

Indian art metalware handicraft industry- Analysis in the light of five force framework

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Abstract:

The case study is likely to highlight the implications on the decision areas involved in art metal ware handicraft units of India where the output and its quality essentially depend on the artisans contribution to their respective organizations. It will go a long way in suggesting the employers in art- metal ware industry in specific that quality of work life measures can actually help the organizations in achieving their *desired end*. Growth is not the outcome of making strategies for dealing with external environment, rather the soft resources (artisans here) play a vital role in achieving the winning situation for a firm.

According to Export Promotion Council of Handicrafts (EPCH, 2011) “handicrafts may be defined as items or products produced through skills that are manual, with or without mechanical or electrical or other processes, which appeals to the eye, due to characteristics of being artistic or aesthetic or creative or ethnic or being representative of cultural or religious or social symbols or practices, whether traditional or contemporary. These items or products may or may not have a functional utility or can be used as a decorative item or gift” (EPCH Circular, 2011).

The definition given by the United Nations Educational, Scientific and Cultural Organization/Information Technology Community (UNESCO/ITC, 1997) goes like “Artisanal products are those which are produced by artisans, either completely by hand, or with the help of hand tools or even mechanical means, as long as the direct manual contribution of the artisan remains the most substantial component of the finished product. These are produced without restrictions in terms of quantity and using raw materials from sustainable resources. The special nature of artisanal products derives from their distinctive features, which can be utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional, religiously and socially symbolic and significant”.

Exhibit 1 indicates the trend in the Export Handicraft Units in India. The membership of handicraft exporters with EPCH has grown from merely 35 in 1986-87 to 6906 in 2012-13.

Growth of Handicraft Sector in general

The exports of handicrafts (excluding hand- knotted carpets) was Rs. 387.00 crores during the year 1986-87 and it increased to 17970.12 crores in year 2012-13 as shown in **Exhibit 2 and 3.**

Art Metalware Handicraft Industry of India- An Overview

The export of art metalware from India was Rs. 3328.64 crore in the year 2012-13. The figure is higher as compared to any other handicraft of India. This fact made this particular handicraft sector an important area of study. Art metalware export rose to Rs. 4317.21 crores in the year 2013-14 which was again the highest as compared to any other handicraft sector (EPCH) as shown in **Exhibit 4.**

Handicrafts have shown an increase of US \$ 256.32 million i.e. the exports increased by 18.06% during. **Exhibit 5** shows the detail of the increase in export of handicrafts to different nations.

The art metalware cluster of Moradabad specializes in metal casting in which molten metal is poured in into moulds and allowed to solidify into the shape of an object. According to NCAER (2012), 29 per cent of India's art- metal handicraft artisans are in the state of Uttar Pradesh. Brass ware is exported to several countries of the world like Canada, USA, Germany, Britain, and Middle East Asia. There are about 5000 total metal craft industries in Moradabad district. Moradabad was declared as an industrial corridor by the state government in industrial policy 1999-2002. Moradabad also has an SEZ spread on 450 acres of land (Uttar Pradesh Developmental Report, Planning Commission, Government of India, 2011). According to a study conducted by ISB Hyderabad (2013) in collaboration with NInC and IL& FS, out of the annual turnover of Rs. 3,500, the cluster exports handicrafts worth approximately Rs 2,700 crores which in turn is approximately 20 percent of the total handicraft exports from India". The sector is largely dependent on manpower hence, motivation of manpower, compliance to the safety norms, health issues are of important concern to the firms operating in the industry. Ease of initiating the business in handicrafts is one factor which attracts huge competition in the sector especially in India where handicraft

sector falls under the category of Small Scale Industry governed by MSME Act and enjoys special privileges.

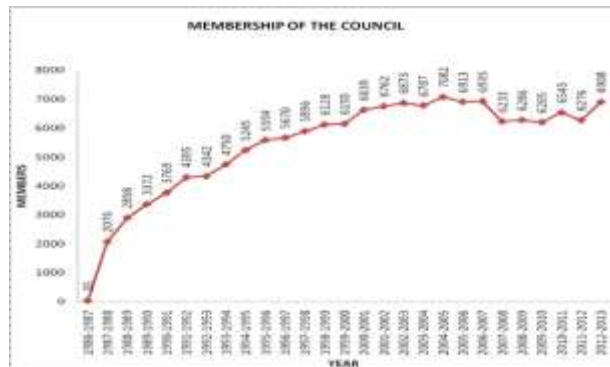
The metal craft industry has to struggle to keep pace with the safety norms getting tougher day by day. Existing firms like CL Gupta have attained economies of scale and are in an advantageous position. For e.g. C.L. Gupta Exports Ltd. is in operation since past 118 years. The company is into exports since 1955. It is enjoying the advantages of learning curve when it comes to attaining low cost advantage. Off late it has diversified in health sector and education sector by opening a state- of- the- art eye hospital in the city of Moradabad and launching an international school in the city. The firm under study is enjoying a lucrative position in the market as compared to its competitors. Off late it has expanded its product line to include Colonial Dutch Furniture for higher ended segment of the market. It is already exporting to countries like USA, Canada and Denmark. The firm has vertically integrated units for manufacturing products in brass, aluminium, copper, zinc alloy, stainless steel, mild steel, wrought iron, wood and glass.

For understanding the nature of individual handicraft firms, it is important to understand the industry structure of metalware industry in general and Indian metalware industry in specific.

Given the intense competition in the industry- both at organised and unorganised level, individual handicraft firms of Art Metal Ware in India must focus their attention on either of the following generic strategies:

- Building market share
- Reduce overheads if they want to compete in the international market
- Differentiation can create value
- Focus on branding which is currently missing in case of Art Metal Firms in India
- Innovation- make items using different kinds of alloys
- Adhere to focused low cost strategy
- Can adopt niche strategy and concentrate on specific types of metal ware like garden accessories, worship items and the like.

Exhibit1: Membership of Export Promotion Council of Handicrafts (EPCH) across India



(Source: *An Overview, Export of Indian Handicrafts*. A publication of EPCH, December 2013 Issue)

Exhibit 2: Export of Handicrafts (Rs. in Crores)

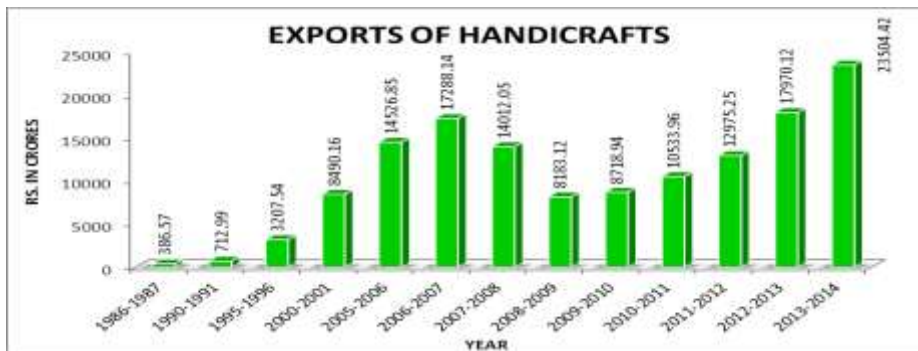
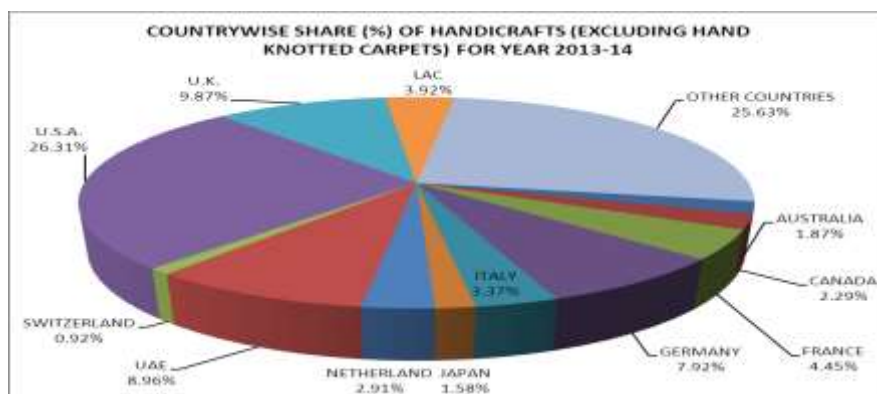


Exhibit 3: Share of exports of handicrafts in major countries/regions



(Source: EPCH)

Exhibit 4: Export of Art Metalware from India

Sr. No.	Country	2012-13 (in Rs. crores)	2013-14 (in Rs. crores)
1	Australia	52.26	84.62
2	Canada	39.94	70.80
3	France	92.87	144.63
4	Germany	170.39	283.21
5	Italy	74.56	108.36
6	Japan	35.94	39.72
7	Netherland	83.88	125.20
8	UAE	379.75	502.95
9	Switzerland	32.27	36.27
10	USA	926.52	1184.21
11	UK	161.47	233.99
12	LAC	164.47	213.27
13	Other countries	1114.06	12.89.98
Total		3328.64	4317.21

(Source: EPCH)

Exhibit 5: Export of Handicrafts to Different Nations

Items	In rupee crore		Increase in % over 2013-14	In US dollar in millions		Increase in % over 2013-14
	2013- 14	2014- 15		2013- 14	2014- 15	
	April- Aug			April- Aug		
Art Metalwares	2041.06	2418.45	18.49%	350.98	402.61	14.71%
Wood wares	1053.75	1336.45	26.85%	181.2	222.52	22.80%
Hand printed Textiles	988.36	1107.34	12.04%	169.95	184.34	8.47%
Embroidered & Crocheted Goods	1721.08	1889.06	9.76%	292.95	314.48	6.26%
Shawls as Art wares	278.19	389.17	39.89%	47.84	64.79	35.43%
Zari & Zardozi goods	147.14	161.23	9.58%	25.3	26.84	6.09%
Imitation Jewellery	419.96	614.36	46.29%	72.22	102.28	41.62%
Misc. Handicrafts	1603.58	2148.39	33.97%	275.75	357.65	29.70%

(Source: EPCH)

Exhibit 6: Handicraft Industry Analysis

<p>Demographic trends</p> <ul style="list-style-type: none"> • Newer generations of artisans not interested in joining the industry. • Handicraft sector is known for hand-crafted items which are largely dependent on skill set of artisans which pass on hands generation to generation. 	<p>Technological development</p> <ul style="list-style-type: none"> • Handicraft industry is being dependent on machines. The carving which was done exclusively by hands is now being done largely by machines. • A number of artisans in handicraft sector are likely to get affected by technological developments in this industry.
<p>Socio-cultural impact</p> <ul style="list-style-type: none"> • Handicrafts are in demand in developed nations for their aesthetic appeal and ostentation effect. 	<p>Legal pressures</p> <ul style="list-style-type: none"> • Compliance to regulatory framework like Factories Act of India, ILO's Code of practice on safety and health in the iron and steel industry, ILO's Guidelines on occupational safety and health management systems.
<p>Global trade concerns</p> <ul style="list-style-type: none"> • Seeing the growth prospects in the handicraft industry, a number of competitors are likely to enter the market. 	

Exhibit 7: Five Force Analysis

I- Threat of Entry:

- Economies of scale
- Cost advantages
- Learning curve advantage
- Legal barriers getting stringent

II- Threat of Substitutes:

- Threat from machine made handicrafts having the same or similar aesthetic appeal
- Replacement of brass ware with other cost effective alloys

III- Threat of rivalry:

- Intense rivalry in the industry even in a small city like Moradabad.
- Price war is very likely to earn more market share
- Imitation of designs is a concern in handicraft sector. This impediment prevents online display of designs.
- Legal protection of designs is not possible as the designs are so closely similar and moreover they get obsolete at a very fast pace.

IV- Threat of Suppliers

- Since brass is a tradable metal, its prices fluctuate on daily basis
- The supply of brass is limited, suppliers dominate the industry

V- Threat of Buyers

- Buyers have a strong propensity to substitute
- Importers try to dominate as the handicraft industry (especially art metal ware industry) is highly unorganized and scattered and there is no unity or possibility of collusion among the manufacturers.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Aesthetic appeal. • Idols of deities popular • Government support • Regional advantage. 	<ul style="list-style-type: none"> • Imitation • Rarity lost within no time
Threats	Opportunities
<ul style="list-style-type: none"> • Threat from new entrants in the market. • High rate of attrition 	<ul style="list-style-type: none"> • Opportunity for diversification • Growth

Exhibit 8: SWOT Analysis

Strengths:

- **Aesthetic appeal-** Metalware handicrafts are known for their aesthetic appeal.
- **Metal idols of deities popular-** In India metal idols are preferred for worship Metal Handicraft has historical significance and has been in use in India since Indus valley

civilization and Harrappan civilization. Veterans and existing firms like are in an advantageous position because of the number of years they are in existence.

- **Government support** It's easy to start a metal ware handicraft unit as the government provides privileges and they are governed by a separate Act.
- **Regional advantage-** The region of Moradabad has already a historic advantage and the brass ware being manufactured here holds high esteem in the world market.

Weaknesses:

- **Imitation-** Tight control over designs not possible as the designs are immediately imitated by competitors and the time duration in their market launch is so less that a legal protection is not viable.
- **Rarity lost within no time-** The rarity aspect cannot be protected for a long period of time.

Opportunities:

- **Opportunity for diversification-** Opportunity for diversification is available with the firm and it has already diversified successfully in health and education sector.
- **Growth-** Opportunity for growth in art metal ware is possible if the firm diversifies into utility items also besides manufacturing items having aesthetic appeal that have decorative purpose only.

Threats:

- **Threat from new entrants in the market-**The firm faces threats from entrepreneurs who are likely to enter the market seeing its growth prospects.
- **High rate of attrition-** Artisans who are the back-bone of this industry might quit this sector and may not motivate their generations to learn these artisanal skills due to poor quality of work life conditions prevailing in art metalware handicraft sector.

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