmental level be factored into production.

## f 2.2 Key Terminology

While "fair trade" is often used as a generic term to reference ethical production, the term is actually bound to a specific set of criteria requiring what can be a costly **certification** that not all groups following such criteria are able to pursue. As such, this study will use the broader terminology of "ethical sourcing" and "socially responsible buying/sourcing" (SRB). Ethical sourcing and SRB draws on the partnership created between buying firms and producer groups with special emphasis placed on the ethics involved in the supply chain (Park and Stoel, 2005). Graafland (2002) acknowledges that a buying firm's commitment to **ethics** can be reflected in **the** assistance for producers to create step-by-step improvements in their production **regarding** social and environmental impacts. While the producers **involved** may have **already** been vetted and **labelled** by third **party** organizations as **ethical** producers, the buying firm must ensure that each step of the supply chain for a specific product adheres to these standards. At the same time, the buying firm can help establish or refine the framework in which producers can create products for the global market (as **many** ethical producers face limitations due to an inability to produce to the quality or volume requirements of international buyers). In doing so, ethical sourcing minors **the** underlying values reflected in the Fair Trade movement, which attempts to inform consumers about their purchases while seeking to develop better trading conditions and **pay** for producers (Davies and Crane, 2010). Ethical sourcing activists (NGOs, firms, and individuals) put forth similar goals to inform consumers about the costs of production and enhance the benefits and conditions to the greater production region in which production and sourcing takes place.

### 2.2.3 Kenya's Trade Reality

In recent years, Kenya's competitiveness in the global apparel arena has paled in comparison to other countries that once faced similar challenges in their efforts to promote development.<sup>10</sup> China and India

are but a few of the nations that have gone great lengths to overcome development challenges by providing jobs and increasing

These challenges include per capita Gross Domestic Product (GDP), share of manufacturing in GDP, and adult literacy rates (as included in the UN Definition of Least Developed Countries:

[www.un.org/esa/policy/devplan/profile/index.html](http://www.un.org/esa/policy/devplan/profile/index.html)).



their export base in part via the manufacturing of clothing and accessories that cater to the global market. In contrast, Kenya and indeed other East African countries have failed to attract the level foreign investment that other developing countries have in their era of new independence. This is due to their inability to compete with the labour force, infrastructure, or fast-growing economies of such countries (Stiglitz, 2006; Gereffi and Memedovic, 2003). Similarly, the inability of producers in East Africa to match the scale, scope, and cost of production with leading producer countries mirrors the challenge of small producers in any locale to compete with the major corporations and large-scale producers that are increasingly monopolizing the market (Molla, 2007). These buyers (or lead firms) have largely avoided producing in countries like Kenya, further suppressing the region's ability to compete on a global scale. As an alternative, ethical trade buyers like Ten Thousand Villages and Global Handcrafters seek locales like Kenya specifically for the purpose of helping local artisans.

Crane (2001) suggests that while an ethical product defies a standard or universal definition, producers can provide added value to their products by way of *ethical augmentation*. Crane (2001) notes the four levels of production at which ethical augmentation can be applied: product, marketing, corporation and country. Ethical augmentation can relate to labels applied to products whose production reflects a certain value framework. Labels like "fair trade" were used in this study to select artisan groups that adhere to ethical production practices.

Crane (2001) addresses the significance of location in the ethical framework of clothing and textile production, acknowledging that "for some consumers, the country of origin of their purchases is a significant ethical consideration, from the positive augmentation afforded by drives to buy only home-produced products, to the negative augmentation accruing to producers in countries with government policies deemed unacceptable by overseas consumers." This presents buying firms with the opportunity to strategically address their sourcing locales in catering to consumer demand. They are faced, however, with the same requirements for production in regards to price, quality and timing (Pretious and Love, 2006). Further, they retain the control in production of determining "when and where manufacturing will take place, and how much profit accrues at each stage." (Gereffi and Memedovic, 2003). Thus,

**locales** hoping to capitalize on consumer demand for ethically produced goods must **still ensure** they can meet buying firms' expectations. This has catalysed hopeful **locales** to determine their availability of labour, resources and the appropriate skills **needed** to meet buying firms demands. Participation in projects like those included in this case study has shown in past studies (Knorringa and Lee, 2006) to contribute to the development of skills, capital and business acumen needed to help regions **develop**. This touches on the call set forth by Vachon (2008) for firms to reach **beyond** fair labour and other practices and to set a goal for "social improvement of local communities and equity in the society within which they are operating." Vachon (2008) thus ties the social sustainability of a country to its supply chain strength.

As Barrientos (2008) notes, a buyer's preference for ethically produced goods (and their inclination to avoid brands with poor reputations), is tested by the consumer's **similar** interest in getting the best product they can for the least amount of money. Thus while they have raised awareness of labour issues with suppliers, they do not stem the pressure set forth by buying firms (Barrientos, 2008). As cost is a recurrent theme in ethical sourcing, such labels are often used to target niche consumers who have demonstrated a willingness to pay a premium for the assurance of production practices they support (Boyd et al., 2007).

The potential exists for such a project to be replicated, building the skill set of artisans and the connectivity between groups able to accommodate large-scale orders on an international scale, thereby improving the geographic reach of producers and ensuring continual process, product and functional upgrading (Knorringa and Pegler, 2006). This upgrading can be looked at as a form of institutional change as artisans gain exposure to new markets and their skill sets grow as a result. From a value chain perspective, Sorensen (2009) cites Douma and Schreuder (2008) in stressing the importance of functioning and well-coordinated value chains for firms hoping to experience gains as a result of specialization.

#### **2.2.4. E-commerce Market Access for Ethical Artisans**

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-commerce is recognized for its potential in developing countries to increase **P**eople s access to information and the speed in which transactions can be completed,

thereby empowering their involvement in the international marketplace (Moodley, 2003a; Kinyanjui and McCormick, 2004). E-commerce is further considered by some to be a critical stepping-stone towards becoming a "knowledge society" (Moodley, 2003b). Moodley et al., (2004) cite the WTO's and the WIPO's claim that e-commerce offers developing countries access to international markets, bidding, and supply processes at low costs and with little capital investment, while Humphrey (2002) points out that e-commerce's potential for developing countries is the ability to increase sales by simply making their products known to foreign buyers. Evidence also exists to demonstrate those countries with the most rapid diffusion of ICTs reflect a correlating rate of employment and output growth. By providing the "building blocks" for an integrated ICT system," e-commerce could provide end-to-end supply chain optimisation (Moodley, 2003a). However, as virtually all literature on the role of e-commerce in developing countries suggests, such implications are based on speculation, this calls for continued empirical study into the arena. There is also a strong call for research addressing the role of e-commerce in ethical trade specifically. Though ethical trade and e-commerce advocates share a goal of eliminating costs by providing direct linkages between buyers and sellers, there remains little data to demonstrate whether or not this is an effective partnership (Molla, 2007).

E-commerce opportunities are especially relevant for developing countries as they pose the potential to lower the transaction costs that have traditionally served as barriers to the global market. One significant reduction in transaction costs can be the elimination of middlemen between groups previously reliant on such firms or agents  
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to help negotiate sales and transport of goods. At the same time, though e-commerce can cut out various links in the supply chain by directly connecting buyers and sellers, it cannot always replace the expertise or communications assistance intermediaries provide (Humphrey, 2002; Moodley et al., 2004). Thus while e-commerce may not eliminate all intermediaries, it can help to cut down on market channels that have become ineffective or overly cumbersome as a result of too many intermediaries by creating more open communications and marketing channels (Humphrey, 2002). Additional barriers to entry are also likely to disappear as access to information

Moodley's (2003) "building blocks" include a network of trading partners, a single point of connection to all participants in the value chain and production network, a common digital platform to  
<sup>ate</sup> seamless communication and transaction processes among trading partners, and real-time  
ponse capabilities to adapt to unplanned events in the value chain.

proliferates, thereby contributing to the removal of supply chain links (Moodley, 2003a).

In order for such connectivity to work, buying firms or consumers must be confident in the products they are being introduced to in an electronic medium. This challenge is often remedied by the continued participation of intermediaries, middlemen or third party organizations. WorldofGood.com designates these as Trust Providers. Some e-marketplaces take additional steps to provide buyers with confidence by providing their own purchasing systems, as eBay has done with PayPal (Moodley et al., 2004). This also reflects the importance of e-commerce communication strategies to build on the existing trust and communication networks firms already have in place. As such, larger manufacturers and firms are more likely to participate in e-commerce trading than smaller firms (Moodley, 2003a).

### **2.2.5 Kenya's Electronic Reality**

As suggested in the literature review, the strength and nature of local institutions greatly influences the potential for Kenyan artisans to embrace and pursue e-commerce opportunities in the ethical trade arena. While electronic communications gained popularity in Kenya during the 1990's, telecommunications and Internet infrastructure have been slow to mature (Kinyanjui and McCormick, 2004). Artisans continue to face a "mismatch" between available technology and the demand being driven by globalisation (Ade<sup>^</sup>j, 2003). The last two years have seen the installation of two fiber-optic cables (Eassy and Seacom) with the potential to greatly enhance the speed and scope of Kenyan communications (McGregor, 2010). Such advances could help to address the factors influencing the use of e-commerce in Kenyan firms including the observations outlined in Table 2.3 by Kinyanjui and McCormick (2004).

<sup>12</sup>

– Moodley (2003b) finds that the availability of affordable access to high-speed telecommunication infrastructure correlates to a firm's movement from traditional practices to e-commerce.

**Table 2.3 Factors influencing the use of e-commerce in Kenyan firms**

1.	<b>Manager Awareness Levels</b>	A manager's awareness and personal activity online can affect an organization's ability or willingness to pursue e-commerce.
2.	<b>Preference for traditional communication styles</b>	Resistance to e-commerce is common for those who are used to face-to-face transactions.
3.	<b>Difficulty of establishing quality standards for projects by way of electronic communication</b>	Some firms do not find electronic communications between buyer and seller to be sufficient for quality control and standardization.
4.	<b>Capacity to increase output</b>	Investing in e-commerce is often related to the size and scope of a firm's production and their interest and ability to increase output.
5.	<b>Relationships with upstream/downstream firms and others outside of Kenya that are moving towards B2B e-commerce implementation</b>	The e-commerce involvement of partner firms can provide the impetus for Kenyan firms to pursue e-commerce participation.

*Source: Author's conceptualization using Kinyanjui and McCormick (2004)*

While most studied firms do demonstrate the use of email (Moodley et al., 2004) one subset of Kenyan firms (in the garment sector) express a standing preference for face-to-face contact, even in those already participating in global trade (Kinyanjui and McCormick, 2004). These firms also share that they are open to using electronic communications to gather information but not to conduct business transactions. Of all technical practices, email is cited as the most important application for Fair Trade producers and is cited as one of the most cost-effective benefits of the Internet (Molla, 2007). Still, many small artisan groups remain "un-wired" and uninformed about the benefits of such investments on top of lacking the up front capital needed to establish working Internet connections.

Kinyanjui and McCormick (2004) do not support the idea that B2B e-commerce usage bears direct correlation to participation in international markets. Given the date of the study and the rapid changes in local and international institutions in e-commerce, the authors' call for more empirical studies is well placed. Moodley et al. (2004) echo this call for more long-term, analytical studies that test the optimistic

literature suggesting widespread success for developing country e-commerce opportunities.

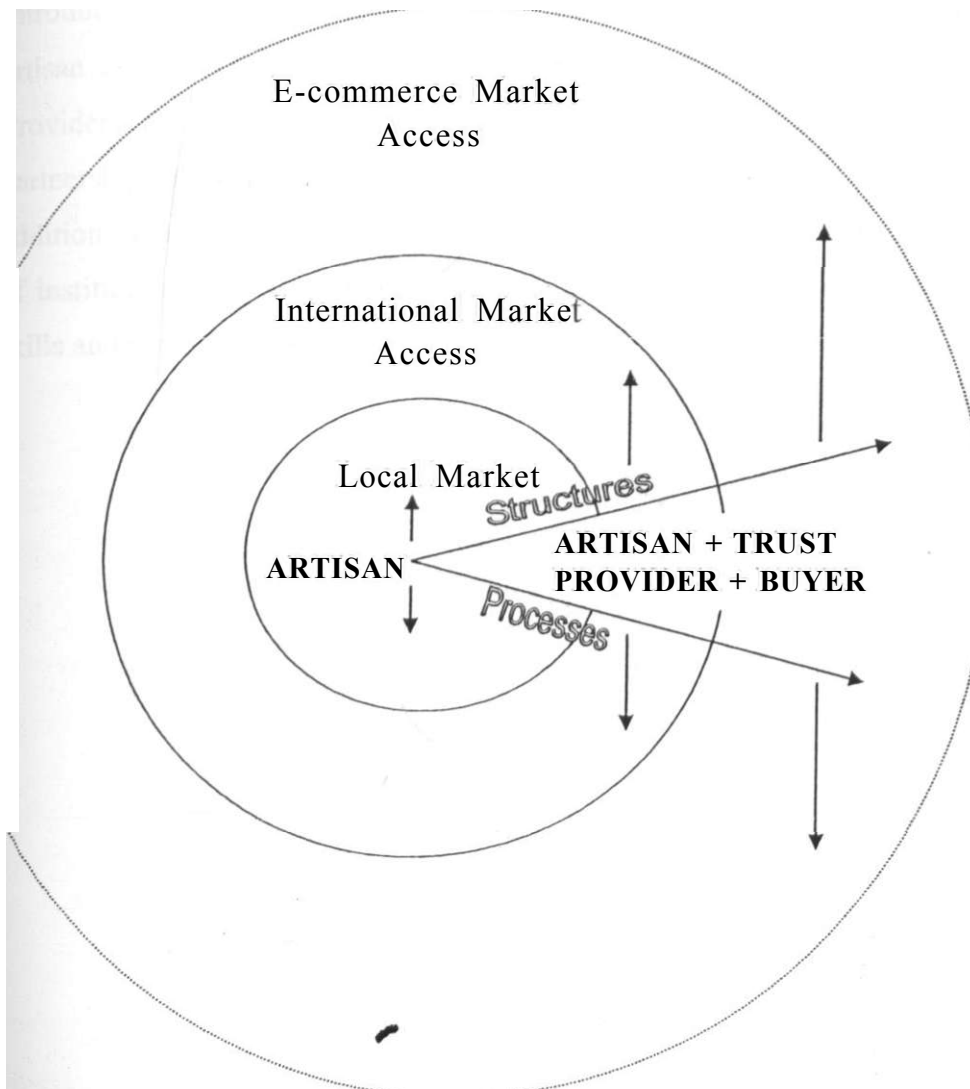
### 2.2.6 Policy Implications for E-commerce

For developing countries hoping to expand their market access utilizing e-commerce, a strong policy structure initiated by the state is of paramount importance. While the state must play a "leading role" in ensuring national infrastructure can accommodate e-commerce needs and growth, globalisation is also challenging the state's authority and ability to do so (Moodley, 2003b). As stated by Oyelaran-Oyeyinka (2005), "the artificial separation of technology from the institutional structures in which it is created has been a major conceptual and policy mistake." Policies must be tailored to address the specific attributes, needs, and challenges facing Kenyan artisans. At the same time, e-commerce provides great opportunities to artisans who are not confined to the strict specifications of many larger scale industries (Humphrey, 2002). Kenya has outlined policies and strategies in policy documents designed to provide a platform for industrialization by the year 2020, of which SMEs are prioritized (Adeya, 2003). Such policies, especially those related to training, will be critical in empowering artisans to access the global market through e-commerce.

Oyelaran-Oyeyinka's 2004 study "Learning new technologies by SMEs in Developing Countries" included that local and overseas training opportunities are instrumental in increasing technological complexity for firms.

## 2.3 Conceptual Framework

**Figure 2.1: Geographic Reach and Profit Potential for Artisans**



*Source: Author's Conceptualization*

The conceptual framework for this study sets forth a visual representation of the geographic reach an artisan group can expect to have based on their ability to partner with Trust Providers and Buyers. On their own, an artisan group is limited to their immediate geographic market, as indicated by the smallest circle. As they create the structures and processes that facilitate relationships with Trust Providers and Buyers, a group's geographic reach expands into new markets represented by the larger circles. Trust Provider and Buyer-facilitated access to international markets creates a

vehicle **to** participate in e-commerce, which, as the largest circle, represents the **complete** breakdown of geographic boundaries. As the international market continues **to favour** e-commerce as a sales mechanism, this increased access will lead to artisan **participation** in the e-commerce arena. The removal of geographic boundaries and **introduction** of new markets should lead to increased sales and financial gain for the **artisan groups**. The framework demonstrates how artisans remain reliant on Trust **Providers** and buyers for access to these broader markets. In absence of these **partnerships**, they remain isolated to their own local market. It should be noted that in **addition to** increased profit potential, the greater market access reflects the likelihood **of institutional** change as artisans are exposed to competition and must refine their **skills and** practices as a result.



### **3. METHODOLOGY**

#### **3.1 Research Design**

This project followed a case study approach by selecting three artisan groups that were participating in the e-commerce website WorldofGood.com in July, 2010. By focusing on these individual groups, the study aimed to identify the processes and structures groups must incorporate in order to gain access to e-commerce markets and opportunities abroad.

#### **3.2 Study Site**

Fieldwork for this study was conducted in Nairobi and Mombasa. A total of 11 Kenyan-based projects were identified on the website WorldofGood.com. Out of these projects three groups were identified from three distinct geographic areas. Key informant interviews with WorldofGood.com staff were conducted in their offices in San Jose, California (USA). Much of the data was collected through face-to-face interviews. When in-person data collection was not possible, interviews were conducted over the phone and email.

#### **3.3 Sampling and Unit of Analysis**

The basic unit of analysis is an artisan group. Artisan groups chosen for analysis were selected from a sample frame compiled of Kenyan artisans represented on the website WorldofGood.com (see Table<sup>1</sup>). The sample size of three artisan groups was based on the time frame in which to collect data from diverse locales along with the limited financial resources available to the researcher. However, the three artisan groups were selected taking the following characteristics into consideration in an effort to select a diverse sample reflective of the larger population:

- a. Diversity of Trust Provider
- b. Diversity of Buyer
- c. Diversity of Location

By studying groups with a variety of characteristics the sample size was deemed sufficient to provide an in-depth understanding of the processes and structures involved with these partnerships. Identifying groups with different Trust Providers

sought to ensure a variety of relationship experience with partners amongst the groups. Different physical locations were also taken into account in the expectation that unique challenges and activities would be discovered related to logistics, transport and the availability of technology. It was further hypothesized that data collection would reflect diversity in additional characteristics amongst the sample including size and export experience.

**Table 3.1: Kenyan artisans Participating in E-commerce**

	Artisan	Artisan Location	Product Type	Trust Provider	Buyer
1	Bamboula Ltd.	Nairobi	soapstone; wire Art	Aid to Artisans	Acts as own buyer
2	Dombolulu Workshop*	Mombasa	jewellery; various	World Fair Trade Organization	Ten Thousand Villages
3	Don Bosco Printing Press	Nairobi	print work	World Fair Trade Organization	Ten Thousand Villages
4	Jacaranda Workshop	Nairobi	pottery; jewellery	World Fair Trade Organization	Ten Thousand Villages
5	Jedando Modern Handicrafts	Machakos	wood carving	Green America; World Fair Trade Organization	Gifts With Humanity
6	Jorova Crafts*	Nairobi	jewellery	Green America	Global handcrafters
7	Kenana Knitters	Nairobi	knitted clothing and toys	Green America; Aid To artisans	One World Project
8	KICK Trading (Kisumu Innovation Centre of Kenya)	Kisumu	various	World Fair Trade Organization	Ten Thousand Villages
9	01 Malo Designs*	Samhuru	beaded jewellery; beaded decor	Aid to Artisans; Green America	One World Project
10	OTIC	Nairobi	various	World Fair Trade Organization	Ten Thousand Villages
11	Undugu Society	Country-wide	various	World Fair Trade Organization	Ten Thousand Villages

\*Denotes artisan selected as a case study for this research project.

Source: [www.worldofgood.com](http://www.worldofgood.com) - July 21, 2010

### **3.4 Data Sources and Collection Methods**

The independent variables in this study are the processes and structures of artisan groups participating in e-commerce partnerships. The dependent variable is the market access that results. The unit of analysis is the artisan group (referenced as "artisans") as a whole.

**Primary data collection was conducted via three methods: the utilization of a Key Participant Guide, a Key Informant Guide and observation.**

#### **1) Key Participant Guide**

Structured interviews were conducted in person with artisan management and administrative staff. The Key Participant Guide (Appendix I) was used to gather information, which was then coded for analysis.

#### **2) Key Informant Guide**

Interviews were conducted in person utilizing the Key Informant Guides (Appendix II and III) with purposively sampled management personnel at WorklofGood.com. Unfortunately, representatives from the Buyer groups were largely unresponsive to requests for interviews. However, additional key informant interviews were conducted with representatives from the following agencies:

1. Gifts with Humaimy
2. One World Crafts
3. Ministry of Information and Communication
4. Ministry of Industrialization - Micro Enterprise Support Project (MESP)
5. Ministry of Youth Affairs: Director Youth Training (Dinah C. Mwinzi)
6. Export Promotion Council (EPC) of Kenya

He respondents were asked for references for additional interviews as a practice of snowball sampling to ensure a broad representation of leadership and participants was represented.

### **3) Observation**

Observation occurred during the site visits to the three producer groups to collect data related to the visible use of equipment and technology in the office setting. Observational data has been used to supplement interview data related to the type of Internet connection, computers, and other technology being utilized by the projects. The office and operations layout were also observed in support of understanding the structures facilitating each group's operations. Field notes were recorded and coded to collect data on the project variables.

#### **3.5 Data Analysis**

All field and interview notes were analysed to identify norms and differences amongst the units of analysis (projects). Thematic analysis has been applied to all data to identify how themes raised in data collection appear to interact with each other in relation to the project variables of process/structures and market access. Data analysis sought to identify characteristics of the theoretical framework in which the study was conducted as it related to the case study projects.

Data analysis in relation to key informants sought to identify the institutional framework in which projects were operating. Field notes from interviews were analysed and when necessary, confirmation of identified themes was sought from existing policy documents and other available literature. Table 3.2 illustrates the data collection and analysis methods for each of the research questions.

**Table 3.2: Data Analysis Table**

Research Question	Data Needs	Instrument	Analysis
j. What are the characteristics of Kenyan artisans who access e-commerce opportunities in ethical trade?	<b>Group Demographics</b> <ul style="list-style-type: none"> <li>• Number of artisans</li> <li>• Ages</li> <li>• Gender</li> <li>• Education levels</li> </ul>	KPG Qs 1-5	<ul style="list-style-type: none"> <li>• <b>Thematic Analysis</b></li> <li>• <b>Conversational Analysis</b></li> </ul>
	Network Affiliations	KPC Qs 6-7, 36	
	Export History	KPG Qs 8-11	
2. What are the processes that facilitate access to e-commerce for artisan groups in Kenya?	Production Processes	KPC Qs 12-14, 36	
	Order Process	KPG Qs 15-17 KIG/B Q 8	
	Financial Processes	KPC Qs 18-22 KIC/B Q 8	
	Technical/Training processes	KPC Qs 23-27 KIG/B Q 8 KIG/O Q 1-8	
	Logistics/Transport processes	KPC Qs 28-29 KIG/B Q 8	
3. What are the structures that facilitate relationships with buyers in the ethical trade arena?	<b>Management Structure</b> <b>Financial Structure</b> <b>Communication Structure</b>	KPG Qs 30-32, 36 KIC/B Qs 1-3, 8 KIG/O Q 1-8	
4. What barriers limit e-commerce market access for Kenyan artisans?	Physical	KPG Q 35 KIG/B Qs 4-6,9-12 KIG/O Q 1-8	
	Technical	KPG Qs 30-31 KIG/B Qs 4-6,9-12 KIG/O Q 1-8	
	Social	KPG Qs 33-34 KIG/B Qs 4-6, 9-12 KIG/O Q 1-8	

Source: Author's conceptualization (2011)

## **4. FINDINGS**

### **4.1 Introduction**

During the course of the study, key characteristics of each group were identified that led to a clear understanding of the structures and processes facilitating access to E-commerce. These findings are rooted in the history and background of each organization. The following findings were collected through interviews, email correspondence and visits to the group production sites when possible.

#### **4.1.1 Boniboltihi Workshops**

Bombolulu Workshop was founded in 1969 and became a sub-project of the Association for the Physically Disabled of Kenya (APDK) in 1987. Now the largest of APDK's projects, Bombolulu Workshop produces carvings, jewellery, textiles and bags. The program was designed to complement government programs for people with disabilities. In reality, it has become the sole provision for these artisans, who also benefit from housing and medical treatment. The program has relied heavily on donors to operate, though they report that both the government and granting agencies are increasingly insistent upon disabled people being incorporated into the mainstream workplace as a condition of funding. Bombolulu Workshop's model of bringing disabled people together to create a product line does not align with this policy that would require them to seek or promote placements in external organizations for their workers.

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The Bombolulu Workshop campus is in Mombasa, within the Coast Province. All production activities occur on the grounds, which also include a cultural centre and restaurant, housing and administrative offices. A gift shop features a wide variety of Bombolulu Workshop crafts and is situated next to a small nursery where plants are cultivated for sale. There is a large Information Technology (IT) area where multiple servers and computers are housed. Interviews were conducted at the site with the Programme Manager, an IT professional working full time as a VSO Volunteer<sup>14</sup> and the Liaison Officer. Subsequent data collection was conducted via email

<sup>14</sup> VSO is a volunteer organization based in the UK: <http://www.vso.org.uk/>

correspondence with the Programme Manager and Bombolulu Workshop administrator.

#### **4.1.2 Jorova Crafts**

The current Executive Director and two former colleagues started Jorova Crafts in 1999. Originally based in the Dandora housing estate, the name is derived from the first initials of each of the founders' first names. As the former export manager and secretary for a Fair Trade craft group that is no longer in business, the Executive Director has experience in the marketing and exporting of crafts. She started Jorova Crafts as an informal project to help share her experience with women and widows in Dandora who did not know how to access external markets on their own. Though they faced many challenges raising funds in the beginning, the group was eventually able to acquire sewing machines and form itself as a Merry-Go-Round.<sup>15</sup> Each member started contributing KSh 20 per week, and craft production took place in the artisans' homes. The Executive Director worked in an unrelated job to support herself as they built their capacity, local market and export connections.

In 2007, Jorova Crafts was able to establish a workshop in Dandora where operations were to take place. This workshop was destroyed shortly thereafter in the post election violence in December of that year. Since then, the Executive Director moved to the Thilca Road area on the outskirts of central Nairobi, and production returned to individual artisans' homes. The Executive Director now works with artisans and sub groups in Kawangware, Kayoj<sup>^</sup>, Dandora and Makandara, storing product samples in her home. From time to time the groups will collectively rent a show room to display their goods to potential buyers. The interview was conducted with the Executive Director at her home in Kasarani with subsequent data collection through email and phone correspondence.

<sup>15</sup> Impio, et al. (2011) define Merry-Go-Rounds as "...Groups of people who come together for either or all of: sharing knowledge, news, ideas, tradition, supporting one another in times of need (social welfare), saving and borrowing together in a rotational manner (informal banking), and carrying out local income generating or self / community development projects."

### **4.1.3 OI Malo Designs**

OI Malo Designs started during the drought of 1999 when the family that runs OI Malo Lodge began trading new beads and food for old beads brought in by local **Samburu** women. They collected thousands of pieces and began to organize the **women** to use the new beads to create products. Their goal was to employ as many **women** as possible by keeping costs down **and** selling as much as they could. They do not operate as a profitable organization; rather they focus on keeping the Samburu women employed and earning income.

OI Malo Designs focuses on preserving and using traditional Samburu beading skills - trying to stem what is being lost as a result of modernization and the market impact of imported goods. A stated goal is to preserve culture and not interfere with the nature of Samburu life. When starting the project, the Executive Director worked with tribal elders, who identified the first group of women to start beading. As a result, the project has gained widespread support from the men of the tribe as well. Interviews were conducted with the Executive Director in person in Nairobi, and via email and phone correspondence.

## **4.2 Characteristics of Artisan Groups**

This study is concerned <sup>^</sup>ith the structures and processes that enable artisan groups in Kenya to access emerging e-commerce opportunities. Having interviewed three groups represented on the website WorldofGood.com it is apparent that there remains a large disconnect between producer groups and the online sales channels being used **to** sell their goods. Table 4.1 outlines the key characteristics identified between each case study that illuminates the nature of groups whose participation in e-commerce has been facilitated.

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**Table 4.1: Artisan Group Characteristics**

	<b>Bombolulu Workshop</b>	<b>Jorova Crafts</b>	<b>O1 Malo Designs</b>
<b>Mission</b>	"Empower people with disabilities to fully transition back into their community."	"Empowering women and youth to be economically self-reliant through handicraft making."	"Conserving a Culture"
<b>Group Structure</b>	Individual artisans with equal male: female ratio reporting to supervisors who report to line managers who report to the Program Manager	Multiple groups of 10-20 predominantly female artisans with a group leader who reports to the Executive Director	Individual artisans in groups of 7-8 who report to a team leader who reports to the Executive Director
<b>Total Artisans</b>	110 permanent + 30-70 seasonal workers	120 (estimated)	70
<b>Education of Artisans</b>	Primary School	Younger generation: Standard 8 (majority) Form 4 (minority) Older generation: little to no schooling	None
<b>Age Range of Artisans</b>	18-68	20-55	18-65
<b>Tribal breakdown</b>	Multiple	Multiple	Single (Samburu)
<b>Education of Project Head</b>	-Advanced Diploma in Project Management -Advanced Diploma in Business Administration -Degree in Theology - majoring in leadership -Currently pursuing degree in Business management	College Diploma: Secretarial Studies	BA Honours

*Source: Author's survey data, 2010-11.*

#### **4.2.1 Program Leadership**

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A notable characteristic of each of the groups was the presence of a relatively well-educated female project leader. Though each of the groups or sub-groups do have male artisans involved in some part of production, the vast focus of the groups is employing women artisans under the leadership of a more educated female head. While the title varied from group to group (between Executive Director and Programme Manager), all heads of projects had at least a college diploma (Jorova Crafts) or higher level of education status (O1 Malo Designs and Bombolulu Workshop). Each project leader is a fluent English speaker capable of networking and liaising with local and international buyers and organizations. As the majority of artisans employed by each group did not have higher than primary-level education (O1

Malo Design's artisans have no formal education background at all), the education of project leaders is an extremely important characteristic of each **group**. Additionally, each of the project leaders has worked in the ethical trade arena for over ten years and brings significant export experience to the table.

#### **4.2.2. Group Structure**

Group size is a significant characteristic of each of the case study groups. All groups have access to a pool of over 100 artisans over the course of the year. While not all artisans are in full-time employment, they are available if the market demands increased production. Additionally, all groups share an organizational structure that breaks the larger artisan group into smaller production cohorts. In Jorova Crafts and 01 Malo Designs, these are organized under lead artisans into groups of between 7 and 8 artisans. The program head is thus able to delegate production and ensure a level of oversight. In Bombolulu Workshop, (which produces a wider variety of goods), artisans are categorized into types of production including jewellery making, woodcarving, textiles and other techniques. Each type of production has oversight provided by a division head, rather than the Executive Director or Programme Manager herself.

#### **4.2.3 Network Affiliations**

Each of the case study groups participates in global and local networks for Fair Trade certification and marketing including the World Fair Trade Organization (WFTO), the Cooperation for Fair Trade <n Africa (COFTA), and the Kenya Federation for Alternative Trade (KEFAT). Groups indicated that networking opportunities, trainings and the opportunity to seek new buyers as the reasons for involving themselves in these organizations. Jorova Crafts has participated in trade fairs organized by COFTA, while 01 Malo Designs met their primary buyer at an international trade fair. It should be noted that none of the artisan groups cited credibility building as an important part of network affiliation. This is significant given the role that these groups play as "Trust Providers" for sites like WorldofGood.com. That said, none of the groups were aware of the presence of their goods on the website WorldofGood.com, nor of the Trust Provider role in validating their ethical production practices. Thus, while these groups participate in Fair Trade

organizations, they remain unaware of the role played by Trust Providers in evaluating their practices and ensuring their participation in a site like WorldofGood.com. This suggests that the buyer plays the most significant role in communicating the ethical production structure of groups to the online sales channel and ultimately, the consumer.

**Table 4.2: Network Affiliation**

	<b>Bombolulu Workshop</b>	<b>Jorova Crafts</b>	<b>Oi Malo Designs</b>
<b>Network Affiliation</b>	COFTA WFTO	COF'A IFAT (WFTO) - joining FTF - Joining	EPC (Export Promotion Council) Kenya
<b>Buyer Relationships</b>	<ul style="list-style-type: none"> <li>• Ten Thousand Villages (current)</li> <li>• Fair Trade Original (past)</li> <li>• Eine Welt (past)</li> </ul>	<ul style="list-style-type: none"> <li>• Global Girlfriend (current)</li> <li>• Baskets of Africa (past)</li> <li>• Swahili Imports (past)</li> <li>• Zuki Imports (past)</li> <li>• Global Handcrafters (past)</li> </ul>	<ul style="list-style-type: none"> <li>• One World Projects (current)</li> <li>• Economic Development Impacts (EDI) (past)</li> </ul>
<b>E-commerce Site Participation by group</b>	<ul style="list-style-type: none"> <li>• WorldofGood.com</li> <li>• TenThousandVillages.com</li> <li>• qwtomarket.com</li> <li>• lovethatstuff.co.uk</li> <li>• servv.org</li> <li>• theafricaliouse.com</li> <li>• tradeaid.org.nz</li> <li>• ihfairtradestore.co.uk</li> <li>• tradecraftshow.co.uk</li> <li>• inexchange.org</li> <li>• b2bfairtradedirect.com</li> <li>• Fairtradedirect.com</li> <li>• ebay.com</li> </ul>	<ul style="list-style-type: none"> <li>• WorldofGood.com</li> <li>• Globalhandcrafters.com</li> <li>• Greatergoodwholesale.com (Wholesale)/ GlobalGirlfriend.com (Retail)</li> <li>• Alibaba.com (Connect to supplier)</li> <li>• Planetonegilis.com</li> <li>• garudainternational.com</li> <li>• faireire.ie</li> <li>• Worthpoint.com</li> </ul>	<ul style="list-style-type: none"> <li>• WorldofGood.com</li> <li>• OneWorldProjects.com</li> <li>• freedomcenter.org</li> <li>• ebay.com</li> </ul>
<b>Market focus moving forward</b>	Domestic Market	International	International

*Source: Author's survey data, 2010.*

#### **4.2.4 Personal Relationships**

Each producer group has partnered with their respective buyers for many years - most for over a decade. The personal relationships between artisan group and buyer appear significant, with each of the directors serving as individual points of contact for their buyer group and sharing their relationship over the years. The strength of buyer relationships would likely be affected were leadership to turn over more frequently than it does. The lasting leadership roll of each project head has clearly helped build trust with the buyers (many of whom have also held their position for many years). This relationship structure appears to have helped the groups navigate challenging times (including the global economic crisis) and contribute to the long history they have with each group.

### **4.3 Processes Facilitating Relationships with Buyers**

It is widely recognized that African producers face challenges over other producer countries including a higher cost of transport, materials and labor in attempting to create thriving export businesses (Crane, 2001; Dickson and Littrell, 2010; Gereffi and Memedovic, 2003). The establishment and adherence to strong production processes is one of the ways ethical producers in developing countries overcome these challenges.

While the artisan groups included in this study vary in the sophistication of their production structure, all of them appear to have clear order processes. For instance, Jorova Crafts' small management staff of one person receives an order, then meets with her artisan team leaders to determine a production time. The manager will then provide deposit so the artisans can purchase supplies, and report back to the Buyer on the price and production timeline. Bombolulu Workshop has a more complex management structure and computerized production process, where the group administrator enters orders into a software program that evaluates raw materials inventory and assigns production to the appropriate workshop or team. O1 Malo Designs has a similar process to Jorova Crafts, with orders received by the Executive Director, who reviews them with the workshop head, who in turn meets with the team leaders to determine production timeline. O1 Malo Designs purchases the beads on behalf of their artisans. These established structures ensure the ability to respond to orders consistently, building trust with the buyer and allowing the organization to accurately predict production time and cost. As O1 Malo Designs operates within a traditional tribal community, they take special care to incorporate tribal elders into their production model so as to ensure community support for their artisans. This attention to the community at large ensures that as they receive and produce orders, they do not have to worry about the artisans' families or community leaders interfering with production.

**Table 4.3: Processes and Product**

	Bombolulu Workshop	Jorova Crafts	OI Malo Designs
Products	Jewellery Wood carvings Textile products	Jewellery Baskets Purses	Boxes Coasters Minors
Product Manufacturing Process	Products made at time of order in workshop.	Products made at time of order in individual artisan homes	Products made at time of order in workshop
Order Process	1. Email to Liaison Officer (LO) 2. LO to Product Coordinator (PO) 3. PO to Invoicing Personal (IP) and Designer (D) 4. Sent to production team	1. Email to Executive Director (ED). 2. ED communicates with group leads and provides deposit. 3. ED collects, makes final payment and coordinates shipping.	1. Executive Director (ED) receives order and commissions prototype from leads 2. Costing/materials identified 3. Production
Artisan Payment	Piece rate upon completion	10% deposit at time of production, final payment in cash at time of order fulfilment.	Piece rate upon completion
Shipping Process	Consolidate with other producers by air or sea freight	Vary	Freight
Banking / Accounting Practice	Payments received through Shared Interest <sup>16</sup> for large orders, MPESA for small local orders, Western Union for small International orders.	Personal bank account with part-time accountant, payments received by money order	Payments received through wire transfer.
Technical Structures	Multiple computers, 1-2 dedicated IT staff, IT systems for processing orders and managing inventor)' payroll etc. Broadband internet through Access Kenya, Africa Online and Wananchi Online	(1) Personal computer with Safaricom modem for internet access	Safaricom mobile modem (current)  In the past - Africaonline and Access Kenya

Source: Author's survey data, 2010-2011.

<sup>16</sup> Shared Interest is a Fair-Trade lending organization that operates much like a micro-finance bank. More information available here: <http://www.shared-interest.com>.

### **4.3.1 Communication between Directors and Artisans**

As discussed in section 4.2.3, the Director/Programme Manager serves as the point of contact for all international buyers. This protects the buyers from having to understand or involve themselves in the larger production process and over time, builds confidence as a result of seeing the Director/Programme Manager deliver time and time again. The Director/Programme Manager must be aware of all production practices, schedules, challenges and requirements in order to effectively respond to buyers and communicate their production capacity. Most communication between Directors/Programme Managers and buyers takes place via email, and in the case of Jorova Designs and Bombolulu Workshop, the Director/Programme Manager also have administrative help from an assistant to help with some of the correspondence.

### **4.3.2 Artisan Payment**

All groups pay artisans on a piece rate basis. This helps program heads estimate cost of production and provide clear expectations for all parties involved. Bombolulu Workshop and 01 Malo Designs have a large enough organizational and budgetary structure that they have the ability to purchase supplies for their artisans with order deposits. Jorova Crafts, which has less organizational resources, provides artisans with an up front deposit so they can purchase their materials and trust they will receive compensation upon timely completion of orders. While there are alternative payment structures that exist in the ethical production arena, paying artisans per piece is preferred by both the artisaijp and the management of these groups. In regards to the "Fair Trade" aspect of wages, it was suggested by Bombolulu Workshop that they are finding it increasingly difficult to compete with international producers - especially those from Asia where the cost of production is so much lower. This finding reflects the idea of "competitive disadvantage" and should be noted, despite the success these groups have had accessing international markets through e-commerce (Graafland, 2002).

### **4.3.3. Clear Production Timelines**

In the course of less formal interviews with artisan groups outside of the case study, the issue of buyers terminating relationships due to delayed production or delivery of

goods came to the forefront. In contrast, it came as no surprise that all the case study groups reported a methodical process by which orders were received and production is planned and scheduled. Each group's director or the responsible administrator communicates directly with the buyer regarding the production timeline and cost. This allows for consolidated shipping for some of the groups which helps keep costs down as a benefit of lower per item/weight prices for larger shipments. It also demonstrates the group's ability to meet international production demands. Directors expressed that over the years their ability to produce more quickly at higher quality levels has helped them build relationships with buyers.

#### **4.3.4. A focus on a wholesale sales model**

Taken at face value, the website WorklofGood.com can confuse the actual structure by which these artisan groups operate. Though they are credited with production on the website, in reality, they have little to do with the final sales model as they focus exclusively on wholesale relationships. This allows each group to steer their energy into production and networking with wholesale buyers, rather than targeting the end-consumer or outlet identification. None of the three groups were outwardly familiar with the website WorldofGood.com, and it became clear that to move beyond their current model would involve additional layers of complexity in the supply chain, including stepping up group involvement in shipping, a need to learn about warehousing abroad and a greater understanding of the international marketplace.

**Table 4.4: Marketing**

	<b>liomyrfulu Workshop</b>	<b>Jorova Crafts</b>	<b>O1 Malo Designs</b>
<b>Group website</b>	<b>Yes</b>	<b>In process</b>	<b>Yes</b>
<b>Familiarity with WorldofGood.com</b>	<b>None</b>	<b>None</b>	<b>None</b>
<b>Familiarity with Trust Provider</b>	<b>None</b>	<b>Some</b>	<b>None</b>

*Source: Author's survey data, 2010-2011.*

#### **4.3.5. Observance of Local Authority and Customs**

O1 Malo Designs is different from the other groups in the case study as the group is made up of a single tribe and is located in an extremely rural location. While the process of observing local authority and customs was not shared with other groups in the same way, it is clearly a factor that has contributed to O1 Malo Design's success.

While the group was being formed and production practices established, the Executive Director sought to coordinate and cooperate with tribal elders at every step of the way. The support by tribal elders allowed her to build a leadership team and to introduce production standards without fear of interference. As the group grows she has also taken great care to honour the local calendar in terms of production and payment, thereby respecting the beliefs of the workers and ensuring their investment in the production process.

#### **4.4 Structures That Enable Access to E-commerce**

Three prominent structures were identified through data collection that have contributed to the success of each of these groups creating relationships that enable the sale of their goods through E-commerce channels: technology, banking and accounting and shipping.

All groups rely on computers to receive orders by email and to stay in touch with buyers. Jorova Crafts' technology set up is very elementary with one personal computer and email account in use. All production planning, inventory management and ordering is handled by the Executive Director herself. 01 Malo Designs has a project administrator who manages email correspondence but old-fashioned ledger books are used to manage production and inventory.

While Jorova Crafts and 01 Malo Design's technical structures are limited to correspondence, Bombolulu Workshop has a dedicated IT department made up of one full time worker and one volunteer. With software to assist with inventory and production, Bombolulu Workshop is able to handle very large-scale orders. Ultimately, access to email and a dedicated person to correspond with buyers appears to be the most important technology-related system in place. All groups indicated additional computers would be helpful to their operations, along with training. While most of the artisans in each of the groups have very low levels of education, the administrators would like to provide more computer skills training in an effort to increase production practices. Looking at the sophistication of Bombolulu Workshop's systems, it can be inferred that additional technical resources could aid smaller artisan groups in accommodating larger orders and managing their inventory while alleviating the multitude of responsibilities placed on the Executive Director.



Borabolulu Workshop utilizes an internationally available banking co-operative known as Shared Assets that was designed to work with Fair Trade producers.<sup>17</sup> This third party payment structure builds confidence in buyers and takes some of the technicalities of payment off the shoulders of both parties. Moving forward, this could be a good practice for Jorova Crafts, which continues to operate via a personal bank account in the Executive Director's name, opened on behalf of the organization. While Jorova Crafts did not site banking practices as a challenge to working with buyers, the current practice lacks some of the credibility that Bombolulu Workshop's participation in Shared Interest promotes.

Cost of transport and shipping remain a major challenge for Kenyan producer groups, therefore having strong relationships with freight companies and awareness of all shipping options helps ensure producers can offer buyers the best shipping costs available. Bombolulu Workshop's buyer, Ten Thousand Villages, works with a local freight company to consolidate purchases from various producers. Bombolulu Workshop is careful to accommodate this and provide their orders on time in order to take advantage of this consolidation. Jorova Crafts reviews and presents a variety of options to their buyers depending on the size and scope of the order. 01 Malo Designs works with a customs agent who assists with the necessary paperwork and freights to keep costs as low as possible. Having identified and established relationships with both buyers and shipping agents helps ensure each group is able to deliver to their buyer in a timely and affordable manner - something that encourage repeat orders and a long-standffig relationship.

#### **4.5 Barriers to Accessing E-Commerce**

One of the most significant findings of this study was the discovery that none of the three artisan groups were aware of the website WorldofGood.com, or the fact that their goods were being sold this way. This suggests a lack of awareness about e-commerce and alludes to one of the most significant revelations of the study: the continued lack of an e-commerce paradigm for groups producing goods for international sale. Though Kenya's government has responded to the international rise

<sup>17</sup> Shared Interest is a Fair-Trade lending organization that operates much like a micro-finance bank. More info available here: <http://www.shared-interest.com>.

in e-commerce by incorporating it into government policy and priorities, the opportunities and necessary adaptations are not necessarily "trickling down" to the groups producing goods. This disconnect, along with other barriers, continues to inhibit the ability of artisan groups to capitalize on e-commerce market opportunities.

#### **4.5.1. Lack of Awareness Regarding E-commerce**

Ultimately, only one of the groups has attempted to create a website of their own that would allow for online orders, and this effort has been continually thwarted by a lack of financial resources and technical expertise. While Kenya's Ministries of Trade and Industrialization have both identified e-commerce as an emerging market opportunity in the National Information and Communications Policy, a key informant shared, "There is a mismatch between our plans and their links to these people...maybe they are not even translated to locally." Another government employee interviewed shared that "government programs take too long," and she is doing her own private work to capitalize on the e-commerce and ICT sector by providing jobs and direct training to youth. Thus, while e-commerce is thriving around the world, and the Kenyan government has acknowledged its potential for the local manufacturing community, artisan groups remain unaware of the opportunities it offers them to market their wares.

#### **4.5.2. Technical Limitations**

Technical limitations have greatly reduced the ability of artisan groups to maximize opportunities introduced via e-commerce and web-based business tools. Two of the three study groups have faced challenges maintaining their websites because they lack internal capacity to build websites and are forced to hire outside developers who later disappear or fail to complete the work. Bombolulu Workshop continues to struggle to maintain trained IT staff. They argue that once they invest in training, their staff is quickly recruited by other organizations that can pay higher salaries for this developed skill set. Non-profit artisan groups will likely continue to struggle to compete with organizations that can provide greater financial rewards for the technical acumen that assists in running a business and modernizing production.

<sup>18</sup> At the time of paper submission, Jorova had not only failed to complete their online shop, but also no longer appeared to have a website of any sort.

The focus of the websites for two of the three case study groups remains advertising for wholesale buyers, rather than utilizing online sales mechanisms or even displaying full catalogues of goods available. This reflects the continued lack of online sales channels in Kenya, due in part to the lack of payment mechanisms that allow for e-commerce on either a business to business (B2B) or business to consumer (B2C) basis. In evidence of this fact, Kenya's own online sales portal, once functioning at [www.Kalahari.co.ke](http://www.Kalahari.co.ke), was discontinued by the South African conglomerate that established it due to, "below expectation" performance during the course of the study (Nyabiage, 2011).

#### **4.5.3 Fair Trade appeal and increasing competition**

All case study groups and key informants shared the ethical trade arena in which they operate has been impacted by the global economic downturn experienced shortly before the study in 2008 and 2009. As WorldofGood.com founder Priya Haji stated in a July 27, 2010 interview, "Customers are customers, they are shopping, for what they are shopping for...(it) has to compete." In trying economic times, the "story" behind a product is not enough to confirm the sale - the item itself has to be a worthy competitor in an increasingly global market. Given the competition from countries where labour and materials are much cheaper than Kenya (especially China and India), ethical artisans in Kenya face a narrowing profit margin and some, like Bombolulu Workshop, are considering shifting their focus from crafts to food products like honey which they believe are more in demand by the domestic market. 01 Malo Designs does so *by*\*pursuing new, more trend-savvy designs while Jorova Crafts is increasing its networking by attending conferences, holiday fairs, and trainings. Thus, while technology might limit their ability to capitalize on global market trends like e-commerce, groups remain resilient and adaptive to the challenging climate in which they operate.

## **5. CONCLUSION**

### **5.1 Introduction**

This project was concerned with the structures and processes that enable artisan groups in Kenya to access emerging e-commerce opportunities. Case study groups were selected from a website, WorldofGood.com, put forth by one of the world's most established and lucrative web-based companies, eBay. In attempting to explore how ethical artisans might be benefitting from the rise of e-commerce, the study finds that this arena mirrors much of the developing world in relation to technology improvements. As yet, organizations do not have access to the resources or training to completely harness opportunities, despite the growing global presence of e-commerce. However, some groups are managing to take initial steps based on a few core structures and processes already in place.

### **5.2 Summary of Findings**

Kenyan artisan groups represented on WorldofGood.com present a set of characteristics that have facilitated their participation in the e-commerce arena. These characteristics include the nature of a program's leadership - most notably, the presence of a fluent English speaker with some level of higher education and some experience in the fair trade arena. A group's size is also a frequent trait - with all groups working with over 100 artisans in any given year. Network affiliations, including membership in local and global organizations, are often credited with introducing a group to buyers, along with increasing their awareness of market opportunities. Finally, the personal relationships that artisan projects develop with their buyers over a significant time period (often in excess of ten years) have played an important role in each group's eventual presence in the e-commerce arena.

This study identified five processes inherent in each of the groups whose presence was recognized on WorldofGood.com. The first involved the way in which a group's leadership communicates with their artisans. Each group followed a clear process to relay orders and relevant information to the artisans in order to fulfil an order to the buyer's specifications. This communication process corresponds to a clear payment process that guarantees payment to each artisan based on piece rates. Artisans are also

provided with clear production timelines in order to accommodate the wholesale focus for production that each group practices. All of these processes take into account the cultural and tribal authority structure the artisans are already involved in, along with local customs that bear relevance in their lives.

The structures present in each of the case study groups are absolutely vital to ensuring the partnerships with buyers that remain at the core of artisan group access to e-commerce. Order fulfillment is due in large part to communications that revolve around e-mail, requiring at the very least a working computer and consistent Internet connection. More sophisticated groups have also put into place online inventory management and order fulfillment systems, though these are often hampered by the challenges experienced by groups. Some level of sophistication in regards to banking and accounting has helped groups continue partnerships with buyers, along with consistent shipping practices that deliver in a safe and timely manner.

Though each of the case study groups has managed to create lasting relationships with the buyers who introduced their products to WorldofGood.com, all shared persistent challenges and barriers that threaten the future of these relationships and perhaps more importantly, hamper their ability to build upon them. The most notable barrier to accessing the e-commerce arena is the near total lack of awareness on behalf of each group about the opportunities that exist to engage in e-commerce. This is evidenced in the fact that not one of the projects was aware of WorldofGood.com. Thus, while they had in place systems and processes that facilitated a relationship with a buyer that could post their items for sale using an e-commerce mechanism, the vehicle and its opportunities has not yet made its way to the groups themselves. Beyond this initial awareness are the technical limitations each of the groups face, starting with extremely out-dated hardware. Most groups also cite a lack of technical training and capacity, and struggle to keep trained IT staff due to larger market demand and higher salaries available elsewhere. Finally, though each group has had a lasting relationship with their buyer, the ethical and fair trade arena has flourished in recent years, translating to steep competition and leaner margins for producers. E-commerce opportunities aside, the market is more and more challenging to producer groups, who focus on providing fair wages and consistent work to their artisans.

While e-commerce suggests an opportunity to eliminate the "middle-men" or buyers and allow artisans to post their items directly for sale, none of the case study groups are currently doing this or express interest in doing so. This research shows that role of the buyer remains critical for all groups studied for a number of key reasons. Due to the high cost of shipping and challenging logistics presented by the Kenya's trade standing and location, buyers can assist small groups by consolidating shipments and lowering the overall cost of freight. Buyers also bring design advice and consultation influenced directly by the end consumers that artisans simply do not have access to. Finally, buyers can offer technical capacity by way of banking and technical tools designed to assist small, ethical producers in growing their competitive advantage. Though e-commerce has offered these buyers a new avenue to market their goods, the increased market exposure has not been sufficient to address the chronic challenges facing ethical artisan groups in Kenya. This study was conducted in the aftermath of the global economic recession as well as the post-election violence of 2007/2008 in Kenya - both of which had varying levels of impact on each group's ability to capitalize on e-commerce opportunities like that offered through the website WorldofGood.com. However, artisan group leaders expressed gratitude for the awareness of the website and indicated technology improvements and enhanced online operations are a priority moving forward.

Taking into account the structures and processes present for the three groups case studied in this project, it is apparent that there remains a large disconnect between producer groups and e-commerce sales channels being used to sell their goods. While technology developments have assisted businesses around the world to stem the effects of a lacklustre economy, artisan groups in Kenya remain at a disadvantage. Though e-commerce suggests an opportunity to eliminate the "middle-men" that provide direct access to international markets, this study supports the assertion that intermediaries remain necessary, even with the tools provided by the internet (Humphrey, 2002). This stems from a variety of reasons - including a lack of technical capacity and the continued benefits of working with buyers, which include exposure to international design concepts and the ability to take advantage of bulk or consolidated shipping practices.

Dickson and Littrell (2010) find the balance of power relationships in the shortened supply chain common in ethical production models to be of great benefit to artisan groups. They also note that such relationships often result in consistent orders over the long term. While the author expected to find each case study group's involvement with buyers participating in e-commerce to reflect these findings, this study found instead that the benefits of e-commerce extend primarily to the buyer - with little change experienced by the artisan groups. It should be noted that this study commenced immediately after the height of the global economic downturn. It is thus challenging to know if a benefit of e-commerce that might have been experienced by the groups would have been an increase in orders, had the economic climate not changed so drastically.

A significant finding of this study is that none of the artisan groups interviewed were aware of the website WorldofGood.com. Though Kenya remains stunted in the e-commerce arena within its own boundaries, it was still surprising that none of the groups were aware of the website WorldofGood.com, on which their wares were being sold. This is likely due to the lack of awareness about e-commerce in general, as evidenced in the shut down of Kalahari.co.ke as a result of Kenyans' reluctance to embrace e-commerce. The commerce paradigm in which these groups operate simply does not include e-commerce channels, putting them at an inevitable disadvantage on a global level. This could improve the awareness, and thus the ability to capitalize, on global opportunities.

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### **5.3 Recommendations**

Access to e-commerce in the ethical trade arena is significant for one essential reason: it addresses a sector that holds at its core the improvement of living standards for people groups existing at the margins of society. As such, improving access could dramatically improve the wellbeing of artisans for whom no other viable jobs or opportunities exist. By doing so, the arena could provide a mechanism to counteract the exaggeration of inequities likely to result as trade flows increase in the broader context (IDS, KIPPRA and ODI, 2007). The following recommendations are offered as a result of this study's research in pursuit of this worthwhile endeavour.

### 5.3.1 Policy: Shaping the Paradigm

In Kenya, the National Information & Communications Technology (ICT) Policy articulates support for three factors that research for this study identified as contributing to e-commerce adoption in global economies: supportive government policies, effective legal environments and compatible socio-cultural infrastructure (Zhu and Thatcher, 2010). Recognizing the inadequacy of current policy and incorporating progressive ICT standards provides a strong foundation to support businesses and producers in pursuit of e-commerce participation (see Table 5.1: Kenya Ministry of Information & Communications E-Conunerce Policy). Strengthening the legal and regulatory framework will help Kenya's Ministry of Information & Communications to play a critical role in empowering even small producers to utilize the global e-commerce arena.

**Table 5.1: Kenya Ministry of Information & Communications E-Conunerce Policy:**

a.	Support the development of e-commerce by enacting appropriate legislation to support e-business.
b.	Support promotional campaigns to raise public awareness on the potential opportunities presented by e-commerce
c.	Promote collaboration with the international community in developing an equitable framework for e-commerce.

*Source: National Information & Communications Technology (ICT) Policy, 2006.*

If the government of Kenya is to follow-through on these policies and foster such an environment, both the country's domestic and international e-commerce arena would improve. Policies should thus continue to support the removal of restrictions on e-commerce, along with supporting a simple and consistent legal environment in which e-commerce can flourish (Zhu and Thatcher, 2010). As training and exposure remain critical components of opening artisan groups to e-commerce, it would be prudent to continue to incorporate Small and Medium Size Enterprises (SMEs) into any and all policy directives geared towards e-commerce. Goals should include targets and measurables for both SMEs and larger producers. Programs developed for larger corporations should be made available to organizations that work with SMEs to modify and extend the resources provided to the SME community. Policy will also need to take into account production needs related to transport and marketing in order



to adhere to increasing competition related to WTO, EAC and COMESA requirements (IDS et al., 2007). As Kenya's government pursues such policies in an effort to cater to technological growth, it must remember that the path towards adaptation may look different than it did for countries already at the forefront of the e-commerce frontier.

It was noted by a variety of theorists that the role of the buyer as an intermediary is likely to remain strong, regardless of e-commerce opportunities (Humphrey, 2002; Moodley et al., 2004; Moodley, 2003a). As buyers continue to play this crucial role, there are countless opportunities for them to enhance the experience of artisan groups by expanding their role beyond that of buyer. Seeking grants or other support to cover their costs, buyers could provide technical trainings or assistance to the artisan groups they work with, capitalizing on their long relationships and intimate knowledge of each group's operations and structures. They could focus their efforts on utilizing what technology these groups *are* familiar with (like the popular mobile money platform, MPESA, in Kenya) as proposed by key informants. Artisan groups may not be aware of e-commerce, but Kenya is awash in mobile technology - perhaps such knowledge could be used to increase groups' understanding of the opportunities similarly presented by the global e-commerce market. Finally, as buyers continue to recover from the impacts they experienced during the global economic downturn, they could work to provide technical grants or scholarships to individual staff or organizations aimed at enhancing their processes and structures in pursuit of improved production capacity^Such assistance would benefit from an awareness of the government policy structure in the countries buyers operate in, along with affiliation and participation in organizations like the Export Promotion Council (EPC) and other groups like the Japan International Cooperation Agency, JICA, who are working to improve access to external markets for artisan groups.

Forward thinking artisan groups hoping to capitalize on opportunities made available by the global preference for e-commerce must be open to changing their mental perceptions and practices. Such an internal shift would represent a shift in their institutional framework moving forward. This speaks to North's (1994a) idea of norms and rules that will evolve over the course of institutional change. To do so, program leadership must seek assistance for training and IT supplies that will allow

groups to improve upon existing structures and processes. Opportunities exist to coordinate such improvements with other artisan groups, both pooling resources and presenting a broader opportunity to interested supporters. Such outside support is likely to be critical for such training and capacity building.

#### **5.4 Suggestions for Further Research**

This study was designed to contribute to the field of e-commerce research in the area of ethical production. There remain numerous opportunities to build on this humble contribution, of which the author's primary recommendations are summarized below.

There remains a lack of data relating Kenyan policy directly to e-commerce opportunities. Future studies would benefit from an in-depth review of Kenyan policy and whether or not it is having an affect on artisan groups and their awareness or ability to engage in e-commerce. Analysis could involve comparison between different sizes of enterprise, making sure to explore whether SMEs are experiencing any gains as a result of formal policy directives.

As discussed in the data analysis, this study was conducted in the aftermath of the global economic downturn of 2008. The impact of this international event on the emerging practice of selling ethical goods via e-commerce could be significant. It would therefore be prudent to conduct a similar exploration once further distance is offered between this major economic fallout, which happened to coincide with the introduction of the website [WtftldofGood.com](http://WtftldofGood.com).

Further study into the structures and processes enabling access to e-commerce for artisan groups would benefit from expanding the sample size to include artisan groups represented on other e-commerce sites. Additionally, groups working with a larger variety of buyers and Trust Providers could introduce different variables than those taken into consideration in this study. Other groups might be aware of e-commerce channels and could reflect different experiences that would provide useful information for evaluation.

Finally, Kenya has served as a great site to look at well-established artisan groups who have been offered access to e-commerce, whether they were aware of the channel or not. To truly understand how artisan groups can capitalize on this growing market opportunity, exploration in other countries would provide a richer awareness of the structures, processes and barriers that stand between ethical artisans and a world of consumers making choices to buy online every day.

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# Appendix

## I. Key Participant Guide - Artisan (KPG)

1. When was your organization established? Please share a bit of history.
2. How many individual artisans do you work with?
3. What is the age range of your artisans?
4. What percentage of your artisans are women?
5. What is the average level of education completed by your artisans?
6. What networks (trade, community, government, other) are you involved in?
7. How do these network affiliations help you access external markets?
8. How did you first start working with (BUYER NAME)?
9. Did your group have any previous export experience? If so - how did it work? Who did you work with? Are you still working with them? Why or why not?
10. How long have you worked with (BUYER NAME)?
11. What percentage of your export practice does (BUYER NAME) handle?
12. What are the main products you produce for export?
13. How long does it take to make these products?
14. Are products made before or after orders have been received (i.e. do you keep inventory)?
15. Describe a typical order process. Is it conducted in person? Over the phone? Via email or an online interface? By mail?
16. Who receives and processes orders for your group? Do they always work with the same buyer representative?
17. How many people in your group are involved in each order process?
18. How are artisans paid?
19. How do you receive payments from (BUYER NAME)?
20. What kind of banking resources/practices do you use?
21. What sort of accounting practices do you use?
22. How have you paid for your technical needs and practices? Loans? Savings? Grants? Help from (BUYER NAME)? Help from the government or others?
23. What, if any, training have you received to aid in using computers in your business? Who provided this? Is it on going?
24. Would more training help you improve your technical capacity as an organization? If so, what sort of training is needed?
25. Do you have sufficient equipment to meet the electronic needs of (BUYER NAME)?
26. Have you ever failed to establish a relationship with a buyer because of technical limitations?
27. How does your internet service affect your ability to conduct business electronically? Has this changed in recent months/years?
28. How are orders shipped to (BUYER NAME)? Please explain the process.
29. Do you coordinate this or does (BUYER NAME)?
30. Do you have a website? If so, what do you use it for? Information purposes only? Gaining access to buyers? Gaining access to new markets?
31. What types of software/programs do you use in your business operations? Are these sufficient to meet your needs? If not, what is stopping you from seeking new software/programs?



32. Please describe the organization's leadership structure. In this structure, who is responsible for technical operations and training? Who is responsible for communications as a whole?
33. How has business (if at all) been affected following the post election violence of 2008?
34. How has business (if at all) been affected by the global economic downturn of 2008-2009?
35. Are you familiar with the website WorldofGood.com? What do you know about this website? Are you aware that your products are being sold on this website?
36. What is your relationship with (TRUST PROVIDER)? How long have you worked with this group? What precipitated this collaboration?

## II. Key Informant Guide - Buyer (ICTC/B)

1. How did you first start working with (ARTISAN GROUP)? How long have you worked together?
2. How has the order process changed since you first started working with (ARTISAN GROUP)? What role has technology played in this?
3. What role has (TRUST PROVIDER) played in your work with (ARTISAN GROUP)? Do you do any of your own monitoring for Fair Trade/Ethical standards or rely solely on (TRUST PROVIDER)?
4. What setbacks have you confronted with (ARTISAN GROUP) in your work together? Are these technical in nature, personnel related, cultural or other? Please explain.
5. What role do you see Kenya's government playing in promoting e-commerce opportunities for artisans?
6. What role do you see as a buyer for promoting e-commerce opportunities for artisans?
7. What role do you see for Trust Providers in promoting e-commerce opportunities for artisans?
8. What processes or structures have best enabled your work with (ARTISAN GROUP)?
9. What is the biggest barrier artisan groups in Kenya face in attempting to market themselves in e-commerce channels?
10. How successful have your efforts to market (ARTISAN GROUP)'s products on WorldofGood.com been?
11. What potential do you think sites like WorldofGood.com offer artisans directly? How would you change your own operations/practices if artisans had more opportunity to access these sites directly?
12. Do you feel the international community is supportive of direct artisan access to e-commerce?

### **III. Key Informant Guide - Other (KIG/O)**

1. What involvement does your organization have in promoting or enabling access to e-commerce for Kenyan artisans?
2. What are the biggest challenges you face in this work?
3. How do you think such challenges can be overcome?
4. Who bears the greatest responsibility for overcoming these challenges?
5. What technical assistance/training are you aware of that are available for these artisan groups? What is keeping these groups from accessing this assistance?
6. Do you feel the international community is supportive of direct artisan access to e-commerce?
7. Do you feel the government of Kenya is supportive of artisans in their endeavours to access e-commerce markets abroad? Would you say this is a strong priority for the government?
8. Is this a strong priority for your organization (if applicable)?

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