

**Technical Support to the Langafonua 'A Fafine Handicraft Centre
Kingdom of Tonga
May 2010**

A Report



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Table of Contents

1. Background
2. Objectives
3. Executive Summary
4. Preparation
5. Methodology
6. Training Needs Analysis
7. Business Plan
8. Training of Langafonua Handicraft Centre staff
9. Product identification
10. Design and Development
11. Recommendations for Follow Up

Appendix

1. Participants
2. Business Plan

1. Background

CETC's Business Development Advisory Program (BDAP) is focussing in the next three years on capacity building support to grow its pool of business development support services to micro and small business enterprises and agencies. Included is the handicraft sector where there is currently no institutionalised skill development or training program for artisans/manufacturers/exporters cluster-wise or product-wise. The growing need for promotion of cultural industries for both economic and cultural conservation purposes points to an urgency to institutionalise skills development training in the handicraft sector to empower producers and marketers if they are to survive in the current competitive market.

CETC, in collaboration with the Culture Centre of the Human Development Program of SPC as well as national Craft and Business Development Support Services is working to develop and implement a specialised industry training programme for the handicraft sector with pilots in Tonga and Vanuatu.

A scoping study of Langafonua Handicraft Centre was done in 2009 recommending the Centre become the business arm of Langafonua 'a Fafine Tonga. In order for this to develop and flourish, the need for assistance for not only business training and mentoring but also product development was noted.

2. Objectives of the Consultation

The objectives of this consultancy, in the context of the aims of CETC's Business Advisory Programme, is to work with Langafonua Handicraft Centre to

- a) Strengthen Langafonua business management capacity to operate the handicraft centre
- b) Update and increase awareness of Langafonua's handicraft producers in areas of manufacturing, technology, design, product development including quality control and standards, packaging and marketing, intellectual property rights
- c) Strengthen capacity of business development facilitators providing support for the handicraft sector

The expected outcomes are:

- Craft artists and Langafonua management and staff will benefit from outside input of new knowledge, trends and technical advice on production and management of craft enterprise
- A change in the mindset of Tongan crafters and operators who are resistant to change due to the lack of exposure to new ideas, designs and processes
- Increased demand for Tongan craft and increased income
- Knowledge and experience of CETC national level business development trainers/facilitators are further enhanced to provide better support to handicraft producers

3. Executive Summary

A 9 day workshop open to all members of Langafonua Handicraft Centre (LHC) was held in May 2010 to assess and address the needs of suppliers and management of the Centre, and assist in the design and transition from non profit to profit making business.

A business plan was developed with strategies of how to go from a loss making organisation to a sustainable profit making enterprise. The proposed changes include:

- Increase commission on all product from 10% to 25%
- Increase annual membership fees from TOP\$10 per year to \$15
- Explore additional revenue streams such as children's holiday activity programmes, (for local and tourist children) exhibitions and sales, high end international outlets
- Branding – changing the image of LHC from overcrowded shop with mixed quality product to attractive Gallery showcasing Tongan made high quality craft

Product development and marketing was identified as a key area where improvements could be made to increase sales volumes and profits. In order for this to be achieved, training was delivered on:

- Product: identification of traditional and innovative product with commercial potential
- Product improvement – design and finishing
- Shop display – removal of all imported products, streamlining of displays
- Product presentation – clean and attractively presentation.
- Labels of authenticity telling “the story” of product and identifying artist
- Added value packaging – appropriate small tapa and woven baskets
- Quality control – every product checked under standards guidelines
- Pricing – fair pricing – increases justified by improved quality, presentation
- Accessing good quality supplies, materials, equipment and tools to improve product

Impacts were immediate with the “new look” Gallery attracting positive comments from customers. “Word of mouth” noticeably increased sales volumes and higher prices were achieved with improved finishing, attractive presentation and packaging.

Due to improved surroundings, Fehoko Arts and Crafts, a key competitor with an international following, is now keen to supply high end product which will add not only to profit for LHC but also to the image of an outlet with integrity.

There is clearly huge potential for improvement in this business and there is little doubt it will turn a profit in the next financial year. It is fortunate to be housed in a prime site on the main street in a beautiful building. It has excellent motivated staff and there is currently enough good local product which should improve to a higher and more consistent level.

4. Preparation

Prior to the workshop preparations made in New Zealand included:

- Consultation with Sean Mallon, Pacific Curator, Te Papa Museum, NZ
Outcome: Link to on line images and printed copies of the Tongan artifact collection in the National Museum of NZ for participants to research further these and other objects. An offer for further assistance made by Sean Mallon should anyone require additional help.

<http://collections.tepapa.govt.nz/search.aspx?term=tonga&imagesonly=on>

- Collection of 12 inspirational traditional and contemporary Pacific craft and design books assembled for workshop reference.

- Meeting with Joe Fuavao, PITIC (Pacific Island Trade Investment Commission)

Outcome: An offer of technical and financial assistance to Langafonua under the Market Support Fund to assist in the development and printing of advocacy materials such as pamphlets.

- Visit to Fresh Gallery, Otara to view current “Tongan Style” Exhibition of embroidered quilts

and meeting with curator Kolokesa Mahina-Tuai.

Outcome: Information on the current market trends of Pacific product in Auckland and potential exhibition opportunities. Confirmation of a growing urgency to encourage revitalisation of dying skills, techniques and designs.

- Meeting with Stephanie Overtoun, partner in Atea Oceanie – high end Pacific product retail

outlet in London to discuss potential market collaboration.

Outcome: Invited to email images of product for consideration to wholesale in Atea Oceanie

- Discussion with Museum of Anthropology, Vancouver, Canada regarding potential sales out for

Tongan craft

Outcome: Invitation to send photographs of craft identified as having potential to sell in Museum outlet and inclusion in inaugural World Art Market, Vancouver September 2010.

5. Methodology

Ms Chris Delany was contracted by SPC to undertake the consultation in Nuku'alofa which took place at Langafonua from 3 May – 13 May 2010. Visits were also made to the stalls of Langafonua producers in the market as well as to home studios out of hours for individual training.

Staff and Management of Langafonua 'a Fafine and the Handicraft Centre worked tirelessly to ensure the maximum benefit from the workshop was achieved in the timeframe. There was a clear commitment to this project and the impressive “can do” attitude was evident in everyone involved.

Assistance from Emele Petelo (Business Trainer), Katie Dunn (Ministry of Labour, Commerce and Industries, Tonga) was provided and much appreciated.

Around 20 people participated including Langafonua management, the President of the Tongan National Art and Handicraft Association (Sitiveni Fehoko) and handicraft suppliers. People actively engaged in discussions and were motivated and positive in their commitment to both the workshop and their future support of Langafonua Handicraft Centre.

6. Training Needs Analysis

Discussions with the group identified the following perceived needs:

For Langafonua

5.1 Branding

- need to change image

5.2 Business plan

- restructuring from non profit to profitable business
- ideas on extra ways of increasing profits

5.3 Marketing assistance

- presentation of product
- improve shop displays
- promotion – signage, advertising, advocacy
- labelling, advocacy
- packaging - added value

5.4 Quality control

- selection of improved product
- strategies, guidelines

5.5 Pricing

- consistency
- how to value

For Producers:

5.6 Product

- develop new designs and products
- strengthen current products – improve quality, finishing – “market readiness”
- identify lost or endangered traditional designs, skills and products and introduce revitalisation strategies (eg. weaving workshop, traditional tapa design painting) and make to sell (if culturally appropriate)
- technical training – jewellery

5.7 Tools and supplies

- access to good quality tools, equipment and supplies
- training to learn how to use latest technologies
- guidance on applying for loan to purchase start up equipment

5.8 Copyright

- ways to discourage copycatting each others ideas and designs
- information on copyright laws and how to enforce them

7. Business Plan

See Appendix

8. Training of LHC Staff

In line with the areas identified in the needs analysis, training began on the second day to address business and marketing issues. Sessions were open to all members of LHC – both suppliers and management as most information was relevant to everyone.

8.1 Business Management Training

The Retail Manager, Taumosi Hemaloto, has 16 years experience in the daily management of LHC. She is trusted, respected and organised and does a great job. She was receptive to all suggestions and is dedicated to improving LHC.

- Suggestions offered on practical ways to implement changes in the context of the proposed Business Plan.
- Technical training to set up the transfer of record keeping and payments to computerised spreadsheets is already underway in collaboration with the volunteer from Ministry of Labour, Commerce and Industry.
- Rationalised book keeping systems and templates offered in collaboration with the Business Trainer.

8.2 Marketing Training

Daily sessions with the Retail Manager and Assistant aimed at improving the sales and profits in the new look “Gallery” created immediate and visible impacts. By decluttering the shop, cleaning the old product, removing all imported items and damaged stock, it looked more inviting, was less confusing and also “felt” better and more “customer friendly” . Previous customers commented favourably on the changes and cash book records proved that sales increased immediately. In several cases products that had sat for many months sold within hours of being presented in new displays. New added value packaging also prompted sales of product that had previously barely moved – and at an increased price. The more streamlined displays also made for easier daily cleaning and with craft no longer hanging in the windows, the increased natural light negated the need to switch on the lights.

8.2.1 Product Selection

There was agreement in the group to give a mandate to the Manager to select product using agreed guidelines.

- Craft made in Tonga - no imported products
- High quality – workmanship, materials, design
- Discourage “copycat” products of craft already being supplied
- Permission to return products to producer after 6 months if not sold and no customer interest

Examples of products were examined to illustrate what standards were expected.



Imported



Made in Tonga

8.2.2 Presentation and Display

Permission was given to give the shop a “makeover”. This served as a practical training exercise in shop display and product selection and presentation. All imported stock was removed, along with all damaged and second grade product. Products were removed from covering windows to allow for natural light. Simple effective techniques were demonstrated that did not require any money to implement. The concept of “less is more” was explained and the staff quickly saw for themselves the impacts. Added value packaging was used to create attractive displays (tiny woven and tapa bags were used to display earrings and then sold along with the items as packaging). Temporary new labels were made and advice on “telling the story” and writing the artist’s name to give authenticity Attention to detail was emphasised and a “Stage 2 Plan” was discussed for more improvements when funding and time allowed. Assistance to design print advocacy pamphlets and product labels is being provided by Ministry of Labour, Commerce and Investment volunteer (Katie Dunn) and it hoped an aid grant will enable these to be printed in July 2010.

Before



After





New Displays



8.2.3 Quality Control

Training was given to the Retail Manager to:

- Recognise and identify acceptable quality standards on tapa, woven, carved and jewellery products
- Explain and advise producers on shortfalls and how they might be remedied - or diplomatically reject product
- Demonstrate to jewellery suppliers how to professionally lash (rather than used knotted cord) or attach metal findings
- Advise producers how and where to access good quality tools, equipment and supplies. Catalogues of high quality wholesale products are now held at LHC and are available to members who can order direct. Recommendations of what is appropriate have been listed.
- Exercise the mandate to return any craft that has not sold after 12 months if there has been no interest shown in the product. (This keeps the Gallery looking fresh)

8.2.3 Pricing

People are becoming more aware (and we should continue to educate them to realise) that indigenous art and hand crafted work is special and needs to be valued. It is a mistake to undervalue art and handmade craft. It is also a mistake to overprice – product needs to be tempting and competitive.

Pricing guidelines were discussed in the context of the Business Plan as well as in a more generic discussion on what factors should be considered when pricing craft. (See Appendix “*Making You Craft Your Business*”)

The plan to increase the commission (consignment rate) from 15% to 25% needed to be taken into account in re evaluating prices. With the improvement of quality of many items, coupled with attractive packaging and presentation (eg. tapa gift bags, labels of authenticity) it was easy however to justify increasing many of the current prices.

Factors identified to consider when pricing items included:

- Quality, craftsmanship
- Uniqueness – “1 off” or uniquely Tongan
- What the market will pay – competitive with other outlets
- Cost of materials + overheads + time taken to make
- Artist’s reputation /profile
- Whether you are selling wholesale, by consignment, or direct retail
- Size – bigger is not necessarily more expensive. Some small products are harder to make

9. Product Identification

9.1 Craft inventory

Listing a comprehensive inventory of Tongan craft skills and designs gave the group a platform to discuss and identify current and potential craft products to make and sell. This exercise not only aimed at identifying marketable craft, but also helps to highlight endangered skills and products and offers an opportunity to design revival and strengthening strategies. A systematic list was begun and encouragement was given to continue this process by providing pictorial books of traditional and contemporary Pacific craft and images of items in the Te Papa Museum collection of Tongan artefacts. Items such as traditional combs, flutes and various fishing lures were noted. Different people were identified to try and make these items and it was noted that not everyone should make the same products.



Recording the craft inventory



Discussing a “threatened” mat design

Feedback was given on international trends in market demand and encouragement to create high quality authentic craft products was passed on.

The possibility of “Master Classes” was met with enthusiasm to encourage and assist with the revival of endangered weaving skills and tapa painting designs that were highlighted in the product identification process.

10. Design and Development

Suggestions of possible new product ideas were offered and samples shown. Books also were a source of new ideas and inspiration. Offers to visit suppliers in their own homes or market stalls were made and evening “train the trainers” was organised. New jewellery making techniques and processes were taught which will offer scope to develop new designs. Supplies of high quality jewellery supplies (925 sterling silver earring hooks, waxed threads, jump rings etc) were offered for sale at wholesale prices in an effort to facilitate and support good design and production and profit margins.

11. Recommendations for Follow Up

There appeared to be unanimous enthusiasm for this programme to continue. Requests were made for follow up workshops (in order of priority) on:

- Traditional weaving skills and designs
 - particular designs were identified from books
 - an elderly master weaver who lives in Nuku’alofa (Lesieli Tupou) was named as the ideal trainer who has the skills and the knowledge of the particular designs
- Traditional tapa painting workshop
 - traditional designs need to be strengthened and encouraged. An elderly woman (Tangiloto Po’oi) was identified as an expert in this field.
- Jewellery making masterclass. The President of the Tongan National Art and Handicraft Association (Sitiveni Fehoko) was nominated to teach skills.

Recommendation: That these workshops proceed and that that trainers are encouraged to share their special knowledge and skills by offering an attractive consultancy fee.

A request was also made for:

- follow up assistance to continue the development of the marketing strategy including displays and promotions
- follow up assistance with developing international market outlets

Participants:

1. Kilisitina Fehoko
2. Tutama Fifita
3. Soana Lefoa
4. Moala Luitavuki
5. Lupe Likiliku
6. Manitepi Lui
7. Tangiloto Po'oi
8. Mele Vaikeli
9. Pelenafita Havili
10. Louini Ma'u
11. Sitiveni Fehoko
12. Lata
13. 'Uheina Kalaniuvalu
14. Fuiva Kavaliku
15. Taumosi Hemaloto
16. Ofa Pepa
17. Seionala 'Elone
18. Vitiami Simi
19. Seini Taufu



**Business Plan for Langafonua Handicraft Centre
Nuku'alofa
Kingdom of Tonga
May 2010**

History

Langafonua 'a Fafine Tonga was the vision of Queen Salote and was established to promote and enhance the social, cultural, economic and spiritual development of Tongan women and their families. Langafonua Handicraft Centre (LHC) was established as a branch of Langafonua 'a Fafine, and has operated as a non profit organisation since the 1960s. It is housed in a beautiful old building in a prime site on the main street of Nuku'alofa.

Current Situation

Through economic necessity, it has been agreed by the management of Langafonua 'a Fafine that LHC should now become the business arm of Langafonua 'a Fafine and thus become a profit making enterprise. It is acknowledged however that the original philosophy of the organisation – that of assisting the women of Tonga – should not be lost sight of. It is envisaged that by making the organisation a profitable business it will in fact be to the greater benefit of the women as it will offer better income generating outcomes and become a sustainable entity.

Goal

To make a profit by increasing volume and value of sales, customer service and business efficiency.

How

- Improve product (quality, variety) – increase value (higher prices) – increase sales volume (promotion, presentation, place)
- Additional services and revenue streams (children's holiday activities, exhibitions, wholesale orders, export to high end outlets etc)
- Restructure business : increase consignment commission, increase membership fees (justified by improved service and income for suppliers), profit from other activities and use of building

1. Branding

Currently the general perception of the LHC is that of an over crowded old shop where any handicraft is left to be sold. Top quality items can be found but shopping is confusing and overwhelming as there is so much product – much of it old, poorly presented and of low quality. The immediate task is to rebrand LHC - to change the perception and the reality of LHC to that of an attractive gallery that showcases high quality craft made in Tonga sold at a fair price, as well as a centre for handicraft activities. Change the name to Langafonua Gallery and Handicraft Centre.

2. Marketing Plan (The 5 P's)

Target market : Tourists, international business consultants, resident expatriates, local Tongan

2.1 Product

- All product to be made in Tonga preferably using local materials (Remove all

imported items eg. jewellery made in Indonesia and China, from shop and return to supplier)

- All product to be of good quality. The Gallery Manager to accept only product that reaches quality control guideline standards. (All product of poor quality or unsold after 12 months returned to supplier with suggestions of how to repair and improve for resubmission or sale elsewhere)
- Traditional Tongan designs and materials to be encouraged – a particular focus on revival and strengthening of “at risk” items identified in the craft inventory (eg. combs, musical instruments, fishing lures)
- Innovative contemporary designs using traditional and new skills and local materials encouraged
- Wide range of products

2.2 Presentation

- Gallery decluttered – windows cleared of product to allow natural lighting, welcoming entrance etc
- “Customer friendly” displays – clean, attractive and easily identified products
- “Less is more” - concept of examples of best product presented in prominent eye catching displays with additional stock easily accessible in other areas or in back room stock cabinets
- “Added value” - appropriate packaging (eg. tiny tapa or woven baskets for jewellery) to enhance product, presentation and profit

2.3 Promotion

- Signage – a large new sign to be commissioned to hang on existing poles where previous sign stood. Wording and logo to reflect new branding image and purpose.
- Pamphlets – simple pictorial pamphlets describing and illustrating with photographs, the story of LHC and it's present outlet products and contact details. To be distributed to Tongan Visitors Bureau, hotels, airport, cafes etc.
- Labels of authenticity – attached to products – with simple background story of LHC, and space for description of product, artist's name and price
- Articles in local newspaper and any appropriate publications (eg. High Commission magazines) advertising “new look”
- Website advertising – linked to TVB (already set up) with a view to eventual online ordering
- Demonstrations – during tourist season. Research shows interaction with artists promotes sales. Veranda areas could be used for craft demonstrations to attract attention.

2.4 Price

- Consistent pricing – Manager to advise suppliers on fair and realistic price range
- Prices to reflect new improved quality, added value packaging and presentation
- Various price points – from high value top quality exclusive/ collectors pieces to inexpensive gifts and cards
- Competitive – comparable prices with quality and presentation taken into account

2.5 Place

- Upgrade building – repair and redecorate building: include interior painting and window reglazing. Meantime remove torn vinyl flooring and simply oil floorboards, remove shelving vinyl and either varnish or just clean wooden surfaces
- Sculpture garden – invite local artists to display and sell large outdoor water resistant sculptures in front garden. This attracts attention and advertises product.

3. Organisation and Management (The 5 M's)

3.1 Method

- Consignment commission to LHC will increase from 15% to 25% on all product sales thus increasing profit on sales by 10%. This does not mean suppliers will receive less – rather – prices will also be adjusted in line with improved quality and presentation which in most cases will mean a small increase in price paid to the supplier.
- Annual membership fees will be increased from TOP\$10 to \$15 generating an immediate increase of over \$1,000 to LHC. This increase is justified by the expected increase in earnings and sales for members resulting from LHC's improved services (packaging, presentation, advocacy)
- Additional income generating streams: activities and services. Suggestions include:

Children's School Holiday Activities

- to be offered to local school children and tourist children during the holiday season
- members of LHC are identified and offered roles as paid supervisors
- depending on demand and availability of supervisors, there could for example be twice weekly sessions of 2 hour programmes including tapa painting, weaving and shell necklace threading.

15 children @ \$25 per 2 hr session = \$375

3 supervisors @ \$10/hr for 2 hrs	\$60
cost of materials	<u>\$30</u>
Total costs	\$90

Profit (\$375 minus \$90) = \$285 per session (or \$570 for 2 sessions per week)

Exhibitions

Opening events raise the profile of LHC and a percentage of sales go to the Gallery. Outer island communities encouraged to exhibit and sell.

3.2 Machinery (Equipment) Required

- computer printer
- storage drawers and cabinet (for stock)
- signage
- pamphlets, labels
- resource design books

Applications for NZAID and AUSAID funding should be submitted on 1 July 2010 in time for the new round of grants. Assistance to prepare applications from Katie Dunn, Ministry of Labour, Commerce and Industry.

3.3 Materials

- refurbishment of building – Directing Council to organise and arrange funding

3.4 Manpower – (Human Resources)

- training: key staff trained in display techniques, quality control strategies / guidelines, pricing, computer data entry.
- Retail Manager empowered to explain changes to suppliers and offer guidance with quality control

- Retail Manager and Gallery Assistant trained in presentation and display techniques.
- increased workload and skills of Retail Manager to new structure should be recognised & valued.
- recommendation: salary increment for Retail Manager (16 years service, last pay increase 2004)

3.5 Moment

The current financial year ends on 31 June 2010. The new plans will be presented to the Directing Council for approval at the next Council meeting and if accepted implementation will begin on 1 July 2010. Preparation began 3 May 2010 with staff training, discussions with members and initial shop makeover.

4. Comparative Estimates

2009 (Approx only)

Annual sales (approx)	\$80,000
Income for LHC = 15% commission	\$12,000
Outgoings (rent, wages, electricity etc)	\$17,500
Currently operating at an annual loss of	- \$5,500

New business plan:

Annual sales increase approx 15% (conservative estimate) due to improved product, higher price	\$92,000
Income for LHC = 25% commission	\$23,000
Increased membership fee (additional \$5x 260 members)	1,300
School activities x 20 sessions @ \$285 profit per session	<u>5,700</u>
Total income	\$30,000
Outgoings	- <u>19,000</u>
Profit after 1 st year	\$11,000

Aim to grow the profit by 10% each consecutive year.

5. Potential Risk Management

- Decreased tourism numbers:
 - target international export outlets
 - strengthen product with appeal to local
 - develop other activities like holiday programmes
- Loss of key staff:
 - offer increased salary with performance incentives