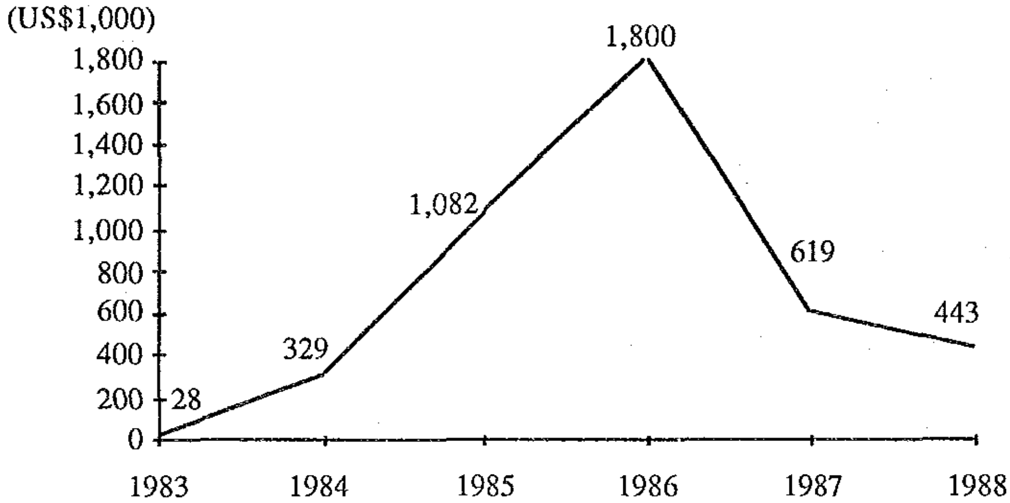
The trends in exports of handicrafts can be summarized as follows:

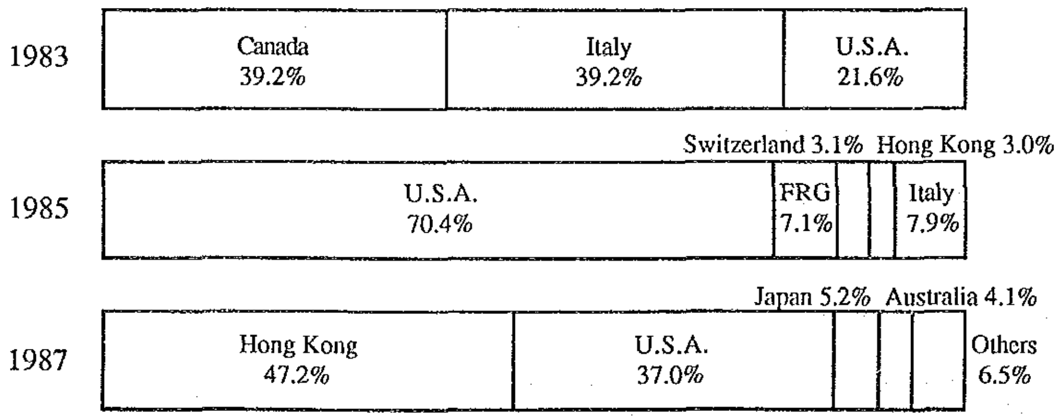
- Exports of handicrafts as a whole have been increasing as a general trend.
- Seen by individual product, the products fall under the following groupings: a. products for which exports are rapidly increasing, b. products for which exports are steadily increasing, c. products for which exports once increased and have since declined, d. products for which exports have remained stable, and e. products for which the trends in exports cannot be determined due to short time since they have been recorded.

Fig. 2-3-19: Trends in Exports of Personal Accessories



Source: BPS, export statistics for each year

Fig. 2-3-20: Share of Main Export Destinations in Personal Accessories



Source: BPS, export statistics for each year

(a)	Rapidly rising products:	Rattan basketwork, picture frames etc., silverware
(b)	Steadily increasing products:	Wood carvings
(c)	Increasing, then declining products:	Craft textiles, imitation jewelry
(d)	Stable products:	Other plaiting
(e)	*Undetermined products:*	Wooden household utensils, ceramic statuettes etc.

In 1988, plaiting, in particular rattan basketwork, accounted for the most value among exports, followed by picture frames etc. and silverware.

(b) Exports seen by region

According to BPS, the exports of the different states in 1988 were as shown in Fig. 2-3-21, with Jakarta accounting for the majority of the same.

(c) Problems in exports as seen from results of questionnaire survey

The problems in exports mentioned by the 184 companies covered by the questionnaire survey were as follows:

State of Exports

Out of the 184 companies surveyed, 57, or 31.0 percent, were engaged in exports. There were 70 companies not engaged in exports and 57 which did not know. Judging from the interviews, the companies which responded that they did not know probably never exported. (See Fig. 2-3-22.)

A look at the companies engaged in exports by region shows that 54.8 percent of the companies in Bali engage in exports, 41.2 percent in Jakarta, and 38.5 percent in Jogjakarta. 21.4 percent of the companies in Bandung engage in export. Frequent mention is made of the lack of a domestic market as a problem in business. As understood from this, many of the companies are oriented toward the domestic market. Very few companies engaged in export in North Sumatra, 16.7 percent, and South Sulawesi, 5.0 percent. (See Fig. 2-3-41.)

By product, as shown in Fig. 2-3-58, over 50 percent of the other fashion accessories companies responded they exported and 30 percent or more wooden products, other traditional handicrafts, ceramics, silverware etc., bamboo, rattan, etc., hand weaves and other textiles.

By size of company, there was a difference between the small size companies and the medium and large size companies. Only 7.5 percent of the small size companies exported, compared with 41.6 percent for the medium size companies and 66.6 percent for the large size companies. (See Fig. 2-3-51.)

Fig. 2-3-21: Exports of Handicrafts by State (MAP)

(Unit: US$1,000)

North Sumatra

Wooden picture frames etc.	3.1
Other plaiting	50.5
Rattan basketwork	500.7

South Sulawesi

Rattan basketwork	9.8
Rattan plaiting	104.3
Other plaiting	0.4

Central Sulawesi

Rattan plaiting	56.3
Rattan basketwork	49.7

Janbi

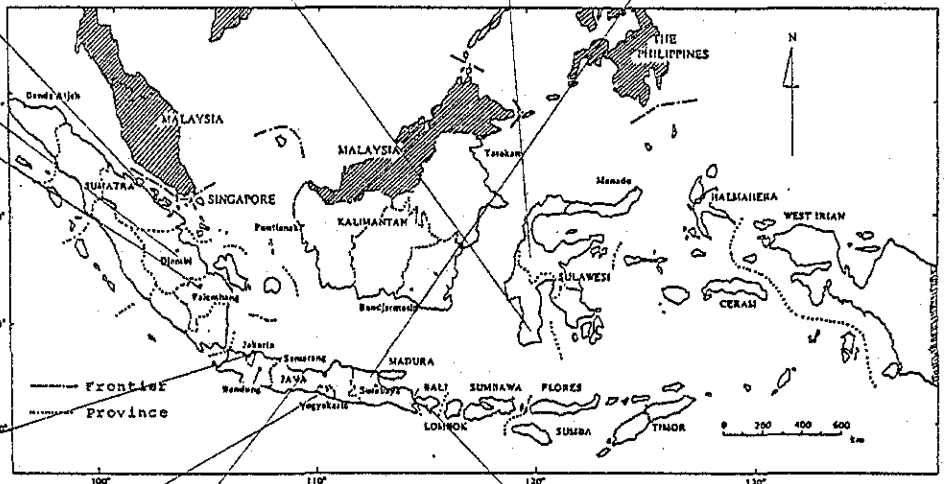
Rattan plaiting	94.4

Lampung

Rattan plaiting	60.4
Other plaiting	70.4

East Java

Wooden picture frames	1.3
Rattan plaiting	2,413.9
Other plaiting	209.8
Rattan basketwork	2,278.5
Imitation jewelry	204.2



Jakarta

Wooden picture frames	1,001.5
Wooden household utensils	383.2
Rattan plaiting	1,339.7
Other plaiting	117.4
Rattan basketwork	5,224.0
Ceramic statuettes etc.	16.6
Silverware	39.0
Imitation jewelry	11.2

Yogyakarta

Other plaiting	0.2
Rattan basketwork	18.5
Silverware	55.1

Central Java

Wooden picture frames	728.5
Rattan plaiting	14.7
Other plaiting	3.7
Rattan basketwork	717.3
Other basketwork	67.5

Bali

Wooden picture frames	1,353.9
Plaiting	19.6
Rattan basketwork	145.8
Stone products	3.8
Ceramic statuettes etc.	0.03
Silverware	1,387.3
Imitation jewelry	227.3

Source: BPS, export statistics for 1988

Fig. 2-3-22: Exports

Source: Questionnaire survey

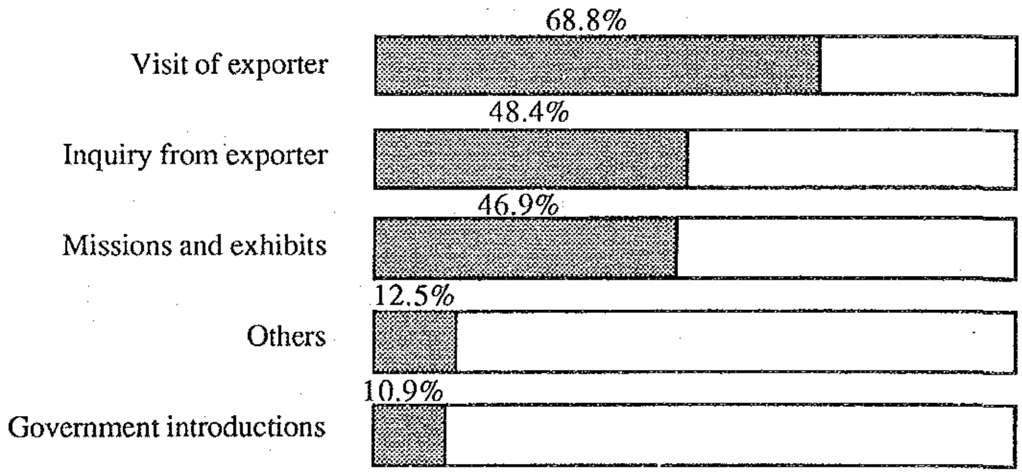
Occasion of Start of Exports

The occasion upon which exports started was given as the visit of an importer in the majority of the cases - 68.8 percent. This was followed by inquiries from importers and missions and exhibitions - close to 50 percent. (See Fig. 2-3-23.) By region, missions and exhibits were mentioned most often in Jakarta, reflecting the frequent opportunity for exhibits in Jakarta. (See Fig. 2-3-24.)

By size of company, there were far fewer small size companies than medium size companies and large size companies which mentioned inquiries from importers. This is believed to be because the small size companies have problems with language and communication. (See Fig. 2-3-25.)

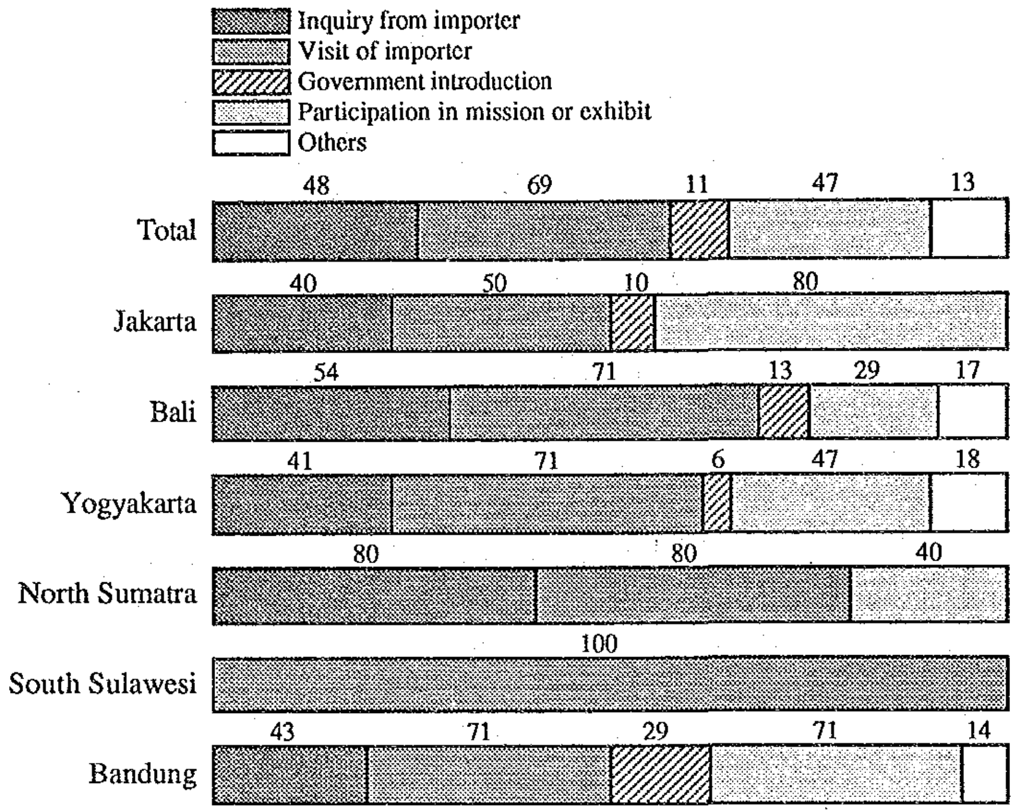
By product, inquiries from importers were mentioned most often for wooden products and participation in missions and exhibits often for ceramics - different from other products. (See Fig. 2-3-26.)

Fig. 2-2-23: Occasion of Start of Export



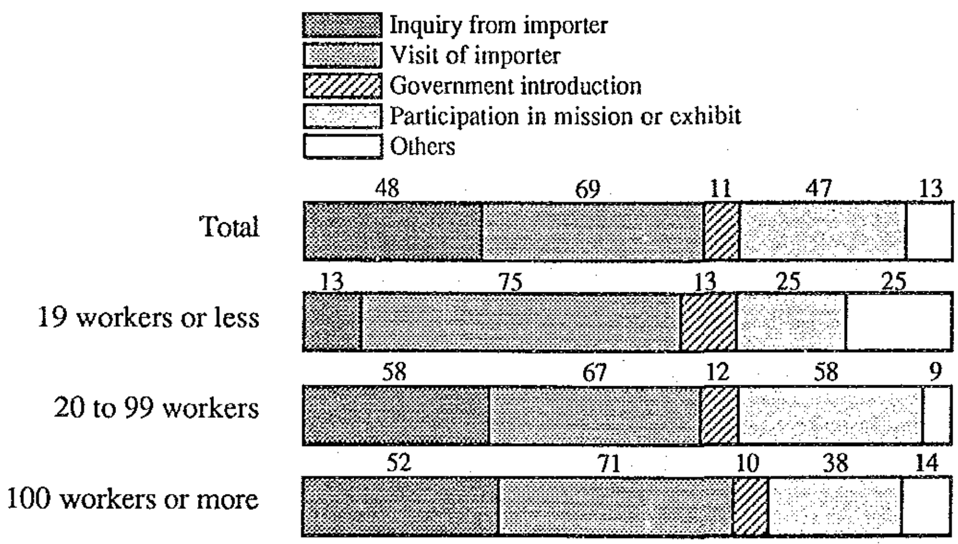
Source: Questionnaire survey

Fig. 2-3-24: Occasion of Start of Export as Seen by Region



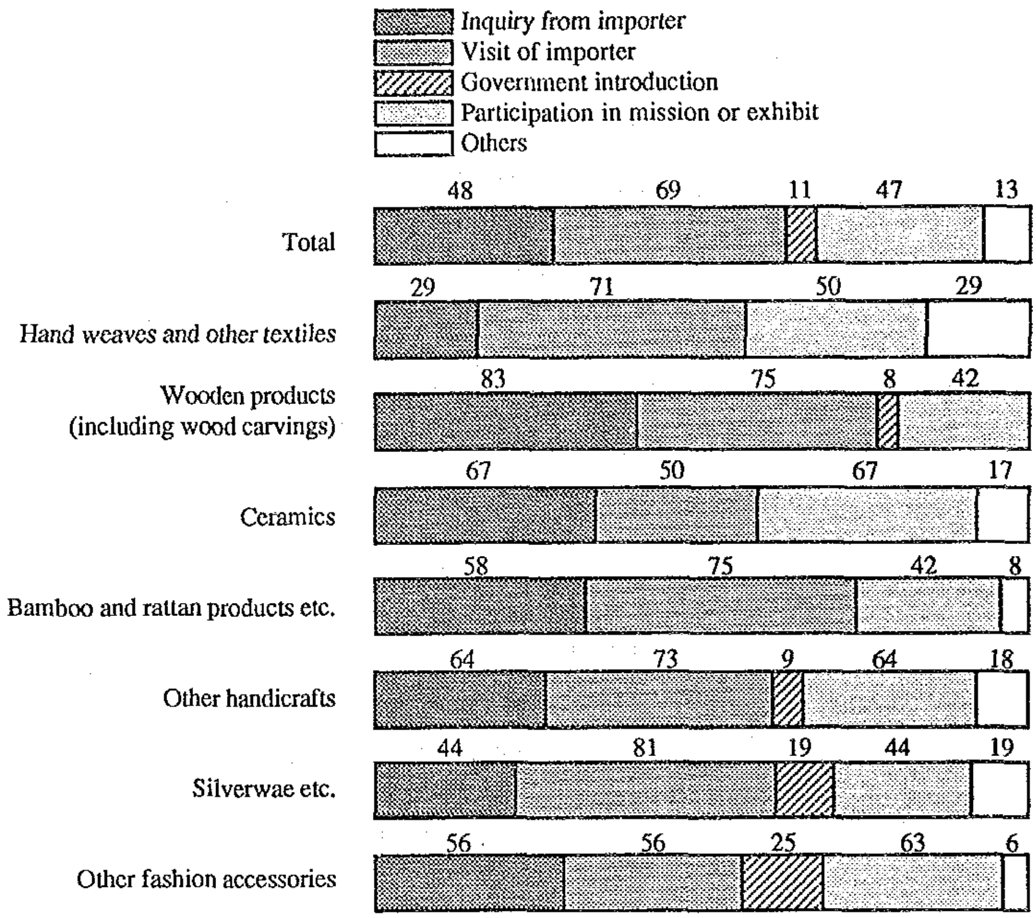
Source: Questionnaire survey

Fig. 2-3-25: Occasion of Start of Export



Source: Questionnaire survey

Fig. 2-3-26: Occasion of Start of Export



Source: Questionnaire survey

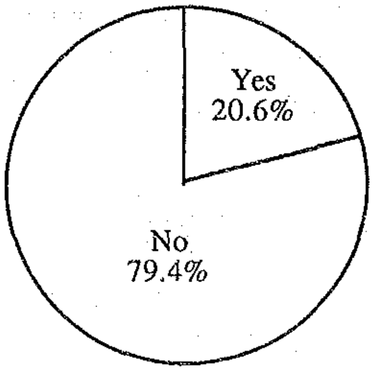
Participation in Overseas Exhibitions

Only 20.6 percent of the companies responded that they had participated in overseas exhibitions. (See Fig. 2-3-27.)

Looking at this by region, the percentages of such companies were highest in Jakarta, 41.2 percent, and Bali, 40.0 percent - a clear difference from the 14.3 percent of Bandung and the 0 percent of South Sulawesi. (See Fig. 2-3-44.) Further, by size of company, there was also a clear difference, with 6.3 percent of the small size companies, 31.9 percent of the medium size ones, and 33.3 percent of the large size ones having participated in such exhibitions. (See Fig. 2-3-52.)

Overseas exhibitions are good opportunities not only for publicizing Indonesian handicrafts overseas, but also for finding importers, acquiring information on overseas markets, and learning about trends and situations in the consumption areas. Regions not participating much in such exhibitions and small size companies should be given greater opportunity for participation in overseas exhibitions.

Fig. 2-3-27: Participation in Overseas Exhibitions



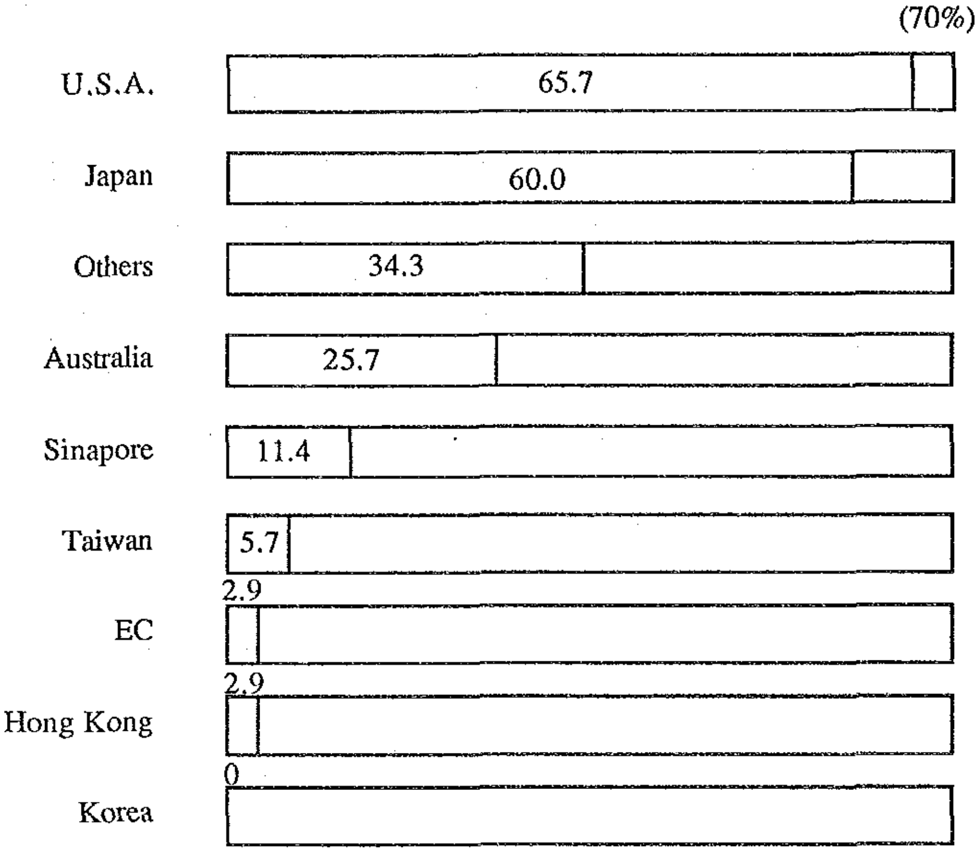
Source: Questionnaire survey

Main Exporters

According to the results of the questionnaire survey, the largest export destination is the U.S., followed by Japan. These two countries account for about twice as much of the exports as other export destinations. (See Fig. 2-3-28.)

A look by product shows that Australia is the largest export destination for bamboo and rattan products, followed by Japan. However, note should be taken that there were only a few valid replies for this category of product.

Fig. 2-3-28: Main Export Destinations



Source: Questionnaire survey

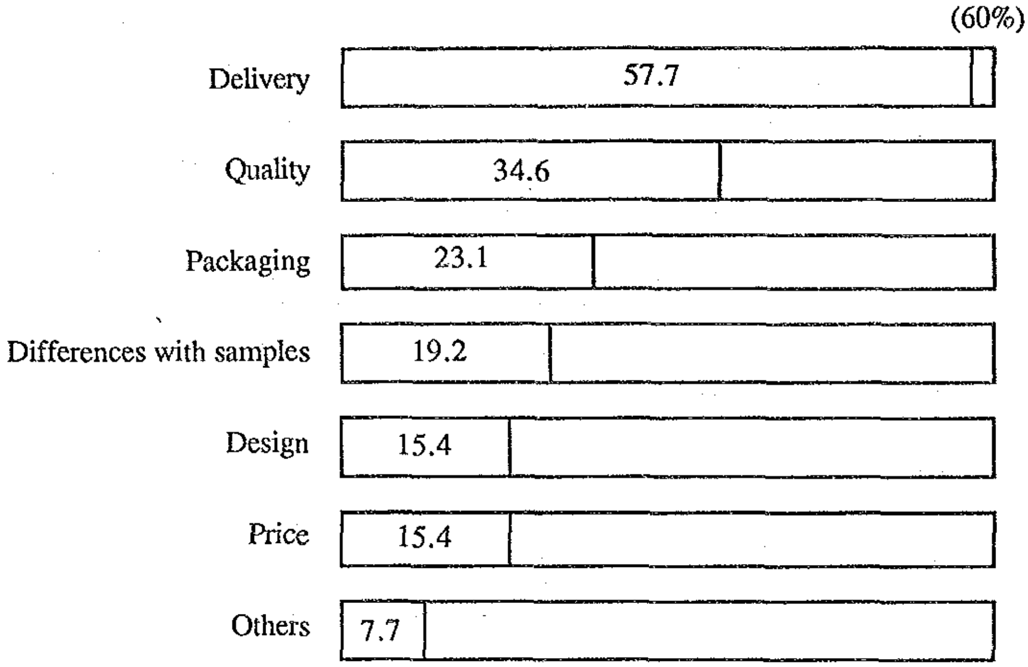
Details of Complaints

The most frequent complaint was regarding delivery. This matches with the results of the survey of importers in Japan. Late delivery accounted for 57.7 percent of the complaints, followed by quality at 34.6 percent and packaging at 23.1 percent. (See Fig. 2-3-29.) A look at the complaints by region shows that quality was the most frequent complaint for North Sumatra, though there were few valid replies. (See Fig. 2-3-46.)

By product, quality was most frequently mentioned along with delivery for bamboo and rattan products etc. (See Fig. 2-3-46.)

A look by company size shows packaging most frequently mentioned along with delivery for small size companies. (See Fig. 2-3-53.)

Fig. 2-3-29: Details of Complaints



Source: Questionnaire survey

Sources of Information on Overseas Markets

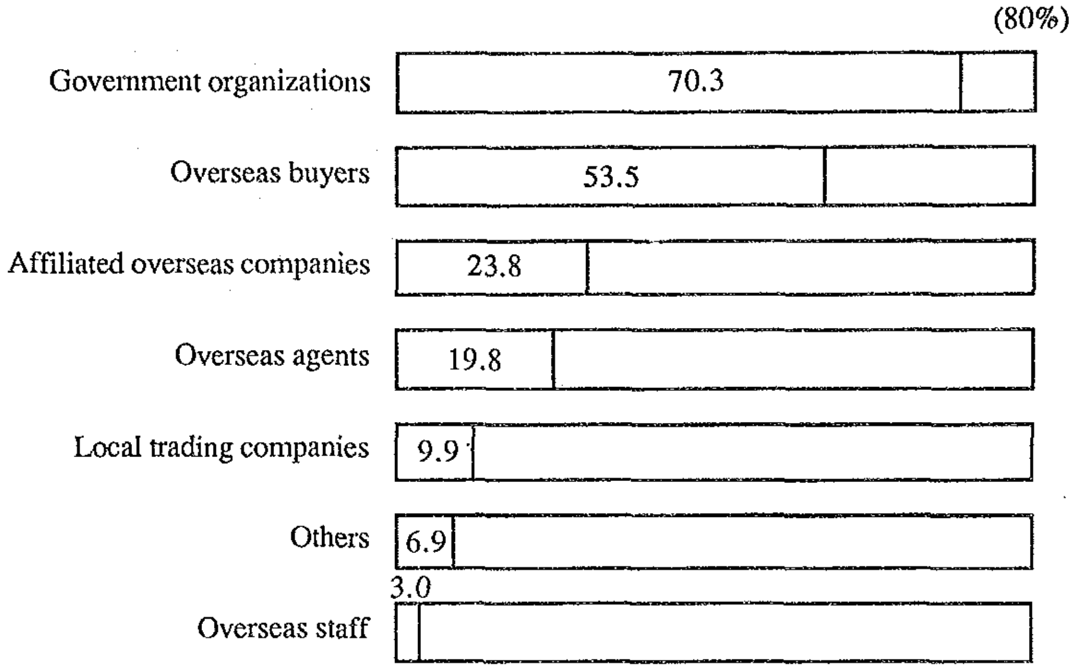
In the questionnaire survey, government organizations were mentioned most often, 70.3 percent, followed by overseas buyers, at 53.5 percent. Other sources of information mentioned were affiliated overseas companies, 23.8 percent, with other sources mentioned less frequently. (See Fig. 2-3-30.)

A look at the sources of information on overseas markets by region shows that overseas buyers were mentioned more often than government organizations in Jakarta and Bandung. Government organizations may be said to be of greater importance as information sources in North Sumatra, South Sulawesi, and other hinterland areas compared with other regions.

Further, a look by company size shows that the small the company, the more frequent mention was made of government organizations, with the percentage rising to 88 percent for small size companies. On the other hand, the large size companies indicated a greater dependence on overseas buyers and less of one on the government.

By product, overseas buyers and government organizations were mentioned equally frequently for wooden products.

Fig. 2-3-30: Sources of Information on Overseas Markets



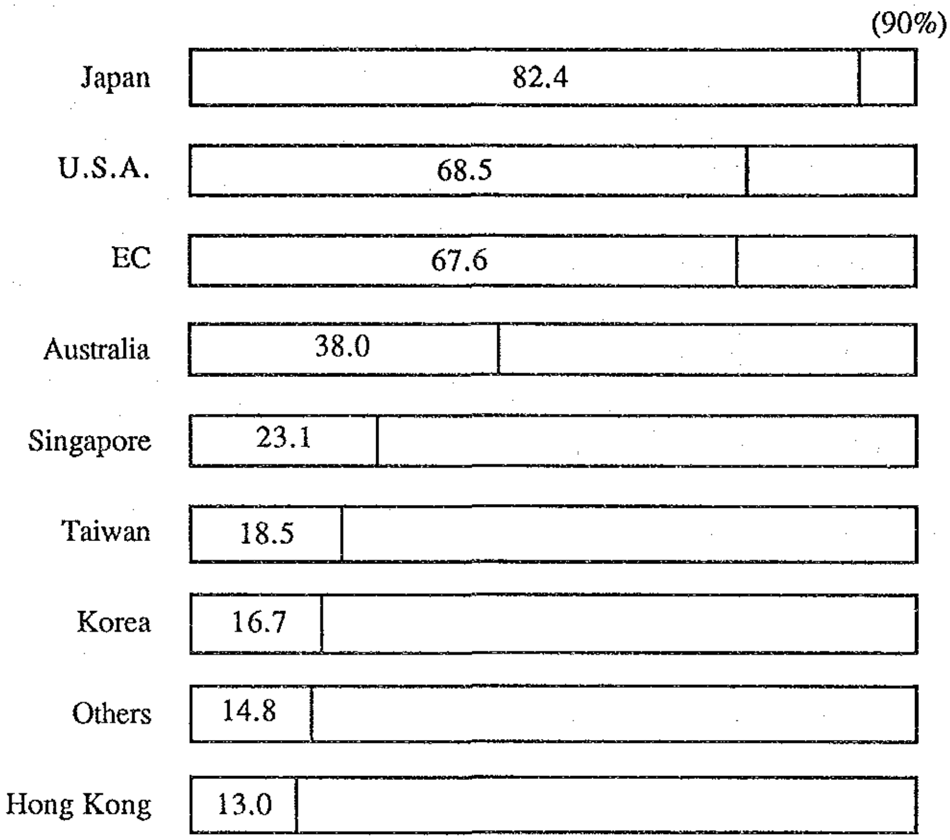
Source: Questionnaire survey

Countries for Which Market Information is Required

Market information is most required for Japan, with 82.4 percent of the companies indicating they needed the same. This was followed by the U.S. at 68.5 percent and the EC at 67.6 percent. (See Fig. 2-3-30.)

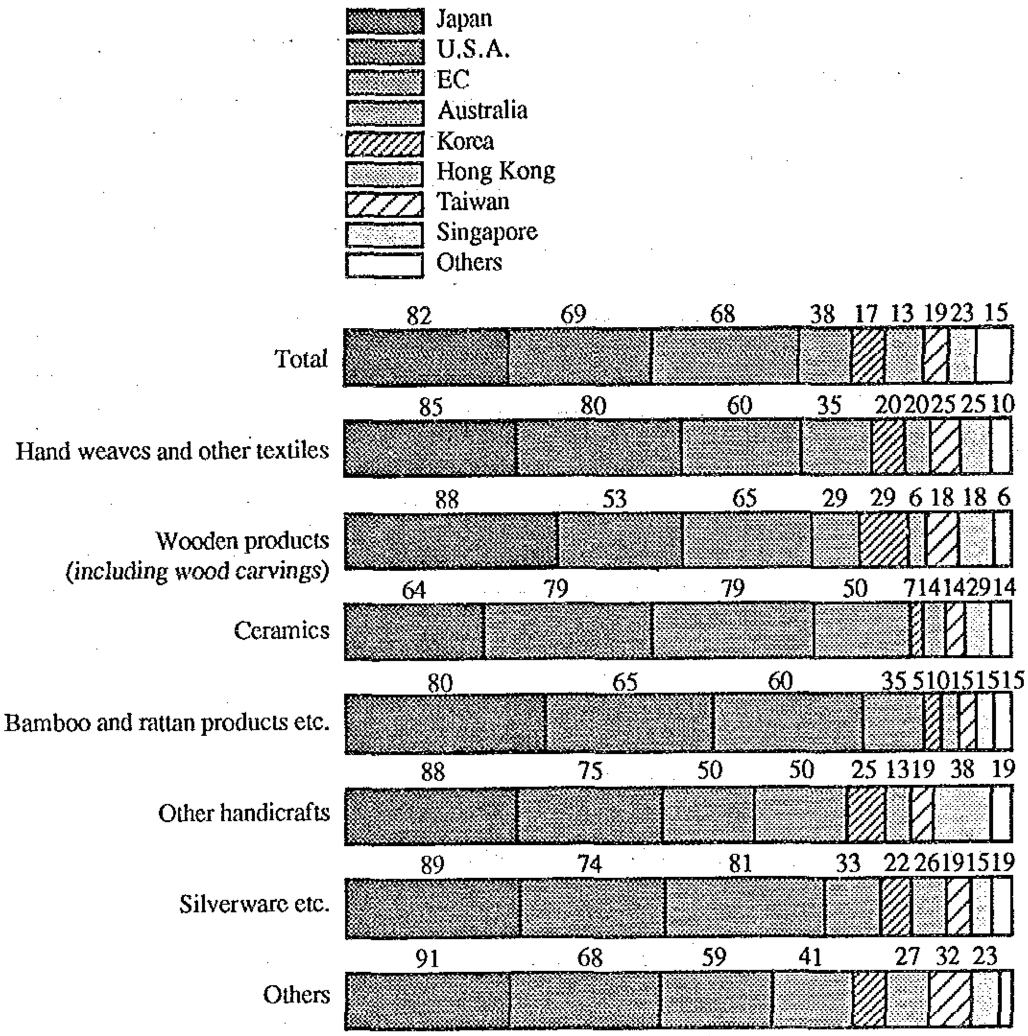
Seen by product, 79 percent of the companies indicated they need information on the U.S. and the EC in ceramics - more than Japan. The need for information on South Korea, Taiwan, and the other Asian NIEs is still not large. (See Fig. 2-3-32.)

Fig. 2-3-31: Countries for Which Market Information is Required



Source: Questionnaire survey

Fig. 2-3-32: Countries for Which Market Information is Required



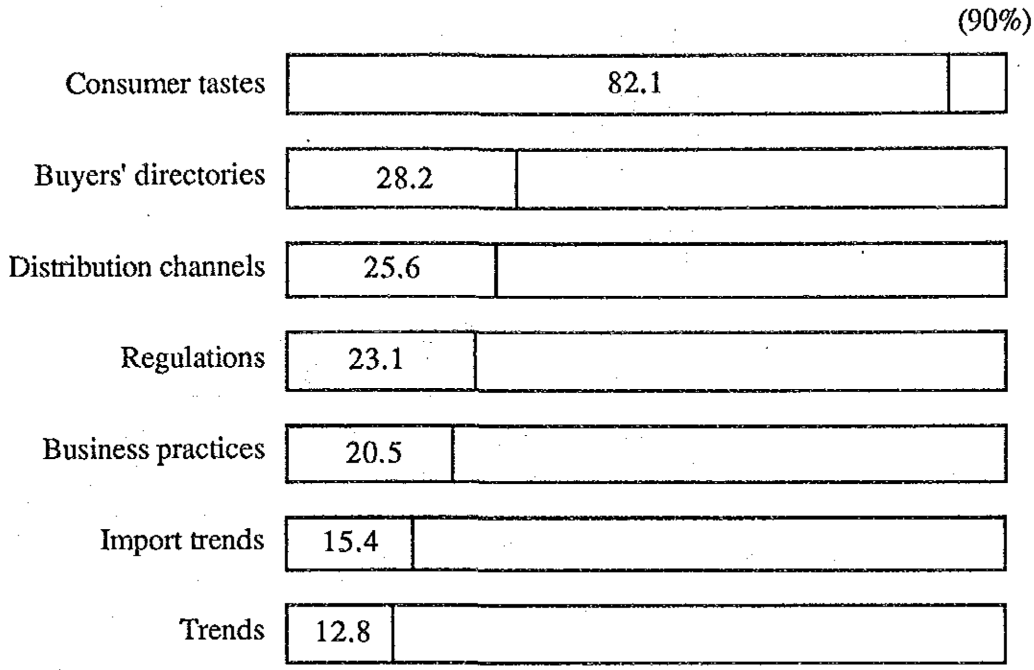
Source: Questionnaire survey

Details of Market Information Required

In the responses to the questionnaire, overwhelming mention was made of the consumer tastes, reaching 82.1 percent of the valid responses. At second place and down, with much smaller percentages, were directories of buyers, distribution channels, regulations, business customs, etc., in the 20 percent range. (See Fig. 2-3-33.)

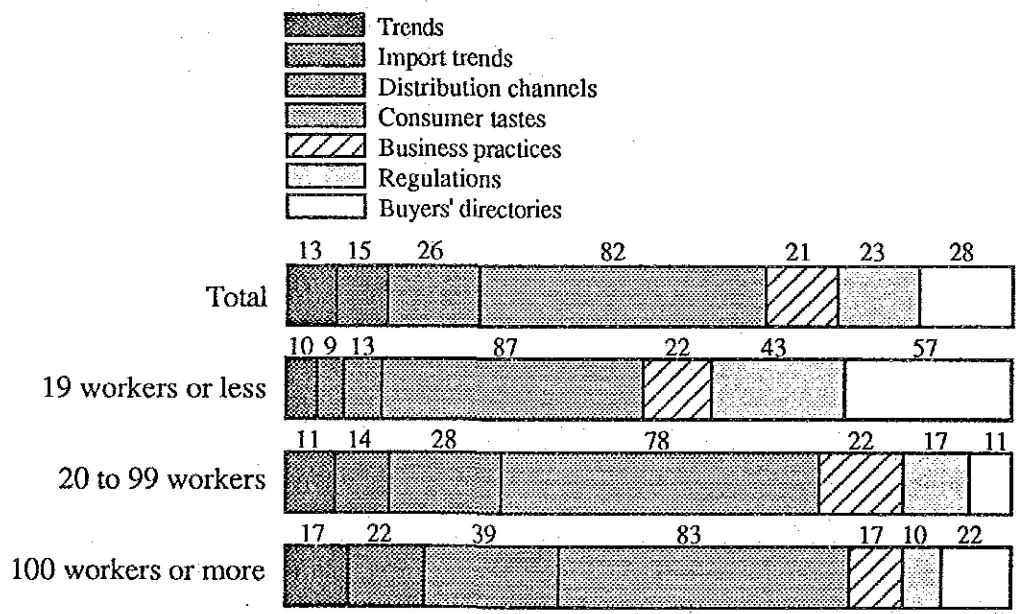
A look by company size shows that consumer tastes were mentioned most often for all sizes of companies, but there was also greater mention of buyers' directories, regulations, and other basic information in the small size companies. As opposed to this, the medium size companies and large size companies mentioned more often a need for information on distribution channels. (See Fig. 2-3-34.)

Fig. 2-3-33: Details of Market Information Required



Source: Questionnaire survey

Fig. 2-3-34: Details of Market Information Required



Source: Questionnaire survey

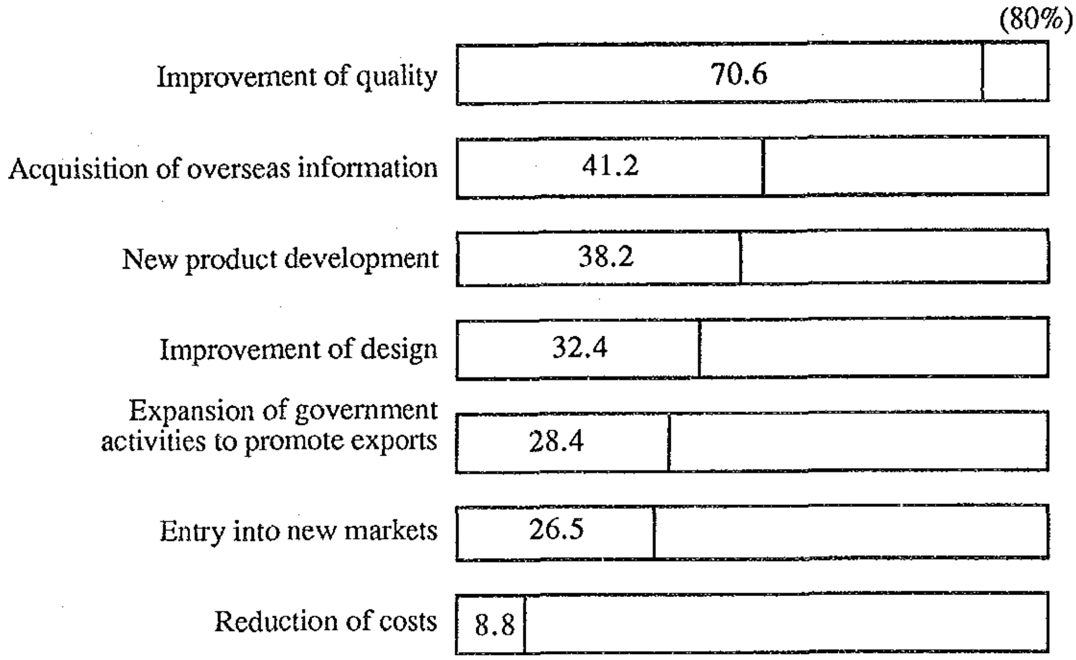
Matters Necessary for Expansion of Exports

The companies were asked in the questionnaire what they thought should be done to increase exports. The most frequent response, in 70.6 percent of the valid responses, was improvement of quality, showing that most companies felt it necessary to improve quality. This was followed by acquisition of overseas information, at 41.2 percent, new product development at 38.2 percent, and improvement of design at 32.4 percent. (See Fig. 2-3-35.)

By region, the acquisition of overseas information was mentioned most often in Jakarta, the improvement of quality and the improvement of design in South Sulawesi, and new product development in Bandung. (See Fig. 2-3-36.)

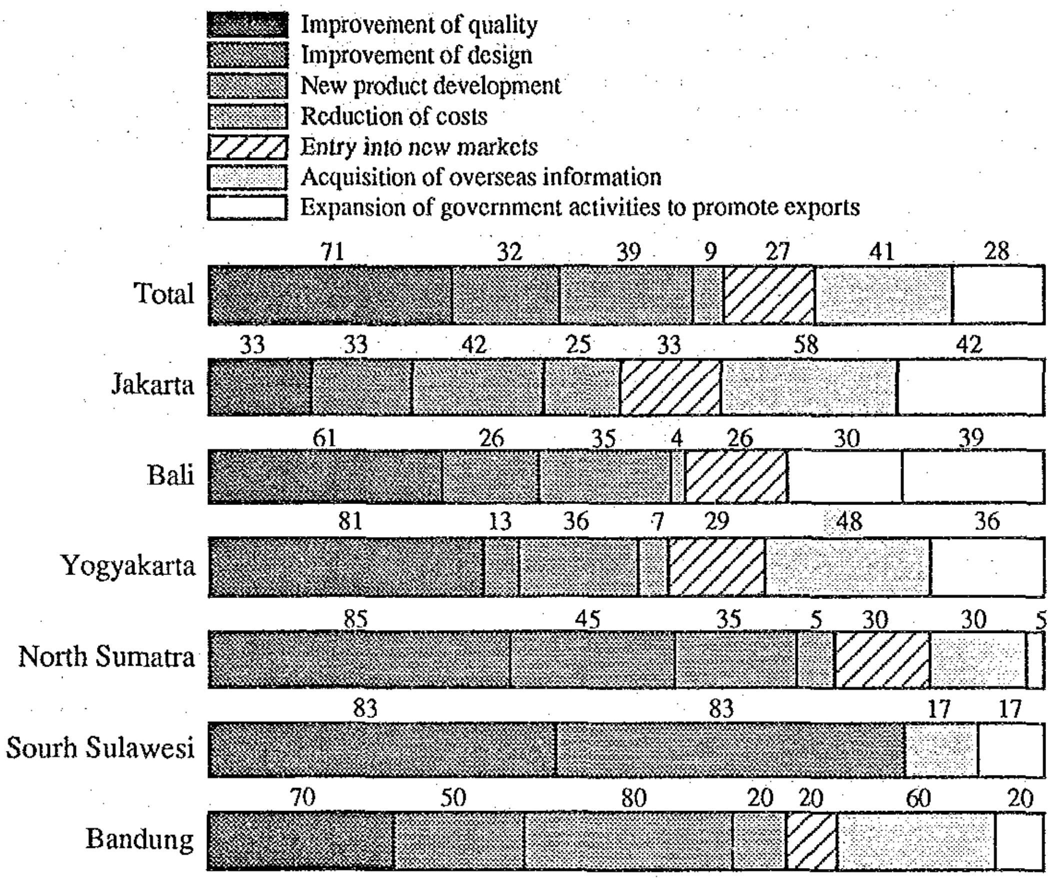
By company size, substantially the same trends were seen. By product, new product development was mentioned most often for wooden products and the improvement of quality and the improvement of design for ceramics. (See Fig. 2-3-38.)

Fig. 2-3-35: Matters Necessary for Expansion of Exports



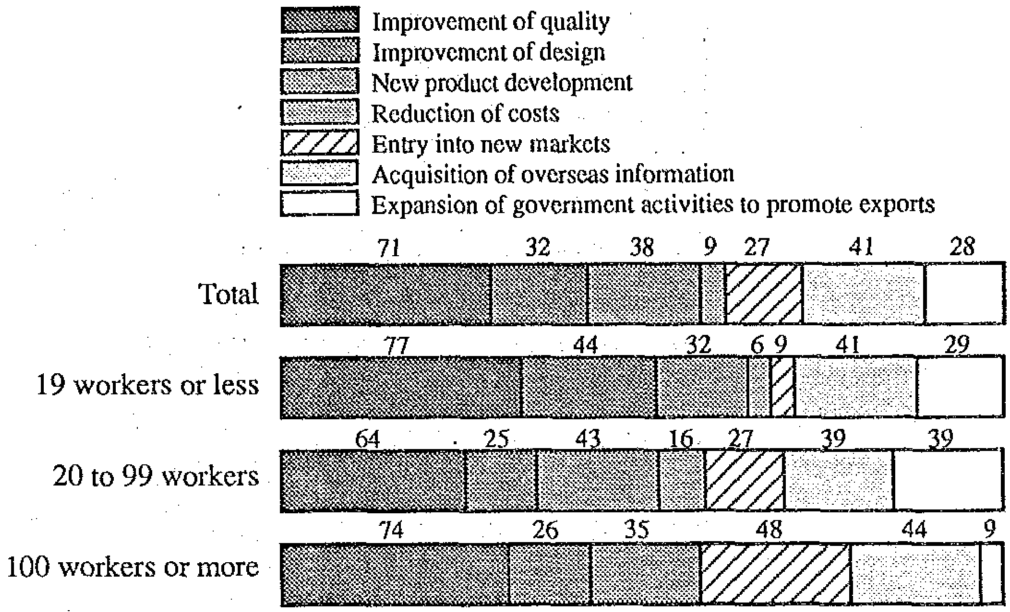
Source: Questionnaire survey

Fig. 2-3-36: Matters Necessary for Expansion of Exports



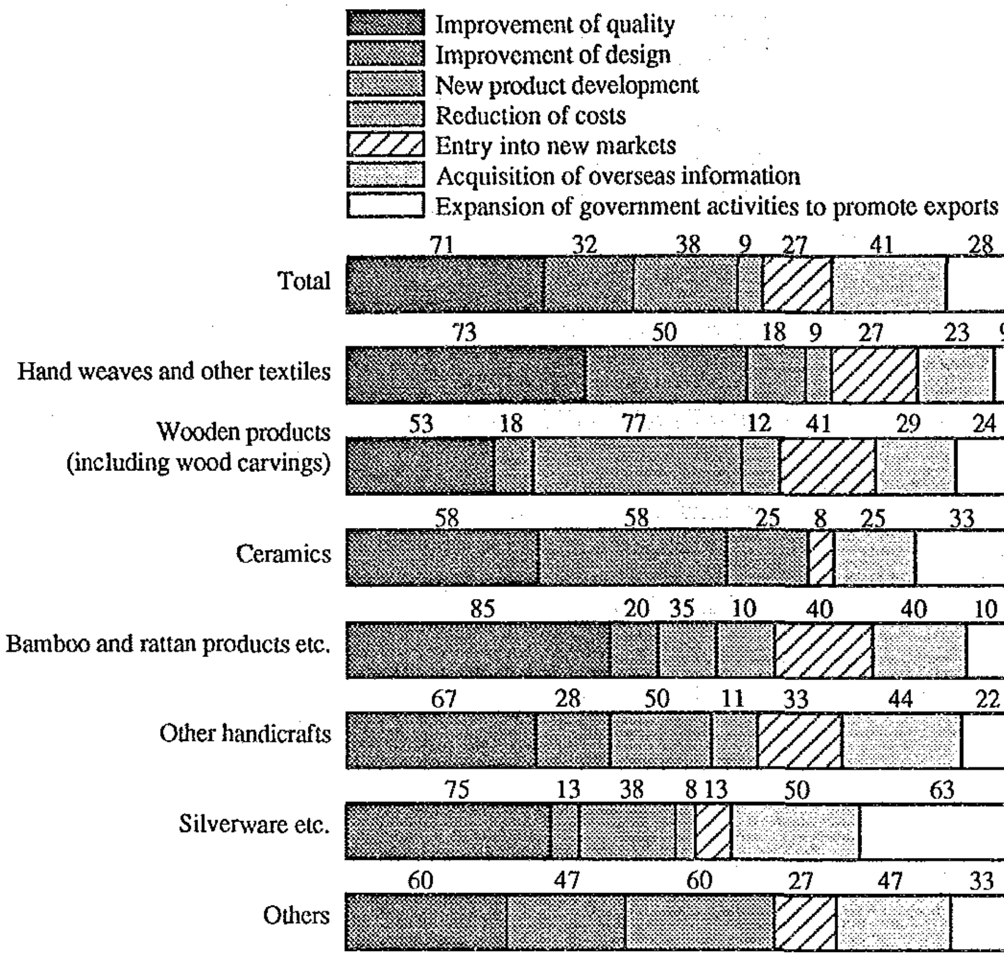
Source: Questionnaire survey

Fig. 2-3-37: Matters Necessary for Expansion of Exports



Source: Questionnaire survey

Fig. 2-3-38: Matters Necessary for Expansion of Exports as Seen by Product

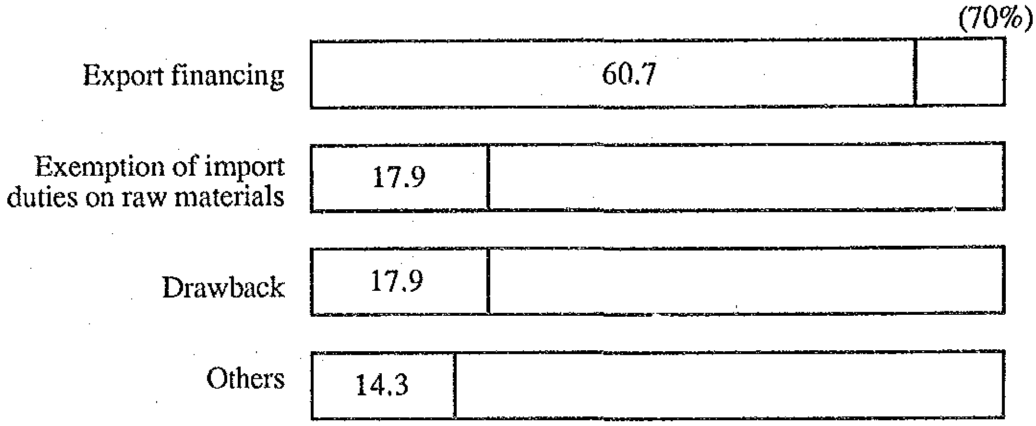


Source: Questionnaire survey

Utilization of Export Incentives

While there were many failures of response, a breakdown of the valid responses shows that 60.7 percent of the companies, an overwhelmingly large amount, utilize export financing. This is followed by 17.9 percent of the companies utilizing drawbacks on import duties and tariffs on raw materials.

Fig. 2-3-39: Utilization of Export Incentives



Source: Questionnaire survey

[4] Current state and problems of handicraft industry as seen by region, company size, and products

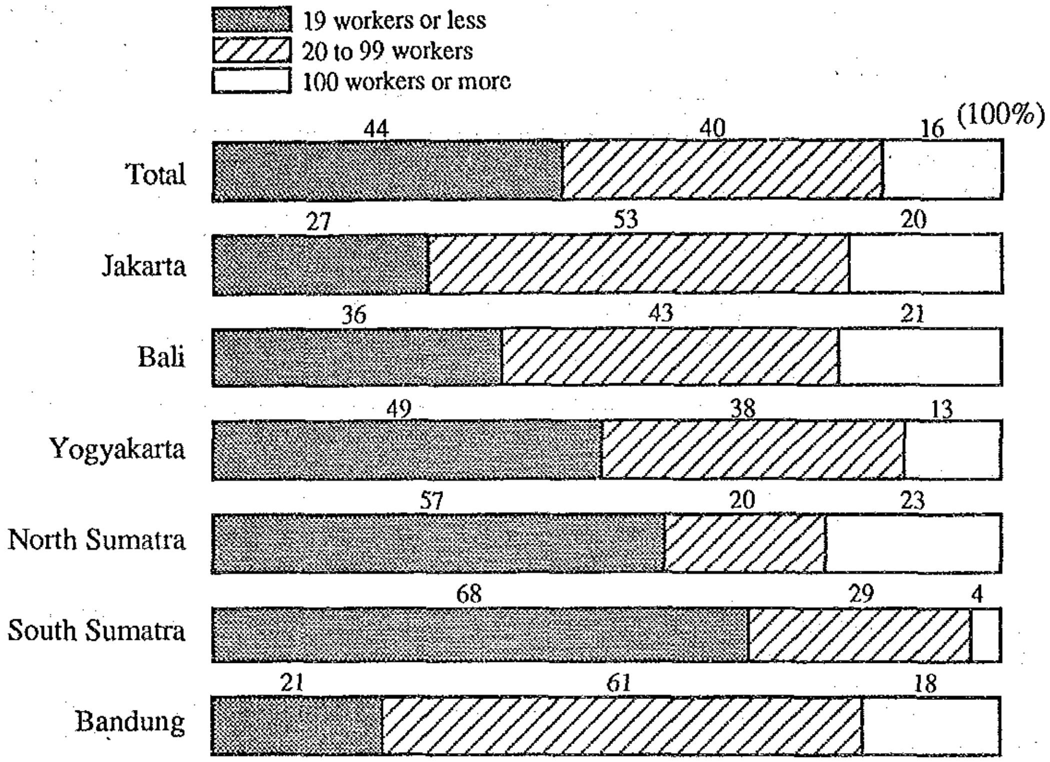
The handicraft industry includes numerous products spanning a number of industrial fields. These products are produced primarily by cottage industries and small scale industries and even on a large and medium scale of industry. Regionally, the industry is spread out all over Indonesia. With the indigenous industry being so diverse in nature, the problems only naturally also differ tremendously according to region, company size, and products.

Here, an overview is given of the current state of the handicraft industry and the main problems relating to exports based on an analysis by region, company size, and products. Note that analyses of the business management and production technology are discussed in detail in 2-3-(3) and (4).

a. Current State and Problems as Seen by Region

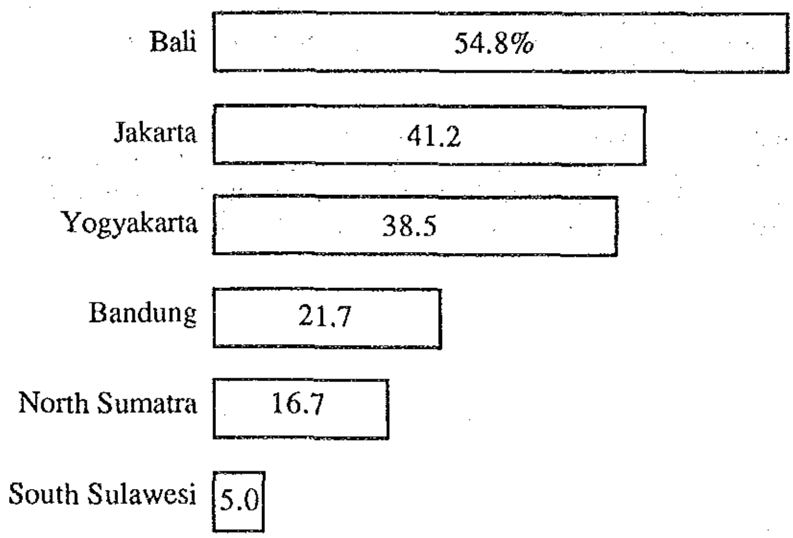
The survey team visited Jakarta and its environs (Sukabumi is administratively part of West Java, but is included in Jakarta and its environs here), Bali, Jogjakarta, North Sumatra, South Sulawesi, and Bandung and its environs.

Fig. 2-3-40: Company Size as Seen by Region



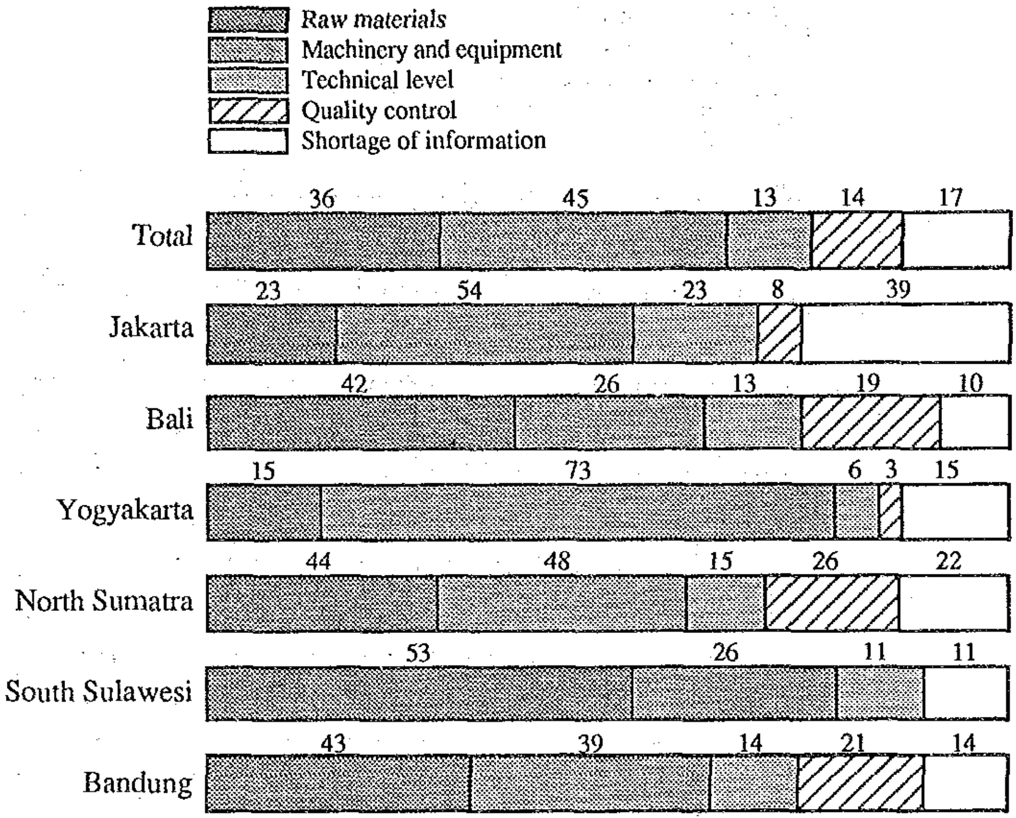
Source: Questionnaire survey

Fig. 2-3-41: Ratio of Export Companies as Seen by Region



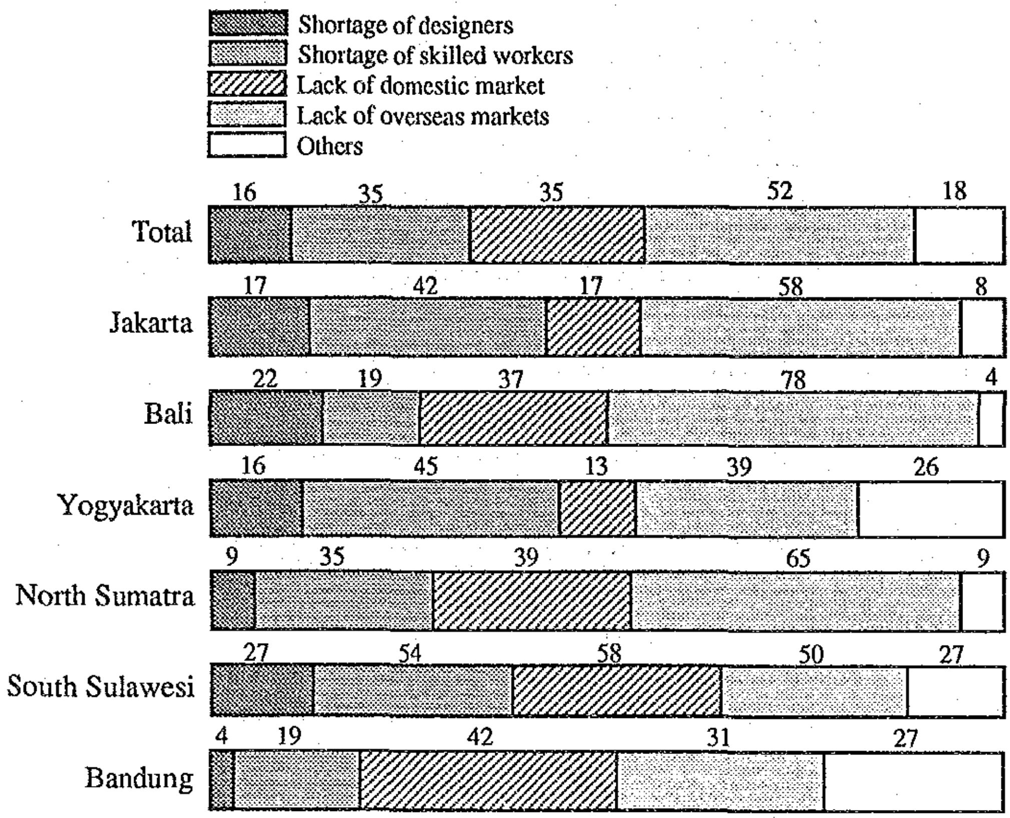
Note: Base number when finding percentages was number of samples.
Source: Questionnaire survey

Fig. 2-3-42: Problems in Production



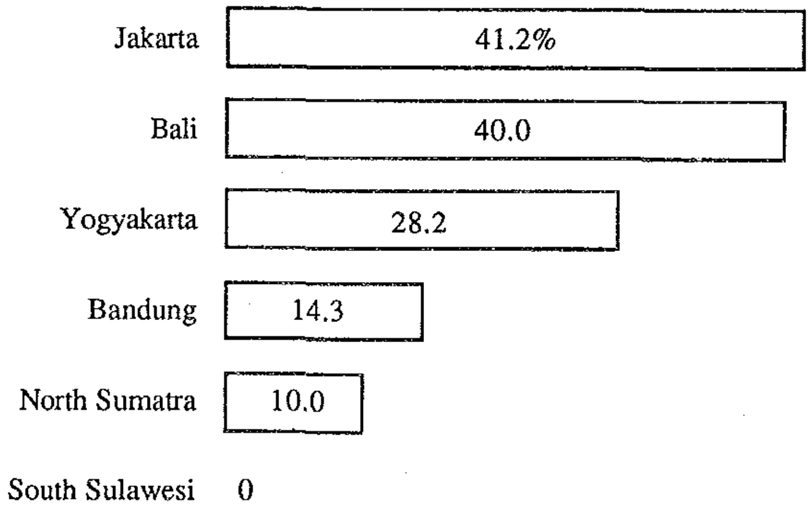
Source: Questionnaire survey

Fig. 2-3-43: Problems in Business as Seen by Region



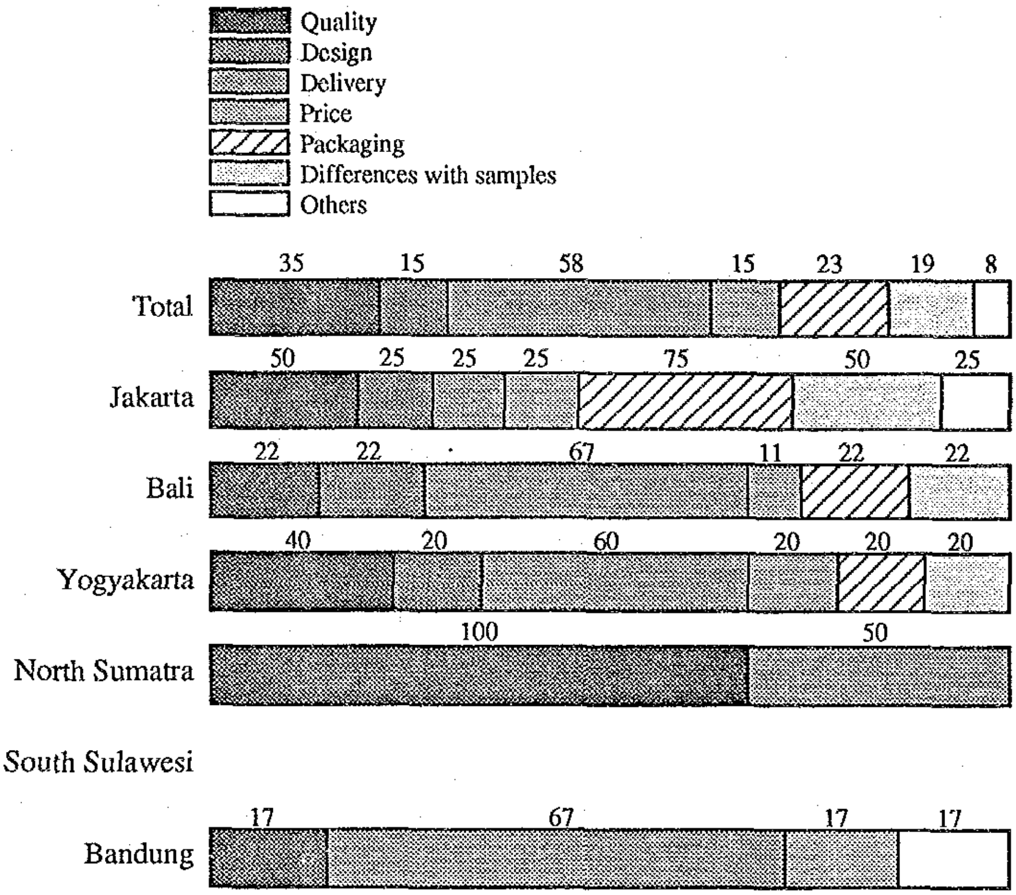
Source: Questionnaire survey

Fig. 2-3-44: Present Participation in Overseas Exhibitions as Seen by Region



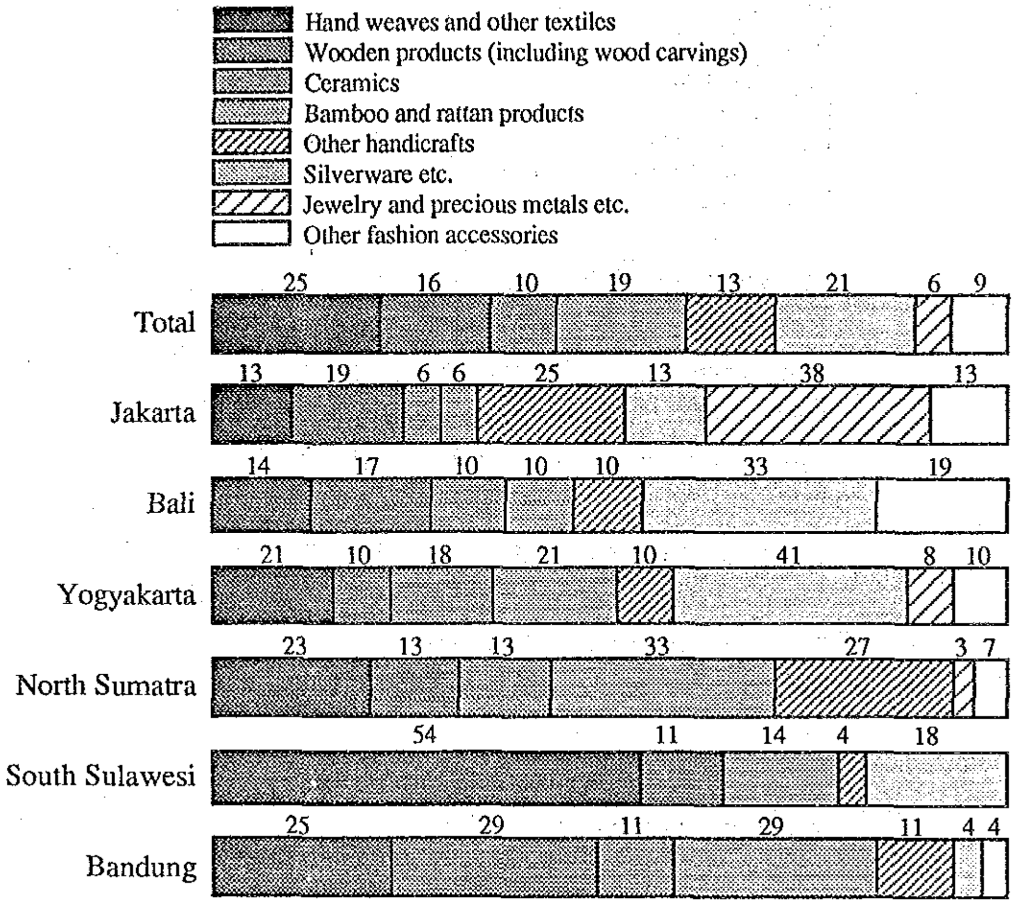
Source: Questionnaire survey

Fig. 2-3-45: Details of Complaints as Seen by Region



Source: Questionnaire survey

Fig. 2-3-46: Products Handled as Seen by Region



Source: Questionnaire survey

a. Jakarta

According to industrial statistics, there were 894 companies in the handicraft and general industries included in the Sentra. These employed 4,915 workers, produced 9,523 million rupiah worth of goods, and generated an added value of 353 million rupiah. A notable feature is the remarkably small added value compared with production.

Jakarta accounts for the most exports compared with other states, as shown in Fig. 2-3-21. This is believed to be because Jakarta trading companies assemble goods from the regional areas and ship them out from Jakarta. According to a questionnaire survey (with responses obtained from 17 companies), most of the companies, 53.3 percent, are medium in size. On the other hand, 26.6 percent, a small amount, were small scale industries. (See Fig. 2-3-40.)

The problem in production is the machinery and equipment and the problem in management is the lack of overseas market information. (See Fig. 2-3-42 and 43.)

Regarding the products handled by the surveyed companies, due to the inclusion of Sukabumi, precious stones and metals were the most common and textiles, plaiting, silver, etc. were also included. (See Fig. 2-3-46.)

The percent of companies engaged in export was 41.2 percent, next highest after Bali, and the rate of participation in overseas exhibitions was 41.2 percent, the highest among the six regions surveyed. (See Fig. 2-3-41 and 44.) The complaints lodged were most often related to packaging, followed by differences with samples - unlike the country as a whole, where the most frequent complaint had to do with deliveries. (See Fig. 2-3-45.) The matter most often mentioned as required for expansion of exports was the acquisition of overseas information. (See Fig. 2-3-36.)

b. Bali

According to the Bali Office of the Ministry of Industry, there were 153 handicraft related Sentra. On the other hand, there were 87 Kopinkra, according to data of the Ministry of Industry. The most numerous, 27, were for hand woven products (CAGCAG), followed by 17 for wood carvings and 10 for silverware. There were 8,362 business establishments which had organized Kopinkra. By product, the most numerous, 3618, were in hand woven products, followed by 781 for wood carvings, and 751 for terra cotta known as gerabah. (See Table 2-3-4.)

The handicrafts produced are diverse, as shown in Table 2-3-4. According to the Bali Office of the Ministry of Industry, the trends in the number of business establishments, number of employees, and production for plaiting, traditional hand woven products, and gold and silver products were as shown in Table 2-3-4, 5, 6, and 7. Steady growth was displayed in all three industries, but the growth was particularly remarkable for silver and gold products.

On the other hand, according to data of the Bali Office of the Department of Trade, the trends in exports of wood carvings, silverware, and other handicrafts were as shown in Tables 2-3-8, 9, and 10, with exports of wood carvings in particular increasing widely. Further, exports from January to July 1989 increased considerably in all products, but led by ceramics. The biggest export item was wooden products, worth US$10.67 million, followed by silverware at US$4.28 million. (See Table 2-3-11.)

Table 2-3-4. Kopinkra of Bali (1988)

	No. of Kopinkra	No. of business establishments
Traditional woven fabrics (ATBM)	5	320
Hand woven products (CAGCAG)	27	3,618
Bamboo plaiting	10	1,555
Pandan plaiting	3	372
Lontar plaiting	2	113
Wood carvings	17	781
Bamboo furniture	1	40
Ukirang Tuling	1	34
Pictures	2	112
Terra cotta (Gerabah)	3	751
Silverware	10	58
Traditional umbrellas	1	20
Wayang pictures	1	160
Brass handicrafts	3	318
Ceramics	1	110
Total	87	8,362

Source: Materials of Ministry of Industry

Table 2-3-5: Plaiting

	No. of business establishments	No. of employees	Production (million Rp)
1984	12,152	24,244	40,243.2
1985	12,689	25,044	40,469.8
1986	14,484	27,598	40,968.4
1987	14,720	27,971	41,076.8
1988	14,754	28,069	41,102.0

Source: Bali Office of Ministry of Industry

Table 2-3-6: Traditional Hand Woven Products

	No. of business establishments	No. of employees	Production (million Rp)
1984	11,136	21,032	31,755.5
1985	11,175	21,239	32,134.0
1986	11,255	21,257	32,151.7
1987	11,296	21,610	32,766.3
1988	11,341	21,761	33,036.3
1989	11,343	21,805	33,231.4

Source: Bali Office of Ministry of Industry

Table 2-3-7: Gold and Silverware

	No. of business establishments	No. of employees	Production (million Rp)
1984	732	1,669	2,728.4
1985	977	2,544	4,969.5
1986	1,026	2,704	5,050.7
1987	1,063	2,955	5,554.0
1988	1,103	3,093	5,890.1
1989	1,106	3,113	5,898.5

Source: Bali Office of Ministry of Industry

Table 2-3-8: Wood Carvings

	Production (1,000 pcs.)	Exports (US$1,000)
1984	2,338.2	1,818.9
1985	3,274.2	2,358.3
1986	N.A.	3,680.8
1987	7,345.2	5,169.9
1988	8,581.1	16,312.5

Note: Number of employees for 1988 was 24,571.
Source: Bali Office of Department of Trade

Table 2-3-9: Silverware

	Production (1,000)	Exports (US$1,000)
1984	815.4	1,651.8
1985	1,355.1	2,170.0
1986	2,670.0	2,772.1
1987	2,606.2	4,850.4
1988	2,786.9	5,065.3

Note: Number of employees for 1988 was 3005.
Source: Bali Office of Department of Trade

Table 2-3-10: Other Handicrafts

	Production (1,000)	Exports (US$1,000)
1984	1,250.9	684.9
1985	1,431.6	1,267.7
1986	1,374.8	887.3
1987	2,275.9	1,463.9
1988	2,280.2	2,549.9

Note: Number of employees for 1988 was 37,132.
Source: Bali Office of Department of Trade

Table 2-3-11: Exports of Handicrafts from Bali

(Unit: US$1,000)

	1988 (Jan. - July)	1989 (Jan.- July)	
Silverware	2,618.7	4,275.1	63%
Wood carvings	8,230.7	10,672.7	30%
Plaiting	23.2	54.9	137%
Pictures	75.7	113.4	50%
Ceramics	20.1	74.1	269%
Bamboo	191.3	434.5	127%
Rattan	76.0	240.7	217%

Source: Bali Office of Department of Trade

According to the results of a questionnaire survey (42 companies), the most common size of the companies was medium size, 42.9 percent. Small size companies accounted for 35.7 percent and large size ones 21.4 percent. Among the large companies were ones like FaTopeng which have increased their size over three-fold in the past three years, employ 800 workers, and export to over 10 countries. The biggest problem in production is the raw materials and the biggest one in management is the lack of overseas market information.

The ratio of companies engaged in export was the highest, 54.8 percent, in the six regions surveyed. However, among these companies were ones which considered sales in stores to foreign buyers as exports. This fact was pointed out in the report on handicrafts in Bali by the central bank. (Note: Bank Indonesia Bali (1989) Preliminary Report P13, P22.)

The rate of participation in overseas exhibitions was 40.0 percent, the next highest after Jakarta. The most frequent complaint was late delivery, and the matter considered necessary for expansion of exports mentioned most often was improvement of quality followed by government activities to promote exports.

Bali is a world resort area. Its handicrafts are highly evaluated too. Due to the large numbers of tourists and foreign buyers visiting it, companies can do business by selling to them in the country or selling to hotels. Among the companies visited in the survey were many which seem to be expanding out of their previous small size or cottage industry scale. Note that there is a handicraft center in Bali established by the Ministry of Industry.

c. Yogyakarta

According to the Ministry of Industry, there were 15 Kopinkra organized by 1370 business establishments with 2767 workers. By product, the most Kopinkra, three each, were to be found in hand woven products, bamboo, and plaiting. There were 311 business establishments engaged in bamboo plaiting and 226 in hand woven products. A total of 728 workers were employed in bamboo plaiting and 722 in hand woven products. (See Table 2-3-12.)

The state of exports was as shown in Fig. 2-3-21.

Table 2-3-12: Kopinkra of Yogyakarta (1988)

	No. of Kopinkra	No. of business establishments	No. of employees
Hand woven products	3	226	722
Silverware	1	52	260
Personal accessories	1	22	100
Imitation jewelry	2	319	403
Gerabah	1	156	156
Bamboo products	2	105	177
Bamboo plaiting	3	311	728
Mendon plaiting	1	146	161
Masks	1	33	60
Total	15	1,370	2,767

Source: Ministry of Industry

Of the companies responding to the questionnaire (39), the small size companies were the most numerous, 48.7 percent, followed by medium size companies, 38.5 percent, and large size companies 12.8 percent, close to the average for the 184 companies. The biggest problem in production was machinery and equipment. This is due to the high ratio of companies manufacturing silverware, where machinery and equipment is a problem. The biggest problem in management was the lack of skilled workers, followed by the lack of overseas market information.

The ratio of exporting companies was 38.5 percent, next highest after Bali and Jakarta, while the rate of participation in overseas exhibitions was 28.2 percent, next highest after Jakarta and Bali. The most frequently voiced complaint was late delivery, followed by quality. The matter considered necessary for expansion of export mentioned most often was improvement of quality.

Yogyakarta is a producer of traditional, superior handicrafts such as Kotagede silverware and batiks. Further, it is the location of the Institute for Research and Development of Handicraft and Batik Industries (BBKB), which engages in nationwide activities. It also has a campus of the Indonesian Art University (ISI). Famous designers cooperate in promotion of handicrafts by supplying designs for Kasongan terra cotta etc.

d. North Sumatra

According to materials of the Ministry of Industry, there were 23 Kopinkra in North Sumatra organized by1166 business establishments and employing 1572 workers. The most numerous, 10, were in rattan and bamboo plaiting, followed by 4 in traditional fabrics. The most numerous business establishments, 563, were in rattan and bamboo plaiting, followed by 291 in purun plaiting and 133 in general handicrafts. The most numerous workers were in rattan and bamboo plaiting, 830, followed by 351 in purun plaiting and 133 in general handicrafts. (See Table 2-3-14.)

Even the data on business establishments of the Ministry of Industry indicates that rattan and bamboo plaiting accounts for the most business establishments and workers. However, precious metal accessories account for the greatest production value. The number of workers per business establishment was 1.5 for rattan and bamboo plaiting and 1.4 for wood carving, indicating that very small cottage industries were the main type of business. (See Table 2-3-13.)

Table 2-3-13: Handicraft Industries of North Sumatra 1989

	No. of business establishments	No. of employees	Production (million Rp)
Rattan and bamboo plaiting	1,879	2,868	997.1
Wood carving	303	427	248.2
Bamboo and rattan household utensils	5	30	27.4
Household ceramics	58	96	62.6
Precious metal accessories	495	1,127	7,791.7
Other accessories	18	26	29.5

Source: North Sumatra Office of Ministry of Industry

Table 2-3-14: Kopinkra of North Sumatra 1988

	No. of Kopinkra	No. of business establishments	No. of employees
Hand woven products (Gedokan)	1	20	20
Traditional fabrics	4	101	101
Rattan and bamboo plaiting	10	563	830
Purun plaiting	2	219	351
Pandan plaiting	3	87	87
Ceramics	1	20	27
Wood carving	1	23	23
General handicrafts	1	133	133
Total	23	1,166	1,572

Source: Ministry of Industry

Most of the 30 companies responding to the questionnaire were small in size, 60.0 percent, followed by medium size 16.7 percent and large size 23.3 percent. The large size companies all primarily dealt in rattan mats and also produced rattan products. If these companies are disregarded, the share of the small size companies rises further. The frequently mentioned problems in production were machinery and equipment and raw materials, while the biggest problem in management was the lack of overseas market information.

The products produced included various plaitings, hand woven products, wooden products, and ceramics.

The ratio of exporting companies was a low 16.7 percent. The rate of participation in overseas exhibitions was also a low 10.0 percent, indicating the limited access to export promotion programs. The most frequently voiced complaint was quality, while the matter considered most necessary for expoansion of exports was improvement of quality.

The production areas of Ulos fabric and Batak wood carvings are far from Medan and are produced by cottage industries, so a wholesaler function is required for collection of freight, supply of materials, and advance payments.

Further, the mentality in North Sumatra is one of independence, with the people not liking cooperative work, so cooperative work of the Koperasi is difficult. (Note: According to North Sumatra Office of Ministry of Industry and companies in production areas.)

e. South Sulawesi

According to materials of the Ministry of Industry, there were 27 Kopinkra, organized by 2400 business establishments and employing 9158 workers. The most numerous, 6, were in hand woven products, followed by silk spinning and other fabric enterprises, 5. The most numerous business establishments were in hand woven products, 951, followed by other fabrics, 831, and gerabah, 191. As to the number of employees, hand woven products accounted for 4592 workers, 50 percent of the total, followed by other fabrics with 535 and gerabah with 535. (See Table 2-3-16.)

Table 2-3-15: Sentra of Handicrafts in South Sulawesi

	No. of Sentra	No. of business establishments	No. of employees	Production (million Rp)	Added value (million Rp)
Silk spinning	10	483	1,498	243.6	146.5
Silverware	2	69	159	39.2	11.3
Hand woven products	34	1,953	11,639	5,598.6	3,723.2
Wood carving	2	18	70	14.4	7.4
Plaiting	1	113	304	25.3	15.8
Rattan products	2	24	667	1.7	14.8

Source: Ujung Pandang Office of Ministry of Industry

Table 2-3-16: Kopinkra of South Sulawesi (1988)

	No. of Kopinkra	No. of business establishments	No. of employees
Silk spinning	5	129	407
Hand woven products (Gedogan)	6	951	4,592
Other fabrics	5	831	2,996
Gerabah	3	191	535
Ceramics	1	20	58
Plaiting	2	103	159
Wood carving and bamboo carving	2	87	228
Bamboo products	2	68	125
Silverware	1	20	58
Total	27	2,400	9,158

Source: Ministry of Industry

According to the data of the Ujung Pandang Office of the Ministry of Industry too, hand woven products account for the overwhelming share of business establishments, employees, production value, and added value. (See Table 2-3-15.)

The number of employees per business establishment in the case of the Kopinkra was 3.8 persons and in the case of the Sentra, 5.4 persons, larger than in nothern Sumatra. A look at the 28 companies responding to the questionnaire showed 74.1 percent, the largest amount, were small size companies, followed by 25.0 percent for medium size companies. There was only one large size company. The biggest problem mentioned in production was raw materials. This is due to the fact that the silk fabric companies, which were the main companies visited, considered the quality of the raw material silk they used to be a problem. The problems mentioned in management were a lack of domestic market information, a lack of skilled workers, and a lack of overseas market information.

The state of exports in 1988 is shown in Fig. 2-3-21. As seen there, a total of US$100,000 worth of rattan plaiting etc. was exported, but only one of the companies responding to the questionnaire was engaged in exports. There was zero participation in overseas exhibitions, showing the difficulty of use of promotion schemes. The matters frequently mentioned as necessary for expansion of exports were new product development and improvement of quality.

South Sulawesi could become a world supplier of silk. However, at the present time, there are problems at all stages, from the raw materials (that is, the silkworms, cocoons, and method of removing the filaments from the cocoons) to the spinning and weaving, which result in a worse quality of the final products. It is necessary to promote improvements at all levels from the raw materials to the final products.

f. Bandung and its Environs

According to materials regarding the Sentra of the Ministry of Industry, West Java is the largest producer of handicrafts in Indonesia. No data could be obtained on the Kopinkra.

According to the West Java Office of the Ministry of Industry, the main handicraft production areas, number of business establishments, number of employees, and production values are as shown in Table 2-3-18. The various types of plaiting account for the most of these.

In terms of the size of the 28 companies responding to the questionnaire, the most, 64.3 percent, were medium size, followed by 21.4 percent small size and 14.3 percent large size. The biggest problem in production was raw materials, followed by machinery and equipment. The biggest problem mentioned in management was the lack of domestic market information, indicating the strong orientation toward the domestic market.

Table 2-3-17: Handicraft Production Areas in West Java (1987)

	No. of business establishments	No. of employees	Production (million Rp)
Bamboo plaiting (Tasikmala)	5	78	
Mendo plaiting (Tasikmala)	220	1,182	964.3
Bamboo plaiting (Kuningan)	260	520	22.0
Bamboo plaiting (Sukabumi)	960	1,800	3,412.3
Bamboo plaiting (Tangerang)	13	45	24.2
Rattan plaiting (Majalengka)		140	13.4
Bandan plaiting (Tangerang)	80	300	18.0
Bamboo plaiting (Majalengka)	855	855	33.3
Wood carvings (Sumedang)	9	47	2.6
Bamboo plaiting			2.1
Wood carvings (Subang)		15	4.8
Wood carvings (Bukasi)		28	3.0

Source: West Java Office of Ministry of Industry

Table 2-3-18: Trends in Exports of Handicrafts of West Java

(Unit: US$1,000)

1984	Handicrafts	4.8
1985	Handicrafts	4.8
1986	Wood carvings	256.6
	Rattan plaiting	381.7
1987	Rattan handicrafts	141.8
	Ceramics	152.0
	Wayang golek	87.1
	Wood carvings	552.2
1988	Ceramics	8.7
	Wayang golek	18.1
	Rattan handicrafts	8,716.3
1989 first half	Wood carvings	5.6
	Wayang golek	69.7
	Rattan handicrafts	44.5
	Silverware	280.0
	Indonesian handicrafts	14.1

Source: West Java Office of Ministry of Industry

The state of exports is as shown in Table 2-3-17, according to the West Java Office of the Ministry of Industry. Rattan handicrafts, silverware, wayang golek, and the like are the main export products. The ratio of exports of the companies answering the questionnaire was 21.4 percent and the rate of participation in overseas exhibitions was 14.3 percent, placing West Java between Jakarta and Bali and North Sumatra and South Sulawesi. The overwhelmingly raised complaint was late delivery. The matters mentioned as necessary for expansion of exports were new product development and improvement of quality in the majority of cases.

Among the companies visited for the survey were many which had designers who had graduated from the Institute of Technology of Bandung (ITB). These companies were producing products with superior designs. For example, Kraft 6 was holding an individual exhibition sponsored by the Japan Foundation in Jakarta.

b. Current State and Problems as Seen by Company Size

If the 184 companies surveyed are classified by size according to the definitions of BPS, 43.9 percent of them fall under the classification of small size companies, 39.6 percent under medium size companies, and 16.5 percent under large size companies. (See Fig. 2-3-47.)

Looking at this by region, the highest ratios of large size companies were in North Sumatra, Jakarta, and Bali, the highest ratio of medium size companies was in Bandung and its environs, and the highest ratios of small scale industries were in South Sulawesi and North Sumatra. (See Fig. 2-3-40.)

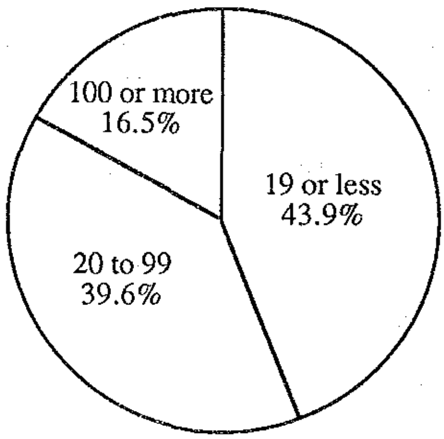
A look by product shows that the ratio of small size companies was highest in ceramics and silverware. The ratio of medium size companies was high in wooden products, while the ratio of large size companies was high, in the 20 percentile range, in other handicrafts and in hand weaves and other textile handicrafts. (See Fig. 2-3-48.) A look at the problems in production shows the small size companies most often mentioning machinery and equipment. The larger the company size, the less this was mentioned, and the more raw materials were mentioned. (See Fig. 2-3-49.) The problems in management mentioned did not differ according to the size of the companies, but the large size companies did mention more a lack of overseas market information.

A large difference was seen in the ratio of export companies and the rate of participation in overseas exhibitions. The export ratio in the small size companies was only 7.5 percent, and their rate of participation in overseas exhibitions was only 6.3 percent. On the other hand, the medium size companies had an export ratio of 41.6 percent and a rate of participation in overseas exhibitions of 31.9 percent, while the large size companies had a ratio of export companies of 66.0 percent and a rate of participation in overseas exhibitions of 33.3 percent. (See Fig. 2-3-51 and Fig. 2-3-52.)

The complaints mentioned were mostly regarding delivery in all of the companies, but packaging was also frequently mentioned for the small size companies. Quality was mentioned more the larger the company size, but note should be taken here of the small number of samples on which this was based. (See Fig. 2-3-53.)

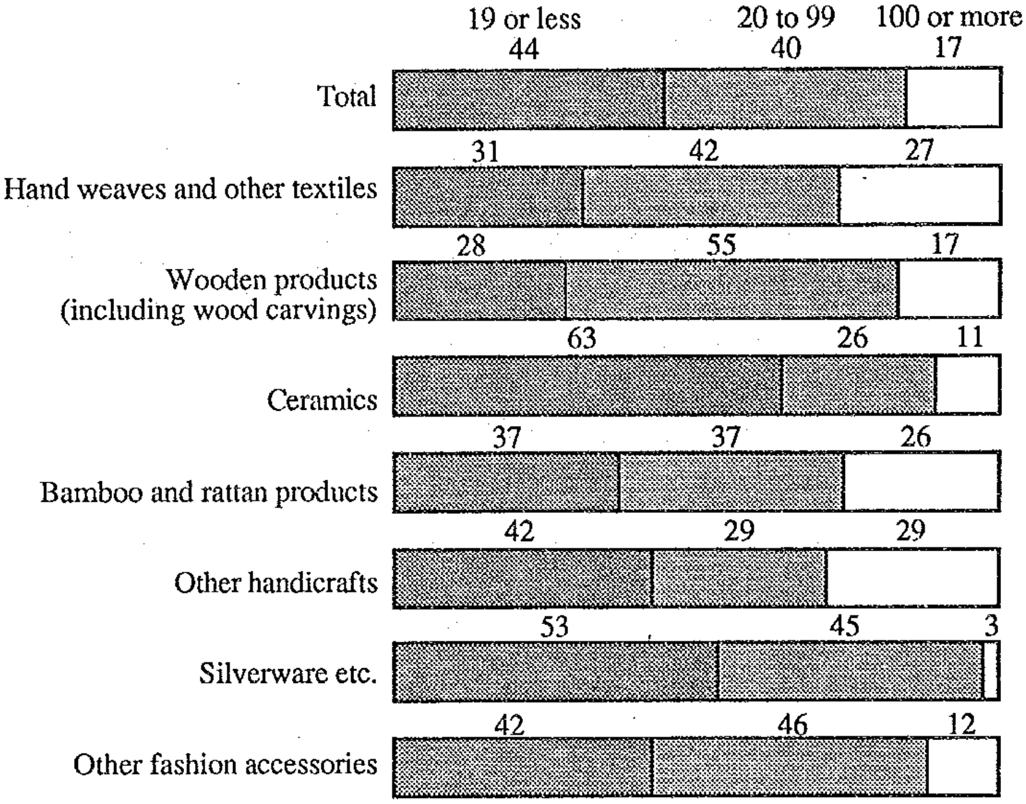
The sources of information on overseas markets mentioned tended to be government organizations more often the smaller the company size and overseas buyers more often the larger the size. (See Fig. 2-3-54.) The matter mentioned most frequently as necessary for expansion of exports was improvement of quality in all cases.

Fig. 2-3-47: Total Number of Employees



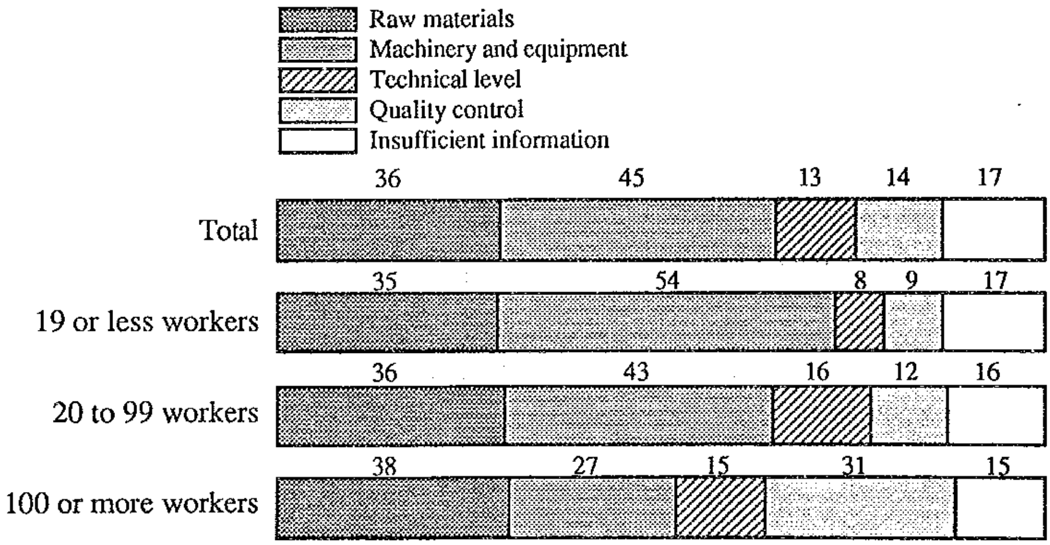
Source: Questionnaire survey

Fig. 2-3-48: Total Number of Employees as Seen by Product



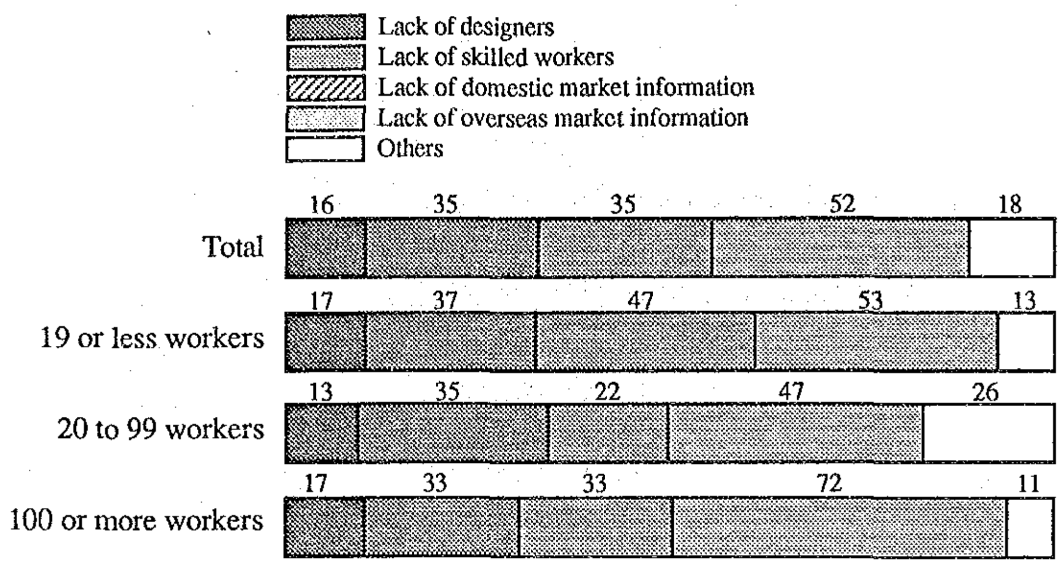
Source: Questionnaire survey

Fig. 2-3-49: Problems in Production



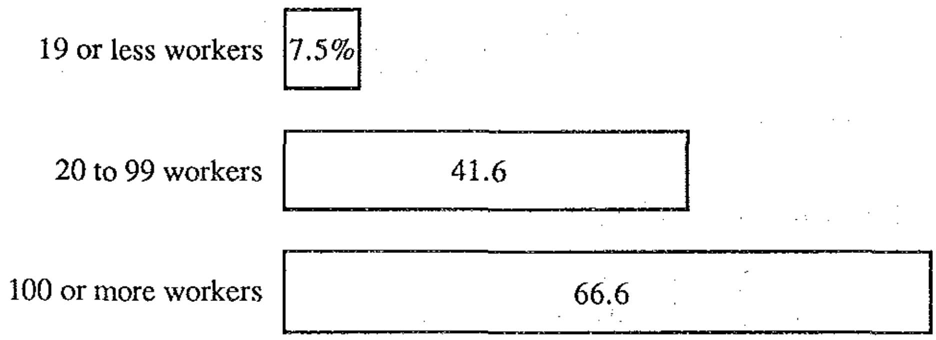
Source: Questionnaire survey

Fig. 2-3-50: Problems in Management



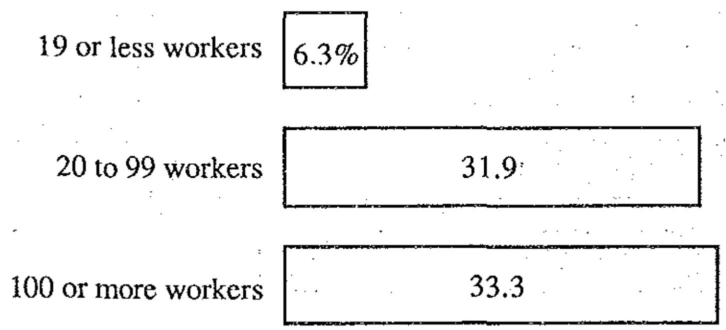
Source: Questionnaire survey

Fig. 2-3-51: Ratio of Export Companies as Seen by Company Size



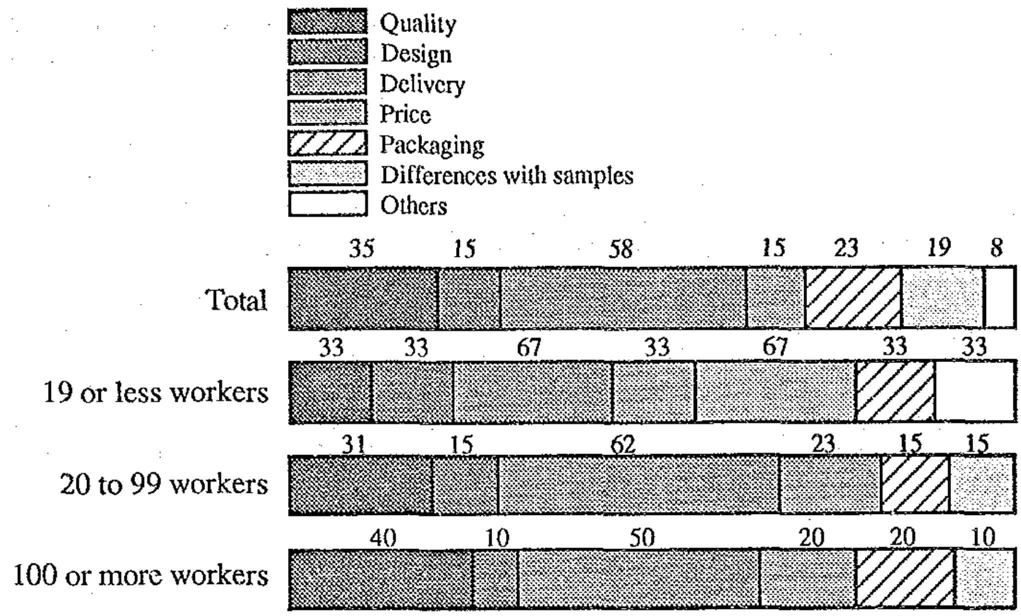
Source: Questionnaire survey

Fig. 2-3-52: Rate of Participation in Overseas Exhibitions as Seen by Company Size



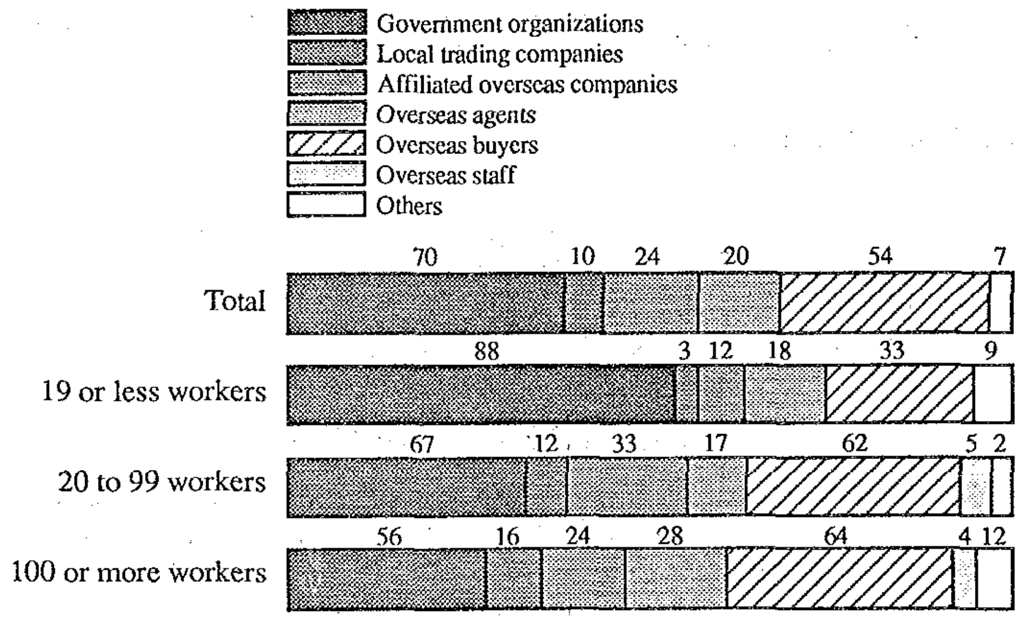
Source: Questionnaire survey

Fig. 2-3-53: Complaints as Seen by Company Size



Source: Questionnaire survey

Fig. 2-3-54: Sources of Information on Overseas Markets as Seen by Company Size



Source: Questionnaire survey

c. Current State and Problems as Seen by Product

The current state and problems as seen by product are explained in 2-3-(3) and (4), so here an overview will be given of the results of the questionnaire survey concerning primarily exports.

The products handled, according to the questionnaires returned (including multiple answers), are as shown in Fig. 2-3-55. Hand weaves and other textiles were the most often mentioned, in 20.7 percent of the cases, followed by silverware, bamboo and rattan products, wooden products, etc. in the 10 percentile range.

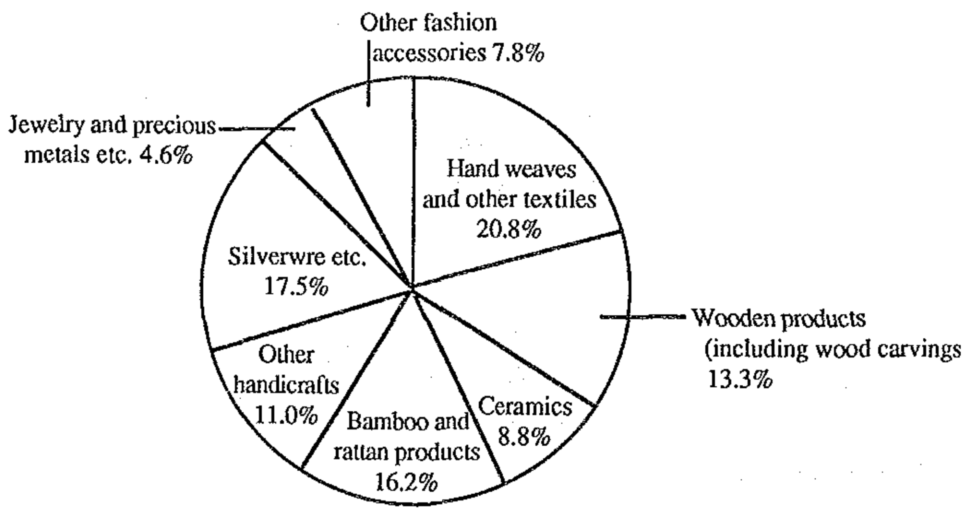
The problem in management mentioned most often was the lack of overseas market information, but the lack of skilled workers was also often pointed to in the fields of silverware etc. (See Fig. 2-3-56.) On the other hand, the problem in production mentioned most often was raw materials in the field of hand weaves and other textiles and machinery and equipment in the field of silverware. In textiles, the problems pointed out during the company visits were, for cotton fabrics, short supplies and price rises since the cotton yarn is exclusively supplied by PT GOKAK and, for silk, poor quality of silk yarn and shortage of supply from China.

The export ratio was highest for "other fashion accessories". There was no large difference in other handicrafts except for jewelry and precious metals. (See Fig. 2-3-58.) The same was true for the rate of participation in exhibitions. (See Fig. 2-3-59.)

The biggest export destination in most cases was the U.S. The U.S. consumes other handicrafts, silverware, and other fashion accessories. Japan and the U.S. purchase equal amounts of hand weaves and other textiles and ceramics. The biggest market for bamboo and rattan products is the EC. (See Fig. 2-3-60.)

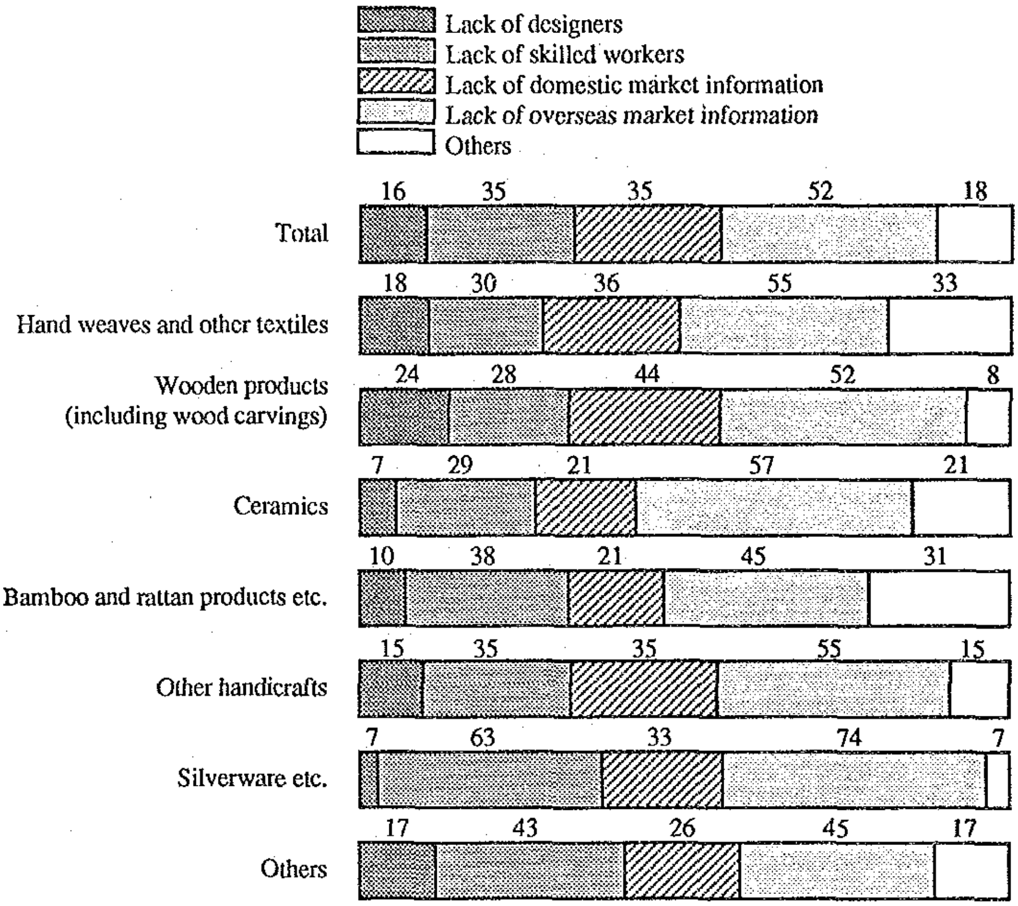
The complaints most frequently mentioned related to deliveries, but quality was most often mentioned for bamboo and rattan products. There were no complaints about quality for wood carvings and silverware. (See Fig. 2-3-61.)

Fig. 2-3-55: Products Handled



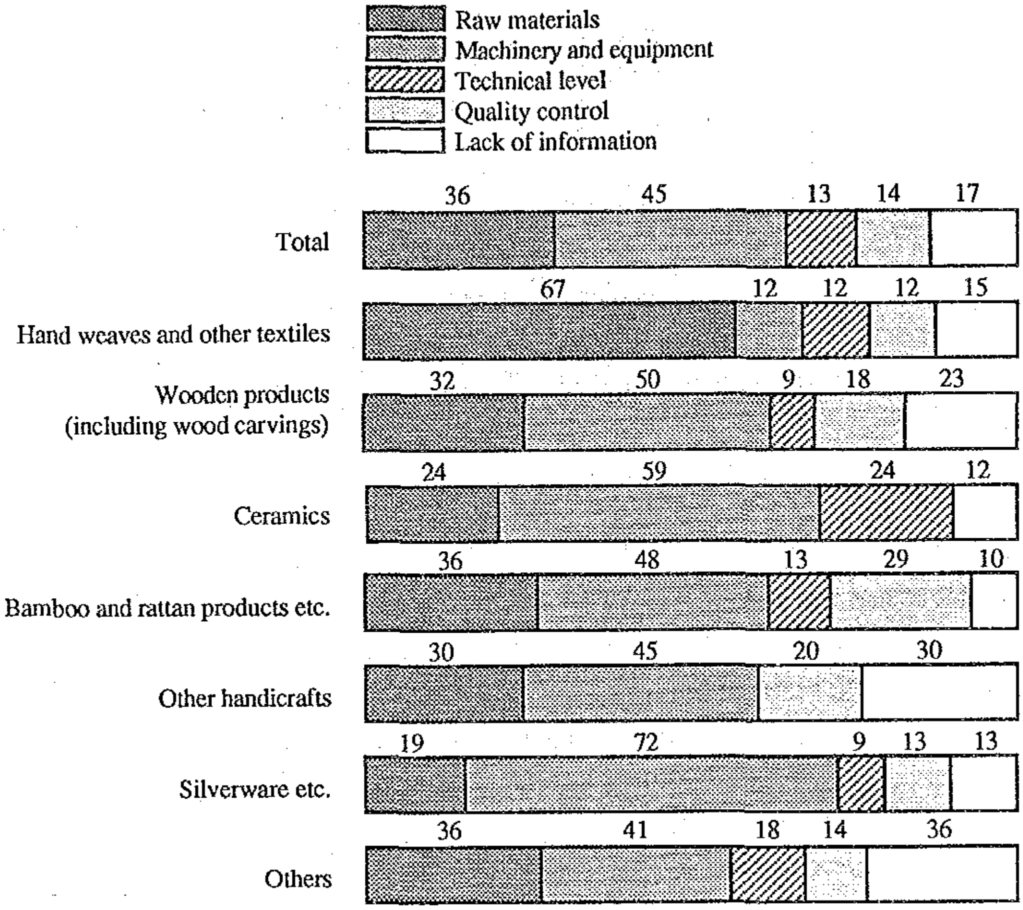
Source: Questionnaire survey

Fig. 2-3-56: Problems in Management as Seen by Product



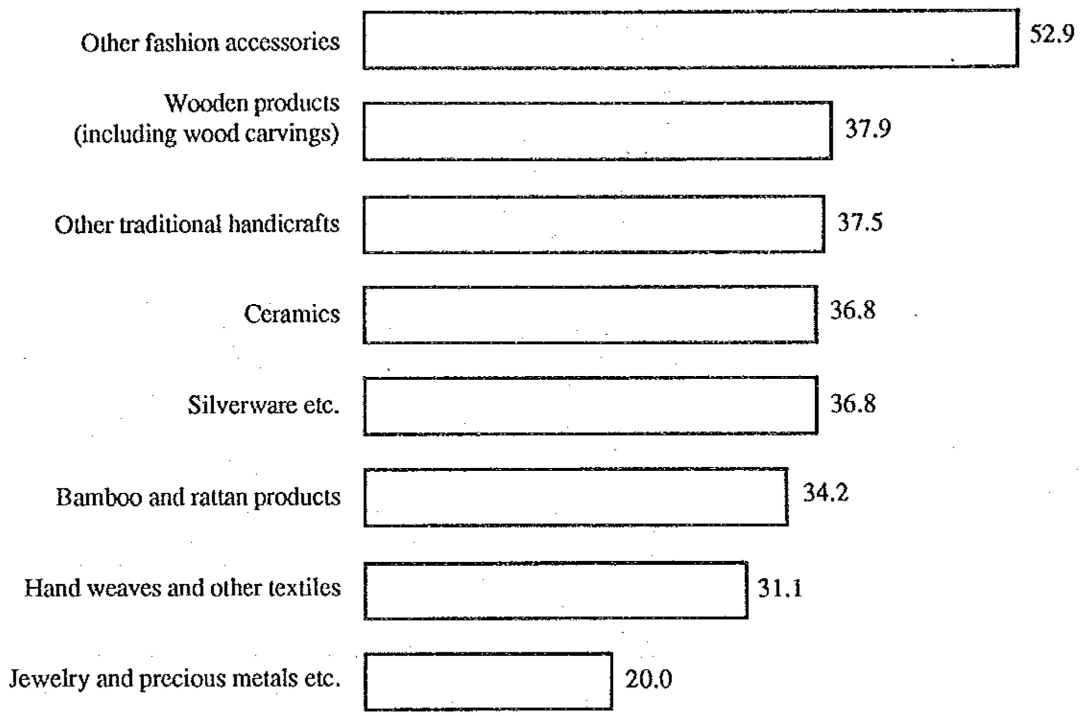
Source: Questionnaire survey

Fig. 2-3-57: Problems in Production as Seen by Product:



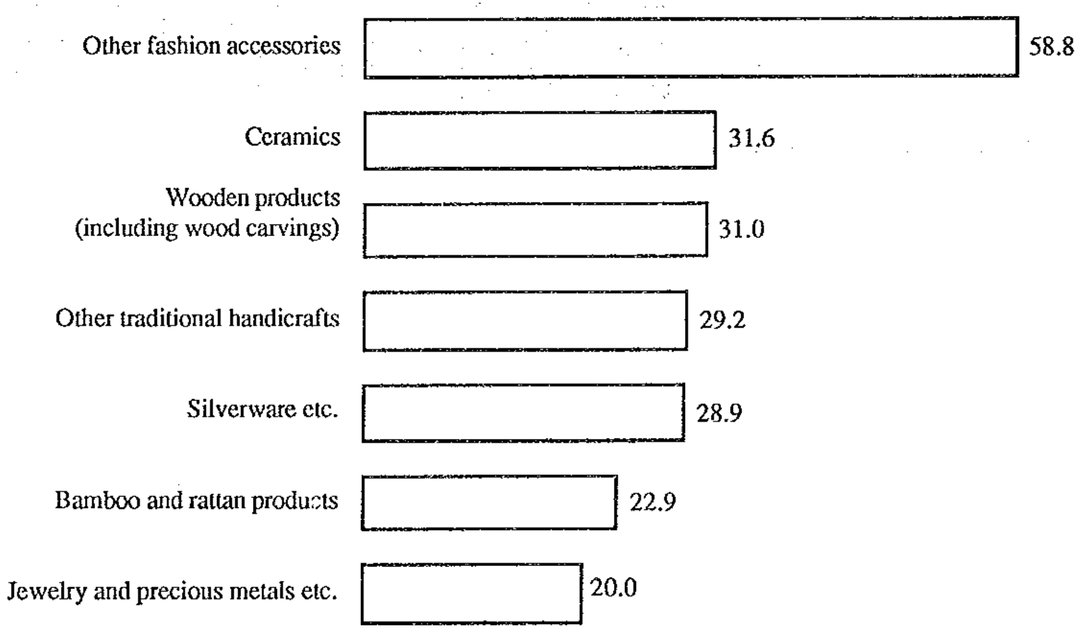
Source: Questionnaire survey

Fig. 2-3-58: Ratio of Export Companies as Seen by Product



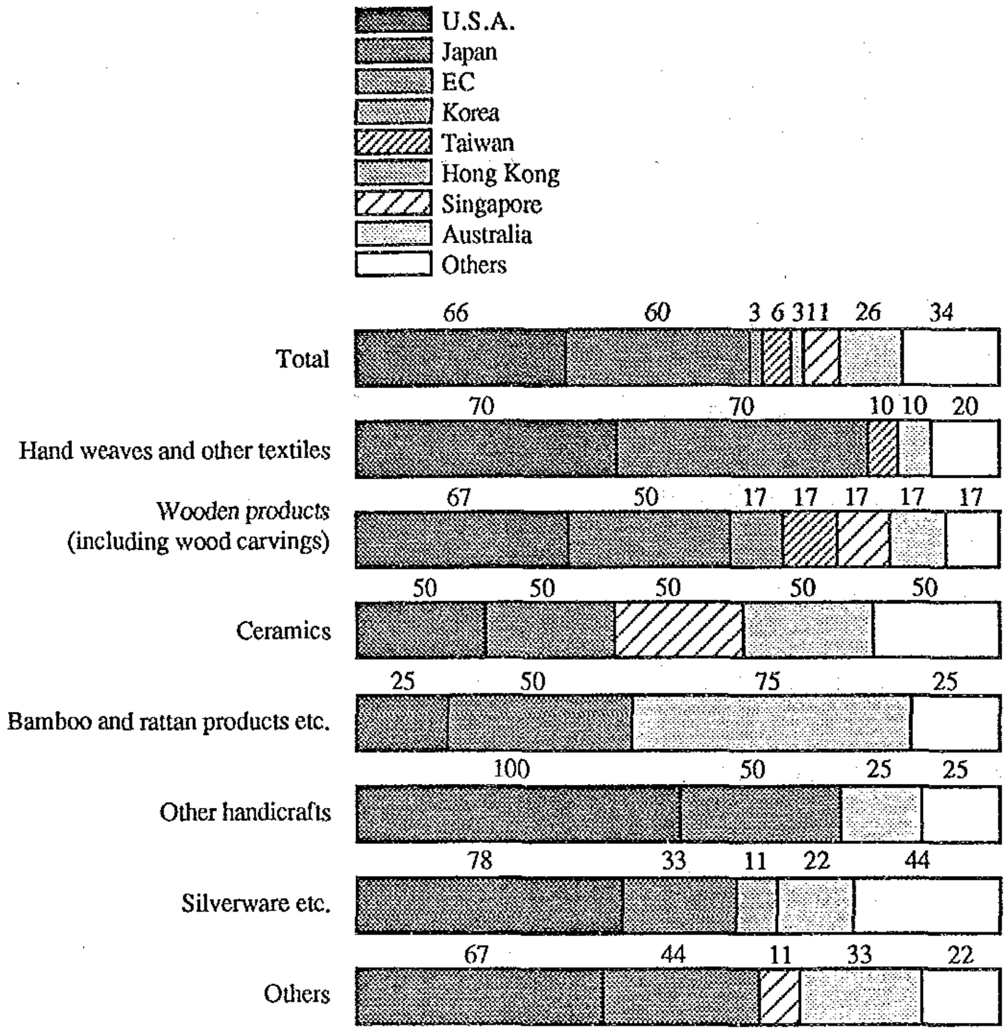
Source: Questionnaire survey

Fig. 2-3-59: Ratio of Participation in Overseas Exhibitions as Seen by Produce



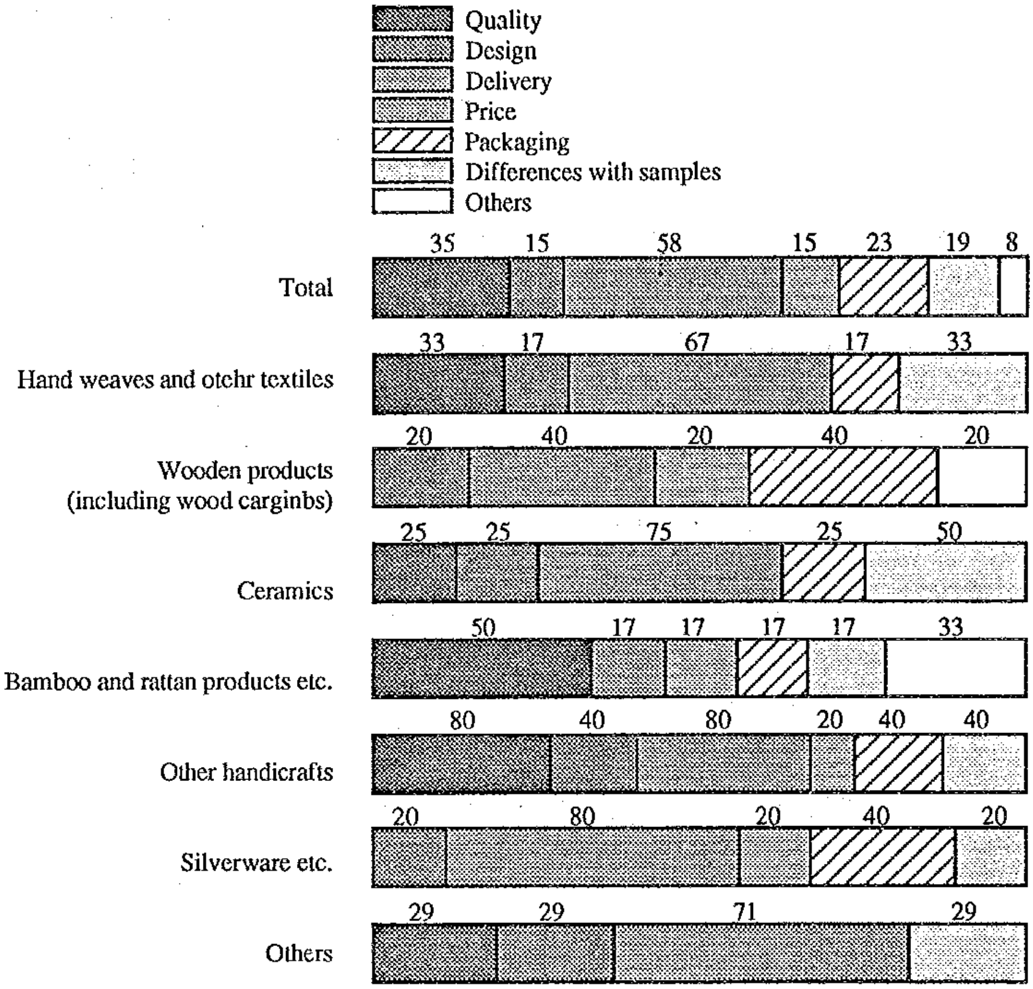
Source: Questionnaire survey

Fig. 2-3-60: Main Export Destinations



Source: Questionnaire survey

Fig. 2-3-61: Details of Complaints



Source: Questionnaire survey

[5] Other Findings of Survey

Problems in Production

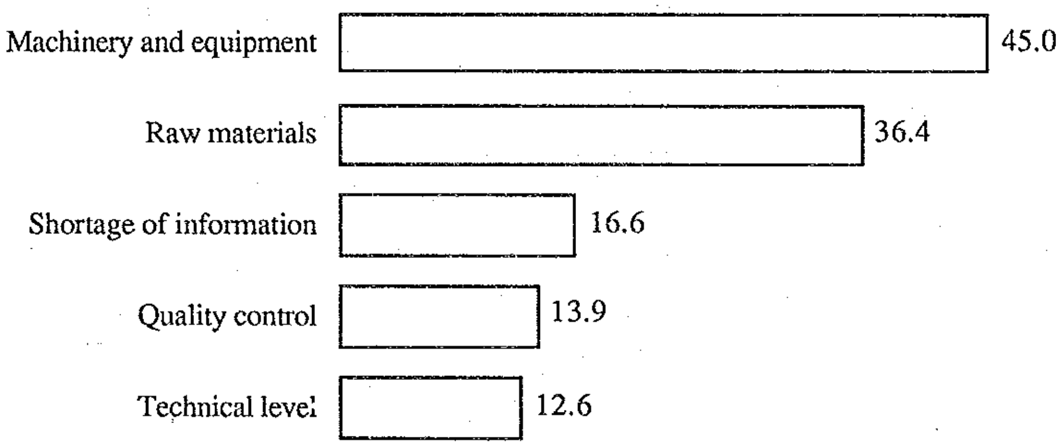
The problems in production are discussed in detail in 2-3-(3), but here mention will be made of just the findings of the survey.

A look at the problems mentioned among the 151 effective replies shows overall that machinery and equipment were mentioned most often, in 45 percent of the cases, followed by raw materials in 36.4 percent. (See Fig. 2-3-62.) There were many requests for introduction of machinery and equipment in the interviews with the companies too. However, handicrafts are "hand crafted" and the handcrafting is what is deemed to be the added value in the industrialized countries, so it would seem necessary for the Ministry of Industry to establish some guidelines regarding the introduction of machinery and equipment

Further, a look at the problems in production by company size shows that it was the small size companies and medium size companies which mentioned machinery and equipment as a problem most often, while the large companies considered materials to be their biggest problems. (See Fig. 2-3-49.)

On the other hand, a look by product shows that most of the companies in the field of hand weaves and other textile handicrafts considered materials to be a problem. This is because, in the case of cotton fabrics, the only supplier is PT GOKAK, which suffers from problems of short stock and price hikes, and, in the case of silk fabrics, there are insufficient imports from China and the quality of the domestically produced silk is poor. (See Fig. 2-3-57.)

Fig. 2-3-62: Problems in Production



Source: Questionnaire survey

Problems in Management

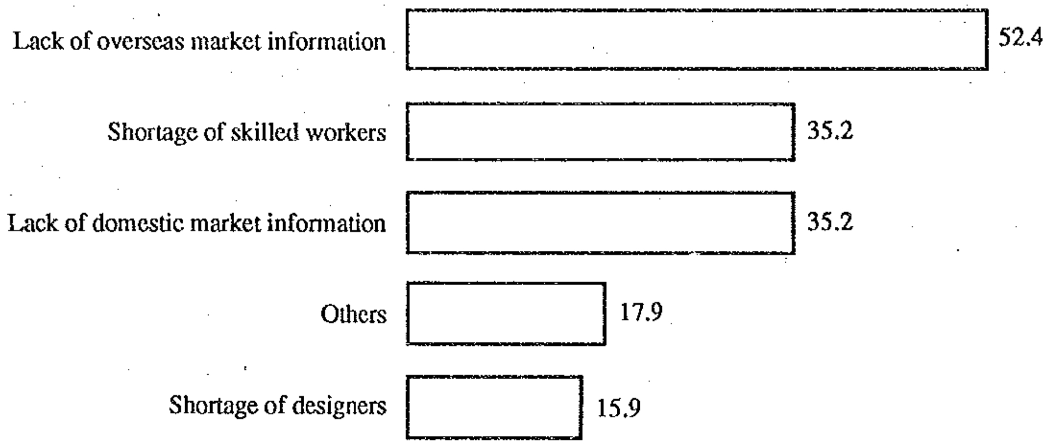
Overall, 52.4 percent, or over half, of the companies mentioned a lack of overseas market information as a problem. In the requests to the government too, establishment of an overseas market information service was requested an overwhelming number of times. The collection and supply of overseas market information is thought to be the business of the Ministry of Commerce, in particular BPEN, but the Ministry of Industry is responsible for the production sites and therefore the Ministry of Industry should also strengthen its provision of overseas market information. (See Fig. 2-3-63.)

Looking at the problems in management by region, Yogyakarta mentioned most often a lack of skilled workers, while the Bandung area cited a lack of domestic market information. A lack of overseas market information was complained about most often in Jakarta and Bali, where the export ratios are high and there are greater chances for acquisition of information. This is believed to be due to the fact that exports are increasing and interest in exporting is rising, whereby the lack of overseas market information is only now being felt. (See Fig. 2-3-43)

Further, a look by company size shows that the large companies mentioned most often a lack of market information, this being thought to be due to the same reason as above. (See Fig. 2-3-46.)

By product. overseas market information was mentioned most often in all product fields, but a lack of skilled workers was also mentioned often in the field of silverware. (See Fig. 2-3-56.)

Fig. 2-3-63: Problems in Management



Source: Questionnaire survey

(2) Business Administration

1) Corporate operations

[1] Present status of and problems in training of employees

The results of the questions regarding "in-house training" and "outside training" are shown in Table 2-3-19 and Table 2-3-20 respectively.

By number of employees, 88.9% of the large, 83.6% of the medium and 54.8% of the small industries answered that they were using in-house training. The results showed that the larger the company, the higher the rate of in-house training. However, the ratio of medium-scale companies using outside training remained very low at 25.8%.

By product, the ratio of in-house training is high in ceramics (93.8%), other accessories (93.3%) and wooden handicrafts (89.3%) and low in silver (43.2%), jewelry and precious metals (57.1%) and other handicrafts (66.7%). The ratio of those doing outside training was very low, with silver the largest at 47.2%

By region, the ratio of in-house training is extremely high in Bandung (100.0%) and Jakarta (92.3%), but is very low in South Sulawesi (37.0%). The ratio of outside training is relatively high in Yogyakarta (68.4%) and North Sumatra(45.8%), but very low in other regions such as Jakarta (the lowest at 16.7%).

Judging from the results of the questionnaire, increasing the ratios of both in-house and outside training is a very important step. However, even when the ratio of training is relatively high, problems in terms of the content or quality of the training can be seen. The following two areas should be improved.

Table 2-3-19: In-house Training

	Responses	Doing	Not doing
Total	168	121 (72.0%)	47 (28.0%)
Number of employees			
Small	73	40 (54.8)	33 (45.2)
Medium	67	56 (83.6)	11 (16.4)
Large	27	24 (88.9)	3 (11.1)
Product			
Hand-woven textiles	41	31 (75.6)	10 (24.4)
Wooden handicrafts	28	25 (89.3)	3 (10.7)
Ceramics	16	15 (93.8)	1 (6.3)
Bamboo & rattan	33	28 (84.8)	5 (15.2)
Other handicrafts	21	14 (66.7)	7 (33.3)
Silver	37	16 (43.2)	21 (56.8)
Jewelry & precious metals	7	4 (57.1)	3 (42.9)
Other accessories	15	14 (93.3)	1 (6.7)
Regions			
Jakarta	13	12 (92.3)	1 (7.7)
Bali	37	29 (78.4)	8 (21.6)
Yogyakarta	38	24 (63.2)	14 (36.8)
North Sumatra	25	18 (72.0)	7 (28.7)
South Sulawesi	27	10 (37.0)	17 (63.0)
Bandung	28	28 (100.0)	—

Source: Questionnaires survey

Table 2-3-20: Outside Training

	Responses	Doing	Not doing
Total	161	65 (40.4%)	96 (59.6%)
Number of employees			
Small	75	35 (46.7)	40 (53.3)
Medium	62	16 (25.8)	46 (74.2)
Large	23	14 (60.9)	9 (39.1)
Product			
Hand-woven textiles	38	13 (34.2)	25 (65.8)
Wooden handicrafts	25	10 (40.0)	15 (60.0)
Ceramics	17	8 (47.1)	9 (52.9)
Bamboo & rattan	32	14 (43.8)	18 (56.3)
Other handicrafts	20	9 (45.0)	11 (55.0)
Silver	36	17 (47.2)	19 (52.8)
Jewelry & precious metals	7	3 (42.9)	4 (57.1)
Other accessories	15	6 (40.0)	9 (60.0)
Regions			
Jakarta	12	2 (16.7)	10 (83.3)
Bali	34	10 (29.4)	24 (70.6)
Yogyakarta	38	26 (68.4)	12 (31.6)
North Sumatra	24	11 (45.8)	13 (54.2)
South Sulawesi	27	8 (29.6)	19 (70.4)
Bandung	26	8 (30.8)	18 (69.2)

Source: Questionnaires survey

a) Training for middle managers and staff

Many of the handicraft companies, including both small and large operations, have existed under the strong leadership of their founders or their present presidents. This does not always pose a problem but as companies grow larger it is necessary for them to train their middle managers and staff to the extent that they can assume responsibilities in the same way their counterparts in other developed countries do. At present, the managerial level of middle managers and the ability and knowledge of staff in handicraft companies is insufficient. This is one of the major obstacles which hinders their attempts to expand business.

To expand exports, it is necessary to train middle managers and staff regarding international business practices.

b) Training for unskilled workers

The technological level of the skilled workers in the handicraft industry is very high and is on par with the international level. This is especially true of their basic technological level.

What will be a problem in the near future is how to train the increasing number of unskilled workers who will be absorbed by the handicraft industry in a comparatively short period of time as the industry develops further. To cope with this situation, the present way of training unskilled workers, a more-or-less "apprentice" system, should be replaced with a new, well-organized training system through which everyone can master the basic techniques in a comparatively shorter period without much difficulty.

With this new training system the average technical level of the workers would be improved tremendously. A process for selecting gifted workers and training them to master higher technical levels should be planned for the creation of more value added products.

[2] Present status of and problems in financing

Another major problem for corporate operations and management is financing. There is a need for firms to introduce financing systems and, once the introduction of well-planned manufacturing systems is complete, to develop an inventory control systems for materials and products.

a) The need for financing systems

Recognition of the importance of a financing system is very low in the handicraft industry, regardless of the size of the firms. Even large-scale companies rarely have excellent financing systems. In this regard there are many problems to be solved such as the procurement of working capital.

A financing system is a very basic but very important aspect of the management of a company and its systematization is crucial for the expansion of business.

b) Adequate inventory control systems for materials and products

Another area to be improved as soon as possible is inventory control. Dramatic improvements in the control of material and product inventories can be achieved through the introduction of a well-planned manufacturing system. As an adequate inventory control system is directly related to a company's health, the recognition of its importance and the need for systematization is necessary.

2) Present status of and problems in marketing strategy and sales

Table 2-3-21 shows "Complaints from importers" concerning exports from the handicraft industry. Overall, 40.5% of the companies answered that they have had some complaints from importers.

The percentage of those receiving complaints was 23.1% among small-scale industries, 43.2% among medium-scale industries and 47.8% among large-scale industries. As the companies become larger, the rate of complaints, surprisingly, also becomes larger.
By product, the percentages of those receiving complaints among makers of other accessories (66.7%), ceramics (57.1%), other handicrafts (54.4%), bamboo and rattan (47.1%) and wooden handicrafts (42.9%), exceed the average rate of 40.5%. On the other hand, the jewelry and precious metals firms answered that none of them had had any complaints from importers and this is something which should be praised.

Table 2-3-21: Complaints from Importers

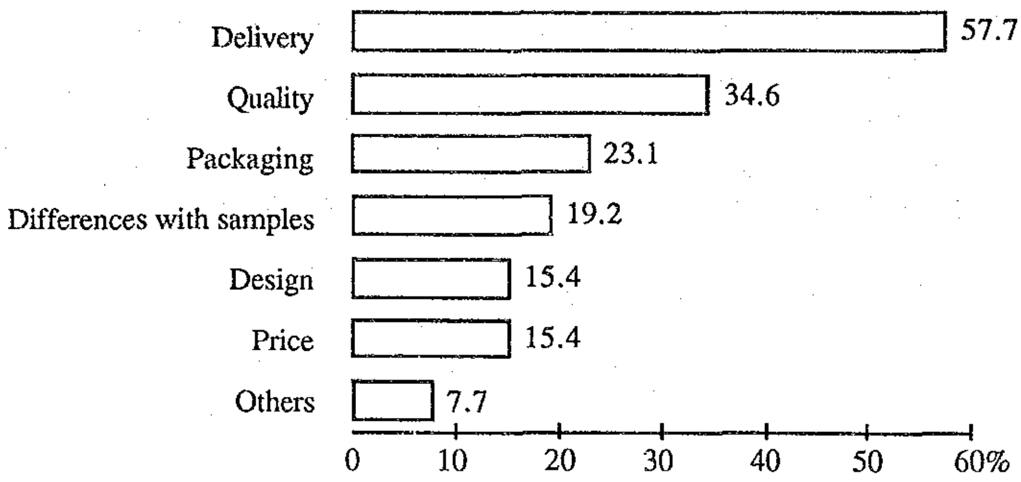
	Responses	Have	Have not
Total	74	30 (40.5%)	44 (59.5%)
Number of employees			
Small	13	3 (23.1)	10 (76.9)
Medium	37	16 (43.2)	21 (56.8)
Large	23	11 (47.8)	12 (52.2)
Product			
Hand-woven textiles	19	7 (36.8)	12 (63.2)
Wooden handicrafts	14	6 (42.9)	8 (57.1)
Ceramics	7	4 (57.1)	3 (42.9)
Bamboo & rattan	17	8 (47.1)	9 (52.9)
Other handicrafts	11	6 (54.5)	5 (45.5)
Silver	16	6 (37.5)	10 (62.5)
Jewelry & precious metals	2	—	2 (100.0)
Other accessories	12	8 (66.7)	4 (33.3)
Regions			
Jakarta	8	4 (50.0)	4 (50.0)
Bali	24	10 (41.7)	14 (58.3)
Yogyakarta	18	7 (38.9)	11 (61.1)
North Sumatra	6	3 (50.0)	3 (50.0)
South Sulawesi	8	—	8 (100.0)
Bandung	10	6 (60.0)	4 (40.0)

Source: Questionnaires survey

The percentages in four of the regions, Bandung (60%), Jakarta (50%), North Sumatra (50%) and Bali (41.7%), exceed the average of 40.5%. On the contrary, the percentages in the two remaining regions, South Sulawesi (zero) and Yogyakarta (38.9%), are under the average.

Fig. 2-3-64 shows the "Type of complaint" received from importers. In addition to the interview survey, one of the most effective ways to improve marketing strategies and sales in the Indonesian handicraft industry is to investigate the type of complaints companies which are currently exporting have received from importers.

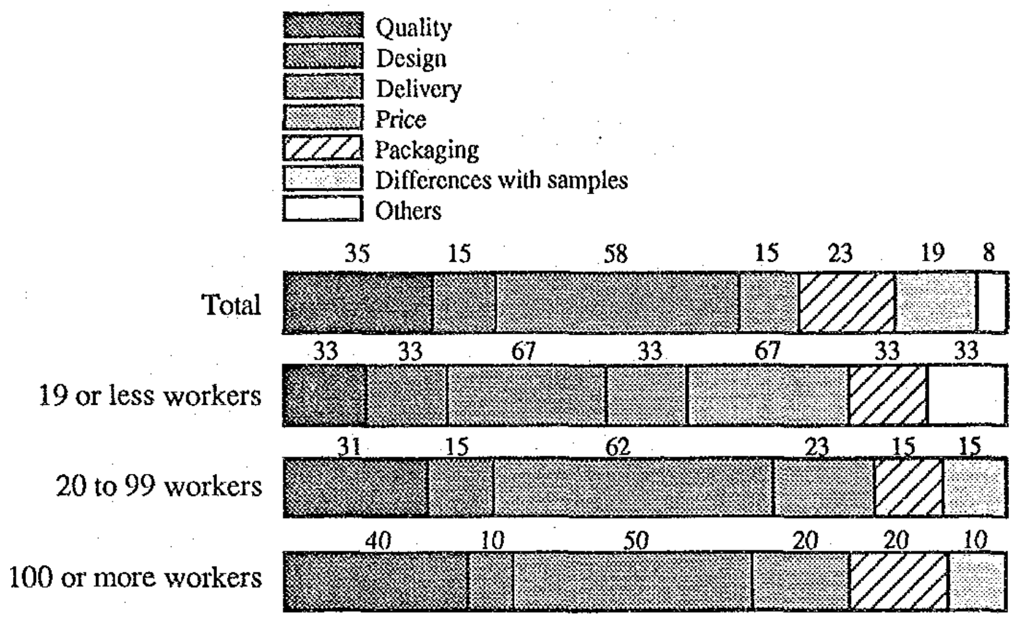
Fig.2-3-64: Type of Complaint



Source: Questionnaires survey

Overall, 'Delivery time', at 57.7% is the complaint mentioned most often. It is followed by 'Quality' (34.6%), 'Packaging' (23.1%) 'Different from Samples' (19.2%), 'Design' (15.4%) and 'Pricing' (15.4%). 'Delivery time' is one of the most important things exporters must observe and therefore the fact that it was the most commonly cited complaint is not a good sign. In the interest of expanding exports, these types of complaints must be reduced as soon as possible. 'Quality', the second most common complaint, is also a very important factor in marketing strategy and therefore efforts to eliminate complaints regarding quality should be made as well.

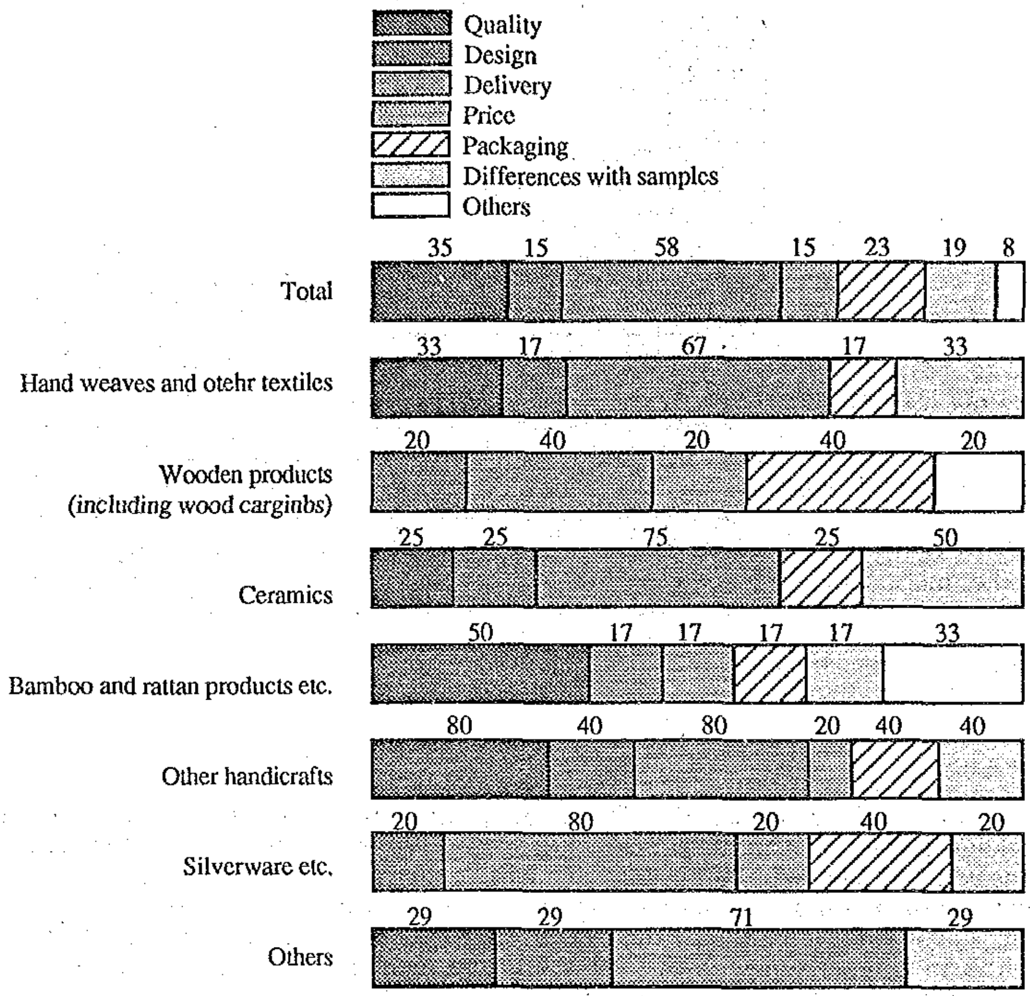
Fig.2-3-65: Type of Complaint (By Number of Employees)



Source: Questionnaires survey

Fig. 2-3-65 shows the "Type of complaint by number of employees". 'Packaging' and 'Delivery time' are mentioned most often, by 66.7% of the small-scale firms which responded. For medium and large-scale firms, 'Delivery time' was also the most common complaint, but the rate was slightly lower at 61.5% for medium-scale firms and 50% for large-scale firms. In the case of large firms, citing of 'Quality' is high at 40% in comparison with rate for small and medium scale firms while citing of 'Delivery time' is low level of 50%.in comparison with medium and small scale firms. 'Different from samples', which is one of the very basic problems of international trade, is also mentioned by 33.3% of small, 15.4% of medium and 20% of large-scale firms. These types of complaints should also be reduced, especially in the case of large firms.

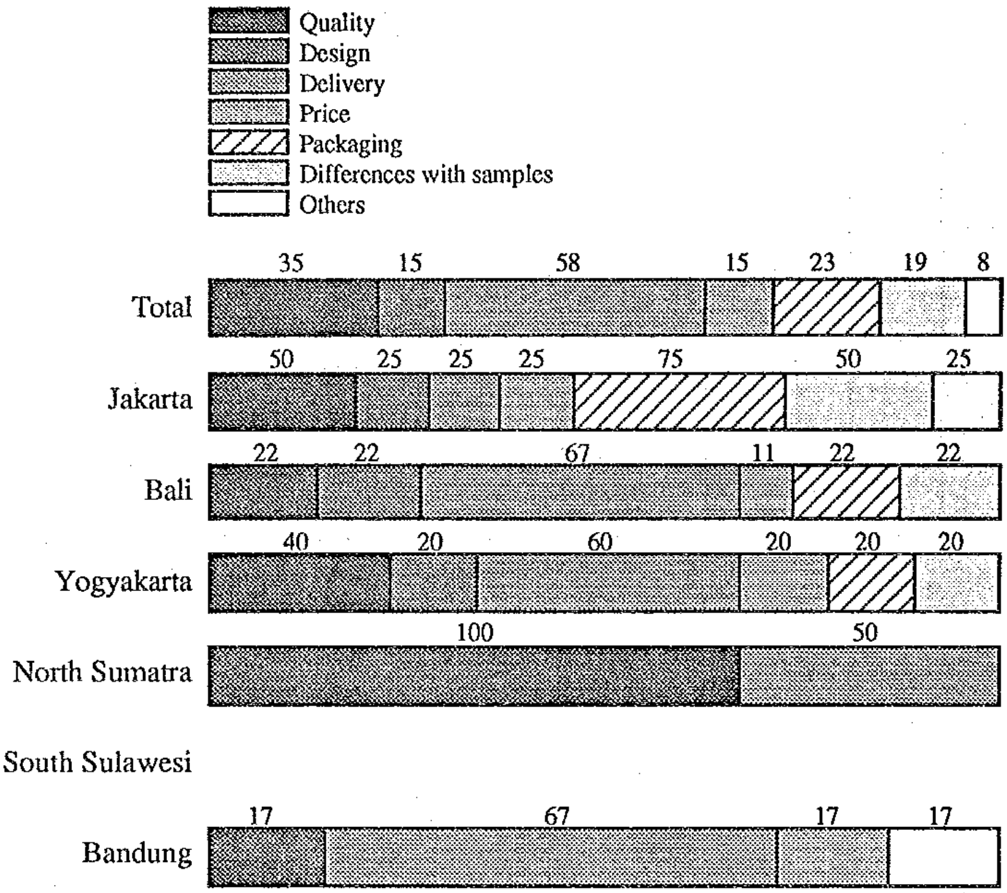
Fig.2-3-66: Type of Complaint (By Product)



Source: Questionnaires survey

Fig. 2-3-66 shows "Type of complaint" by product. 'Delivery time' is the most common complaint for the following four items: silver (80%), ceramics (75%), other accessories (71.4%) and hand woven textiles (66.7%). The percentage of manufacturers of these products who received complaints other than 'delivery time' is very low. Among the other handicrafts, the most common complaints were 'Delivery time' and 'Quality' with 80% of the manufacturers receiving complaints regarding both problems. In the case of wooden handicrafts, 40% of the manufacturers reported complaints regarding 'Delivery time' and 'Packaging' as the most common, although the rate is relatively low. The results regarding bamboo and rattan are very different from those for the other products. 'Quality' is mentioned most often, by 50%, followed by 'Others', mentioned by 33.3%.

Fig.2-3-67: Type of Complaint (By Region)

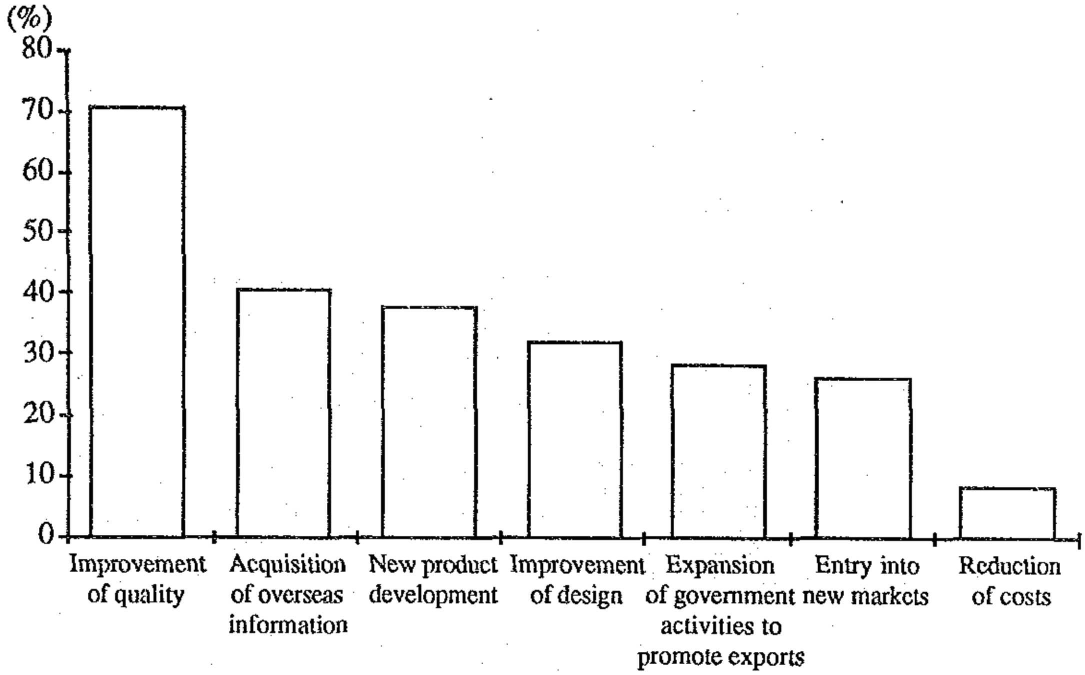


Source: Questionnaires survey

Fig. 2-3-67 shows the responses by region. 'Delivery time' is the most common complaint in three regions: Bandung (66.7%), Bali (66.7%) and Yogyakarta (60%). In North Sumatra, 'Quality' was cited as the most common complaint by 100% of the respondents and 'Delivery time' was cited by 50%. In Jakarta, 'Packaging' is the most common complaint, cited by 75%, with both 'Quality' and 'Different from sample' cited by 50%. Though there are many large companies in Jakarta which are presently exporting, very basic complaints such as 'Packaging' or 'Different from sample' are common. The situation must be improved as soon as possible but this will take time and effort.

Fig.2-3-68 show the results of the questionnaire on "Types of efforts necessary to expand exports."

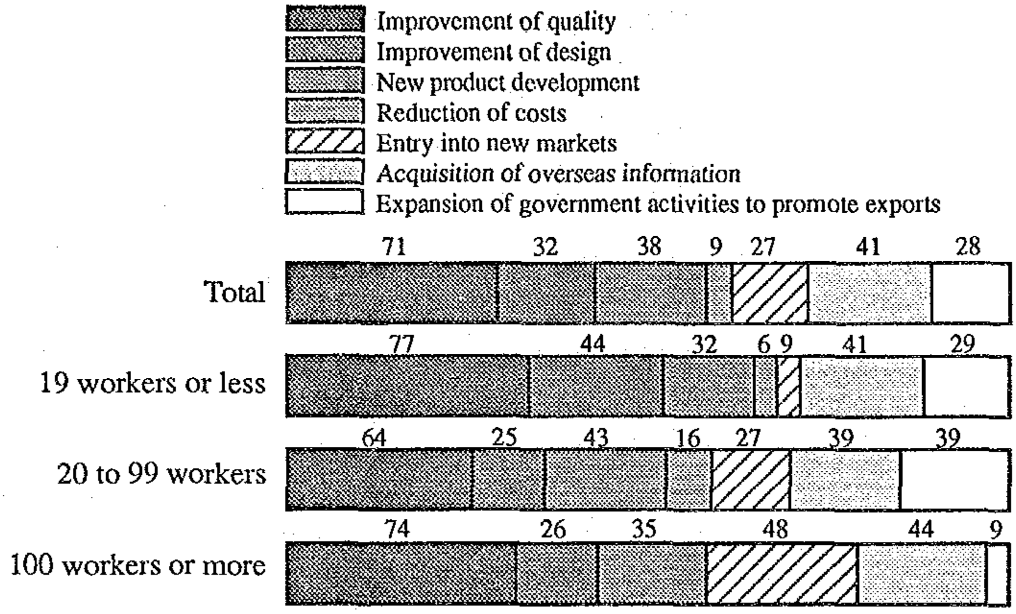
Fig. 2-3-68 Types of Efforts Necessary to Expand Exports



Source: Questionnaires survey

As a whole, 'Improvement of quality' (70.6%) is chosen most often, by more than 70%. Following that are 'Acquiring more overseas market information' (41.2%), 'Development of new products' (38.2%), 'Improvement of design' (32.4%), 'Enlargement and enforcement of government promotional activities'(28.4%) and 'Penetrating new markets' (26.5%).

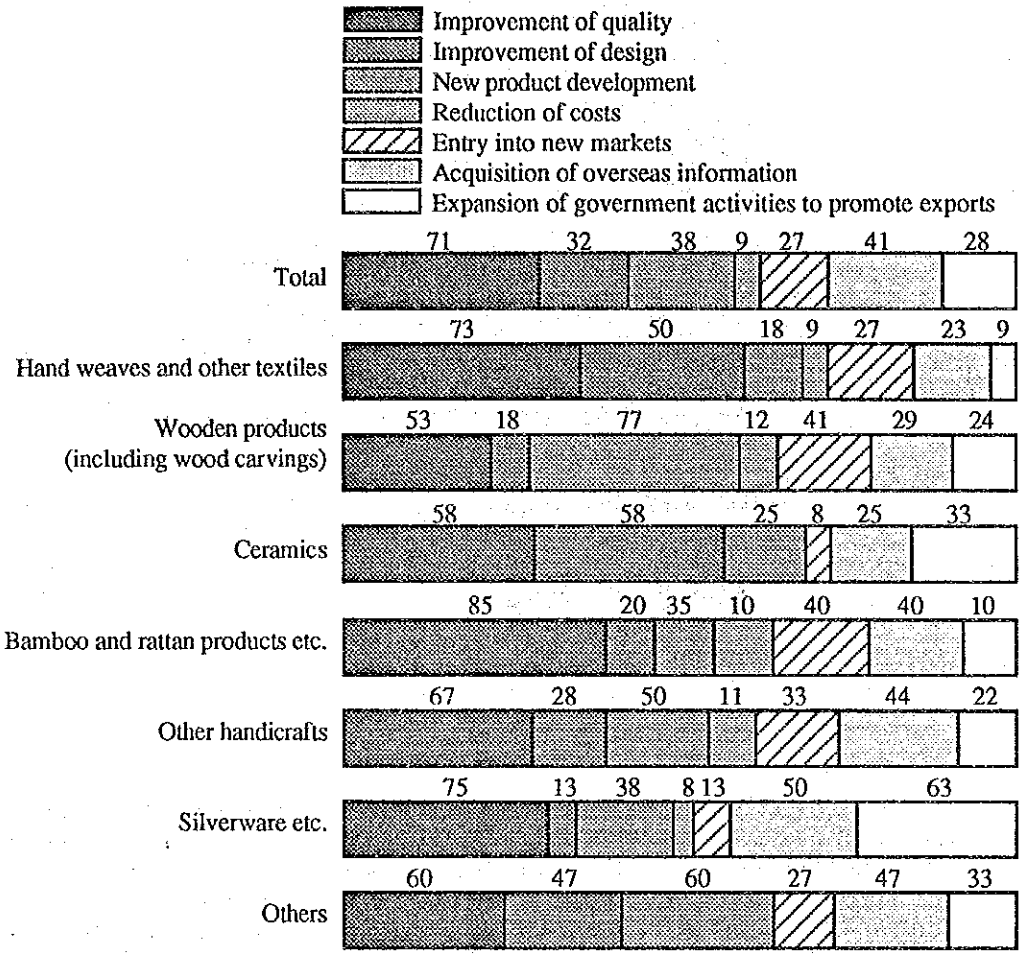
Fig. 2-3-69: Types of Efforts Necessary to Expand Exports (By Number of Employees)



Source: Questionnaires survey

Fig. 2-3-69 shows the results of the same questionnaire by number of employees. 'Improvement of quality' is mentioned most often by companies of all sizes, while the second most common answer varies and appears to be related to company size. In the case of small-scale companies, answers following 'Improvement of quality' are 'Improvement of design' (44.1%), 'Acquiring more overseas market information' (41.2%), 'Development of new products' (32.4%) and 'Enlargement and enforcement of government promotional activities' (29.4%). In the case of medium-scale companies, the answers following 'Improvement of quality' are 'Development of new products' (43.2%), 'Acquiring more overseas market information' (38.6%), 'Penetrating new markets' (27.3%) and 'Improvement of design' (25%). In the case of large-scale companies, the answers following 'Improvement of quality' are 'Penetrating new markets' (47.8%), 'Acquiring more overseas market information' (43.5%), 'Development of new products' (34.8%) and 'Improvement of design' (26.1%).

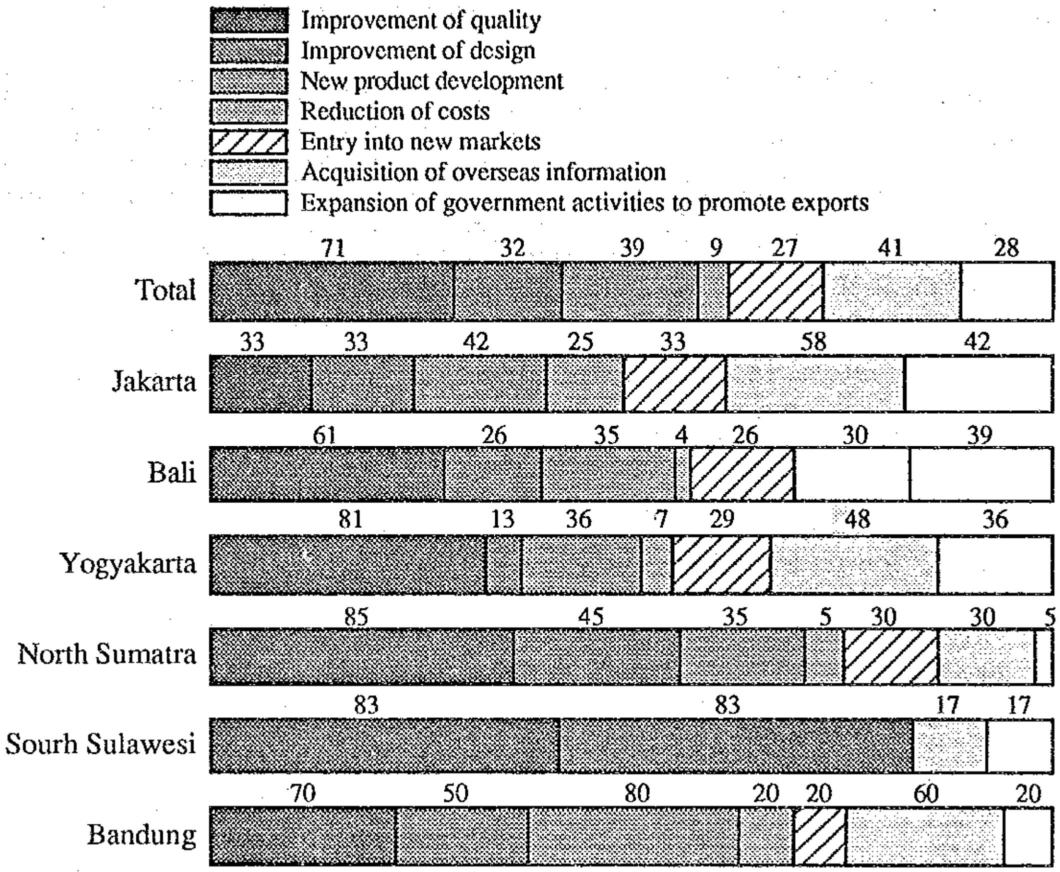
Fig. 2-3-70: Types of Efforts Necessary to Expand Exports (By Product)



Source: Questionnaires survey

Fig. 2-3-70 shows the results of the questionnaire by product. Six out of the eight products (excepting wooden handicrafts and jewelry and precious metals) chose 'Improvement of quality' most often. 'Improvement of design' and 'Improvement of quality' tied for the most common choice among makers of ceramics and other accessories. Among wooden handicrafts and precious stones and metals manufacturers, 'Development of new products' was chosen most often followed by 'Improvement of quality'.

Fig. 2-3-71: Types of Efforts Necessary to Expand Exports (By Region)



Source: Questionnaires survey

Fig. 2-3-71 shows the choices by region. 'Improvement of quality' was chosen most often by the following four regions: North Sumatra (85%), South Sulawesi (83.3%), Yogyakarta (80.6%) and Bali (60.9%). In South Sulawesi, 'Improvement of design' and 'Improvement of quality' were chosen most often, by 83.3%. In Bandung, 'Development of new products' was the most common choice at 80% followed by 'Improvement of quality' at 70% and 'Acquiring more overseas market information' at 60%. In Jakarta, although answers to the question varied, 'Acquiring more overseas market information' was the most common at 58.3%, with 'Development of new products' and 'Enlargement and enforcement of government promotional activities' next at 41.7%.

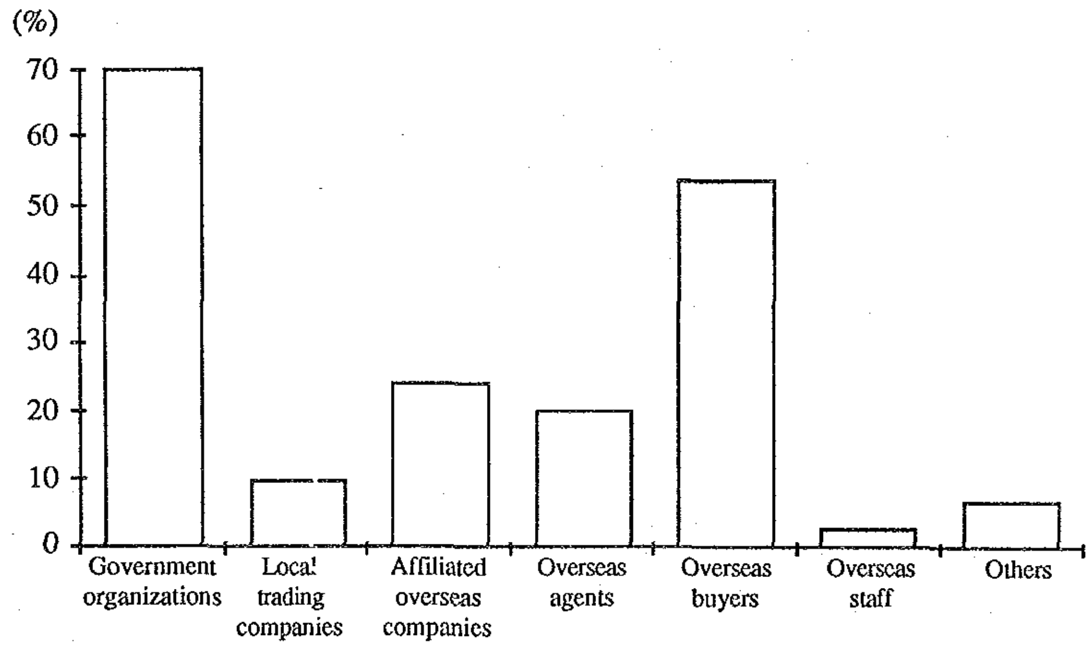
[1] Present status of and problems in marketing strategy

a) Lack of market information and difficulty in information collection

The main problem concerning marketing is a lack of necessary market information and difficulty in collecting such information. In attempting to expand exports, selection of target markets is the first step, followed by the thorough study of the trends and preferences of the targeted markets and the development of products adaptable to such markets. To make this possible, a system should be developed through which handicraft companies can obtain necessary information at any time. Most of the handicraft companies are small in scale and as a result they cannot easily collect the information they need by themselves. Thus, to solve the problem, some kind of official information system is required.

Figs. 2-3-72~76 shows the results of the question concerning "Sources of overseas market information"

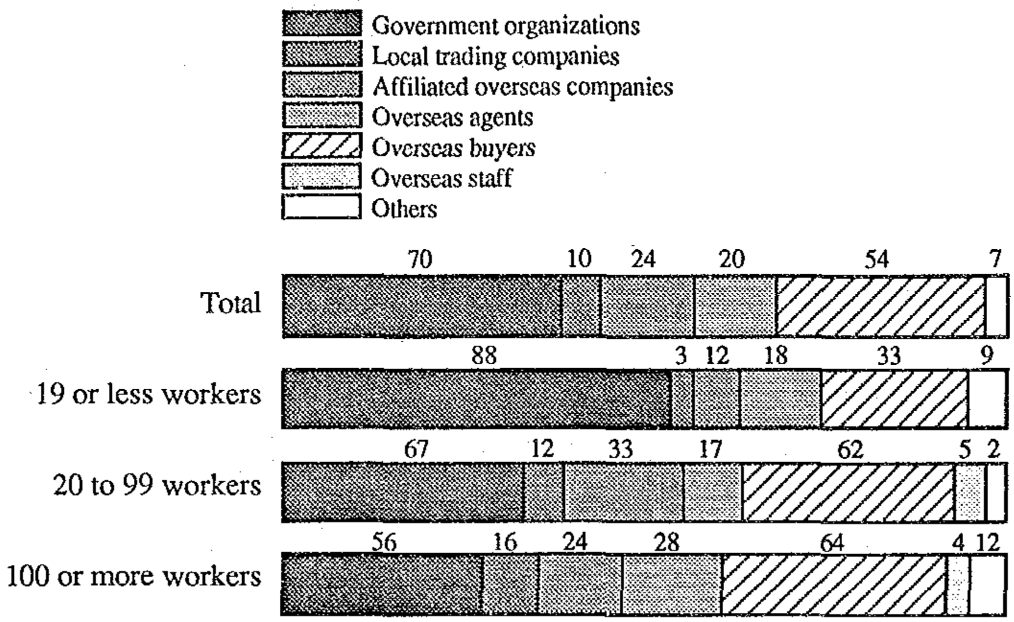
Fig. 2-3-72: Sources of Overseas Market Information



Source: Questionnaires survey

As can be seen in Fig. 2-3-72, the percentages of respondents who cited 'Government agency' (70.3%) and 'Overseas buyers' (53.3%) are conspicuous.

Fig.2-3-73: Sources of Overseas Market Information (By Number of Employees)

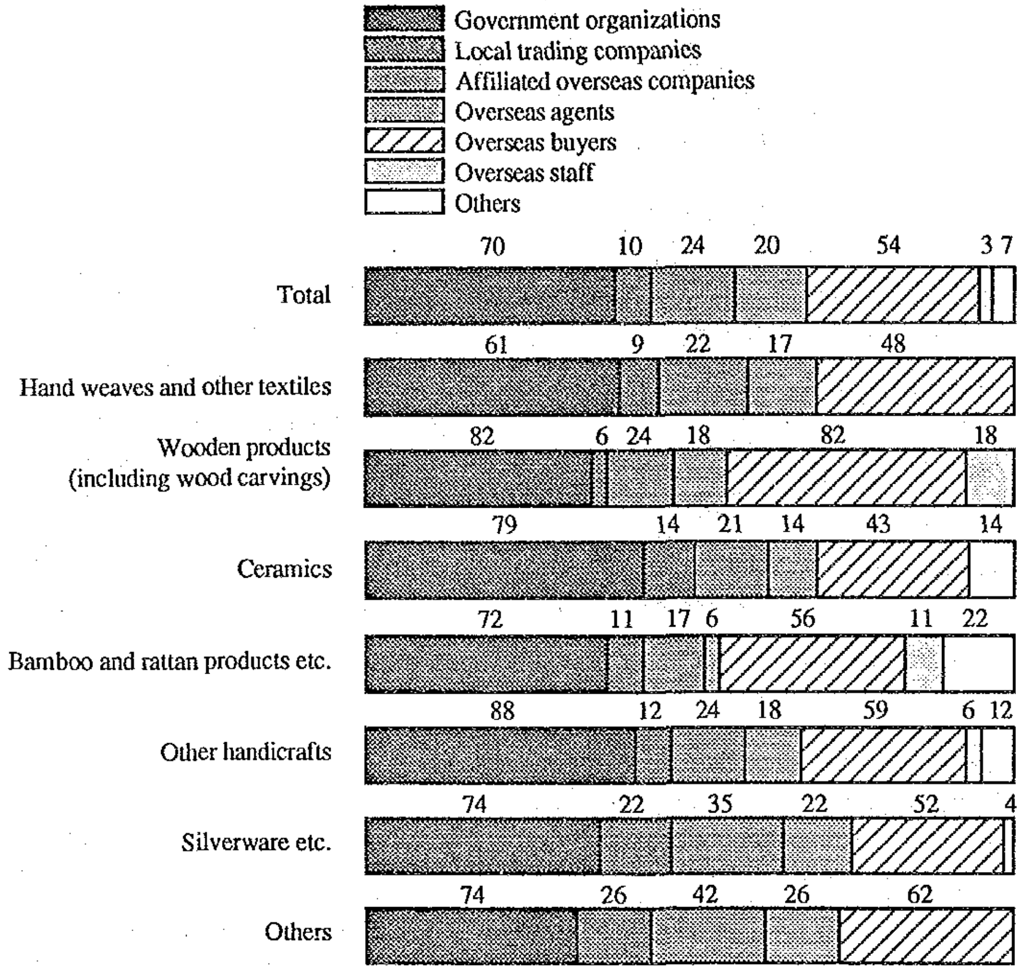


Source: Questionnaires survey

Fig. 2-3-73 shows the results of this questionnaire by number of employees. Overall, 'Government agencies' was the most common response. More specifically, 87.9% of small-scale firms replied 'Government agencies', as did 66.7% of the medium-scale firms and 56% of the large-scale firms. The results show that the tendency to rely on government agencies is less among larger firms. On the contrary, the percentage choosing 'Overseas buyers' was 33.3% for small-scale firms, 61.9% for medium-scale firms and 64% for large-scale firms. Here, the tendency to rely on overseas buyers for the latest and most useful information is strongest among larger firms.

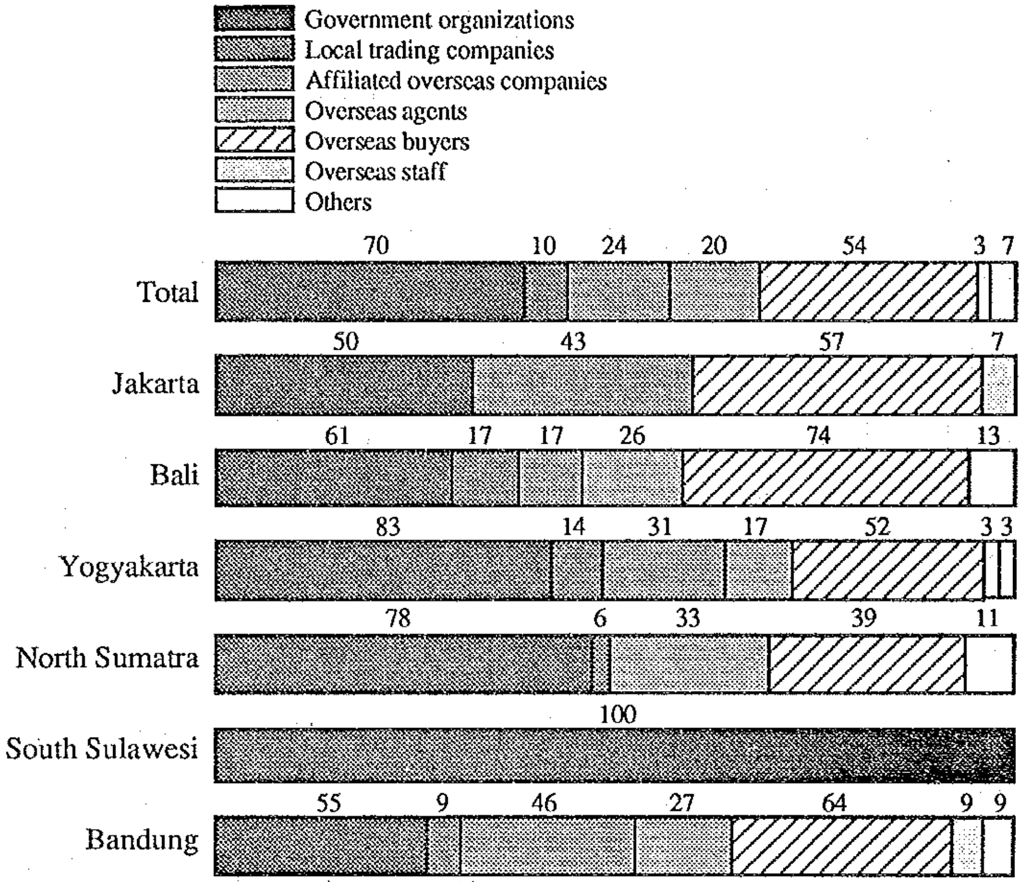
Fig. 2-3-74 shows the result by product. Here, the tendency for firms to rely on government agencies first and overseas buyers second is the same as that shown by number of employees except in the case of wooden handicrafts in which both sources are mentioned at the same rate. None of the other sources of information is mentioned often except in the case of jewelry and precious metals in which 'Tie-ups with overseas companies' is the second most common reply together with 'Overseas buyers.'

Fig. 2-3-74: Sources of Overseas Market Information (By Product)



Source: Questionnaires survey

Fig.2-3-75: Sources of Overseas Market Information (By Regions)

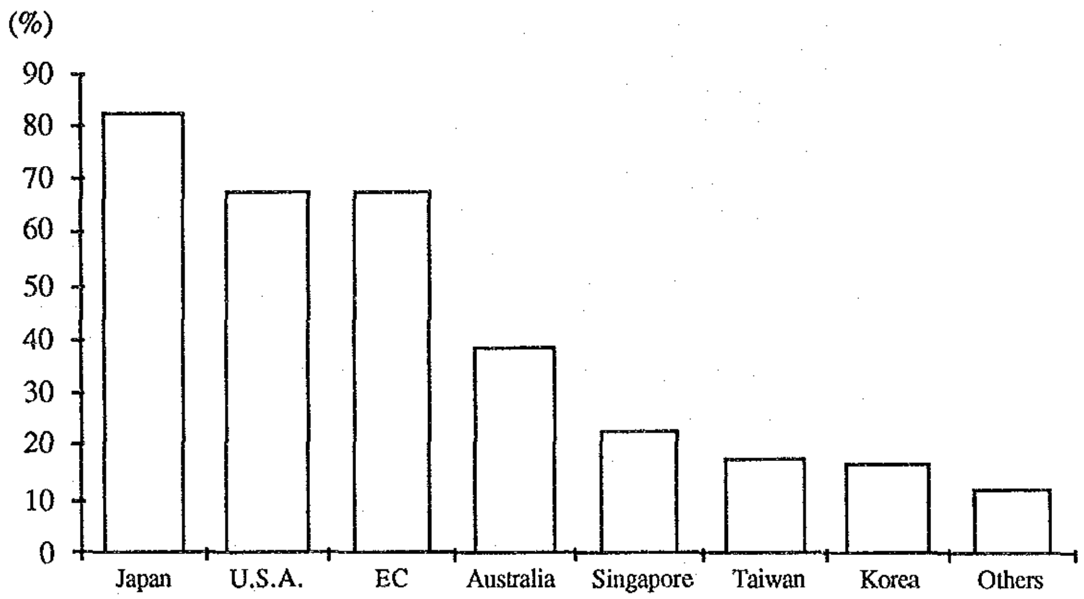


Source: Questionnaires survey

In looking at sources of overseas information by region in Fig. 2-3-74, the same tendency shown by number of employees can be seen. Getting information from overseas buyers is chosen most often in Bali (73.9%), Bandung (63.6%) and Jakarta (57.1%) where there are relatively more large-scale firms. On the other hand, information from government agencies is chosen most often in South Sulawesi (100%), Yogyakarta (82.8%) and North Sumatra (77.8%) where there are more small-scale firms.

Fig. 2-3-76 presents the results of the question which asks "Which countries' market information is needed?"

Fig. 2-3-76: Countries from which Market Information is Necessary

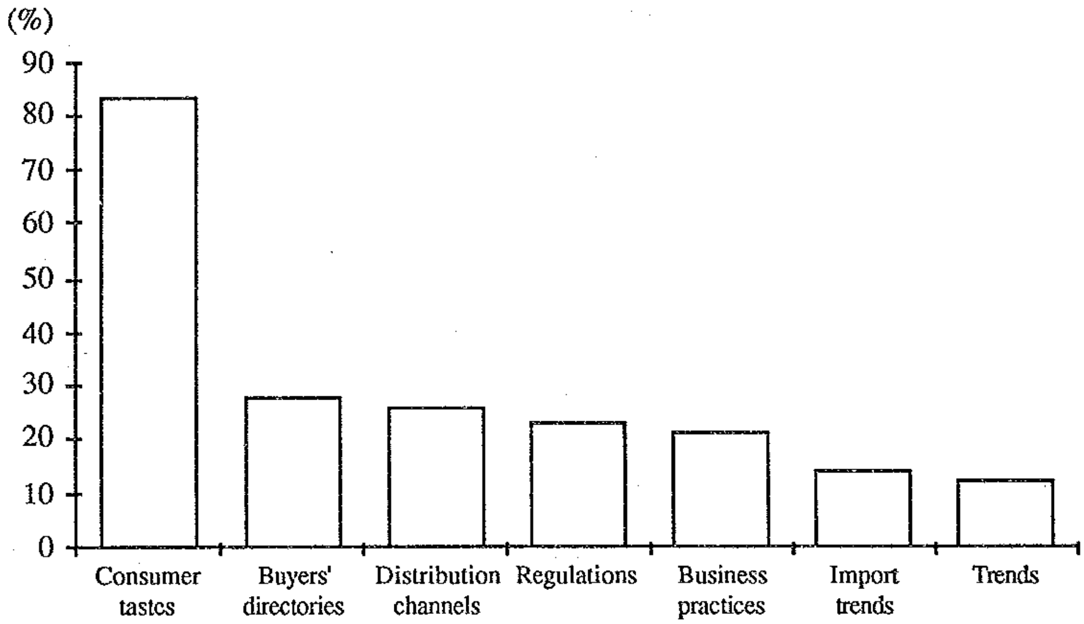


Source: Questionnaires survey

Japan was chosen by 82.4% of the respondents, the U.S. by 68.5%, and the EC by 67.6%. No other countries or regions were chosen above these three nations or regions.

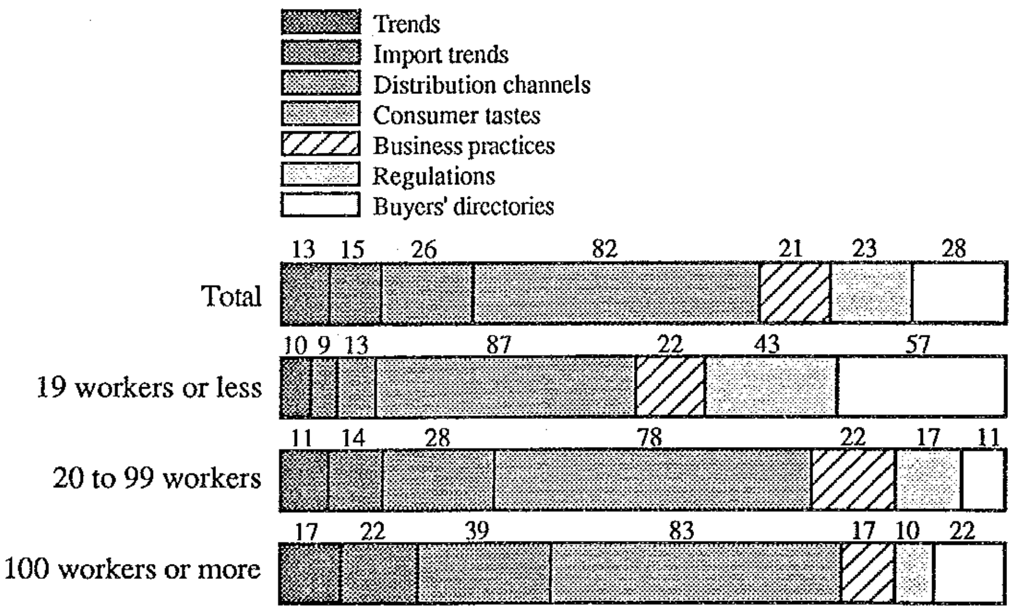
Figs. 2-3-77~79 shows "Type of Overseas Market Information Required." 'Consumers' tastes' was the most common response overall, by number of employees and by product. Information regarding consumers' tastes cannot easily be obtained through government agencies and as a result, sources of information such as overseas buyers who have close relationships with overseas markets are necessary to get timely information in an efficient manner.

Fig. 2-3-77: Type of Overseas Market Information Required



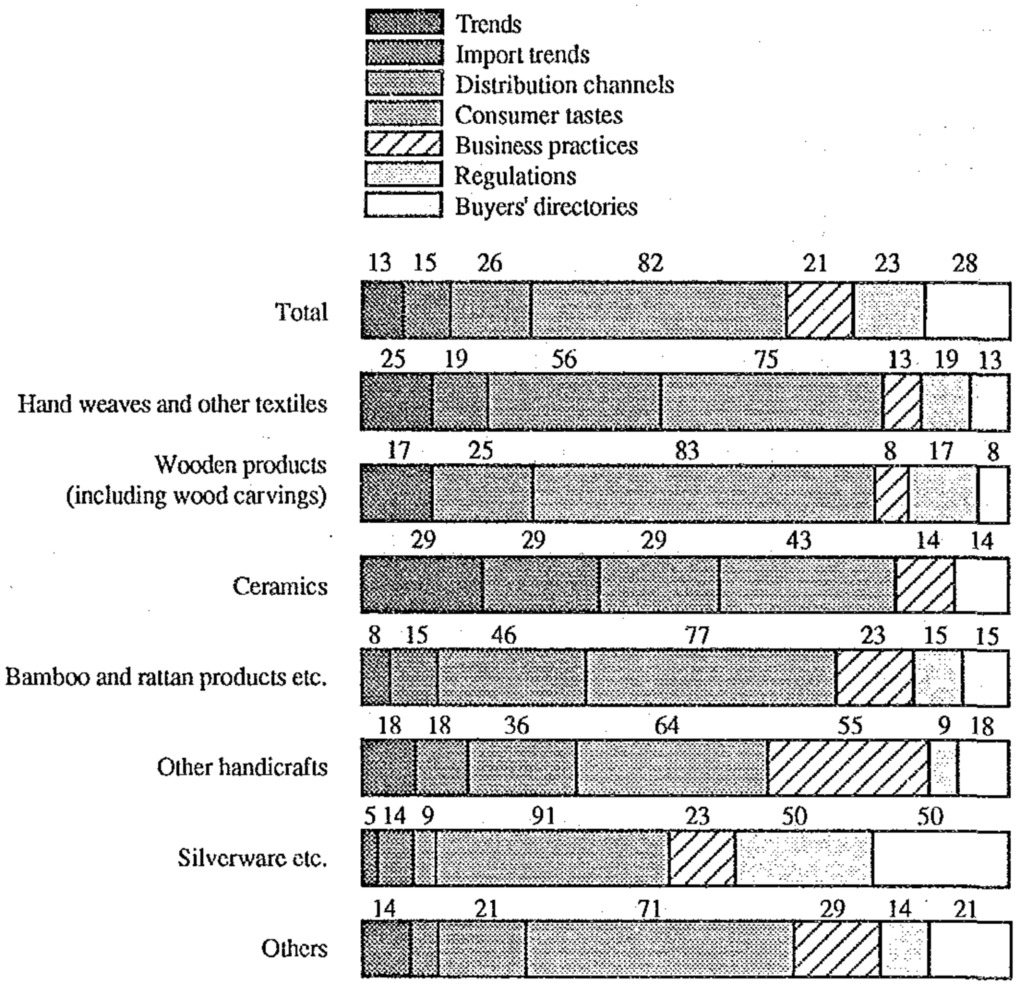
Source: Questionnaires survey

Fig. 2-3-78: Type of Overseas Market Information Required (By Number of Employees)



Source: Questionnaires survey

Fig. 2-3-79: Type of Overseas Market Information Required (by Product)

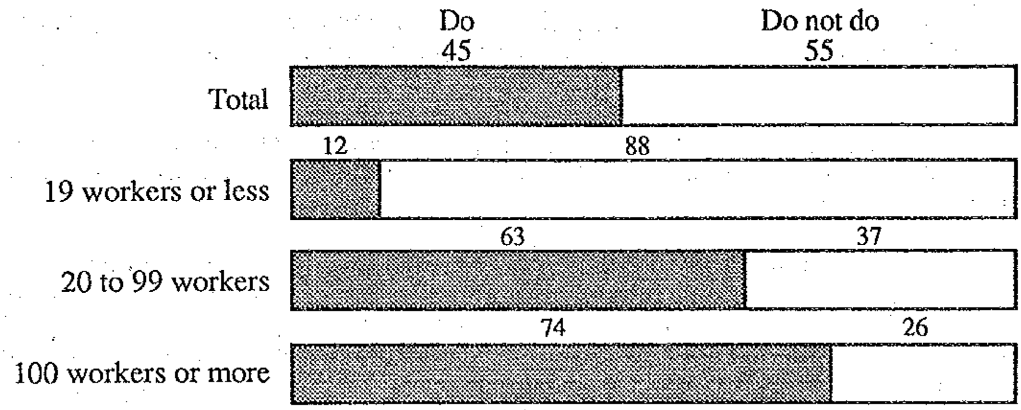


Source: Questionnaires survey

b) Intention to begin or expand exports

Comparatively small-scale handicraft firms can only afford to sell their products in the domestic market. Figs. 2-3-80~82 show the "Present Situation of Exports" as indicated by the results of this questionnaire.

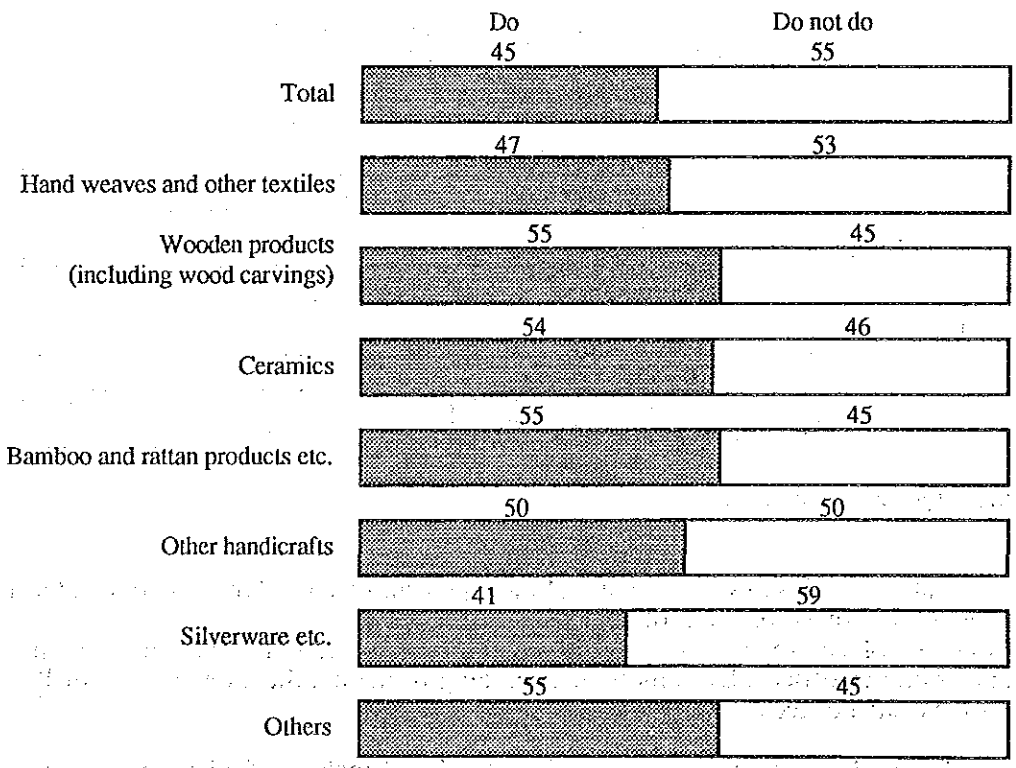
Fig. 2-3-80: Present Situation of Exports (By Number of Employees)



Source: Questionnaires survey

Fig. 2-3-80 shows the responses by number of employees. The percentage of small-scale firms which are presently exporting is very low at only 11.8%. To increase exports of Indonesian handicrafts in the near future, smaller companies must become more export-oriented.

Fig. 2-3-81: Present Situation of Exports (By Product)



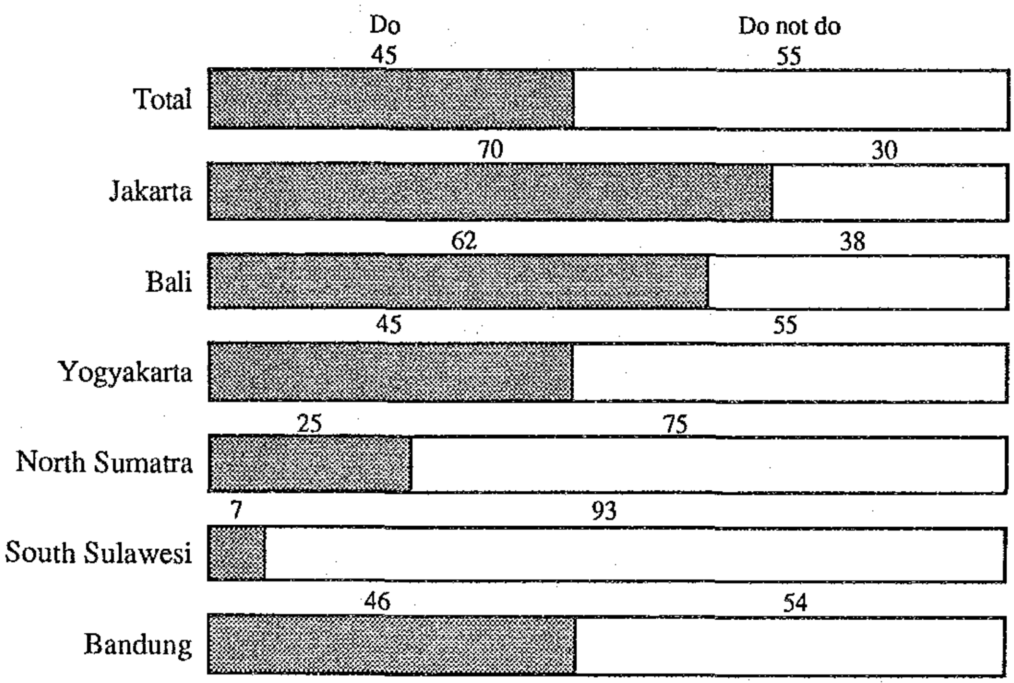
Source: Questionnaires survey

As can be seen in Fig. 2-3-81, the percentage of firms exporting is highest, 64.3%, in the 'other accessories' sector. For wooden handicrafts, bamboo and rattan handicrafts, ceramics and other handicrafts, the percentage of firms exporting exceeds 50%, while that percentage among jewelry and precious metals makers is a very low 33.3%.

As shown in Fig. 2-3-82, the percentage of firms which are exporting is very high in Jakarta (70%) and Bali (62.2%) and very low in South Sulawesi (7.1%) and North Sumatra (25%).

Some companies in Bali, where many tourists visit and buy handicrafts, can achieve substantial sales without directly exporting. These companies sometimes tend to cling to the domestic market as undertaking exports is very complicated and awkward for them. As a result, the intention to start or expand exports is very limited among these firms. However, if exports of Indonesian handicrafts are to be expanded, it will be necessary for them to become more export-oriented.

Fig. 2-3-82: Present Situation of Exports (By Region)



Source: Questionnaires survey

Table 2-3-22 shows how many of the companies have "Overseas Branch Offices" for the purpose of export promotion.
By number of employees, only 18.2% of the large-scale companies have their own overseas branch offices. Even more discouraging is the fact that none of the small-scale firms have such offices.

By product, an exceptional number, 42.9%, of makers of other accessories have overseas offices. However, none of the ceramics, other handicrafts and jewelry and precious metals makers have overseas offices and the percentage for other products is less than 20%.

Viewed by region, 50% of the companies in Jakarta have overseas branch offices. However, this is the exception rather than the rule as in other regions the percentage of companies which have overseas offices does not rise about 20% and goes as low as 0%.

Table 2-3-22: Overseas Branch Offices

	Responses	Have	Have not
Total	52	7 (13.5%)	45 (86.3%)
Number of employees			
Small	8	—	8 (100.0)
Medium	32	5 (15.6)	27 (84.4)
Large	11	2 (18.2)	9 (81.8)
Product			
Hand-woven textiles	15	3 (20.0)	12 (80.0)
Wooden handicrafts	10	1 (10.0)	9 (90.0)
Ceramics	4	—	4 (100.0)
Bamboo & rattan	14	1 (7.1)	13 (92.9)
Other handicrafts	3	—	3 (100.0)
Silver	8	1 (12.5)	7 (87.5)
Jewelry & precious metals	1	—	1 (100.0)
Other accessories	7	3 (42.9)	4 (57.1)
Regions			
Jakarta	2	1 (50.0)	1 (50.0)
Bali	11	2 (18.2)	9 (81.8)
Yogyakarta	13	1 (7.7)	12 (92.3)
North Sumatra	5	1 (20.0)	4 (80.0)
South Sulawesi	2	—	2 (100.0)
Bandung	19	2 (10.5)	17 (89.5)

Source: Questionnaires survey

Table 2-3-23: Overseas Sales Agents

	Responses	Have	Have not
Total	50	13 (26.0%)	37 (74.0%)
Number of employees			
Small	8	1 (12.5)	7 (87.5)
Medium	29	7 (24.1)	22 (75.9)
Large	12	5 (41.7)	7 (58.3)
Product			
Hand-woven textiles	11	1 (9.1)	10 (90.9)
Wooden handicrafts	12	5 (41.7)	7 (58.3)
Ceramics	3	1 (33.3)	2 (66.7)
Bamboo & rattan	15	3 (20.0)	12 (80.0)
Other handicrafts	3	—	3 (100.0)
Silver	9	4 (44.4)	5 (55.6)
Jewelry & precious metals	1	1 (100.0)	—
Other accessories	8	4 (50.0)	4 (50.0)
Regions			
Jakarta	2	1 (50.0)	1 (50.0)
Bali	12	8 (66.7)	4 (33.3)
Yogyakarta	12	3 (25.0)	9 (75.0)
North Sumatra	5	1 (20.0)	4 (80.0)
South Sulawesi	2	—	2 (100.0)
Bandung	17	—	17 (100.0)

Source: Questionnaires survey

Table 2-3-23 shows whether or not the companies surveyed have "Overseas Sales Agents."

In terms of number of employees, the percentage of firms having overseas sales agents increases in proportion to the size of the companies.

By product, the percentage of jewelry and precious metals manufacturers which have overseas sales agents is conspicuously high at 100%, while the percentages among manufacturers of other handicrafts (0%) and hand woven textiles (9.1%) are very low. By region, the percentage of firms which have overseas sales agents is comparatively high in Bali (66.7%) and in Jakarta (50%), but none of the companies in Bandung and South Sulawesi has overseas sales agents.

Table 2-3-24 shows whether or not the companies surveyed have relationships with "Importers."

The of firms having relationships with importers increases in proportion to the size of the companies.

By product, the percentage is the largest, 100%, among manufacturers of jewelry and precious metals and manufacturers of other accessories, while the percentage among silver and other handicraft manufacturers is 80%. The percentages among the remaining four items, between 40 and 50%, is not very high.

By region, the percentage is very high in Jakarta (100%), Bali (84.6%) and Yogyakarta (76.5%), but very low in Bandung (21.1%) and South Sulawesi (0%) .

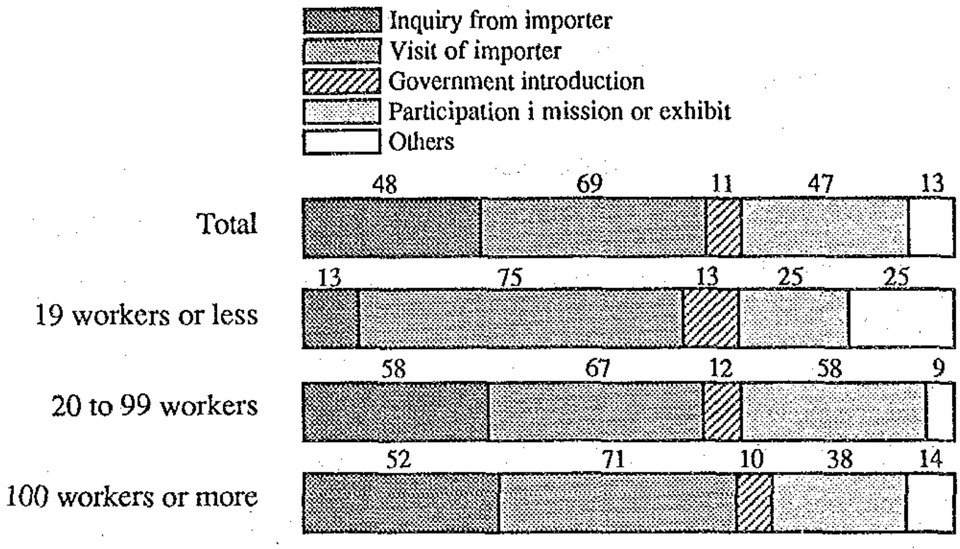
Table 2-3-24: Importers

	Responses	Have	Have not
Total	58	32 (55.2%)	26 (44.8%)
Number of employees			
Small	9	3 (33.3)	6 (66.7)
Medium	35	19 (54.3)	16 (45.7)
Large	14	10 (71.4)	4 (28.6)
Product			
Hand-woven textiles	14	8 (57.1)	6 (42.9)
Wooden handicrafts	12	6 (50.0)	6 (50.0)
Ceramics	5	3 (60.0)	2 (40.0)
Bamboo & rattan	18	9 (50.0)	9 (50.0)
Other handicrafts	6	5 (83.3)	1 (16.7)
Silver	12	10 (83.3)	2 (16.7)
Jewelry & precious metals	1	1 (100.0)	—
Other accessories	8	7 (87.5)	1 (12.5)
Regions			
Jakarta	1	1 (100.0)	—
Bali	13	11 (84.6)	2 (15.4)
Yogyakarta	17	13 (76.5)	4 (23.5)
North Sumatra	6	3 (50.0)	3 (50.0)
South Sulawesi	2	—	2 (100.0)
Bandung	19	4 (21.1)	15 (78.9)

Source: Questionnaires survey

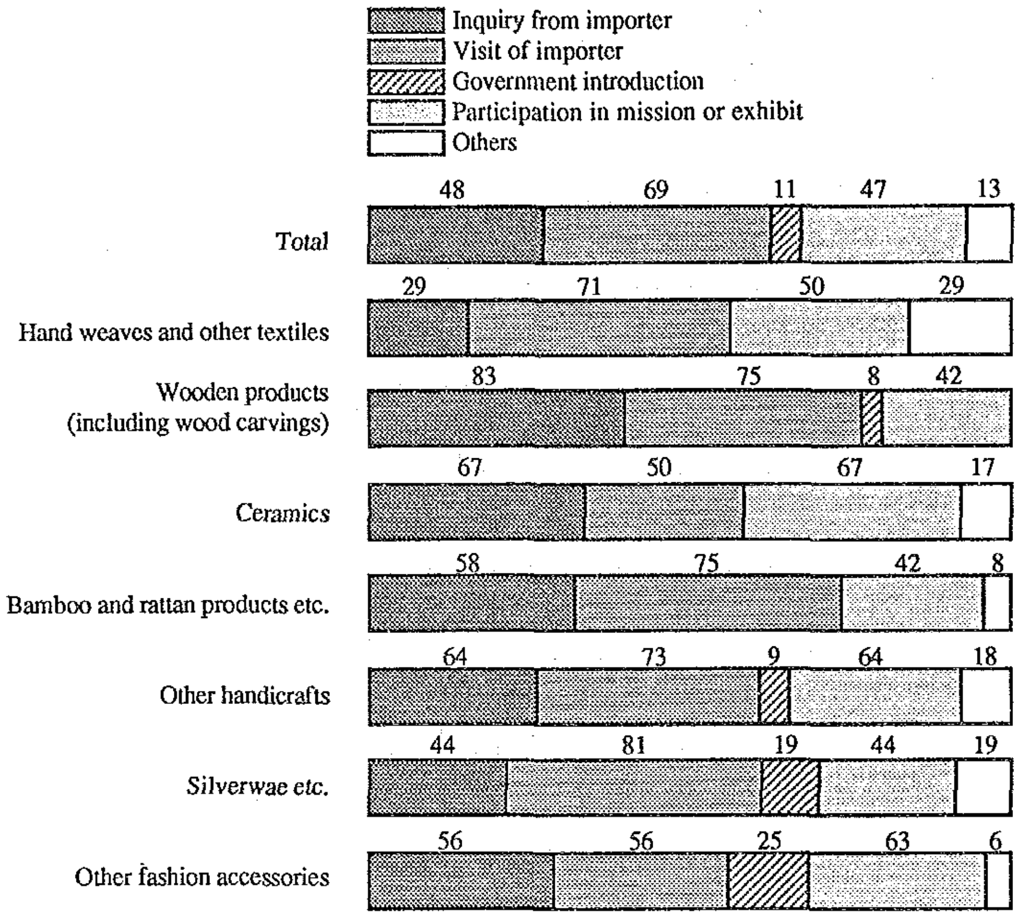
Figs. 2-3-83~85 shows the "Reasons for Starting Exports" of the companies which are currently exporting.
By number of employees, 'Visits by Importers' was the most common response followed by 'Inquiries from Importers', irrespective of the size of the companies. Almost the same thing can be said when we look at the results by product, that is, the general attitude towards exporting seems to be passive.

Fig. 2-3-83: Reasons for Starting Exports (By Number of Employees)



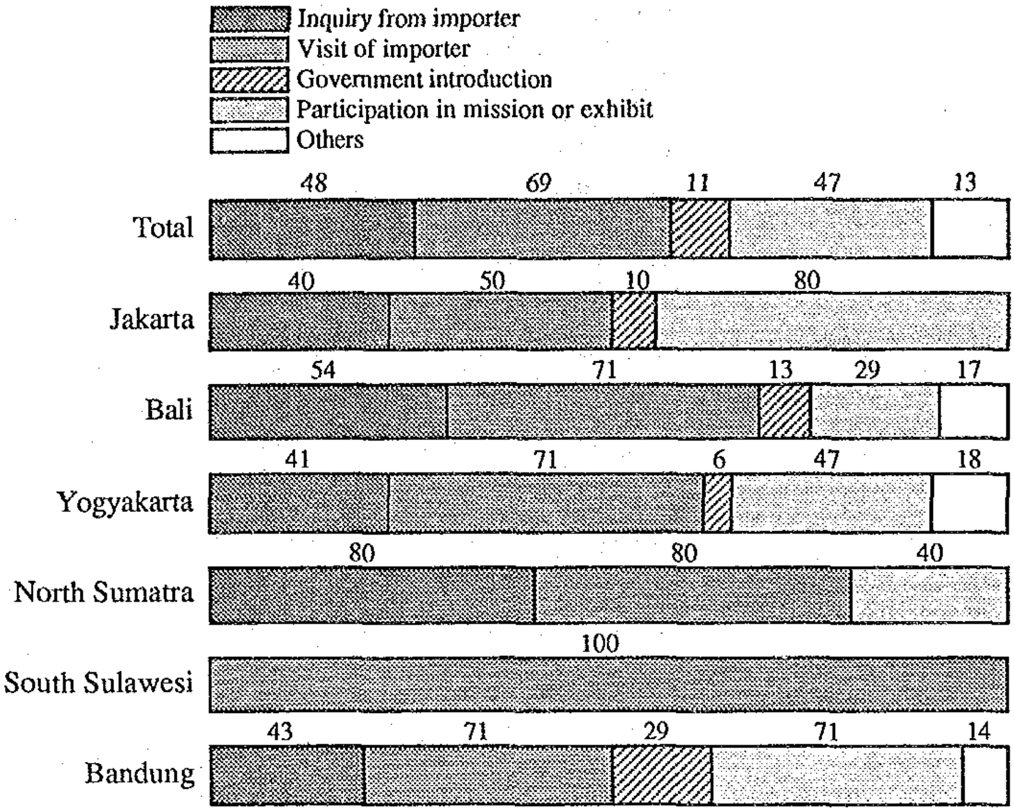
Source: Questionnaires survey

Fig. 2-3-84: Reasons for Starting Exports (By Product)



Source: Questionnaires survey

Fig. 2-3-85: Reasons for Starting Exports (By Region)



Source: Questionnaires survey

Table 2-3-25 shows whether or not the companies surveyed have placed "Advertisements in Magazines or Papers Overseas" as one of their efforts to expand exports.

As might be expected from the fact that the percentage of firms which have overseas branch offices or overseas sales agents is not very high, the percentage of firms which have placed advertisements in overseas publications is also low, at only 22%.
By number of employees, the percentage of firms which have placed such advertisements is at 27.6% relatively high among medium-scale firms when compared with the 18.2% figure among large-scale firms and 11.1 percent for small-scale firms. However, generally speaking, the percentage is too low to have much effect in the expansion of exports.

Considered by product, the percentage of of firms which have placed such advertisements is relatively high among manufacturers of jewelry and precious metals (50%), other accessories (42.9%), silver (37.5%), wooden handicrafts (33.3%) and other handicrafts (33.3%), while the percentage is relatively low among manufacturers of ceramics (0%), hand woven textiles (8.3%) and bamboo and rattan handicrafts (14.3%).

By region, the difference between regions is very significant. The percentage of firms which have placed such advertisements is high in Jakarta (50%) and Bali (40%) but very low in South Sulawesi (0%), North Sumatra (0%) and Bandung (11.8%).

Table 2-3-25: Advertisement in Magazines or Papers Overseas

	Responses	Have	Have not
Total	50	11 (22.0%)	39 (78.0%)
Number of employees			
Small	9	1 (11.1)	8 (88.9)
Medium	29	8 (27.6)	21 (72.4)
Large	11	2 (18.2)	9 (81.8)
Product			
Hand-woven textiles	12	1 (8.3)	11 (91.7)
Wooden handicrafts	12	4 (33.3)	8 (66.7)
Ceramics	4	—	4 (100.0)
Bamboo & rattan	14	2 (14.3)	12 (85.7)
Other handicrafts	3	1 (83.3)	2 (66.7)
Silver	8	3 (37.5)	5 (62.5)
Jewelry & precious metals	2	1 (50.0)	1 (50.0)
Other accessories	7	3 (42.9)	4 (57.1)
Regions			
Jakarta	4	2 (50.0)	2 (50.0)
Bali	10	4 (40.0)	6 (60.0)
Yogyakarta	13	3 (23.1)	10 (76.9)
North Sumatra	4	—	4 (100.0)
South Sulawesi	2	—	2 (100.0)
Bandung	17	2 (11.8)	15 (88.2)

Source: Questionnaires survey

c) Adaptability

Adaptability for trend of overseas markets and tastes of overseas consumers, that is, the ability to develop products suitable to them is necessary. Few of the handicraft companies, with some exceptions such as wooden pop arts in Bali, can adapt themselves to new overseas needs as yet.

d) Necessity of a total marketing strategy from manufacturing to sales

At present, companies of the handicraft industry tend to wait till the products manufactured by them are sold, but this attitude should be discarded and they should begin to consider how they can create products which can enjoy a good reputation and be sold well in the targeted markets. For this, construction of a total marketing strategy and consideration of the distribution system best adaptable to the targeted markets are necessary.

e) Showroom and information center

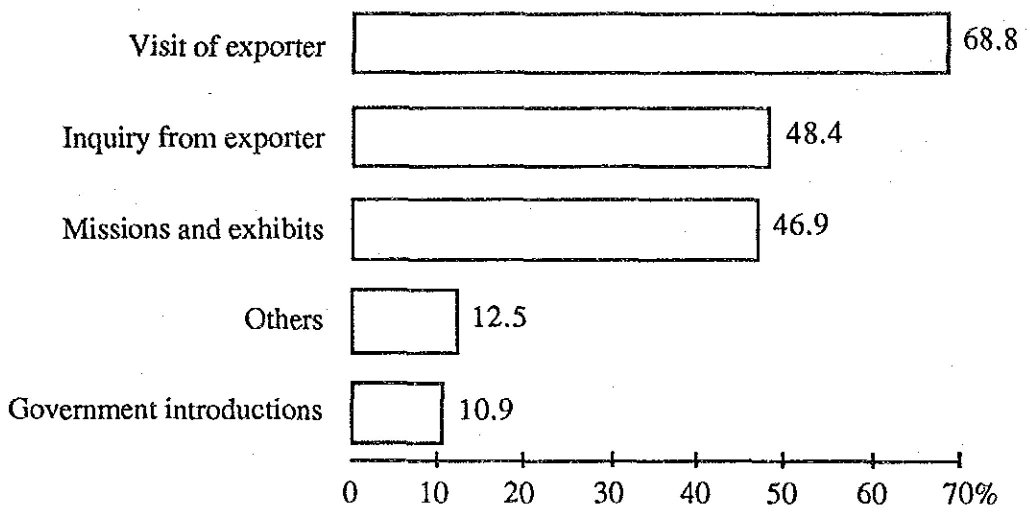
None of the showrooms in Indonesia for handicrafts is presently effective, and in addition to that, there is no system which gives information on handicrafts to overseas buyers.

The establishment of a kind of showroom, where all the famous handicrafts in Indonesia are collected and exhibited and which has another role of giving information to overseas buyers, is necessary.

f) Trade fairs and exhibitions

As shown in Fig. 2-3-86, many of the firms which are presently exporting chose 'Participation in Mission and/or Exhibition'(46.9%) as the reason for starting exports after such passive reasons as 'Visit of Importers'(68.8%) and 'Inquiry from Importers'(48.8%).

Fig. 2-3-86: Reasons for Starting Export



Source: Questionnaires survey

As shown above in Fig. 2-3-83, 57.6% of the medium-scale firms, which have some difficulty in establishing export channels on their own, cited participation in missions and/or exhibitions as one of the reasons for starting exports. In light of this, participation in missions and/or exhibitions must be viewed as an effective means for small and medium-scale firms to begin or expand exports.

Fig. 2-3-84 shows that manufacturers of ceramics and jewelry and precious metals most often chose 'Participation in Mission and/or Exhibition' as the reason for beginning exports. It appears that firms in these two industries have made more individual efforts to find new channels for exports than firms in any of the other industries.

Fig. 2-3-85 shows that Jakarta (80%) and Bandung (71.4%) most often chose 'Participation in Mission and/or Exhibition' as the reason for starting exports and it seems that these two regions have made use of such opportunities to expand their exports.

Table 2-3-26 and Table 2-3-27 show the results of the question asking about "Participation in international trade fairs overseas" and "Attendance at international trade fairs for negotiations or market surveys," respectively.

In terms of number of employees, the rate of participation or attendance tends to be higher among larger companies and participation seems to have led to the success of the companies which are presently exporting.