A COMPREHENSIVE ASSESSMENT OF THE ARTISAN & NATURAL PRODUCTS SECTOR IN ZAMBIA

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VALUE CHAIN ASSESSMENT OF THE ARTISAN & NATURAL PRODUCTS SECTOR IN ZAMBIA

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EXECUTIVE SUMMARY

The artisan and natural cosmetic (ANP) sector in Zambia, which includes both handmade/artisan product and natural cosmetics, is made up of an estimated 300+ companies creating a minimum of 5,700 jobs across the country, while supporting 23,000+ family members and dependents. In a country with a stubbornly high poverty rate of 60% and countrywide unemployment of 40%, the level of employment coming from the ANP sector makes a powerful impact on the lives and livelihoods of urban and rural entrepreneurs and producers. This is an incredible moment in time for Zambia to become a strong player and find its unique position on the world stage given the handmade sector's significant global market size of $660 billion, the social impact of the ANP sector contributing to 11 of the 17 SDG's, and the increasingly high demand by consumers and retailers for unique, handmade, ethically sourced, and culturally rich products. This study provides an extensive value chain assessment and mapping of the ANP eco-system, as well as a countrywide quantitative survey and qualitative interviews, providing a rich assessment of business best practices and major gaps, and sector challenges, while highlighting the strengths, opportunities, and recommended next steps.

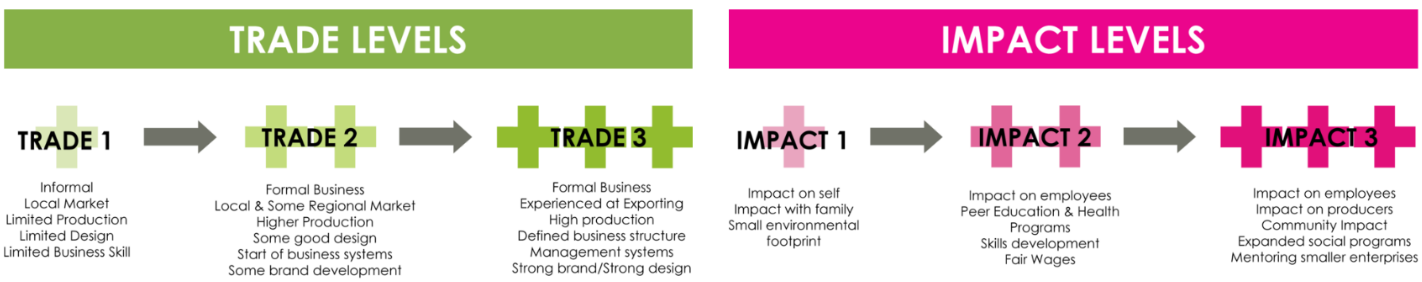
We hope this report is a tool and a roadmap to help Zambia build more connected, efficient, profitable, and sustainable companies that result in expanded employment opportunities in the growing and vibrant ANP sector. We believe that the impact of the sector is vital for women and families, for employment in rural and remote areas, and on the well-being of Zambian people and environment. Ultimately, we believe that the ANP sector can grow significantly, contributing meaningfully to the Zambian economy through local sales and exports.

TRADE + IMPACT ASSOCIATION

ABOUT US

Trade+Impact: Trade+Impact (T+I) is a non-profit Canadian registered global trade association founded in 2017 to increase access to linkages, learning and networks for women-led social enterprises in the craft and natural cosmetics sectors across Africa and the Middle East. Our primary goal is to provide African women social entrepreneurs access to trade (both intra-African trade & global trade), investment, skills development and a network of collaborators supporting the craft and natural cosmetic sectors. It is a well-known fact that when women entrepreneurs grow, they positively impact the growth of both their employees and their communities.

Ultimately our goal is to **increase trade to increase impact** and do this based on a collaborative, inclusive approach. All businesses which we work with are evaluated based on export readiness in addition to social and environmental impact and are assigned a Trade + Impact level. This serves as a baseline for capacity building programming as well as a communication tool to sector stakeholders i.e. Buyers.



PARTNERS

FREE: Dawn Close moved to southern Africa in 1984 and has been living or involved in the region ever since. FREE was founded in 2010 as part of her coursework while studying for a master's in international development at the University of Pittsburgh. Value addition is at the heart of F.R.E.E.'s product development. Currently a group of 10 young women manufacture jewelry from our premises in Ng'ombe Compound. They've learned how to solder, to etch, to enamel, to string beads, to rivet, to fold form, and a myriad of other skills. Free ventured into gemstone cutting and silversmithing. In February 2018 two women have completed training in silversmithing. Their vision is to take the success and lessons they've learned with the jewelry and start other projects. F.R.E.E is looking to develop the handcraft sector of Zambia on a national scale with F.R.E.E. providing ongoing support through market linkages.

LUSAKA COLLECTIVE: A positive and creative space focused on uniting and supporting the makers of Zambia. Lusaka Collective is a hidden treasure trove located behind the bustling street food market in Longacres - embracing authenticity, everyday life in Lusaka, a soul of the city experience" A collective dedicated to developing and promoting the best of Zambian design. It is with great pride that we hold space in the marketplace to bring the stories and products of our artisans to you under one collaborative roof. It was their dream is to collaboratively support, develop and promote the best of Zambian design while bringing together the stories of her makers from all walks of life.

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OBJECTIVES

The objective of this report is to establish a comprehensive understanding of the artisanal and natural product landscape in Zambia. This comprehensive understanding will achieve the following:

- A thorough artisan assessment on the current landscape of SMEs in Zambia's craft and natural products sectors including evaluation on product, raw materials, business skills, operations, technological capabilities, and overall export readiness.
- A robust value chain map and ecosystem for the current craft and natural product sectors in Zambia.
- A comprehensive collection of artisan profiles and repository of digital media to support SMEs in reaching buyers.
- Market and competitive research to benchmark against the region and globally; Including trends/shifting to the COVID-19 next normal.
- Identify opportunities for growth within Zambia's artisanal and natural products value chain including entrepreneurial opportunities for non-producers.
- An analysis and assessment on future commercial potential – including potential product categories, funding opportunities, technological solutions to support the sector.
- Identify impact potential specifically in relation to job creation and increased income.

I. CONTEXT

The artisanal and natural products (ANP) sector, which includes both handmade artisan craft and natural cosmetics, is a driving force for employment and export sales for many developing countries worldwide. Behind agriculture, artisan activity is the second largest employer in the developing world (Chappe & Lawson Jaramillo, 2020). In total, the handcraft sector contributes over $660 billion to the global economy (IMARCgroup.com, 2020), with an estimated 34 billion coming from impact focused artisan businesses (Chappe & Lawson Jaramillo, 2020). In Zambia, the ANP sector is made up of an estimated 300+ companies creating a minimum of 5,700 jobs across the country, while supporting 23,000+ family members and dependents. The ripple effect of sector earnings has an enormous social impact considering the high unemployment rates in the country. Zambian unemployment stands at 40%, with a 60% unemployment rate for youth (Mukosa et al., 2020). Zambian ANP products are deeply rooted in cultural tradition but are also future focused, leaning into today's market demand for natural materials, environmentally friendly products, authentically African designs, and matching consumer's desires to support companies that make a social impact.

The natural cosmetics industry is also on the rise in Africa. A recent article in Global Cosmetics News explained that Africa's position in natural cosmetics and ingredients is surging, and long-time players who aren't taking Africa seriously "underestimate the continent at their own peril" (GlobalCosmeticsNews.com, 2019). Major manufactures like L'Oréal and BASF have a strong presence in southern Africa, establishing labs, factories, and ingredient sourcing from the region. The use of traditional plant-based beauty treatments and remedies remains vital to indigenous communities, and growing and sourcing ingredients from these traditional plants contributes to employment for local communities and sustainable resources for natural cosmetics industry (Makunga et al., 2008). Zambia's nascent natural cosmetics industry shows enormous potential. Zambian stakeholders have an opportunity to grow as ingredient suppliers to global cosmetics value chains, and to supply finished product to local, regional, and international beauty buyers. There is potential to increase revenue and employment in growing, harvesting, and processing biodiverse plant ingredients and bee products. Consumer packaged natural cosmetics are also in demand locally in Zambia with growing interest from international buyers.

The challenge is that Zambia's artisanal and natural products sector is largely informal and fragmented, which inhibits growth of the industry and minimizes the potential economic benefits that could bring employment opportunities to a large population of rural and low-income Zambians. Over 88.7% of Zambian employment is in the informal sector (Tassot et. al, 2019). The size of the informal economy in Zambia is higher than the average rate across the continent of Africa which stands at 76% (Zurayk, 2020), and exceeds the rate for women across the sub-Saharan region which is 84% (Chen, 2008). At the same time Zambia is one of the few fast growing economies in Africa, averaging 5-6% annual GDP growth for the past decade (Gadzala, 2010). But a persistently high poverty rate of over 60% means most Zambians are excluded from the benefits of the country's growth (Ministry of Community Development, 2014). Many Zambians living in poverty seek their livelihoods in the ANP sector which is why it is an important sector to strengthen and grow through investment, capacity building, and market access.

The economic effects of Covid-19 have compounded the issues of poverty in Zambia and hampered the sector. Artisans have been hit especially hard by the economic impacts of the Covid-19 crisis due to their reliance on local markets, tourism, and global exports to sell their goods. As Covid-19 disrupts global travel and trade flows, those working in the handmade sectors face additional economic challenges that may have long term effects on communities and their ability to respond and recover with resilience. The majority of ANP sector businesses in Zambia contribute significantly to social impact in their communities and to the environment. Companies are providing training, healthcare, education, savings groups, recycling programs, zero waste projects, conservation efforts, and even food assistance for the individuals and communities they touch. In the wake of the global Covid-19 crisis, handmade sector businesses in Zambia have an opportunity to be part of the vital economic and community recovery in their nation.

This report aims to create a deep understanding of the handmade value chain across Zambia in order to build more connected, efficient, profitable, and sustainable companies that will grow employment opportunities in Zambia, especially in rural and remote areas, ultimately contributing meaningfully to the Zambian economy through local sales and exports. Prospero's work in this sector is focused around facilitating competitive industry growth and market development leading to scaled job creation and growth of opportunities for Zambian MSMEs. This comprehensive assessment is an important step in understanding the gaps to be addressed and the strengths to be leveraged across the handmade sector in Zambia. This assessment produced six key resources for the sector including 1) a database of ANP ecosystem, 2) a quantitative research survey and findings, 3) qualitative company interviews, 4) a website showcasing company profiles and capabilities, 5) a media depository of photos and videos from around the country, and 6) comprehensive value chain maps. Findings have been organized into four sections including a competitive assessment of the global handmade market, a detailed value chain assessment of the Zambian artisanal and natural products, the research findings from a country wide survey of ANP companies as well as interviews, and recommendations to achieve future sector growth and sustainability.

SECTION 1: HANDMADE MARKET LANDSCAPE

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Throughout history, handmade producers of craft and natural cosmetics have played a critical role for their cultures, economies, and society at large. From utility to art, their creations have brought solutions and inspiration into homes, businesses, and public spaces. Handmade production is also sustainable for the climate, consuming less energy, using renewable materials, and creating far less pollution than industrial production. Small-batch production has recently become an important trend in consumer retail and aligns well with artisan production. Thoughtful, small-batch production is also critical in combatting the high climate toll from overages and waste created during the past decade of fast fashion. The handmade sector is uniquely positioned to engage and empower women, youth, and rural populations in meaningful work connected to the global economy. And the social impact of the sector on people's lives, livelihoods, and social justice aligns with conscious consumers values and purchasing choices.

I. CONSUMER DEMAND FOR ETHICAL PRODUCTS

Consumers are demanding authentic products from socially responsible producers and brands. According to a Nielsen study, the majority of global consumers (66%) say they prefer to buy from social impact/social benefit companies (*Newswire | The Global, Socially Conscious Consumer | Nielsen*). These consumers are willing to seek out and purchase products with a societal benefit. Along with the product these buyers want transparency and storytelling about who made the product and where it was made. Millennials are driving this trend with 86% seeking products from socially conscious or sustainable brands (Shoenthal, n.d.). And the next generation, Gen Z, are a rising economic force who are far more environmentally aware than any recent generation before them. The "2019 Retail and Sustainability Survey" showed that Gen Z ranks ethical business and ethical manufacturing as one of its top purchasing factors and that more than 50 percent of Gen Z are willing to pay more for sustainable products (CGS, 2019). This creates and opportunity for the ANP sector to work to understand the needs of younger Gen Z and Millennial consumers and create product offerings that fit their lifestyles since ANP ethical manufacturing already aligns with their values.

Consumers also appreciate product labeling that provides easy identification of ethical and sustainable goods. Whether the labeling is organic, fair trade, environmentally friendly, wildlife friendly, or benefit corporation certification, end consumers value knowing that goods and makers have been in some way vetted and that the products carry a heightened level of trust.

II. IMPACT OF THE SECTOR BASED ON THE UN SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals (SDGs) are a universal set of goals, targets, and indicators that UN members use to shape their country policies in order to improve the lives of their citizens and the environment. (Shoenthal, n.d.). The handmade artisan and natural cosmetics industries intersect with a minimum for 11 of the 17 SDGs. First and foremost, the ANP sector works towards SDG 1 of no poverty, by providing SDG 8 of good jobs and economic growth, which helps with SDG 10 to reduce inequalities in and among countries. Women's high participation in ANP businesses contribute to SDG 5 of global equity, and the use of heritage skills and designs align with SDG 11 which aims to protect and safeguard the world's cultural and natural heritage. Providing a wide range of ethically made products to the market provides consumers with a path for SDG 12 sustainable consumption. And the incomes earned from the sector contribute to SDG 2 zero hunger, SDG 3 good health and well-being, SDG 4 quality education, and SDG 6 clean water and sanitation. Globally the ANP sector is a collaborative industry where businesses, producers, support organizations, governments, and NGOs work together supporting SDG 17 partnership for the goals. The ANP sector would benefit from increased attention on SDG 9 innovation and infrastructure, including an increased focus on building capacity, digital literacy, online access, and market channels. Companies should call out the SDG's they meet either through their online storytelling or through product labeling as a way to align product with its larger impact.

III. SIZE OF THE MARKET

The size of the global natural cosmetics industry was estimated at 34.12 billion USD in 2018, fueled by consumer demand for environment-friendly beauty products (Grandviewresearch.com, 2019). As awareness has increased about the side effects of chemically based cosmetics, consumers have sought natural solutions creating an opportunity for countries with unique natural ingredients. The rise of the informed consumer looking for sustainably sourced, ethically produced, and natural ingredients continues to drive the demand (CBI-trends). Because of this, growth in the sector has out-performed projections and is now expected to reach an estimated 54 billion USD by 2027. Regulations within the natural cosmetics sector, especially in the EU, may become more stringent and it will require informed players from the African continent to continue to take advantage of this high potential sector.

According to the 2020 report "Handicrafts Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2020-2025," in 2019 the global artisan handmade market reached $663.9 billion (Imarcgroup.com, 2020). The report cites the proliferation of online retail as a driving factor in the sector's growth, as well as an increase in demand from both individual consumers and commercial buyers especially around ethnic inspired décor (Imarcgroup.com, 2020). The move to online retail by global craft sellers is a shift from IMARC's 2018 handicrafts market findings which saw large department stores accounting for most craft sales that year. The Covid-19 global pandemic has further accelerated the move a global move to online sales. Artisan businesses and importers of artisan crafts selling online through B2B and B2C marketplaces like Esty, Amazon Handmade, and Faire; through social media platforms like Instagram, Facebook, and Pinterest; as well as on their own company websites and the sites of local and international retailers. While global tourism was a driving force in

2019 sector performance, the Covid-19 crisis has had a detrimental impact on the tourism sector across Africa and around the world.

IV. THE TOURIST MARKET IMPACT ON THE HANDMADE SECTOR

The tourism and handmade industries are uniquely intertwined, which has propelled governments of several developing countries to create programs that invest in bolstering both tourism and artisan craft production. Over the past two decades tourism has become one of the fastest growing global industries and a major driver of global employment providing 330 million jobs in 2019 (International Labor Organization, 2020). Tourists are willing to spend significantly on cultural craft while traveling, which has provided growing local market opportunities for artisan producers and brands. In fact, tourism is the world's the third largest export sector, accounting for over 20% of GDP in some countries. (COVID-19 and the Tourism Sector, 2020, UN report). Unfortunately, tourism is one of the sectors most affected by the COVID-19 pandemic.

According to a United Nations policy brief detailing the impact of Covid-19 on the global tourism industry, the first half of 2020 brought $320 billion in losses in exports from tourism and a 56% decline in international tourist arrivals (COVID-19 and the Tourism Sector, 2020 UN report). The International Growth Center found that spending by international tourists in Zambia accounted for 10% of the country's total exports (Tabetando, 2020). Post Covid-19 Zambia has an opportunity to attract new tourists eager to travel to unique destinations after months of restricted movement. Local and regional tourism has restarted across the globe and should be explored an incentivized as health officials deem it safe. Strategically positioning artisan craft and natural cosmetics in airports, lodges, and creating destination retail locations in country can help grow tourism exports beyond the already impressive 10%.

V. THE COMPETITIVE LANDSCAPE

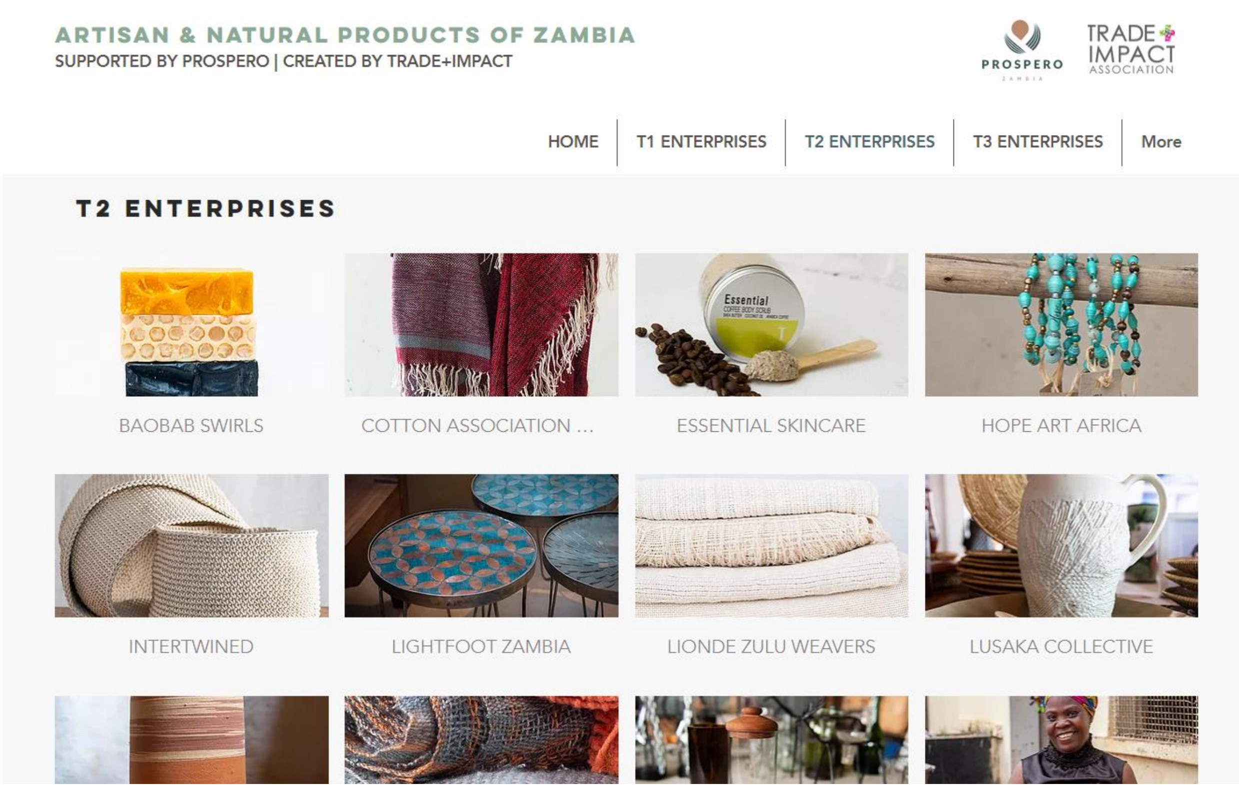
Asian countries, led by China and India, currently dominate global handicraft production, largely due to their ability to produce high volumes at low costs (Barber & Krivoshlykova, 2006). But African nations are also uniquely positioned to extend their market reach as global consumers seek authenticity. Much of the handmade product coming from China is not aligned with consumer's desires for cultural craft, social impact, or sustainable practices. In contrast, African handmade products reflect the heritage designs, techniques, and ingredients unique to Africa, yet are easily updated to fit the lives of modern consumers. African handmade products also fit consumers demands for ethical production and social impact which most Chinese products do not. This dynamism preserves tradition while inciting economic opportunities on a global scale.

Regionally, Zambian handmade products have an opportunity to expand rapidly to Southern African consumers both through retailers and through regional online sales. As online channels become more robust and online payments more accessible to sellers, the opportunity for shipping outside the country but within regional target countries becomes more attainable. One pitfall is that Zambia shares many of the same materials and techniques with other Southern African nations. Differentiating Zambia in the region will require clear story telling around uniquely Zambian craft (basketry patterns and fibers, textile techniques, etc.), the use of key natural ingredients unique to Zambia like mongongo oil, and branding and labeling that showcases "Made in Zambia" messaging not only as part of the export requirements but as key brand positioning for the country's ANP sector.

VI. ZAMBIA'S MARKET POSITIONING

Zambian product is recognized as being African, but not readily distinguishable as uniquely Zambian by buyers in the international market the way rugs from Morocco, baskets from Ghana, or beading from Kenya or Tanzania are from years of export and promotion. Tonga and Makenge baskets are similar to Binga styles from neighboring Zimbabwe, making it important to share with buyers the heritage and story that makes them uniquely Zambian. Storytelling that ties together product, people, and place is a crucial ingredient for recognition of Zambian craft and natural cosmetics on the global stage. To showcase Zambian ANP companies, T+I created a website detailing company profiles, products, capacity, years in business, and export experience. Companies were categorized by trade levels (T1, T2, T3) and impact levels (I1, I2, I3). This site is intended to be shared widely with local retailers, regional B2B buyers, and international import buyers as a source of discovering Zambian ANP product offerings and producer skills. The site can be accessed at:

https://tradeplusimpact.wixsite.com/anp-zambia



Currently, there are no fair trade certified craft or natural cosmetics companies in Zambia. There are likely two reasons for this. First, the majority of ANP companies have revenue of less than 90,000ZK annually (equivalent to just over $3,500 USD). The cost of seeking audited labeling, whether fair trade, organic, or other forms is prohibitive. Second, companies may not understand the benefit that comes from sharing their social and environmental impact with buyers or end consumers. In interviews several Zambian companies said, “we don’t communicate our impact” or “we should communicate our impact but don’t.” This despite the fact that among all interviews company founders clearly stated their purpose, even though the question wasn’t asked of them, and their purpose was largely around creating sustainable employment and/or preserving the natural environment.

Zambia has an opportunity to develop both a central body or organization to help companies set and measure their sustainability, both for livelihoods and the environment, and to connect that assessment to a product label can be used and recognized on Zambian goods in the local, regional, and global marketplace. Neighboring country, South Africa, has used this tool with the motto “Proudly South African” to brand South African products in the global marketplace. Zambia can do this particularly for handmade, cultural, and natural products with both a criteria system and then a sticker or tag that signifies products are “Sustainably Zambian” or other motto that speaks to the virtue of the products. As business increases in the global marketplace Zambian product becomes more recognizable and companies may decide to invest in further outside certifications as consumer demand requires.

VII. BUYER FEEDBACK

A select group of US importers were asked to assess the company profiles and product offerings on the site and provide feedback on the website as a discovery platform. When asked about the top products that stood out from the site buyers commented:

- *As a buyer I am focused on neutral colors (white, black, grey, brown, etc.) and home products that are more natural and less folksy. I was drawn to Intertwined, Lionde Zulu Weavers, Lusaka Collection and Sishemo Beads in T2. In T3, I found Afrikolor and Mumwa Craft interesting.*
- *Lusaka Collection seems to have a nice curation of product for direct to consumer. From a distributer perspective, Lightfoot Zambia (craftsmanship looked higher end), Nayamba Trade Centre--could not get a very good feel for the products but liked the focus/story.*
- *I liked the use of copper/metals at FREE and think lighting is a big focus in the market at the moment.*
- *I know you see a lot of this, but Tribal Textiles yellow pillow covers caught my eye as current.*
- *The top products shown: Intertwined, Shishemo Beads, FREE, Kuwaha Naturals, Mumwa Craft, and Waya.*
- *SISHEMO BEADS – beautiful beads, unlike others I’ve seen from Africa.*
- *We are very interested in folk art and see many possibilities.*

- *Bee-utiful Products – love the food wrap, colors are great.*

When considering price points buyers noted:

- *I prefer export / FOB prices to be less than $45 in general. For most of these products (especially baskets, textiles, etc.), I would expect them to be in the less than $30 range. The beads may very well be under $10. I am focused on smaller items as they are easier to ship, and as such their price points tend to be lower.*
- *One item are the pillow covers—I'd want them to come in around $20 landed.*
- *Seeing the pricing is important. What I would like to see is an outline of the pricing model - starting with projected retail, working back to wholesale, freight cost estimate, tariff code and duty rate and any preferential tariff treatment, and selling price.*

When asked about the uniqueness of Zambian products buyers mentioned Lightfoot Zambia, FREE, Tribal Textiles, and Lionde Zulu Weavers as having unique or innovative designs that were distinct. This makes sense as the first three companies all have international market experience and have learned to tailor their designs to meet global trends. Lionde Zulu Weavers was highlighted for their use of natural cottons and neutral pallets which fit well in modern homes as consumers decorate with organic colors and textures to build calm, comfortable, and natural surroundings. One buyer shared that there wasn't much that was new or different from other products in the region and this leaves Zambian artisans at risk of having to compete on pricing alone. Without some of the elements addressed in the value chain map below, including good access to raw materials, decent international shipping rates, and efficient production, it may be hard for Zambian ANP producers to compete on price against more established artisan export countries like South African and Kenya.

Typically, countries and support organizations use static pdf lookbooks, distributed via email to showcase artisan companies and their products to prospective international buyers. The use of a website which can be updated provides a long-living and fluid platform for Zambia to use for buyer outreach to garner interest in ANP offerings. Buyers provided the following feedback on the Zambian ANP website:

- *This is an interesting format! I love being able to see what a whole country has to offer in one place, especially if the artisan groups featured have been vetted by an organization such as T+I.*
- *Super impressed with the website format. It was very well done and there was good information on each artisan group and their stories. Additional pictures of products would be helpful.*
- *I think adding a basic downloadable pdf line sheet highlighting a few best sellers with photos and pricing, minimum order etc. would be helpful.*
- *A reminder of what the qualifiers are for each tier would be helpful on each tier page.*
- *The format looks inspirational and clear to me. Once we find solutions to shipping costs, I'll be looking to buy many more Zambian products.*

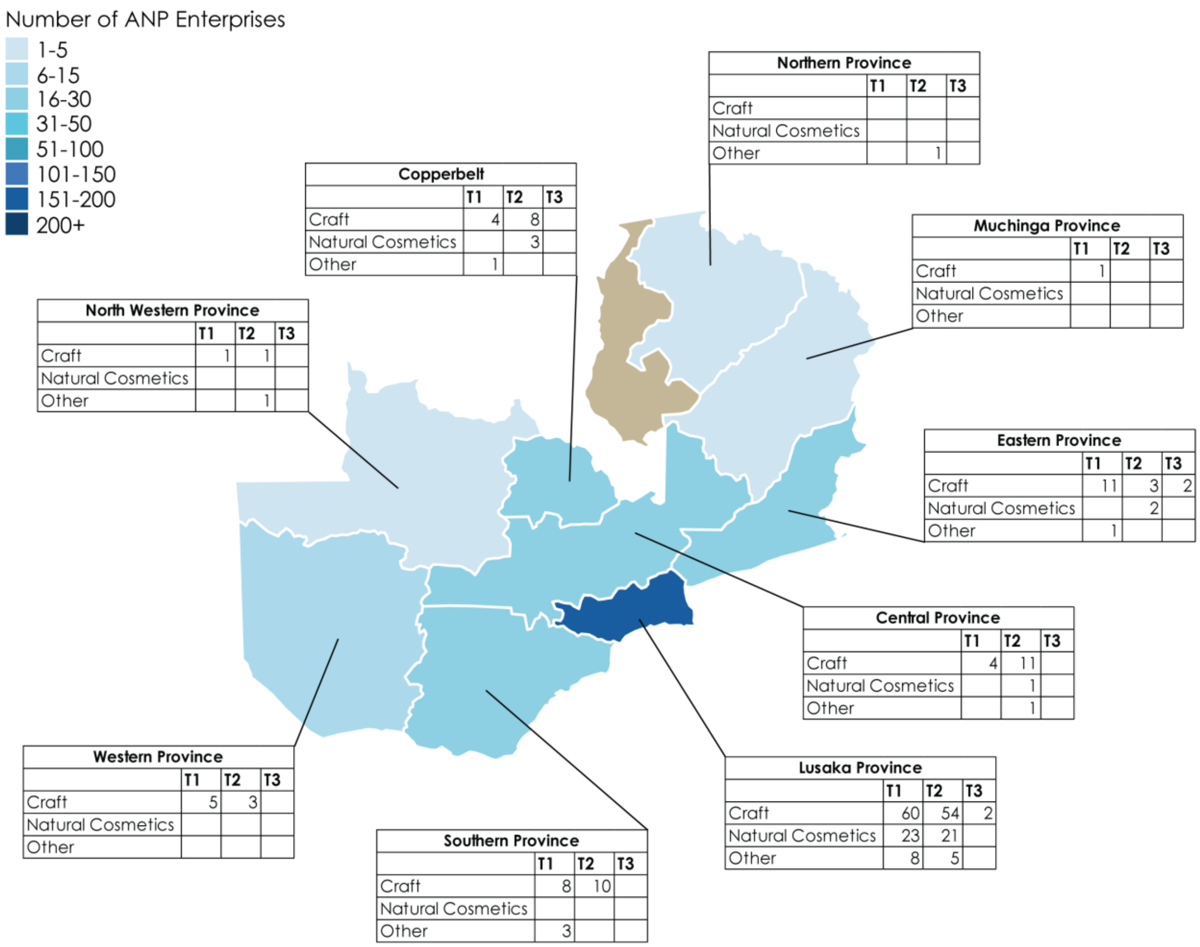
Generally, all buyers wanted to see more product photos and have basic price lists provided for each company's best sellers. All buyers indicated that they were impressed with the quality and breadth of products from the companies profiled.

VIII. ZAMBIA'S MARKET OPPORTUNITIES

With over 300 companies powering the sector, Zambia is well positioned to grow it's ANP industries locally, regionally, and globally.

- Embrace and strengthen digital strategies to reach consumers and B2B buyers through social media, online sales platforms, and company websites for showcasing to B2B buyers or with ecommerce capabilities for B2C sales.
- Brand Zambia as a craft leader in the marketplace by making a coordinated effort to both showcase Zambian ANP products collectively and including Zambia in labeling and messaging on Zambian products.
- Tell the story of each product, person, and place to capitalize on consumers desires for product transparency and purpose driven products.
- Share the impact for each product, company, and the sector. In a country where more than half of all citizens live in poverty, craft employment is powerful in increasing livelihoods and in moving people out of poverty. Tracking and communicating Zambia's ANP sector impact can attract Millennial and Gen Z shoppers eager to align their purchasing with their values.
- Tourism remains an important sales outlet for ANP and the two industries should work hand in hand to attract new travelers and buyers.
- Buyers found Zambia's natural products, both in natural fibers and in natural cosmetics, unique and appealing. These are two areas to focus on strengthening and accelerating to reach global buyers. There is great potential in woven cotton products, natural wood products, and basketry in particular.
- There is also a clear interest in cultural craft and folk art. Zambia has an opportunity to share its unique stories and styles as well as share heritage through these crafts. Choma region basketry, as well as other woven basketry styles, stand out as staples in the home décor market and an opportunity to tie people, place, and product. Folk art like the figures from Crispen Siamubanga in Lusaka and others are of particular interest. There could be an opportunity to showcase these types of products at the Santa Fe Folk Art Market which brings in artisans to sell directly to collectors annually.
- Zambia, world famous for its rich copper belt, can also establish a product identity through copper craft. The story aligns well, and the products are unique and desirable for both personal accessories, home décor, and art pieces. The problem lies in sourcing copper reliably and affordably despite being a copper producing nation.
- Natural cosmetics and natural cosmetics ingredients may hold the most opportunity. Zambia should invest in this sector for both packaged consumer products and also as raw material suppliers to global cosmetics value chains.

LOCATION OF ANP ENTERPRISES DOCUMENTED



The following map documents the distribution of enterprises we've identified through our value chain mapping exercise across the country. The database identified more than 300 companies, though the exact location of some of these were not captured and therefore not represented on this map. It should also be noted that there are likely more enterprises in the country which we were not able to identify, in particular, T1s.

Sixty-six enterprises were interviewed, and their locations are outlined in the table below. It should be noted that the due to travel constraints the team was unable to travel to all locations, and therefore the Northwest, Northern, and Muchinga Province were not assessed in this project.

Central Province	5	Copperbelt	5	Eastern Province	12	Lusaka Province	21	Southern Province	15	Western Province	8
Kabwe	*2*	*Kitwe*	*5*	*South Luangwa*	*7*	*Outside Lusaka*	*1*	*Kazungula*	*2*	*Mumbwa*	*3*
Chisamba	*3*			*Mfuwe*	*3*	*Markets*	*3*	*Livingstone*	*9*	*Mongu*	*3*
				Other	*2*	*Lusaka*	*17*	*Mazabuka*	*2*	*Kalabo*	*1*
								Mukuni Village	*2*	*Mupaka*	*1*

Through outreach and additional research we learned there is substantial potential in the North West Province worth exploring. In the Western Province there are many informal basket weavers who are not organized into clusters but have valuable skillsets. There is also a refugee settlement in the Western Province producing baskets (pictured below) that could be potential partners for MADE51, an organization that connects artisan businesses with refugee producer clusters. The producers below have skills that could be further developed when working with a designer to refine and develop a product for the international market.

SECTION 2: MAPPING ZAMBIA'S ARTISAN & NATURAL PRODUCTS SECTOR VALUE CHAIN

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I. OVERVIEW

Zambia's artisan and natural products sector is large and spans the country with concentrations in Lusaka Province, as well as in the Southern and Eastern Provinces. The two primary sub-sectors in the ANP sector include handmade/artisanal products and natural cosmetics. Additionally, the associated sector of value-added food processing could be included in the ANP sector in the future but follows a substantially different value chain because of the requirements for consumable/food products and is therefore not included in this mapping exercise. Within the categories, enterprises/entrepreneurs can be further segmented into three trade levels:

Trade 1 (T1) Enterprises:

Largely informal producers of handmade products. They could be an individual, an informal working group or an organized producing cluster based upon skill and geographical location. They do not have a business registration within the country and are primarily servicing the local, direct to consumer market. T1 producers may sell some wholesale to local businesses. They have limited business management and product design skills. T1s can be classified as either an **Entrepreneur** – those with the drive and/or passion to formalize their business or a **Survivalist** – those who are interested in increased orders/production for increased wages but may not have the drive/passion to formalize their business. Regardless of their classification, there is much potential for increased incomes and growth at the T1 level throughout the value chain.

Trade 2 (T2) Enterprise:

Formally registered businesses in the ANP Sector. T2s will work with either employees or producers to produce their product with at least one individual on a management team. They are selling to the local market (both B2C and B2B), the regional market (B2B and B2C) in addition to limited export to international markets (either through formal or informal channels). They have a turnover of less than 2.5 million ZK. These businesses can be further categorized into two segments based upon time in business (<2 years/>2 years). Those in business for a shorter time are less likely to be exporting and would require a deeper intervention to further develop management systems (incubator); compared to those who have been operating for more than 2 years are more likely to export and are looking for interventions to further scale up (accelerator).

Trade 3 (T3) Enterprise:

These enterprises are formally registered and export experienced businesses with a turnover of over 2.5 million ZK annually. They will have management teams in place, organized producers and employees to support production and often support smaller T2 and T1 enterprises through retail spaces and/or workshop space. T3s are often informally mentors to the sector and are focused on growing their export markets to further increase employment and drive impact.

These trade categories span across both sectors, following similar sales channels to reach the final consumers, with the exception of ingredients producers which are defined on the natural cosmetics value chain. The handmade artisanal sector has a more developed value chain in Zambia as it has been present for a longer time while the natural cosmetics sector shows great opportunities for scaling and development.

II. METHODOLOGY & DATA COLLECTION

The value chain maps were compiled using a combination of data collection methods namely the survey, interview with value chain participants, compilation of a database of stakeholders in the sector and desk research to compliment and assist in filling in knowledge gaps.

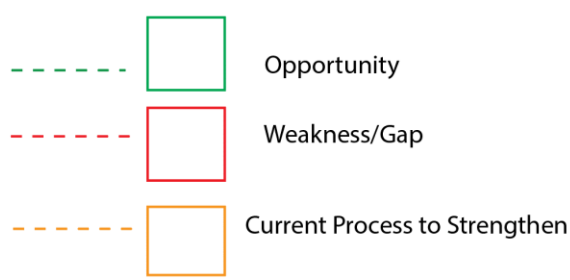
The methodology for building out the maps involved the following:

1. Identifying raw materials and supply inputs from interviews and survey respondents, in addition to consultation with in-country consultants.
2. Identification of the key processes/activities within the Zambian value chain for both artisanal/handmade and natural cosmetics sectors
3. Identification of all end consumers
4. Identification and mapping of players in the value chain and which processes/activities each performs
5. Identification of all linkages within the value chain

Each value chain map is structured in the same manner:

- End consumers are aligned along the top of the map
- Processes within the value chain are aligned along the left side of each map
- All players are identified throughout the map aligned with the processes which they perform – if they perform more than one process, their box is expanded to demonstrate that.
- Lines and arrows demonstrate the product flow throughout the value chain leading up to the end consumers.

Within the value chain maps, we have indicated Opportunities, Weaknesses/Gaps, and Current Processes to Strengthen in line with the legend. For each value chain map, we have provided insights, gaps, and opportunities.

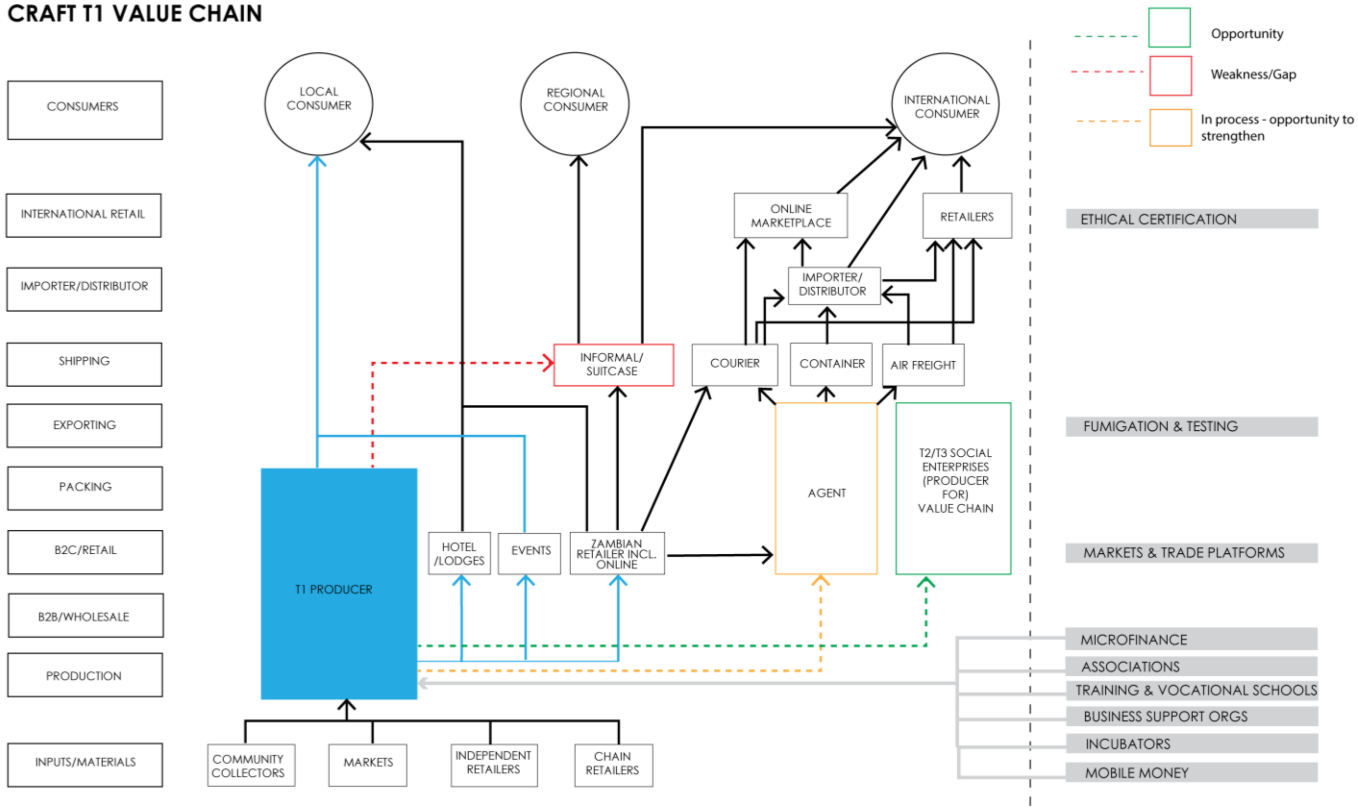


Full visuals of each value chain map can be found in Annex 2.

III.T1 HANDMADE/ARTISANAL SECTOR

Raw Materials from Assessment	Production Processes from Assessment
• Natural Materials (wood, grasses, leather) • Wire • Scrap Metal • Grass • Scrap Fabric • Grass/Reeds • Scrap Fabric • Paper • Leather • Reclaimed materials (fallen trees, tin, paper, plastic bags, flipflops, tyres)	• Wood carving (figurines, spoons, rolling pins) • Woven furniture making • Basket Weaving • Shoe Making • Beaded wire products (animals/figurines) • Knitting & crocheting • Welding & Metal work • Leather working (belts, simple bags) • Jewellery making – stringing of beads

CRAFT T1 VALUE CHAIN



i. Insights

Materials & Production

Starting at the bottom of the value chain, T1s primarily source materials from local markets and retailers, often having to pay retail prices, which may provide rationale for many producing products with materials they can source on their own at little to no costs (harvesting/picking grass, sourcing fallen trees, collecting recycled items). Few T1s are bringing in raw materials cross-border, though it does happen through informal channels like visiting to purchase or carried through by others. Accessing quality materials proves to be a challenge at this level as the cost of high-quality inputs are high and often not available locally.

T1 producers are often making the product they sell themselves, some with assistance from other producers, family members, or assistants. Some T1s are organized into producer clusters, where a group produces together which can result in higher volumes if required.

Sales Channels

T1s primarily serve the local market directly through their market stalls, roadside stands, and/or workshops direct to consumer. They are heavily dependent upon the tourist sector and are often found along the tourist routes or hubs. This is the primary channel as most T1s have little to no marketing activity and depend on roadside signs or markets to attract customers. Very few are branding their products. Newly established T1s (less than 2 years) are more familiar with social media and are establishing Instagram and Facebook pages to promote their work with the local market, which also allows them to do direct sales with customers who found them through their online presence – still with a focus on the local market.

Reaching the regional market is often done through informal channels and without the proper paperwork to cross borders, like being carried in the luggage of an individual or at times attending a border market.

On rare occasion, T1s are reaching the international market through a T2 or T3 enterprise or through an agent, though this channel is limited in Zambia. In these cases, the T1s do not have direct contact with the buyers but rather are producing the products and all communication and export processes are carried out by the agent/enterprise. These 'intermediaries' are also responsible for marketing and operational activities to reach the international buyers and may add their own brand to the product as well.

Some T1s are directly linked with a T2 or T3 (i.e. Project Luangwa, Tribal Textiles) where they provide the raw materials and/or workspace, then are able to sell the T1's products through their retail locations on consignment. Alternatively, T1s may sell wholesale to a Zambian retailer (T2/T3 or hotel/lodge gift shop).

Product Value Addition & Design

At the T1 level, product differentiation is not strong, and many producers are selling similar products within a category when located in a similar geographic area. The assessment found some T1s producing differentiated products including wooden mobiles, toys, and figurines from recycled rubber flipflops and dog beds from recycled tires. There is a big trend of using recycled materials in production, likely due to the low cost and availability. There is still an opportunity for product development at this level for those that want to differentiate their product offering.

Impact in the Value Chain
When interviewed there was an overwhelming interest by T1s in creating employment and training others. This creates a great opportunity in the value chain for linkages and scaling of production.

ii. Weaknesses & Gaps

Informal Processes
Many processes at the T1 level are informal, especially when transporting goods, abiding by tax compliance, and in record keeping. These informal practices help to minimize taxes and shipping costs. There is also little training available and/or offered to build business foundations in order to scale. As a result, consumers are aware of the informal nature of their business and can often try to reduce prices resulting in unknown profit margins.

Raw Material Supply
Raw materials sourcing can be a challenge due to high costs, low quality materials available and harmful practices (deforestation) if not done correctly. Without effective materials sourcing product development will become a challenge.

Limited Agent Network
There is interest in working with agents but a limited agent network in Zambia to represent and assist in reaching wider markets. These agents can assist with marketing and sales functions, coordinate and monitor production, and facilitate the export functions through formal channels to increase incomes for the T1 producers and clusters.

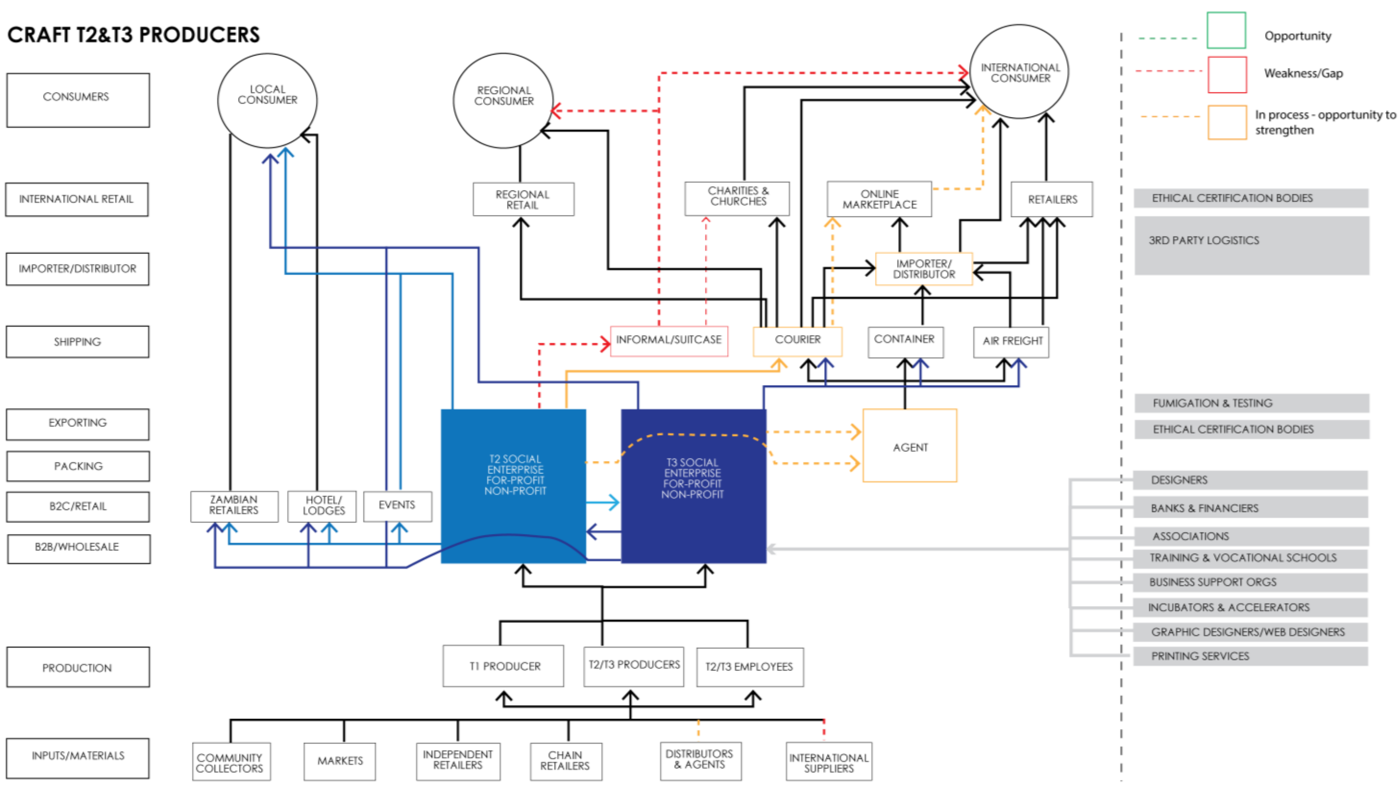
Limited Government Support
T1s interviewed indicated that although they are registered with some government agencies, they have seen little support/action regarding access to markets and/or finance.

iii. Opportunities

- Raw materials sourcing
- Formalization of businesses (registration)
- Development of best practices for scaling up of businesses
- Entrepreneurial opportunities:
    - Development of agent networks
    - Representatives of informal producer clusters to grow across Zambia
    - Managers of formalized clusters
    - Distributors of raw materials (formal or informal)

IV. T2/T3 HANDMADE/ARTISANAL SECTOR

Raw Materials from Assessment	Production Processes from Assessment
• Cotton (thread, yarn) (local & imported)	• Jewellery making
• Fabric (chitenge, cotton fabric)	• Carpentry & furniture Making
• Recycled fabrics	• Welding
• Metals (Copper, Silver, Gold)	• Handweaving (on loom)
• Gemstones	• Spinning
• Paper	• Basket weaving
• Wire	• Crochet & knitting
• Reclaimed materials	• Sewing & tailoring
• Wood	• Glass cutting
• Wrought iron	• Glass bead producing
• Beads	• Silversmithing
• Leather	• Pottery
• Findings	• Fabric painting & batik
• Grass & natural fibres	
• Scrap fabric	
• Clay	



i. Insights

Raw Materials Supply

Raw materials are sourced locally when possible, however the quality and availability of required materials is not guaranteed. As a result, many T2s and T3s are importing from suppliers in South Africa or other countries to ensure availability and quality meets their standards. This can result in higher prices due to importing and transport and longer lead times but can be a differentiator regarding the product offering. There are some interesting supply chains which can be further developed in Zambia, such as cotton, to improve the supply of locally produced products. The interviews revealed that much of the cotton produced in the country is exported.

Production

Production is either done by employees, dedicated producer, and/or T1s who are contracted for production. Designs are owned by the organization and they will often supply the materials for production. Producers are often paid on piece rate for their labour, while employees are often paid monthly wages.

Sales Channels

T2/T3s are all selling direct to consumer in the local market through their own retail stores as well as at events like ZADS. There has been a big shift to online sales for the local market which is great for those entities wanting to expand across the country but may not be able to have a storefront. Online payment platforms locally as well as platforms such as mobile money have made this possible.

Both T2/T3s are also selling online to international consumers either directly or through online marketplaces. While this can provide higher margins, there are additional challenges which may occur such as high shipping costs, inefficiencies with shipping many small orders, and lost opportunities to partner with international retailers for increased international sales.

Exporting

Export activity at the T2 level could still be considered informal as products are often carried out by individuals to be sold through informal channels, at charities or churches to reach the international consumers. While this does increase the reach of products from Zambia, it does not reflect good business practices.

T3s and T2 who have been in business longer are more experienced at exporting through formal channels by using either importers/distributors, and/or shipping direct to retailers. Due to Zambia being landlocked, transportation and shipping costs are a challenge and may sometimes be a deterrent to some customers in the global market.

Agenting for T2 enterprises is very under-developed, with more of a B2C approach.

Impact in the Value Chain

Companies speak of their impact with producers and environmental impact. None of the companies contacted have any certification in fair trade and/or organic, though they practice the standards.

ii. Weaknesses & Gaps

Raw Materials
Raw materials sourcing in country is a challenge with quality, availability, and pricing.

Exporting
'Informal' exporting occurs frequently, with products being taken out via suitcase or through informal channels.

Shipping
Shipping costs are high due to Zambia's landlocked geography making it difficult to reach export markets. If companies ship by sea to achieve lower costs, the long lead times of ocean freight may not be conducive to buyer's plans.

E-Commerce Direct to Consumer - International
There is increasing interest in selling e-commerce direct to consumer internationally. This brings many challenges including marketing overseas, shipping costs, and improving inefficiencies. Some remedy this by using formal channels to sell but informal shipping methods, for example, using online marketplace such as Esty but having a friend or relative hand-carry products from Zambia and ship from within the country of sale.

Agent Network
There is interest in using agents but a limited agent network in Zambia to represent and assist companies in reaching wider markets. These agents can assist with marketing and sales functions, coordinate and monitor production, and facilitate the export functions through formal channels to increase incomes for the T1 producers and clusters.

Business Best Practices
Business systems within T2 businesses should be strengthened to ensure proper management systems and sustainability. Many organizations are not providing effective wages to their management team which could mean they are not costing products effectively.

Market Access
The high cost accessing the international market is a deterrent to many businesses to scale up outside of Zambia. There is little support provided by the government, leaving heavy reliance on the local market. Positioning of Zambia in the global market is weak as there is little coordinated effort outside of the country to create strong positioning.

iii. Opportunities

- Collective sourcing of raw materials and inputs for cost savings
- Export readiness training and best practices
- Transportation and shipping solutions – consolidated shipping for shared customers
- Increased positioning on global market for Zambia handcraft through a coordinating body, encouraging collaboration, consolidation and increased visibility for Zambia
- Developed agent network for increased sales

- Increased sourcing from T1 producer groups for new products
- Entrepreneurial Opportunities:
    - Agents
    - Coordinating body/network management
    - Raw materials suppliers/distributors

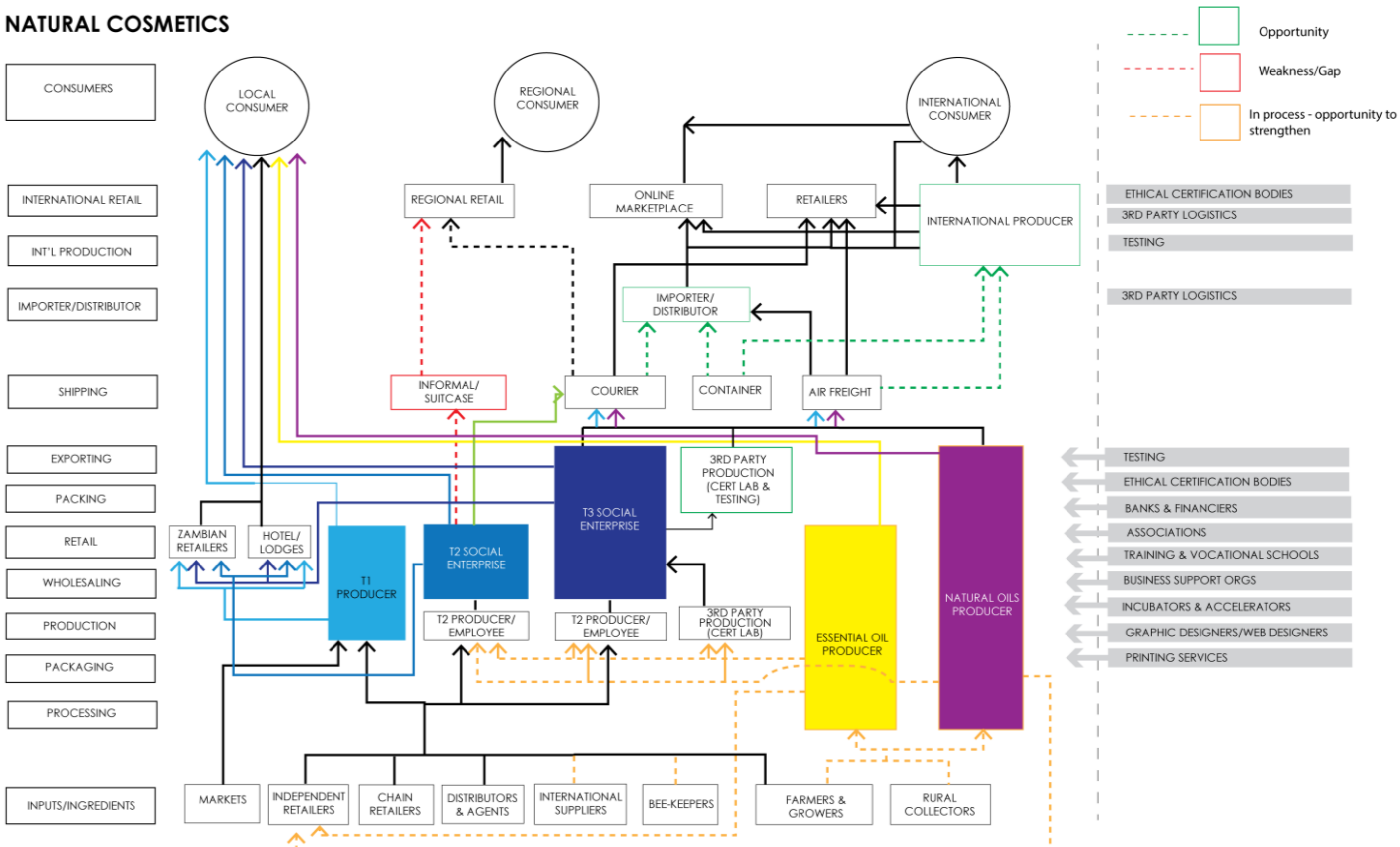
II. NATURAL COSMETICS SECTOR

In the natural cosmetics value chain, it should be noted that some T2 and T3 enterprises also produce ingredients which are used in the production of finished products on the local and export market.

Ingredients Produced in Zambia	**Ingredients Used (Locally Sourced & Imported)**	**Production Processes**

• Beeswax
• Honey
• Mongongo Oil
• Marula Oil (limited)
• Ximenia Oil (limited)
• Moringa Powder
• Essential Oils
  • Tea Tree
  • Lemon grass
  • Geranium
  • Rosemary
  • Lavender
	• Bees wax
	• Citric acid
	• Colourings for Soap
	• Emulsifier
	• Fragrances (Natural and artificial)
	• Glycerine Melt
	• Preservatives
	• Sodium Hydroxide
	• Brown Sugar
	• Cane alcohol
	• Dried herbs & Spices
	• Natural Oils (Avocado Oil, Castor Oil, Coconut Oil, Grapeseed oil, Jojoba Oil, Macadamia Oil, Moringa (oil), Mongongo Oil, Kigelia Africana, Neem Oil, Olive Oil, Palm Oil, Marula)
	• Essential Oils (Cinnamon essential oil, Clove Essential Oil, Geranium Essential Oil, Lavender Essential Oil, lemon essential oil, peppermint essential oil, sweet almond oil, Sweet basil oil, Tea Tree Oil, Vanilla essential oil)
	• Aloe Vera
	• Baobab
	• Citronella
	• Epsom Salts
	• Hard Butters (cocoa, shea)
	• Hemp Seed
	• Moringa (powder)
	• Teas
		• Cold process soap
		• Pour Soap
		• Lotion & Cream Making
		• Scrub Making
		• Hair & Beard oil making

NATURAL COSMETICS



i. Insights

Ingredient Production

In Zambia, there is limited ingredient production within the country which results in most ingredients having to be imported from neighbouring countries. From our assessment we were able to determine the following is produced locally:

- Essential Oils (limited production):
  - Tea Tree
  - Lemon grass
  - Geranium
  - Rosemary
  - Lavender
- Natural Oils
  - Mongongo Oil
  - Kalahari Melon Seed (limited)
  - Ximenia (limited)
  - Marula (limited)

Other than mongongo oil, natural oils are not as readily available (dependent upon rainfall and availability) and the Marula oil is not as good quality as is found in other countries. The primary producer of mongongo oil, at current production capacity can produce up to 1 tonne of oil per month, however, is not producing at maximum capacity now. Mongongo oil is new on the global natural cosmetics market and little is known on the global market about its benefits. But users know that it is hydrating, restructuring, and regenerating when used on the skin. It also reduces inflammation and redness. With these amazing beauty industry benefits, mongongo has the potential to explode globally as a Zambian export and in finished natural cosmetic products from ANP businesses.

Essential oil production is still at a small scale, projects have tried, and it appears that only a few suppliers remain. One supplier has tested various crops, but focused on tea tree (Caiger, Hughes, 2009). Essential oils are available to sell to both consumers and businesses.

Raw Material Supply

Other ingredients are available for purchase locally through one key supplier within the country. Those who are producing on a larger scale will import their ingredients and packaging through neighbouring countries which results in a per product price savings but can result in delays. There could be an opportunity to explore intra-African trade through ingredients sourcing with ingredient producing countries and collective buying.

Production

T1 Production: T1 producers are often producing product in a home kitchen or similar space with simple ingredients and equipment. Little testing is done with the product and quality can vary. Packaging is typically low cost and low quality.

T2 Production: T2 production setup if commonly more sophisticated than the T1s with a dedicated space to produce in a workshop. At this level, the enterprises will seek out more specialized equipment and standardized formulations. Packaging and labelling are higher quality. Production is completed by producers working directly for the T2 and with their formulations.

T3 Production: T3 production should be done in a clean environment and with professional equipment. Standards are followed to reach export markets. Unfortunately, there is no certified lab to produce for the EU market in Zambia, and some enterprises outsource their production to certified labs in South Africa. According to our definitions, there are currently no T3s producing natural cosmetics but there is a large opportunity.

Local Sales Channels

All three levels of enterprises sell direct to consumer on the local market, either through markets, their own retail shops, and events. B2B sales are also common within Zambia, with an additional channel being hotels/lodges for use in their facilities. Those hotels/lodges that have a focus on sustainability and local ingredients are willing to pay a premium for a local product.

Online shopping is not as strong in the natural cosmetics sector as it in for the artisanal handmade sector. There are some T2s are selling online through their own shop or informally through social media, but sales are more commonly through in-person transactions.

Exporting
Natural cosmetics for export should undergo testing and require batch labelling to ensure safety of the consumer. There are no testing facilities in Zambia and therefore all products need to be tested in a lab in South Africa.

While the natural cosmetics sector in Zambia is full of opportunities, only four businesses are exporting overseas in addition to one natural oil producer. A challenge which has been identified regarding exporting is accessing facilities for testing. There is also a lack of certified labs for production. With no lab access, one of the producers looking to enter the EU on a larger scale has outsourced production to South Africa. Strengthening the market access opportunities for the natural cosmetics sector, in addition to exploring local testing facilities and promotion of local ingredients, could help to drastically scale up the sector, create employment, and increase incomes for producers.

Once the product is exported, the importer/distributor and retailers take on the sales function to reach the international consumer. None of the businesses are producing in volumes large enough for containers, so shipments move air freight or via courier. The natural oils producer is exporting ingredients to producers internationally via air freight due to the short shelf life of mongongo oil. This is a market which is a great opportunity as it is a new ingredient and with the right marketing strategy it could take off, similar to marula and even moringa which was relatively unknown in the global market not too long ago.

ii. Weaknesses & Gaps

Ingredient Processing
Having a strong value chain for ingredients is important positioning on the global market and something Zambia is currently lacking. There is little ingredient production occurring in Zambia. Beekeeping, small scale essential oil, and mongongo processing are available, but all other ingredients are imported.

Raw Materials Sourcing
Most raw materials for enterprises producing on a larger scale are imported from neighbouring countries and not found in country or are found at a high price. This can result in each organization importing separately and paying high shipping costs.

Certified Testing & Production
Anything that needs to be tested or certified must be done outside of Zambia due to the lack of proper facilities.

Low Volume Export
While there are some natural cosmetics producers exporting, it is on a limited scale. Little support for market access is available within Zambia.

Packaging
Quality packaging is difficult to find locally and needs to be imported.

Shipping Costs
Formal shipping processes are expensive which may make the product less attractive to buyers.

Low Barrier to Entry
There is a low barrier to entry for producing natural cosmetics resulting in a high volume of T1 in the sector, though it is challenging to scale up.

iii. Opportunities

- Invest in the natural cosmetics sector in research, testing, infrastructure, entrepreneurship, and capacity - specifically around mongongo oil production and use.
- Develop campaign around mongongo oil for natural cosmetics – increasing the demand and positioning Zambia's natural cosmetic sector on the global scene.
- Zambia has a strong agriculture sector - investigate ingredient processing for natural cosmetics to potentially open new markets globally plus provide local supply chain.
- Collaboration within the sector for collective purchasing from international suppliers could result in cost savings an increased intra-African trade
- Establishment of a local testing laboratory and/or contract manufacturing in Zambia
- Focused capacity building on scaling up natural cosmetics businesses, best practices and compliance
- Zambian positioning for ingredients on the global market increasing opportunity to export ingredients in addition to finished products.
- Increased market access opportunities for enterprises to reach new markets

SECTION 3: RESEARCH FINDINGS

SECTION 3: RESEARCH FINDINGS

As part of the Zambia ANP Assessment a quantitative survey was undertaken in August and September 2020 to understand Zambian companies more deeply in the sector on a number of specific criteria. Concurrently a qualitative assessment was undertaken, and quotes gathered from the businesses are incorporated in the findings below.

I. METHODOLOGY

A total of 81 companies responded to the 41-question survey conducted through Survey Monkey, with 65 fully completing it. The survey explored the following:

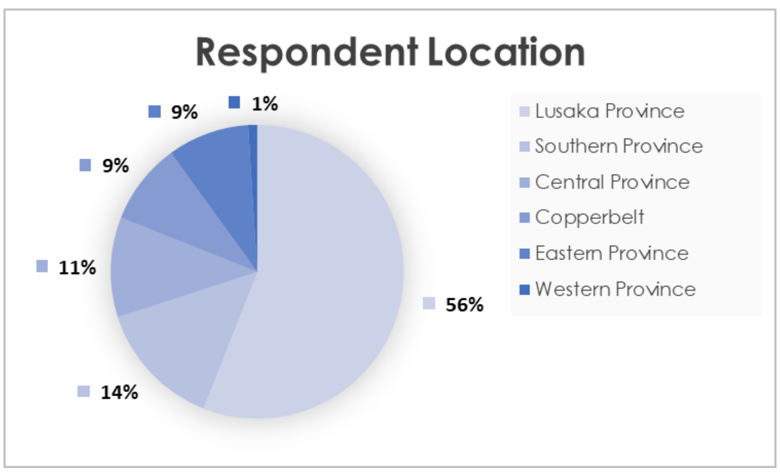
i. The general profile of the businesses
ii. Workforce and impact
iii. Product and materials
iv. Market access and exporting
v. Digitalization adoption
vi. Business tasks importance, effectiveness, and greatest business challenges.

The qualitative assessment conducted 48 in-person interviews with company founders and managing directors.

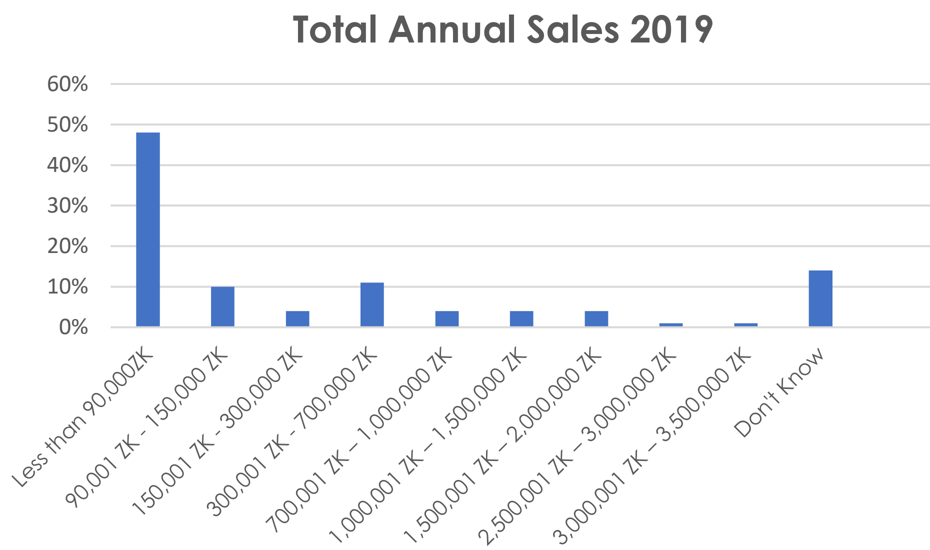
II. GENERAL ASSSESSMENT

i. Profile of ANP Sector Assessment Respondents

Respondents represented six provinces with Lusaka 56% of total companies surveyed.



Eighty-five percent of the respondents were the owner/founder of the company and 50% of respondents had less than 90,000ZK.



Forty-five percent of the respondents have been in business less than 2 years.

How long has your organization been in business?		
Less than 1year	**23%**	**19**
1-2years	**22%**	**18**
3-5years	16%	13
6-10years	21%	17
11-15years	5%	4
15years or more	12%	10
	Answered	**81**

Thirty-three percent are not formally registered businesses. As indicated in the global sector overview, this sector touches the most vulnerable and often resides in the informal economy. However, there is an opportunity to formalize these businesses earlier and support them to grow and contribute in a more formal and impactful way to the country and their communities.

What is your organization formally registered as?		
For Profit business or social enterprise	36%	29
Company Limited by Guarantee	23%	18
NGO / Non-Profit	5%	4
Trust	3%	2
We are not a formally registered company	**33%**	**26**
Other (please specify)	1%	1
	Answered	**80**

Seventy-three percent are female owned businesses, reinforcing the importance of this sector for women.

Is the primary ownership of your organization male or female?		
Female	**73%**	**59**
Male	19%	15
Other (please specify)	9%	7
	Answered	**81**

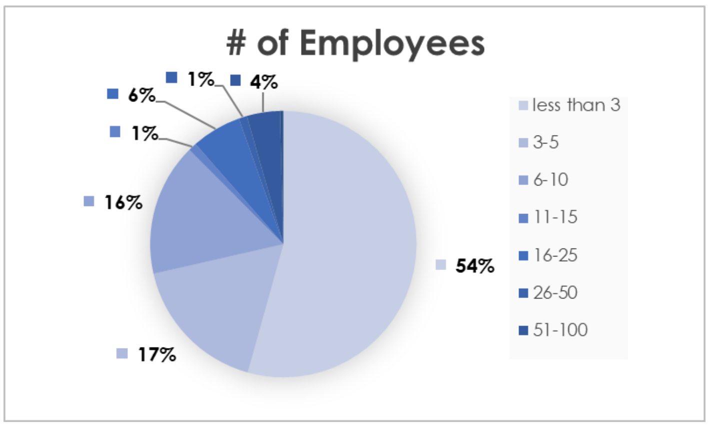
Sixty-three of respondents have founders or managing directors who are Zambian nationals.

Is the nationality of your founder(s) or managing director Zambian?		
Yes	**63%**	**50**
No	38%	30
Other (please specify)	0%	0
	Answered	**80**

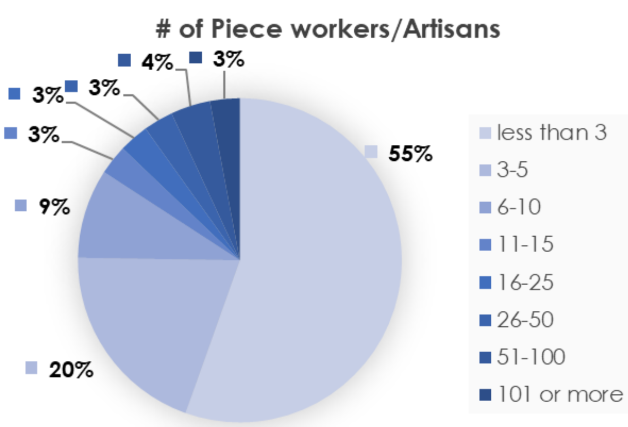
ii. Workforce & Impact

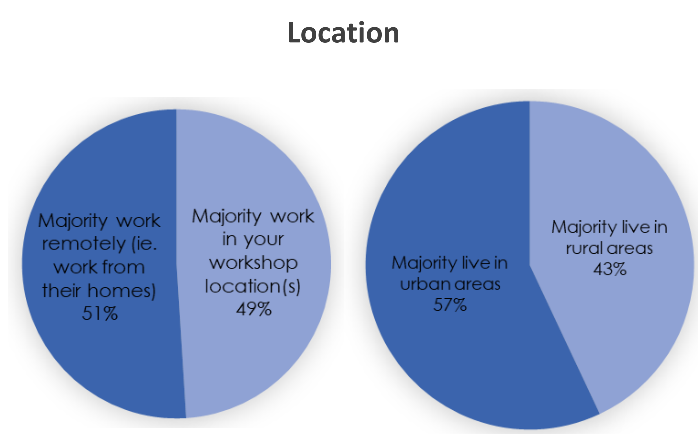
The ANP sector is an important sector for employment of women and youth from both rural and urban areas in Zambia where many work remotely, highlighting the positive social impact this sector has on the country.

Just over 54% of survey respondents employ less than 3 staff with 46% employing more than 3 staff. Approximately 72% of employees are female.

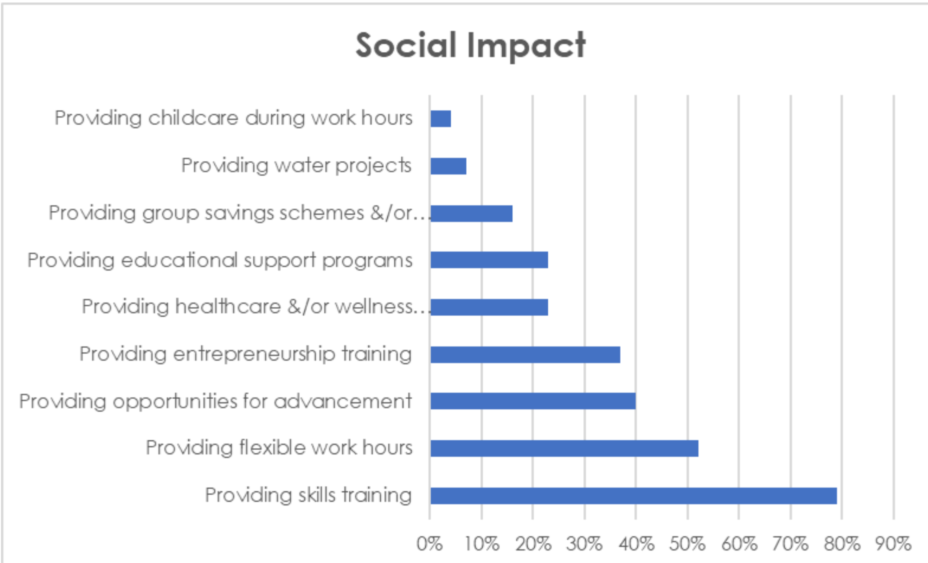


Approximately 55% work with less than 3 artisan piece workers and 45% work with over 3. Of piece workers 69% are women and 93% are below the age of 50. These artisans live in rural (43%) and urban areas (57%) and 51% work remotely.





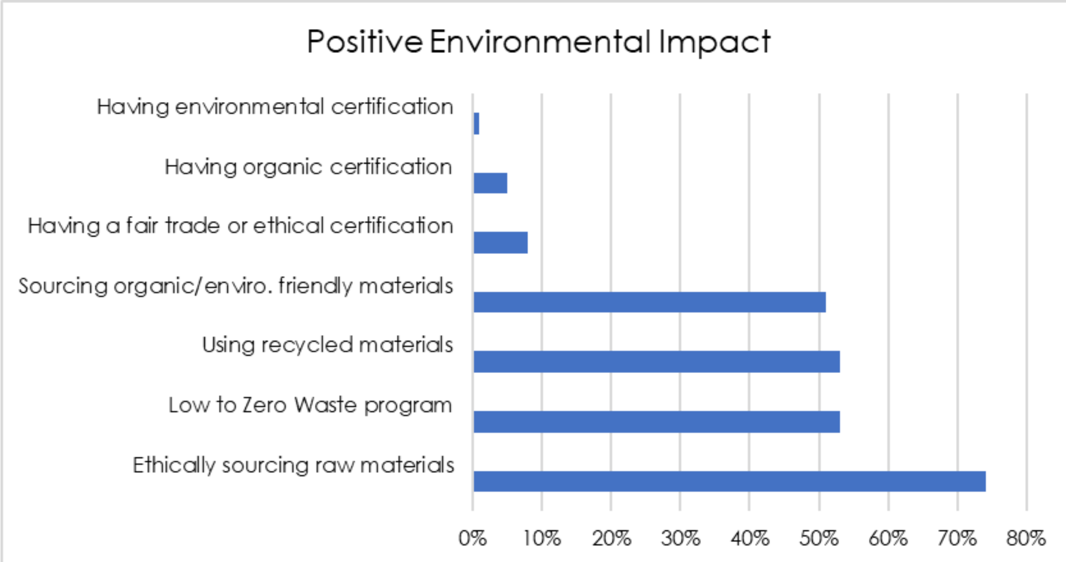
Companies in these sectors not only create employment but they also provide significant social support to their employees and communities. Fully 79% provide skills training and 52% flexible work hours giving women more flexibility to support their families. Many provide opportunities for advancement, entrepreneurship training, various wellness programs and educational support while some even support bank accounts and saving schemes.



In qualitative interviews participants shared their focus on social impact. Some of the impacts they mentioned include:

- *Focusing on working with vulnerable women (young mothers, child brides etc.)*
- *Increased number of children going to secondary school, cervical cancer screening, community health programs.*
- *I've supported the artisan's families for the last 20 years. We've helped them to buy land so they can build their own houses.*
- *We bring in health workers who give talks to them about women's issues as well.*
- *We have an employee pension program.*
- *Provide reusable sanitary pads to the community.*
- *Set up a community clinic in one of the communities; drilled a borehole and provided water; built a bridge to help connect communities.*
- *Uplift women in community.*
- *Trade School has just started and was planned to open earlier this year. Next intake of women from difficult backgrounds, young mothers, vulnerable populations.*
- *Providing skills and entrepreneurship training- all of the employees have done soap making or business courses.*

In addition to positive social impact this sector intentionally seeks to make a positive sustainable/environmental impact particularly through ethical sourcing of raw materials, waste programs and using recycled, organic, and environmentally friendly natural materials.



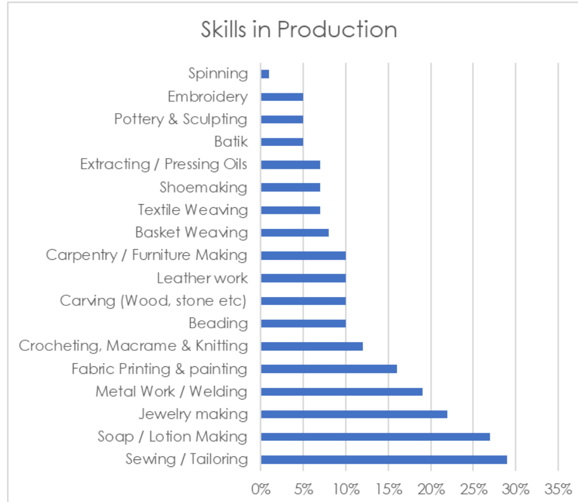
In interviews companies shared several ways they are making an environmental impact including:

- *Go big for environmental responsibility – grow while teaching people.*
- *Low to zero waste - we recycle every and anything we possibly can.*
- *Use natural dyes, produce own fabrics, reduce carbon footprint.*
- *Focus on biodiversity conservation.*
- *We definitely make an effort to be environmentally friendly too; we recycle a lot of silver and gold and we use biodegradable bags instead of regular plastic.*
- *I do not use synthetic materials.*
- *The project uses upcycled materials such as: fabric scraps, damaged cloth/ clothes, VHS Tapes, cardboard boxes, magazines, sale flyers and bottle caps. They source organic and environmentally friendly raw materials and adhere to the principles of fair trade.*
- *There is a fund called the LCCF (Luangwa Community and Conservation Fund) and 50% of that goes back into conservation.*
- *It is an ethical, all round, business practice that leans towards supporting vendors who practice upcycling to minimize their environmental impact. We are mindful of packaging and use brown paper bags over single use plastic bags.*
- *Fallen Trees – no cutting trees.*

iii. Product & Materials

Natural cosmetics is the top product category from the survey with home décor, personal accessories, home textiles, and jewelry following. Interestingly the main handmade production skills align with the categories.

#1 Sewing/tailoring
#2 Soap/lotion making
#3 Jewelry making
#4 Metal working
#5 Fabric printing and painting

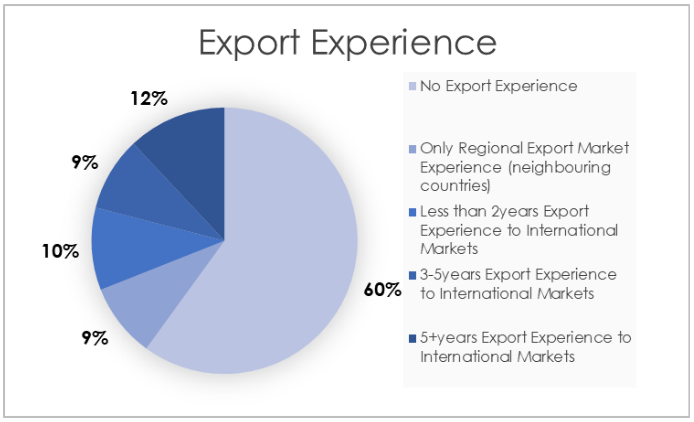


As indicated earlier, accessing raw materials is one of the sectors greatest challenges in the country and addressing this could open up greater opportunities for competitiveness regionally and internationally. In interviews participants mentioned these challenges around sourcing raw materials:

- *Not enough cotton in Zambia, as they wanted to spin themselves…previously there were smaller ginneries, but now a lot of them have been bought up by larger Chinese companies and exporting the product.*
- *I try to source everything here but it's not possible, so I became an importer.*
- *The materials from south Africa are cheaper so we are trying to bring down costs to make a profit.*
- *The quality of the foam in this country is poor and it's not cost effective for us to bring it in because it's so bulky.*
- *Difficult to find fishhooks on the market*
- *Import all packaging, can't find the quality they're looking for locally.*
- *The fabrics were stockpiled when a textile factory was thrown out. Now we are forced to get them from Zimbabwe or Tanzania. We source our linens from the global market.*
- *No gas in country, because of major load shedding so everyone moved to gas.*
- *Cotton has always been a problem for us because we have minimal order quantities, so we have to invest so much money and it gets tied up in stock.*
- *One of the barriers to success is cost of raw materials*
- *We don't have any dyes in Zambia, otherwise they would dye the cotton yarn*
- *My raw materials are sourced from Tanzania and the challenge is that it's very expensive.*

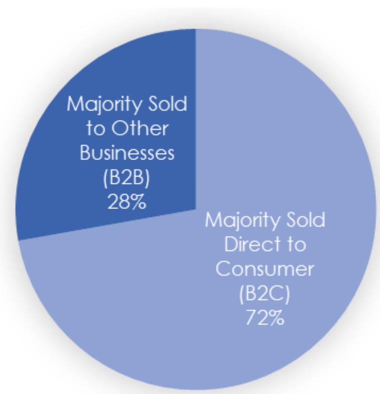
iv. Market Access & Exporting

Sixty percent of the businesses indicated they are not exporting with 9% exporting regionally and 31% exporting internationally. It is expected that some of the export sales are informal shipping through intermediaries or buyers taking suitcases of products back to their home countries to sell. Of those exporting the average export order is less than 20,000ZK with only 5% over 95,000ZK.



Thirty-one percent of respondents operate a retail store in the country and 78% indicated they sell the majority of their sales direct to consumers (presumably through other direct channels like markets, trade events, etc.).

Do you operate a retail store?		
Yes	31%	25
No	69%	55



v. Digitalization

Technology is poised to transform this sector on many levels. Covid-19 has accelerated consumers, retailers, and producers' adoption of online sales and communications which are both critical to this sector. Digitalization has the opportunity to go deeper into this once analog sector, enabling scalability, and growth previously not possible. While barriers remain in shipping and logistics, it is only a matter of time before these are addressed. Digital communications, which support remote handmade workforces, is also emerging as is the ability to hire global skilled staff to work remotely in the business. T+I have been working in partnership with Powered by People – a tech enabled ERP system for the handmade sector to address digital challenges. All aspects of the ANP value chain will benefit from digitalization including marketing, sales, communications, production, sourcing, human resources, financial management, and business administration. Both the technology as a tool and the effective usage of it as a best practice is required to be successful. Many craft companies are beginning to access the tools with the high adoption of digital marketing platforms, but many lack the best practices to optimize them.

Internet Access

Access to the Internet is fundamental to any business. Seventy-five percent of Zambia ANP respondents have less than 6 hours a day access to the Internet and 85% of respondents have at least one Internet enabled smart phone in each artisan group.

On a scale from 1-5, how regular is your organization's access to the Internet ?	
Once/week or less	1%
2-3 times/week	6%
At least once/day	17%
6-8hrs/day	**20%**
24hrs/day	**55%**

Communications

Both phone and WhatsApp are common methods of communications with artisans and producers. Email is the third most common communications tool to buyers while in person is the third most common communication tool to artisans.

In each artisan group or workshop, is there access to at least one Internet enabled smart phone for business communications?		
Yes	**85%**	**61**
No	15%	11

What are your top methods to communicate with artisans/producers and top methods to communicate with buyers? (Check all that apply)		
Communications	**with Artisans**	**with Buyers**
Phone	**82%**	**72%**
WhatsApp	**74%**	**81%**
Text	40%	29%
Email	19%	**67%**
Video Conference (Zoom, Skype e	9%	20%
In Person	**71%**	54%
Facebook Messenger	18%	36%

Marketing

Sixty-one percent of companies indicate they have a website and 94% have a WhatsApp account. Eighty-three percent of respondents have a Facebook and Instagram account.

Please provide your company name, contact info and website if you have one?		
Company Name	99%	79
Phone #	100%	80
Email	99%	79
WhatsApp	**94%**	**75**
website	**61%**	**49**

Please list your social media account handles (if any):		
Facebook	**83%**	**64**
Instagram	**74%**	**57**
Twitter	18%	14
Pinterest	14%	11
TikTok	4%	3
Snapchat	3%	2
Other	6%	5
Don't use	6%	5

Fifty percent of the respondents sell online directly to consumers.

Do you sell online directly?		
Yes	**50.00%**	**35**
No	50.00%	35

Business Tools
It is a positive trend that almost 80% of companies are utilizing Microsoft office to support their business and 74% are using online document storage. Interestingly 54% are using online marketplaces for their product sales (likely linked to the online direct sales data above). More sophisticated T3 and T2 companies are using the online catalogs, listservs, and even an ERP system to run their business.

Identify all the digital tools you use to run your organization. (Check all that apply)		
Microsoft Office (Word, Excel, PPT)	**78%**	**53**
Online Document Storage/Share (Google Drive, Dropbox, OneDrive)	**74%**	**50**
Online Marketplaces	54%	37
Email listserves (newsletters - Mail Chimp)	28%	19
Online Catalogs	22%	15
CRM system (Customer Relationship Management)	6%	4
ERP system (Enterprise Resource Planning)	1%	1

A major concern is that 26% of respondents have no accounting system and 39% are only using excel. The survey responses indicate that it is the more sophisticated, higher revenue businesses that are using digital business tools reflecting the necessity to use these tools to scale and manage growing organizations.

Do you use an accounting system to support your organization? (Choose one)		
Excel	**39%**	**28**
None	**26%**	**19**
Yes, Online Software ie. Quickbooks or Pastel Online	13%	9
Yes, Outsourced to accountant	13%	9
Yes, Software on Desktop ie. Quickbooks or Pastel etc	10%	7

vi. Business Tasks

There are a number of business tasks required to effectively run an organization. We asked the ANP sector in Zambia to rate the importance of these tasks to their businesses vs how effective they believe that they are at each task to gage the gaps.

Business Tasks - Importance vs Effectiveness
To test the statistical significance between the difference in what companies said were important business tasks and how effective they believed they were at those tasks we ran a series of paired t-tests. All tasks had a statistically significant difference between importance and effectiveness at the .05 level or greater with the majority significant at the .001 level. We typically advise business to address any areas with a gap of 15 percentage points or above. In this survey we saw wide gaps upwards of 50 percentage points, suggesting that there are significant opportunities for improving business practices in the ANP sector. Ninety-seven percent of respondents agree that the most important task is delivering a perfect customer order while 82% agree that

they are effective at this task which means there is a 15-point gap between importance and effectiveness.

The highest gap is the fourth most important task – tracking and analyzing sales data with 93% importance and 46% effectiveness, leaving a gap of 47% points. The next largest gap in the top 10 most important tasks is effective financial management 93% important and 55% effectiveness leaving a - 38%-point gap. Planning for growth and creating marketing content are also ranked important by 91% of respondents with a 36%-point gap in effectiveness. Developing sales materials with a 47%-point gap is important to address as is measuring and communicating social and environmental impact.

Please rate each of the tasks in the list below on how important they are to your business and on how effective your business is at each task.

Business Tasks ranked in order of importance	IMPORTANCE OF TASK		EFFECTIVE AT TASK		GAP
(Largest GAP)	Strongly agree & agree (% & Respondents)		Strongly agree & agree (% & Respondents)		% Points
1. Delivering a perfect customer order ie. on time, no quality issues etc	97%	66	82%	40	-15%
2. Creating a brand for your business	94%	64	65%	32	-29%
3. Developing an online presence ie. website, social media etc	94%	64	71%	35	-23%
4. Tracking and Analyzing sales data	**93%**	**63**	**46%**	**22**	**-47%**
5. Keeping current customers (following up on re-order)	93%	63	71%	35	-21%
6. Effective financial management	**93%**	**63**	**55%**	**27**	**-38%**
7. Developing new products	93%	63	71%	35	-21%
8. Planning for growth by setting goals, creating & implementing an action plan	**91%**	**62**	**55%**	**27**	**-36%**
9. Developing quality marketing content etc your story, photos, videos, etc	**91%**	**62**	**55%**	**27**	**-36%**
10. Awareness & tracking of production capacity	91%	62	69%	34	-22%
Developing sales materials (your catalogue, line sheet & pricing)	**90%**	**60**	**43%**	**21**	**-47%**
Effective packaging / branding your product ie. hangtag, container, label, etc	88%	59	58%	28	-30%
Paying a minimum or living wage to employees and producers	88%	58	78%	38	-10%
Managing Employees & Artisans	87%	59	76%	37	-11%
Measuring and communicating social and environmental impact to buyers	**87%**	**59**	**47%**	**23**	**-40%**
Developing new products through a process including prototyping, testing, costing	85%	58	55%	27	-30%
Keeping Employees & Artisans (low turnover)	85%	56	78%	38	-7%
Creating and using production plans	74%	50	43%	21	-31%
Exporting	73%	48	40%	19	-33%
Using specification sheets toinform production processes & for training	**69%**	**47**	**33%**	**16**	**-36%**
Participating in international trade events	**57%**	**39**	**18%**	**9**	**-39%**

vii. Greatest Business Challenges

Respondents were also asked to rank their greatest challenges

The top 5 challenges included access to finance, shipping and logistics, raw material sourcing, access to markets/buyers, and marketing through social media. Additional marketing challenges emerged including merchandising and developing marketing materials. The more advanced businesses struggle with succession planning and reporting on impact, and under-utilized production, interestingly there were also the tasks that had the most "I don't know" responses.

For each task below, please choose how much you agree to the question "This is a challenge for my business" on a scale from 7-strongly agree to 1-strongly disagree

RANKED GREATEST CHALLENGES	CHALLENGE FOR MY BUSINESS			
	Strongly agree & agree		I don't know	
1. Access to Finance	**57%**	**37**	2%	1
2. Shipping & Logistics	**56%**	**36**	6%	4
3. Raw Material Sourcing	**52%**	**34**	0%	0
4. Access to Markets / Buyers	**48%**	**31**	0%	0
5. Marketing through Social Media	**33%**	**22**	0%	0
Merchandising	33%	20	3%	2
Developing Marketing Materials	31%	20	0%	0
Succession Planning	29%	19	17%	11
Managing & reporting on Social & Environmental Impact	29%	19	11%	7
Under-utilized Production Capacity	29%	19	11%	7
Financial Management	27%	18	0%	0
Quality Control	25%	16	0%	0
Product Development / Design	25%	16	0%	0
Production Planning & Operations	23%	15	0%	0
Managing Employees & Artisans/Producers	20%	13	5%	3
Customer Service	14%	9	0%	0

I. TRADE LEVEL COMPARITIVE ANALYSIS (T1, T2, T3)

While the earlier data provided a picture of the Zambia ANP sector from a total perspective, this analysis more specifically segments the study into the T+I Trade levels T1, T2, T3 used throughout this report. This analysis provides a much deeper perspective on the ANP landscape in Zambia and provides quantitative data to reinforce the value chain evaluation and recommendations.

T1s represented 33% of respondents, T2s made up 65%, and T3s 3% based on previously identified definitions. As indicated, there is significant opportunity in Zambia to support and enable companies to move up this value chain resulting in increased trade and increased impact.

Survey Respondents		
	%	#
T1	33%	26
T2	65%	51
T3	3%	2
	100%	**79**

i. Profile

T1s are more prevalent in the Lusaka province with 69% respondents vs T2s at 52% and both T3s are located in the Eastern Province. As expected, revenue grows as levels increase, with 96% of T1s making less than 90,000ZK in sales or don't know, T2 coming in at 55% between 90,000 and 2million, and 100% of T3s making over 2.5million.

In 2019, what was your total annual sales revenue?	T1 Responses		T2 Responses		T3 Responses	
Less than 90,000ZK	**73.08%**	**19**	36.54%	19	0.00%	0
90,001 ZK - 150,000 ZK	3.85%	1	**13.46%**	**7**	0.00%	0
150,001 ZK - 300,000 ZK	0.00%	0	**5.77%**	**3**	0.00%	0
300,001 ZK - 700,000 ZK	0.00%	0	**17.31%**	**9**	0.00%	0
700,001 ZK – 1,000,000 ZK	0.00%	0	**5.77%**	**3**	0.00%	0
1,000,001 ZK – 1,500,000 ZK	0.00%	0	**5.77%**	**3**	0.00%	0
1,500,001 ZK – 2,000,000 ZK	0.00%	0	**5.77%**	**3**	0.00%	0
2,500,001 ZK – 3,000,000 ZK	0.00%	0	0.00%	0	**50.00%**	**1**
3,000,001 ZK – 3,500,000 ZK	0.00%	0	0.00%	0	**50.00%**	**1**
Don't Know	**23.08%**	**6**	9.62%	5	0.00%	0

Interestingly 69% of T1s have been in business less than 2 years, while 63% of T2s are over 2 years and T3s are over 6 years. These early stage T1s could be good candidates for the recommended incubator program.

How long has your organization been in business?						
	T1 Responses		T2 Responses		T3 Responses	
Less than 1year	**42%**	**11**	*15%*	*8*	0%	0
1-2years	**27%**	**7**	*21%*	*11*	0%	0
3-5years	4%	1	**21%**	**11**	0%	0
6-10years	12%	3	**25%**	**13**	**50%**	**1**
11-15years	8%	2	**4%**	**2**	0%	0
15years or more	8%	2	**13%**	**7**	**50%**	**1**

ii. Workforce and Impact by Level

When segmented by level its clear that the number of employees increases as businesses move up each level. The average number of employees for T1 is 1.6 vs the average number of T2's at 9.2. At the T3 level there is a steep increase with the average number of employees at 41.5. Increasing the number of people employed also increases the positive social impact businesses have on the community, given women are the majority of employees and women use their wages to support their family and community.

How many employees do you have? Employees earn wages and are not paid per piece.										
	T1				T2			T3		
	%	#	Mid point	Total T1 Employees	%	#	Total T2 Employees	%	#	Total T3 Employees
less than 3	**95%**	**18**	**1.5**	27	**38%**	**18**	**27**	0%	0	0
3-5	5%	1	4	4	23%	11	44	0%	0	0
6-10	0%	0	8		21%	10	80	**50%**	**1**	8
11-15	0%	0	13		2%	1	13	0%	0	0
16-25	0%	0	20		9%	4	80	0%	0	0
26-50	0%	0	38		2%	1	38	0%	0	0
51-100	0%	0	75		4%	2	150	**50%**	**1**	75
101 or more	0%	0	101		0%	0	0	0%	0	0
	Answered	**19**		31	**Answered**	**47**	432	**Answered**	**2**	83
			Avg	**1.6**		**Avg**	**9.2**		**Avg**	**41.5**

Total Employees	546
Total Avg Employees	8

The same holds true for employing artisans in most cases however, in Zambia one T3 company is employing more staff than artisans which is skewing the data.

Based on this data the average number of employees (8) + the average number of artisans (11) results in a total average employed of 19 people per company. As stated earlier there are 300+ ANP companies in Zambia so with an average of 19 people employed the projected total employment is 5700 people. When considering the overall social impact and ripple effect of wages to mostly women, who have on average of 4 dependants the total projected impact touches and estimated 23,000 lives (Zambia Statistics Agency, et. al, 2019).

How many Artisans/producers do you work with? Artisans/Producers are paid by piece or paid by output of production. (Check One)										
	T1				T2			T3		
	%	#	Mid point	Total T1 Artisans	%	#	**Total T2 Artisans**	%	#	**Total T3 Artisans**
less than 3	**90%**	**18**	**1.5**	27	**43%**	**20**	**30**	0%	0	0
3-5	0%	0	4	0	28%	13	52	50%	1	4
6-10	5%	1	8	8	11%	5	40	0%	0	0
11-15	5%	1	13	13	2%	1	13	0%	0	0
16-25	0%	0	20	0	2%	1	20	50%	1	20
26-50	0%	0	38	0	4%	2	76	0%	0	0
51-100	0%	0	75	0	6%	3	225	0%	0	0
101 or more	0%	0	101	0	4%	2	202	0%	0	0
	Answerec	**20**		48	**Answered**	**47**	**658**	**Answered**	**2**	**24**
			Avg	2.4		Avg	14		Avg	12

Total Artisans/Producers	546
Total Avg Artisans/Producers	8

Beyond employing artisans and staff the ANP sector provides incredible social impact as stated earlier, when broken out by level it is apparent how the positive impact increases significantly as the company becomes stronger and moves up levels.

Please identify the positive social impact activities which your business provides to your employees, Artisans/producers or communities . *(Check all that apply)*						
	T1 Responses		**T2 Responses**		**T3 Responses**	
Providing skills training	**61.90%**	**13**	**85.71%**	**42**	**100.00%**	**2**
Providing flexible work hours	**38.10%**	**8**	**59.18%**	**29**	**50.00%**	**1**
Providing entrepreneurship training	**23.81%**	**5**	**42.86%**	**21**	**50.00%**	**1**
Providing opportunities for advancement	19.05%	4	**46.94%**	**23**	**100.00%**	**2**
Providing healthcare &/or wellness programs	19.05%	4	24.49%	12	**50.00%**	**1**
Providing group savings schemes &/or bank accounts	9.52%	2	16.33%	8	**100.00%**	**2**
Providing educational support programs	9.52%	2	26.53%	13	**100.00%**	**2**
Providing water projects	0.00%	0	8.16%	4	**50.00%**	**1**
Providing childcare during work hours	0.00%	0	6.12%	3	0.00%	0

Positive environmental impact is also important to all levels and as with social impact grows as the companies get larger and stronger. Ethical sourcing of raw materials is important even to the T1 levels as is using recycled materials and managing waste. This growth in impact reinforces the important opportunity to support this sector and specifically the different levels to help them to grow and move up the value chain to grow their trade and their impact.

Please identify the positive sustainable/environmental activities which your business provides . (Check all that apply)	T1 Responses		T2 Responses		T3 Responses	
Ethically sourcing raw materials/inputs	**57%**	**12**	**82%**	**40**	**100%**	**2**
Using recycled materials in product offerings	**43%**	**9**	**57%**	**28**	**100%**	**2**
Low to Zero Waste program	**43%**	**9**	**59%**	**29**	**50%**	**1**
Sourcing organic or environmentally friendly natural materials	**38%**	**8**	**55%**	**27**	**50%**	**1**
Having a fair trade or ethical production certification	0%	0	10%	5	**50%**	**1**
Having organic certification	0%	0	8%	4	0%	0
Having environmental certification	0%	0	2%	1	0%	0

iii. Products & Raw Materials by Level

Product categories did not appear to differ across T1s and T2s, however T3s seem to produce for more categories than the first two levels including natural cosmetics and personal accessories where they were highest in T2s. This also impacted skills identified in T1 and T2 which included soap and lotion making which was not included in T3s.

iv. Market Access & Exporting by Level

Operating a retail store is definitely an indicator of a stronger business. Only 1 T1 operates a retail space, while 43% of T2s, and 100% of T3s have retail locations.

Do you operate a retail store?	T1 Responses		T2 Responses		T3 Responses	
Yes	**4%**	**1**	**43%**	**22**	**100%**	**2**
No	96%	25	57%	29	0%	0

From an exporting standpoint T3s are the most developed, as expected, followed by T2s and then T1s. It is expected that some of the respondents who indicated they exported from the T1s and T2s are doing this in an informal way, as identified in the value chain assessment. The opportunity clearly is to support these organizations to formalize their export process to create a scalable organization with higher sales and impact.

On a scale from 1 to 5, how would you rate your level of export experience?	T1 Responses		T2 Responses		T3 Responses	
(1) No Export Experience	**77%**	**20**	**54%**	**28**	0%	0
(2) Only Regional Export Market Experience (neighbouring countries)	**8%**	**2**	**10%**	**5**	0%	0
(3) Less than 2years Export Experience to International Markets	**8%**	**2**	**12%**	**6**	0%	0
(4) 3-5years Export Experience to International Markets	0%	0	**13%**	**7**	0%	0
(5) 5+years Export Experience to International Markets	8%	2	**12%**	**6**	**100%**	**2**

v. Digitalization

As stated previously, digitalization is a critical tool for the ANP sector across many of the functions within the organization, particularly marketing. As identified in other areas, digitalization grows as companies move up levels. Interestingly though, T1's can have similar access and use of some technology particularly as it relates to marketing with over 90% of all levels are using WhatsApp. Having a website however varies by level, with T1s at 54%, T2s at 65%, and T3 at 100%. While T1s and T2s use Facebook and Instagram at a very high level, it is apparent that a web presence through social media is a necessity for T3s and they are highly engaged on other channels beyond Facebook and Instagram, with a presence on platforms including Pinterest and LinkedIn.

Please provide your whatsApp and website if you have one?						
	T1 Responses		T2 Responses		T3 Responses	
WhatsApp	92%	24	96%	49	100%	2
Website	54%	14	65%	33	100%	2

Please list your social media account handles (if any):						
	T1 Responses		T2 Responses		T3 Responses	
Facebook	**75.00%**	**18**	**86.00%**	**43**	**100.00%**	**2**
Instagram	**70.83%**	**17**	**74.00%**	**37**	**100.00%**	**2**
Twitter	16.67%	4	20.00%	10	0.00%	0
Pinterest	16.67%	4	10.00%	5	**100.00%**	**2**
LinkedIn	25.00%	6	18.00%	9	**100.00%**	**2**
Snapchat	0.00%	0	4.00%	2	0.00%	0
TikTok	0.00%	0	6.00%	3	0.00%	0

Today, a formal business is required to have regular access to the internet, particularly during the Covid-19 crisis, as digitalization has been accelerated at an unprecedented pace globally. Customer expectations have shifted to require consistent online access. 100% of T3s have internet access 24 hours a day as their global customers in different time zones expect. Only 63% of T2s have 24hr access but 84% have at least 6 hours a day access. Only 53% of T1s have access but if they are interested in scaling and growing, this will be a key requirement.

On a scale from 1-5, how regular is your organization's access to the Internet ?			
	T1	T2	T3
1) Once/week or less	0%	2%	0%
(2) 2-3 times/week	6%	6%	0%
(3) At least once/day	41%	8%	0%
(4) 6-8hrs/day	24%	20%	0%
(5) 24hrs/day	29%	63%	100%
Min 6hrs / day	**53%**	**84%**	**100%**

T3s can be seen as the benchmark for T2s and T1s to aspire to. There are best practices T3s adopt to ensure they are managing a scalable organization; one of these best practices is using digital tools to support the business. T3s have strong adoption of online storage, Microsoft office, email listservs, etc. Interestingly, online marketplaces have higher adoption by T1s and T2s vs T3s. It is yet to be established how effective these online marketplaces are for the businesses.

Identify all the digital tools you use to run your organization. (Check all that apply)	T1 Responses		T2 Responses		T3 Responses	
Online Document Storage/Share (Google Drive, Dropbox, OneDrive)	**58%**	11	**78%**	36	**100%**	2
Microsoft Office (Word, Excel, PPT)	**58%**	11	**85%**	39	**100%**	2
Email listserves (newsletters - Mail Chimp)	**16%**	3	**30%**	14	**100%**	2
Online Catalogs	**11%**	2	**24%**	11	**50%**	1
Online Marketplaces	**53%**	**10**	**57%**	**26**	**50%**	**1**
CRM system (Customer Relationship Management)	5%	1	7%	3	0%	0
ERP system (Enterprise Resource Planning)	0%	0	2%	1	0%	0

Business Tools by Level

Effective financial management is critical to a successful business, having a formal financial process and using digital tools or an accountant is a key enabler for a strong business. There is a distinct graduation from T1 where 52% are using no accounting system to T2 which finds 46% using excel, finally to T3 where 100% are using accounting software or an accountant. Differences in levels in accounting practices clearly highlights how more formal businesses understand what is required to scale and grow. These principles are vital to both the accelerator and the incubator capacity building program in the future.

Do you use an accounting system to support your organization? (Choose one)	T1 Responses		T2 Responses		T3 Responses	
None	**52%**	**11**	15%	7	0%	0
Excel	29%	6	**46%**	**22**	0%	0
Yes, Online Software ie. Quickbooks or Pastel Online	14%	3	13%	6	0%	0
Yes, Software on Desktop ie. Quickbooks or Pastel etc	5%	1	10%	5	**50%**	**1**
Yes, Outsourced to accountant	0%	0	17%	8	**50%**	**1**

In addition to digital admin tools, banking tools are key to supporting a successful business. Both T3s in the study have a business account and conduct internet banking, while only 78% of T2s have bank account and 61% use internet banking. For T1s it is substantially less at 24%. Mobile money is a key tool used predominantly by T1s with some usage by T2s and T3s.

Which of the following banking or financial services does your business use? (Check all that apply)	T1 Responses		T2 Responses		T3 Responses	
Business Bank Account	**24%**	**5**	**78%**	**38**	**100%**	**2**
Internet Banking	**24%**	**5**	**61%**	**30**	**100%**	**2**
Banking App on Phone	29%	6	37%	18	50%	1
Mobile Money i.e. MTN, Airtel, Zamtel	**76%**	**16**	57%	28	50%	1
External Remittance Facility	0%	0	8%	4	0%	0
Money Agent	5%	1	10%	5	0%	0

vi. Business Tasks

Different levels of companies rank business functions quite differently in both how important the task is to them and in how effective they rate themselves on it. Both are valuable indicators of how self-aware companies are of what is required to be a strong organization and how critical they are of their ability to do the task.

The T1s only rated one task at 100% in importance and another at 94% the remaining were rated below 90% in importance. In contrast, T2s ranked 14 business tasks over 90% while T3s ranked 19 tasks importance at 100%. Clearly T3s are the most aware of the importance and their own effectiveness at business tasks.

T1s rated their effectiveness at business tasks at a much higher level than the T2s or T3s. T1s saw their biggest gap as planning for growth at 48% points difference between importance and effectiveness. The next largest gap was in measuring impact which was rated very important.

T2s rated financial management as the most important with a high 44%-point gap. The highest gap for T2s was in developing sales materials at 58% points although it ranked lower in importance. Tracking and analyzing sales data had a 55%-point gap and a high rate of importance at 98%.

T3s biggest gaps were in measuring impact, developing new products, tracking and analyzing sales data, keeping current customers, and packaging.

Please rate each of the tasks on how important they are to your business and on how effective your business is at each task. Please choose the best answer for each from Strongly agree to Strongly disagree.

IMP: Importance EFF: Effectiveness	T1 Responses			T2 Responses			T3 Responses		
	IMP	EFF		IMP	EFF		IMP	EFF	
	STRONGLY AGREE +AGREE	STRONGLY AGREE +AGREE	GAP	STRONGLY AGREE +AGREE	STRONGLY AGREE +AGREE	GAP	STRONGLY AGREE +AGREE	STRONGLY AGREE +AGREE	GAP
Delivering a perfect customer order ie. on time, no quality issues etc	100%	100%	0%	**96%**	75%	-21%	100%	100%	0%
Measuring and communicating social and environmental impact to buyers	94%	60%	**-34%**	83%	42%	**-42%**	100%	50%	**-50%**
Developing new products	88%	70%	-18%	**94%**	72%	-22%	100%	50%	**-50%**
Planning for growth by setting goals, creating & implementing action plan	88%	40%	**-48%**	**94%**	58%	**-35%**	50%	50%	0%
Developing quality marketing content etc your story, photos, videos, etc	88%	60%	-28%	**92%**	50%	**-42%**	100%	100%	0%
Paying a minimum or living wage to employees and producers	88%	60%	-28%	87%	81%	-7%	100%	100%	0%
Developing an online presence ie. website, social media etc	82%	60%	-22%	**98%**	72%	-26%	100%	100%	0%
Tracking and Analyzing sales data	82%	60%	-22%	**98%**	43%	**-55%**	100%	50%	**-50%**
Keeping current customers (following up on re-order)	82%	70%	-12%	**96%**	72%	-24%	100%	50%	**-50%**
Awareness & tracking of production capacity	82%	60%	-22%	**94%**	69%	-24%	100%	100%	0%
Creating a brand for your business	82%	60%	-22%	**98%**	64%	**-34%**	100%	100%	0%
Developing sales materials (your catalogue, line sheet & pricing)	76%	50%	-26%	**94%**	36%	**-58%**	100%	100%	0%
Effective packaging / branding your product ie. hangtag, container, label	76%	50%	-26%	**91%**	60%	**-31%**	100%	50%	**-50%**
Managing Employees & Artisans	76%	60%	-16%	**90%**	78%	-12%	100%	100%	0%
Keeping Employees & Artisans (low turnover)	75%	60%	-15%	89%	83%	-6%	100%	100%	0%
Effective financial management	71%	40%	**-31%**	**100%**	56%	**-44%**	100%	100%	0%
Developing new products throughprocess including prototype/test/cost	71%	40%	**-31%**	**90%**	58%	**-31%**	100%	50%	**-50%**
Creating and using production plans	59%	50%	-9%	79%	39%	**-40%**	100%	100%	0%
Exporting	56%	40%	-16%	79%	37%	**-42%**	100%	100%	0%
Participating in international trade events	47%	20%	-27%	63%	19%	-43%	50%	0%	-50%
Using specification sheets to document products,prod. processes & training	35%	10%	-25%	81%	36%	**-45%**	100%	100%	0%

vii. Greatest Challenges

- T1 Top challenges: Shipping and logistics, raw material sourcing, and access to finance
- T2 Top challenges: Shipping and logistics, access to finance, access to markets, and raw material sourcing
- T3 Top challenges: Shipping and logistics, access to markets, reporting impact, and succession planning

Interesting that T3s see succession planning and impact measurement and reporting as a significant challenge while the T2 and T1 see this as much less challenging.
The commonalities are including shipping and logistics which is ranked a challenge by over 50% of all companies not mater their level. Raw material sourcing is also a big challenge across all the levels.

For each task below, please choose how much you agree to the question "This is a challenge for my business" on a scale from 7-Strongly agree to 1-Strongly disagree.

	T1	T2	T3
Challenges ranked based on T3	STRONGLY AGREE +AGREE	STRONGLY AGREE +AGREE	STRONGLY AGREE +AGREE
Shipping & Logistics	**56.25%**	**55.56%**	**100.00%**
Access to Markets / Buyers	33.33%	48.94%	100.00%
Managing & reporting on Social & Environmental Impact	18.75%	27.66%	100.00%
Succession Planning	26.67%	27.66%	100.00%
Access to Finance	**40.00%**	61.70%	50.00%
Raw Material Sourcing	**56.25%**	48.93%	50.00%
Developing Marketing Materials	20.00%	31.92%	50.00%
Marketing through Social Media	31.25%	31.92%	50.00%
Merchandising	35.72%	31.82%	50.00%
Financial Management	18.75%	29.79%	50.00%
Quality Control	20.00%	23.41%	50.00%
Product Development / Design	26.67%	21.28%	50.00%
Managing Employees & Artisans/Producers	13.33%	21.28%	50.00%
Production Planning & Operations	35.71%	17.02%	50.00%
Customer Service	20.00%	8.89%	50.00%
Under-utilized Production Capacity	12.50%	36.17%	0.00%

There is great value in understanding the levels including recognizing the best practices and the critical success factors by level as well as what each level finds as most challenging. A robust program which addresses capacity building, resourcing, and market access by level has the potential to transform the sector in Zambia.

II. T2 COMPARATIVE ANALYSIS (LESS THAN 2 YEARS IN BUSINESS VS MORE THAN 2 YEARS IN BUSINESS)

Just as there are distinct differences by T1, T2, T3 level, within T2s (the largest segment surveyed) there are also distinct differences based on newer companies who have been in business for less than 2 years in business and older companies who have been in business for more than 2 years.

A higher percentage of T2s in business for less than 2 years are located in the Lusaka province. Sixty-seven percent of new businesses are in the Lusaka area vs 44% of T2 businesses who have been operating for over 2 years. Sales follow the expected path, with newer businesses having fewer sales. Seventy-nine percent of T2 new businesses are at less than 90,000ZK in sales or the respondent didn't know their sales vs 27% of older T2s with less than 90,000ZK sales.

New T2s tend to be female led 79% vs older T2s at 64%, and a higher percentage of new businesses were more likely to be run by Zambian nationals at 72% vs 58%.

Product categories also vary with 37% of new T2 businesses producing natural cosmetics vs 24% of T2s in business over 2 years.

Newer companies work with fewer employees. Fifty-six percent of T2s work with less than 3 employees while 28% of T2s in business over 2 years work with fewer than 3 employees. A higher percentage of women are employed at the newer companies 76% vs 65%. Newer T2s work with fewer piece workers with 59% working with less than 3 vs 33% of older T2s working with less than 3 artisan piece workers. Newer T2s have a much higher propensity to work with female artisans 88% vs 59% of older T2s. There is a higher propensity for new companies to have their artisans work remotely 56% vs 41% of older T2s. As with the distinct differences between all levels as it relates to positive social and environmental impact, the same holds true for T2s in business less than 2 years compared to those operating longer than 2 years. The stronger, more experienced the businesses are the more conscious impact they are having.

As it relates to market success, 37%of new T2s vs 47% of older T2s operate a retail store. Newer companies are more likely to have no export experience at 74% vs 42%.

Social Media is more prevalent in the older T2s but the newer T2s appear to be more established with LinkedIn vs older T2s. Over 80% of both levels of T2s have over 6 hours a day of regular access to the internet.

With the exception of online marketplace and online catalogues, all other business tools are more frequently used by older T2s than newer T2 companies.

Business Tasks (Importance, Effectiveness and Challenges)

New T2s rate many marketing activities as priority tasks; 4 in the top 7 are related to marketing. The biggest gaps are developing sales materials 58% points, quality marketing content 42% points, new products 42% points, and tracking and analyzing sales data at a high gap of 50% points.

Top Importance for T2<2yrs	IMPORTANCE STRONGLY AGREE +AGREE	EFFECTIVENESS STRONGLY AGREE +AGREE	GAP	Task Category
Effective financial management	100%	67%	-33%	Bus Admin
Developing an online presence ie. website, social media	100%	67%	-33%	Mktg
Creating a brand for your business	100%	67%	-33%	Mktg
Tracking and Analyzing sales data	100%	50%	**-50%**	Bus Admin
Developing sales materials	100%	42%	**-58%**	Mktg
Developing quality marketing content	100%	58%	**-42%**	Mktg
Developing new products through a process	100%	58%	**-42%**	Product

Older T2s mention fewer marketing activities in their top 7 however online presence and creating a brand were high in both groups. There are more important operational tasks for the older T2s including delivering a perfect order, tracking production capacity, and retaining customers. The greatest gaps were financial management and tracking and analyzing sales data.

Top Importance for T2>2yrs	IMPORTANCE STRONGLY AGREE +AGREE	EFFECTIVENESS STRONGLY AGREE +AGREE	GAP
Effective financial management	100%	50%	**-50%**
Developing an online presence	97%	75%	-22%
Delivering a perfect customer order	97%	75%	-22%
Awareness & tracking of production capacity	97%	67%	-30%
Keeping current customers	97%	67%	-30%
Creating a brand for your business	97%	63%	-34%
Tracking and Analyzing sales data	97%	39%	**-58%**

While both levels of T2 identified similar top-ranking challenges, the newer T2s identified them more frequently. The top challenges for newer T2 are shipping and logistics, then access to finance, then raw material sourcing. All these issues have been identified earlier in the report, but it is interesting to see the degree to which they are a major issue for T2 in business for less than 2 years. The newer T2s would benefit from a comprehensive incubator program which can set them up for success as they build their businesses.

For each task below, please choose how much you agree to the question "This is a challenge for my business"

	T2>2yrs STRONGLY AGREE +AGREE	T2<2yrs STRONGLY AGREE +AGREE
Access to Finance	57%	**71%**
Access to Markets / Buyers	43%	59%
Shipping & Logistics	43%	**76%**
Raw Material Sourcing	40%	**65%**
Marketing through Social Media	33%	29%
Financial Management	33%	24%
Merchandising	33%	29%
Under-utilized Production Capacity	33%	41%
Developing Marketing Materials	30%	35%
Product Development / Design	23%	18%
Production Planning & Operations	20%	12%
Quality Control	20%	29%
Managing Employees & Artisans/Producers	20%	24%
Managing & reporting on Social & Environmental	20%	41%
Succession Planning	17%	47%
Customer Service	7%	12%

SECTION 4: RECOMENDATIONS

SECTION 4: RECOMENDATIONS

A key incite that crosses all our recommendations is that the ANP sector needs to differentiate Zambia and its products as a country in the global economy. Currently Zambia lacks this identity. Finding a unique strategic positioning for Zambia in the global marketplace would impact both the ANP sector and tourism to foster growth. To find that unique identity there must be a deeper dive into the people, the culture, the land, the raw materials, and the storytelling that sets the country apart. Based upon the findings in this report, Trade+Impact is making the following recommendations for the ANP Sector in Zambia:

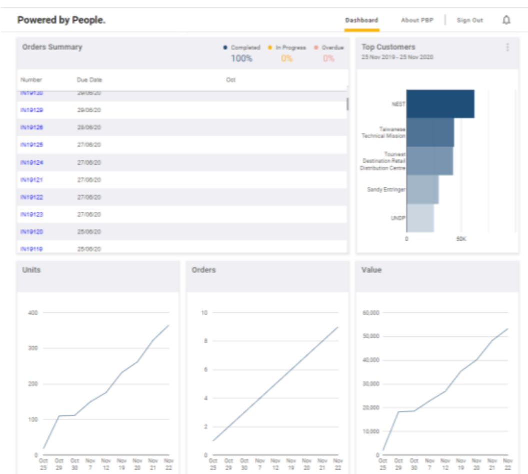
I. STRATEGIC BEST PRACTICES FOR MARKET READINESS

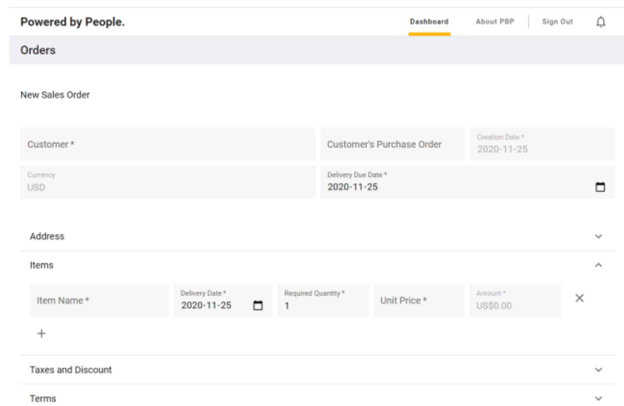
There is a need for formalization of business practices for market readiness, seeing that the majority of the ANP Sector in Zambia is informal or using informal practices. This can be done through the following interventions:

i. **Build the competencies of the ANP sector in both trade and impact.** This study has shown that there are substantial gaps in business skills and competencies that are holding the sector back. These gaps can be addressed and have the potential to up level the sector and increase revenue by at least five-fold. We suggest achieving this through the creation and implementation of an incubator and accelerator program based on the T+I levels of trade and impact. Content should focus on building foundations, strengthening, and formalizing business practices, and addressing the gaps identified in this assessment. The proposed content is as follows:

INCUBATOR: For early T1s and T2s	ACCELERATOR: Rising T2s and T3s
Business Foundations: Right Market/Person Right Product (incl. raw material sourcing) Right Price Right Promotional Tools Right Place Right Financial Management (incl. access to finance) Right Systems & Processes & Technology (incl. shipping & logistics) Making Effective Business Decisions	**Understanding Your Business** (Intro to Accelerator, Promise, Relationships) **Production**: Processes & Tools; Production Planning; Quality Control; Compliance for Export; Understanding export markets (i.e. TFO Canada, USAID); shipping & logistics **Pricing & Costing:** Costing; Pricing strategies through different channels **Financial Management** – Management & financial decision making. **Marketing:** Market research; Your Brand; Digital Marketing Focus; Tools to support; Developing a Marketing Strategy **Sales & Customer Service:** Sales Channels, Sales tracking & analysis, Customer Relationship Management, tech to support **HR/Succession Planning:** Hiring, Managing Employees, Succession Planning **Impact:** monitoring, measuring & reporting **Planning for Growth** incl. access to finance **Product Development** (incl. materials sourcing)

ii. **Identify and implement relevant digitalization for the sector.** Technology is an enabler to shift a business from informal to formal, whether through increased access to internet, use of digital software for recordkeeping or making use of digital tools being developed for the sector – digitalization will position these enterprises for success. An example could be a sales dashboard being developed by Powered by People which allows for enterprises to enter sales orders directly into their free tool which will provide insights into their business (top products, top customers, total value of orders). This functionality will also provide an export function where once sales orders are entered, they can be viewed, printed and/or exported for improved record keeping.





iii. **Increase sourcing from T1 producer groups or individuals to increase production capacity in the country.** There is a substantial opportunity for T2 and T3 enterprises to source from T1 producer groups or individuals to increase production capacity and fulfill larger order. with the assumption that not every handcrafter is an entrepreneur, there could be more impact created and more income generated for a T1 as a producer for an upper level enterprise.

II. STRENGTHEN RAW MATERIAL SOURCING

Sourcing raw materials was a challenge across the sector and all levels. In country, materials available are either of poor quality, rarely available and/or highly priced.

i. **Increase collective sourcing of materials.** Enterprises seeking similar inputs or raw materials could explore collective sourcing from international suppliers to reach minimum order quantities to receive improved pricing. These cost savings could result in increased profitability for enterprises and ultimately a more sustainable financial position. This could be coordinated by the enterprises themselves or through a coordinating body representing a group of enterprises.

ii. **Improving product development opportunities with natural fibers and resources available in country (cotton, makenge root, ilala palm).** Companies should start experimenting with new techniques which could remedy the issue with raw material sourcing. Buyer feedback indicates that neutrals and naturals are on-trend – further developing these product categories may minimize the need to bring in external materials.

iii. **The ANP sector should partner with the agricultural sector to scale up ingredients production to supply the growing natural cosmetics sector in Zambia.** Processing ingredients locally could result in increased entrepreneurial opportunities within the value chain.

iv. **Increase entrepreneurial opportunities in raw material supply**. One key entrepreneurial opportunity would be for distributors to establish a wholesale business providing enterprises with key raw materials which are in demand. This role would be introduced once market access has increased demand and production within the sector.

III. MARKET ACCESS

Zambia is not currently a major destination for artisan and natural products; however, potential is clear when traveling throughout the country. An increased focus on a market access program, linked to formalizing business processes, will strengthen Zambia's visibility on the global market.

i. **Improve the country positioning on the global market.** This requires two distinct steps of creating a unique identity and communicating that identity in strategic ways. Collaboration is key to establishing a focused market access strategy. Drawing from successful approaches from comparable countries, it would be beneficial to establish a coordinating body to support a global campaign for Zambian craft. This entity could provide coordinating activities to bring export ready enterprises to global buyers via pavilions or shared stands at trade shows and/or developing buyer tours locally within Zambia to bring buyers in. It will be important that the export ability is clearly communicated to potential buyers ensuring that there is a positive experience. As mentioned in Section 1: Handmade Sector Landscape – VI. Zambia's Market Positioning, Zambia's positioning can be further strengthened through a national product label for handmade, cultural and natural products paired with a qualifying criteria system creating a unique country brand 'Sustainably Zambian' or similar. The product categories which are also listed in these recommendations would be integrated into the positioning.

ii. **Fund greater market access and buyer acquisition.** Market access is expensive and for enterprises with tight margins, it can be challenging to find the finances to acquire new customers. Identifying funding opportunities and/or investing in subsidizing market access initiatives will help enterprises in Zambia to reach global and regional markets. Alternatively, enterprises interested in approaching international markets could share costs to bring in potential buyers for craft tours in Zambia or share costs for trade exhibitions. Investment in meaningful market access programs will further create a destination for artisan and natural products.

iii. **Find affordable shipping solutions and overcome shipping challenges.** Shipping is also a challenge and could create barriers for market access as buyers are not interested in purchasing products due to the high costs. The Cross-Border

Assessment currently in place should address a strategy to overcome some of these challenges.

IV. NATURAL COSMETICS

i. **Mongongo oil**. Invest in research, testing, infrastructure, entrepreneurship, and capacity around mongongo oil production and use. As well as develop campaign around mongongo oil for natural cosmetics - increasing the demand and positioning Zambia's Natural Cosmetic sector on the global scene.

ii. **Further increase employment through mongongo harvesting and processing in rural areas.** If mongongo oil would increase in global demand it would allow for both value added and ingredient exports. Current mongongo oil harvesting involves hundreds of individuals in rural areas, mainly in the Western Province. Mongongo nuts are gathered from wild trees making them a readily available resource. Increased sales of this product could further employ more rural collectors. Employment of processors who press the oil would also increase with further market penetration.

iii. **Invest in growing the natural cosmetics sector in Zambia.** Because the natural cosmetics sector globally is rapidly growing with a projected market size of 54 billion USD by 2027, Zambia had an enormous opportunity to be a key player in this space. Zambia has a growing natural cosmetics sector which is largely informal with a focus on value-added, finished products for the market. As consumer interest in natural cosmetics is growing, investing in training in the sector by engaging industry experts and best practices will help enterprises to formalize their business, strengthen their product offering and improve business practices to better reach their target consumers.

iv. **Support membership within sector specific natural cosmetics associations.** Collaboration with natural cosmetics associations is important, as the sector growth is gaining momentum – networking and collaboration helps to build a sector and has demonstrated success in other sectors.

v. **Increase intra-African trade.** Natural Cosmetics also provides a unique opportunity for intra-African trade. Sourcing ingredients from West Africa and growing regional networks could result in exports of special ingredients from Zambia (Mongongo Oil) taking advantage of the recently approved AfCFTA.

V. PRODUCT CATEGORIES

As mentioned in Section 1: Handmade Market Landscape - VIII. Zambian Market Opportunities, as it currently stands Zambia does not have a unique product position in the global market for artisanal and natural products. However, with investment in particular product categories and enterprises, combined with a concerted effort to strengthen the country positioning through a coordinating body, there is a great opportunity to grow the ANP Sector.

i. **Natural fibers.** Buyers have indicated that there is still a big focus on natural ingredients in cosmetics and additionally, natural fibers in neutral tones. As there is an abundance of natural fibers available in Zambia, there is an opportunity to continue to focus on building out this product offering. Basketry is still a large product opportunity in the local, regional and international market, it is important to look at developing new shapes and weaving techniques with a focus on ensuring quality to grow in this category.

ii. **Natural woven products.** Woven cotton products also prove to be a great product opportunity – as Zambia is a cotton producing country, investment in the value chain to ensure more high quality cotton lint remains in the country to be spun and woven by local weaving groups could result in a valuable product offering.

iii. **Natural ingredients.** As outlined in its own recommendation, focusing on investment and research into the natural cosmetics sector for both packaged consumer products and as raw material suppliers to global cosmetics value chains. There also lies a large opportunity with mongongo oil.

iv. **Cultural craft & folk art.** Zambia as an opportunity to tell a story around the people, place and product through cultural craft and folk art, representing day to day life in the country. From exploring functional products such as bicycle baskets or sleeping mats to unique papier-maché products depicting day to day life of rural and urban Zambia – these products can further build on the positioning of Zambia in the global market. Building on the quality of these products can result in new market opportunities by reaching collectors in addition to craft consumers.

v. **Copper.** Zambia offers a great opportunity to promote the copper it is known for through consumer products. This could result in a strong product identity, much like other countries which are known for a particular product (i.e. mohair from South Africa; raffia from Madagascar; tanzanite from Tanzania). Investment in exploring the availability and supply of copper would be required.

vi. **Tabletop.** Carved wooden utensils such as serving utensils, spreaders, small spice and salt bowls, napkin rings, coasters, etc. are a product category which is growing, especially as home entertaining has become more common during COVID-19 times. Other materials can be integrated into tabletop items, copper, basketry and even exploring the use of recycled materials into tabletop items.

VI. HIGH POTENTIAL PARTICIPANTS

Throughout the assessment, the team was able to identify high potential interviewees based upon their responses, product offering, and planning for the future. The following are a list of recommended individuals and companies who are well positioned to participate in either an incubator or accelerator program.

- **Bakacha Craft, Mfuwe, Eastern Province: Wood carver**. Charles Banda has experience in exporting, though on a small scale. He uses ethically sourced timber and is known for mobiles.
- **Legendary Arts & Contemporary Creations, Mfuwe, Eastern Province: Metal work & welding.** James Masafwa is highly motivated with a dream to train and work with more artisans, plans to start a training school.
- **Frederick Phiri, South Luangwa, Eastern Cape: Metal work & welding**. High quality product with a vision for teaching others and continuing to grow his business.

- **Mukuni Village Carvers, Mukuni Village, Southern Province: Carvers**. Joseph Siachibuye, Tawanda Shamuyarira & Nigel Chiari are organized with a strong skill set and ability to train others. Potential for scaling up with a larger producer cluster in Mukuni Village.
- **Milner Munsaka, Livingstone, Southern Province: Shoemaker.** A self-taught shoemaker with great ambition. Ability to grasp concepts and theories with a desire to grow.
- **Lionde Zulu Weavers, Lusaka, Lusaka Province: Handweavers.** Ability to train more weavers and grow production capacity. Investment is needed for a larger space and more equipment, with an additional administrative support for business growth.
- **Mwenge Pottery, Kabwe, Copperbelt: Potter.** Luckson has a big vision to teach the younger generation. Product quality is high, investment in team to support and establishment of a training school could result in transforming lives in the area.
- **Baobab Swirls, Lusaka Province, Lusaka: Natural Cosmetics.** Has built a successful small business with what she has had and is still growing. Investment in Baobab Swirls will assist with scaling up.
- **WayiWayi, Livingstone, Eastern Province: Pottery.** Art studio and gallery with a recently established pottery studio. Focused on revising old pottery designs and up-skilling traditional potters in the village.

CONCLUSION

This assessment has demonstrated that it is an incredible moment in time for Zambia to become a strong player in ANP and to find its unique position on the world stage given the handmade sector's significant global market size, its social impact, and the increasingly high demand by consumers and retailers for unique, handmade, ethically sourced, and culturally rich products.

From the evidence provided in the value chain assessment and the research results, key recommendations have been made to enable Zambia to position itself as a leader in the ANP sector by addressing gaps, implementing best practices, and overcoming challenges which have been identified.

We hope that the finding and recommendations will provide a roadmap for Zambia to build a connected, efficient, profitable, and sustainable sector – increasing trade for increased impact across the country.

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APPENDIX

DEFINITIONS

Agent: Agents are representatives of an international buyer who is responsible for quality control and export processes to ensure products arrive to the customer as expected. They are often paid by the customer, but some may establish their own business and provide services for a fee.

Air Freight: Air freight is the shipping of medium to large volume consignments via air cargo.

ANP: Artisan and Natural Products Sector

Artisan/Producer/Piece worker: An individual who handmakes a product. If working for a social enterprise, they are often paid piecework

Beekeepers: Beekeepers manage and care for beehive to produce honey and beeswax. They may sell their bulk honey to other producers or be employed by some enterprises. Some may also sell direct to consumer as a T1 producer themselves.

Chain Retailers: These retailers are larger, chain retailers that can provide lower prices and higher volumes of products/materials to be used in production. Could also be supermarkets, hardware, fabric shops and other stores. Examples can be Game, Builder's Warehouse, Makro

Community Collectors: Community collectors can be individuals or businesses that are collecting goods on behalf of a producer or enterprise, often applies to those who are using recycled materials in their production (i.e. bottle caps, tin cans, glass bottles etc.)

Container: Container shipping is for larger volume consignments and requires land transportation to the nearest port where it will be loaded onto a ship for transport to the buyer's country.

Courier: Courier companies are shipping companies for small to medium size consignments either direct to consumer or B2B. Examples are DHL and FedEx

Distributors & Agents: Distributors & Agents at the supplier level are those who are importing volumes of a particular product, ingredient or material to resell on the local Zambian market.

Employee: Employees are employed by social enterprises and paid a daily or monthly wage. Employees can produce product or carry out non-production activities.

Essential Oil Producer: Producers of essential oils in Zambia. They may sell to other producers as well as direct to consumer.

Farmers & Growers: Farmers & Growers tend to the fields to grow and produce any plant ingredients required to process into natural oils and/or for the production of some natural cosmetics products (flowers, herbs etc.)

Handmade/Artisan Sector: The sector in which all activities to produce and sell products which are produced by hand.

Hotel/Lodges: Hotels & lodges are a type of customer for the artisan and natural products sector. They purchase products in two ways: in their gift shops and for guest use in rooms

Importer/Distributor: Importer/distributors are resellers of artisan and natural products who will often have a warehouse to store large volumes to then distribute to retailers (either within their own company or external customers). They may also sell direct to consumer via online or brick & mortar shops.

Independent Retailers: These are independent retailers, could be supermarkets, supplies, hardware shops, fabric shops and any other supplier of products and equipment which could be used in production.

Informal Economy: The system of informal/insecure employment in a country.

Informal Employment: Insecure employment which includes self-employment, casual work, sub-contracted piece work, smallholder farming, as well as employment without formal government registration and without benefits or social protections.

Informal/Suitcase: This is a shipping method whereby products are transported outside of Zambia in private luggage or suitcases. This is an informal way of shipping product avoiding traditional shipping fees and any import duties.

International Consumer: International Consumers are the end user of the product outside of Africa.

International Producer: In the Natural Cosmetics Sector, International Producer source ingredients from producing countries for use in their own formulations. They may be an established brand or produce for other brands. They may sell direct to consumer in addition to selling through retailers.

International Suppliers: These suppliers are not in Zambia and provide inputs, materials and ingredients from outside of Zambia.

Local Consumer: Local consumers are the end users of a product within Zambia. There are three categories of the local consumer in the Artisan & Natural Products Sector in Zambia: Tourists, Zambian Consumers and Foreigners living in Zambia

Markets: These are open air markets where raw materials and ingredients can be sourced by smaller stall holders. These are more often used by those in rural areas as stallholders will bring in product from city centres, so they are more available.

Natural Cosmetics Sector: The sector in which all activities to produce and sell skincare, haircare and other cosmetic products which are primarily made with natural ingredients.

Natural Oil Producer: Producers of natural oils in Zambia, specifically Mongongo which is native to the country. They may sell to other producers, direct to consumer and export.

Online Marketplace: Online marketplaces are generally direct to consumer and can be in the local, regional or export markets. Examples of online marketplaces are: Amazon Handmade, Etsy, Faire. If an enterprise is selling direct to consumer on their own online shop, this would not be considered an online marketplace.

Regional Consumer: Regional consumers are the end users of a product located in neighbouring countries. Generally, this would mean SADC but could be extended to other Africa. These may be nationals of the country or foreigners living in the country.

Retailer: Retailers purchase goods from an enterprise to resell to an end consumer. They can be Zambian, Regional or International. The size of retailers varies from small online shops to larger brick & mortar retailers.

Rural Collectors: Rural collectors harvest wild ingredients and materials such as mongongo kernels, grass and reeds for baskets, clay for pottery. Some producers may collect their materials themselves.

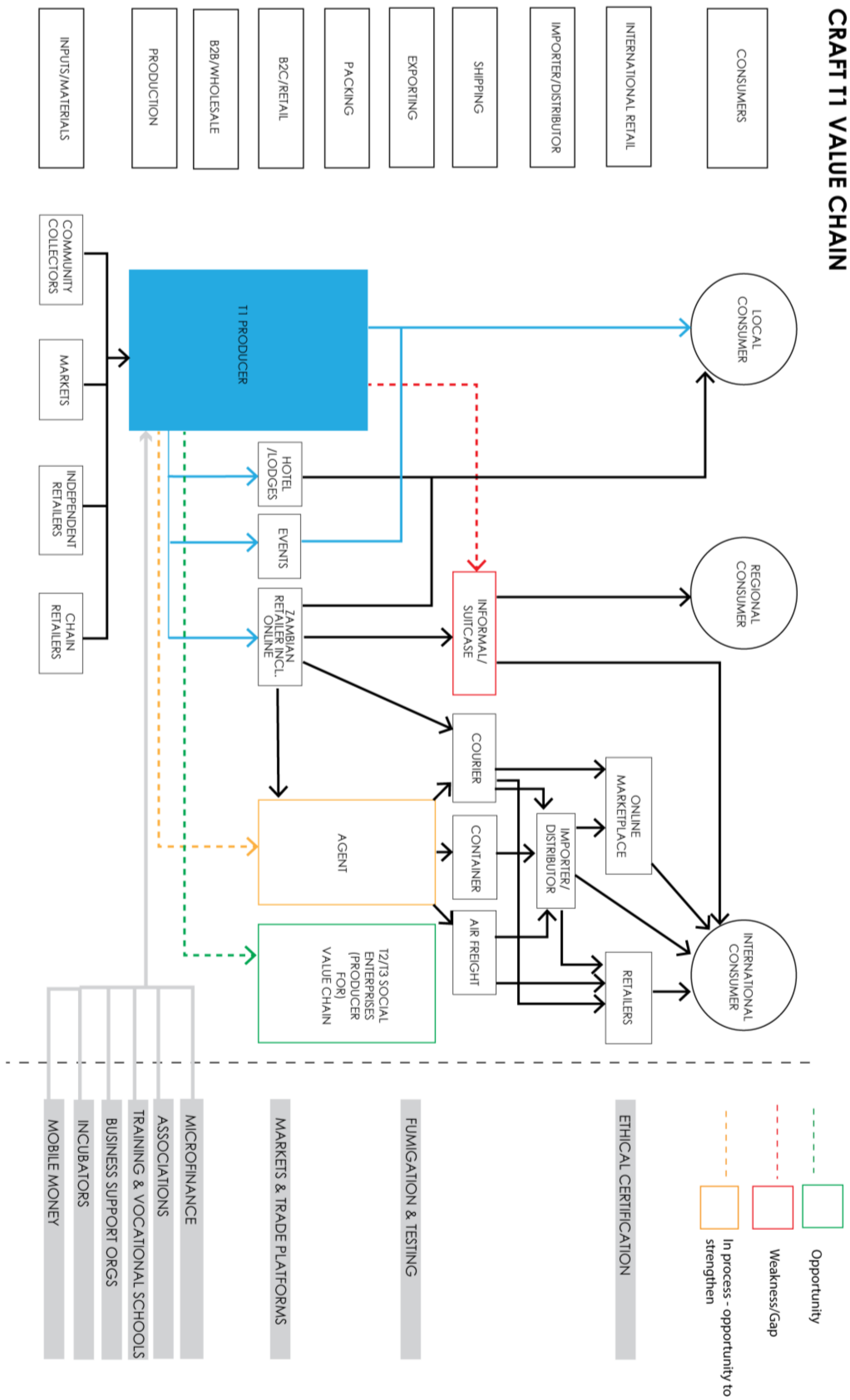
T+I: Trade+Impact Association

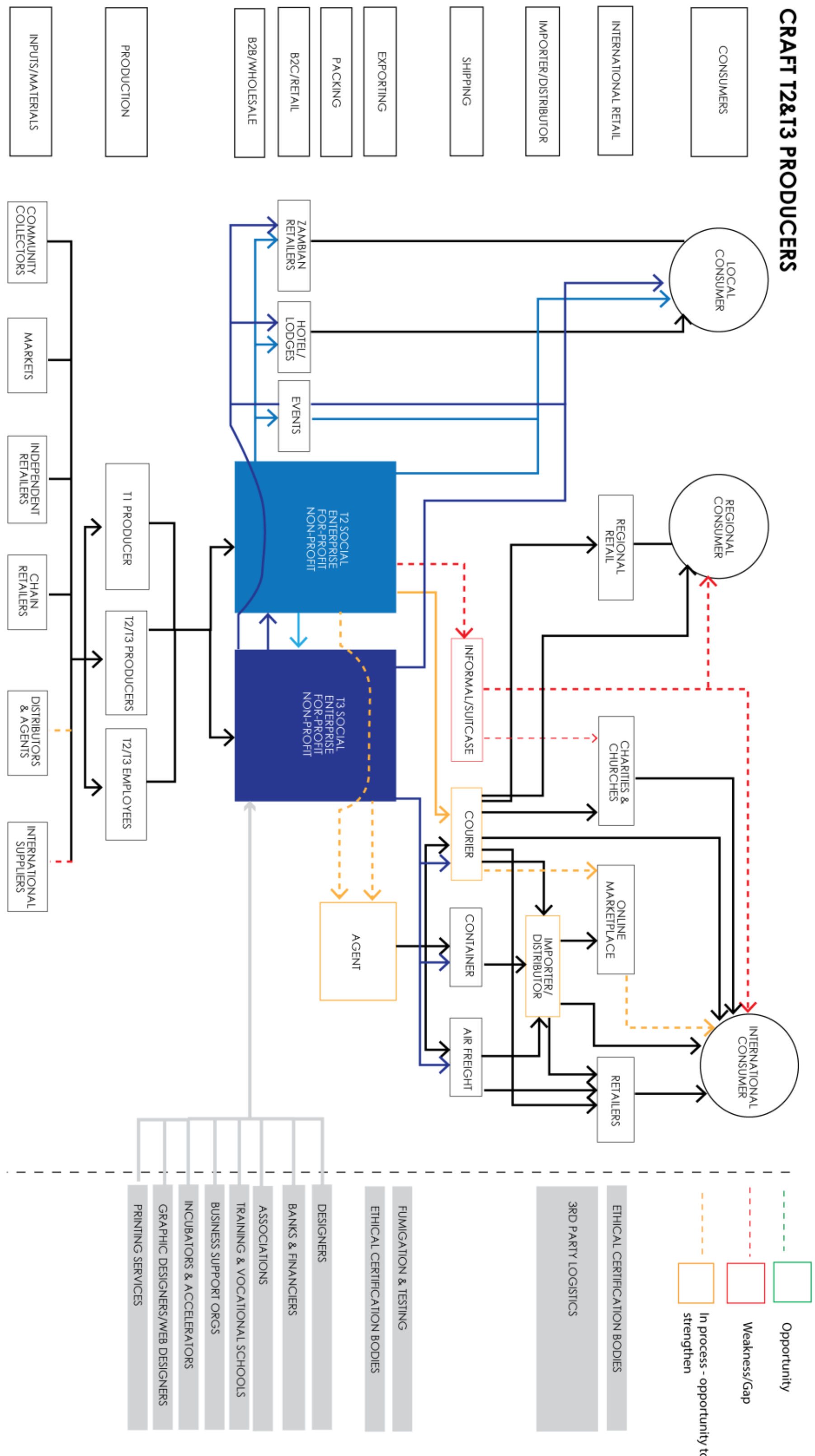
APPENDIX 1: INTERVIEW LIST

Company	Town	Province
Kids Dance for Kids (Nayamba School)	Chisamba	Central Province
Mwange Pottery/The Pottery & Clay Pottery School	Kabwe	Central Province
Pan African Tannery	Kabwe	Central Province
Skin Cosmetics / Simply Skin / Skin Spa	Chisamba	Central Province
Spirit of an Eagle	Kitwe	Central Province
Wright House	Chisamba	Central Province
Bee-Utiful Products	Kitwe	Copperbelt
Kuwaha Naturals (WOTA Industries)	Kitwe	Copperbelt
Mr. Phimba	Kitwe	Copperbelt
PLEAP/Sanika Designs	Ndola	Copperbelt
Azimai	South Luangwa	Eastern Province
Bakacha Craft	Rural	Eastern Province
Baobab Crafts	South Luangwa	Eastern Province
Frederick Phiri	South Luangwa	Eastern Province
Hubly Mbewe	South Luangwa	Eastern Province
John Banda	Chitena Village	Eastern Province
Legendary Arts and Contemporary Creations	Mfuwe	Eastern Province
Measel Basket Weavers	South Luangwa	Eastern Province
Mulberry Mongoose	Mfuwe	Eastern Province
Project Luangwa	South Luangwa	Eastern Province
Saulosi Phiri	South Luangwa	Eastern Province
Tribal Textiles	Mfuwe	Eastern Province
Afrikolor	Lusaka	Lusaka Province
Baobab Swirls	Lusaka	Lusaka Province
Charles Mwanjelika	Lusaka	Lusaka Province
Chihungu Designs	Lusaka	Lusaka Province
Chrispin Siamubanga	Lusaka	Lusaka Province
Eleora/Silver Tulip	Lusaka	Lusaka Province
Foundation for the Realization of Economic Empowerment	Lusaka	Lusaka Province
Kabwata Village Carvers Cluster	Lusaka	Lusaka Province
Kalahari Oils	Lusaka	Lusaka Province
Lightfoot	Sugarbush Farm	Lusaka Province
Lionde Zulu Weavers	Lusaka	Lusaka Province
Little Ndaba	Lusaka	Lusaka Province
Lusaka Collective	Lusaka	Lusaka Province
Mangishi Dolls	Lusaka	Lusaka Province
Manjarts Foundation	Lusaka	Lusaka Province
Patricia Mangube & Boniface Munyandi	Mutandere Market	Lusaka Province
Patwell Himweete & Presely Plugwe	Mtendwe Market	Lusaka Province

RecycloCraftz	Lusaka	Lusaka Province
Suppliers Shoes + Bicycle Dealer	Mutandere Market	Lusaka Province
The Adair Collection	Lusaka	Lusaka Province
Zart Intertwined	Lusaka	Lusaka Province
Essential Skincare	Mazabuka	Southern Province
Joseph Siachibuye & Tawanda Shamuyarira Mukuni Village	Mukuni Village	Southern Province
Kubu Craft	Livingstone	Southern Province
Milner Munsaka	Livingstone	Southern Province
Mr. Mabi	Kazungula	Southern Province
Mukuni Victoria Falls Market	Livingstone	Southern Province
Nigel Chiari	Mukuni Village	Southern Province
Pure Skills	Livingstone	Southern Province
Royal Chundu	Kazungula	Southern Province
Rust n Rail	Mazabuka	Southern Province
Sishemo Beads	Livingstone	Southern Province
Twaabane Arts	Livingstone	Southern Province
Victor Njekwa	Livingstone	Southern Province
WayaWaya	Livingstone	Southern Province
Weavers at Shishemo Beads Livingston	Livingstone	Southern Province
Cotton Association of Zambia – Mabele Group	Mumbwa District	Western Province
Hope Art Africa	Mongu	Western Province
Limulunga La Makuwa	Mongu	Western Province
Mongu Joinery	Mongu	Western Province
Movement Church Women's Group	Kalabo	Western Province
Mumbwa Ginnery	Mumbwa	Western Province
Mumwa Craft	Mumbwa	Western Province
Mupaka Craft	Mupaka	Western Province

APPENDIX 2: VALUE CHAIN MAPS




CRAFT T2&T3 PRODUCERS
CONSUMERS
INTERNATIONAL RETAIL
IMPORTER/DISTRIBUTOR
SHIPPING
EXPORTING
PACKING
B2C/RETAIL
B2B/WHOLESALE
PRODUCTION
INPUTS/MATERIALS
LOCAL CONSUMER
ZAMBIAN RETAILERS
HOTEL/ LODGES
EVENTS
REGIONAL CONSUMER
REGIONAL RETAIL
T2 SOCIAL ENTERPRISE FOR-PROFIT NON-PROFIT
T3 SOCIAL ENTERPRISE FOR-PROFIT NON-PROFIT
INFORMAL/SUITCASE
CHARITIES & CHURCHES
COURIER
CONTAINER
AIR FREIGHT
AGENT
IMPORTER/ DISTRIBUTOR
ONLINE MARKETPLACE
RETAILERS
INTERNATIONAL CONSUMER
T1 PRODUCER
T2/T3 PRODUCERS
T2/T3 EMPLOYEES
COMMUNITY COLLECTORS
MARKETS
INDEPENDENT RETAILERS
CHAIN RETAILERS
DISTRIBUTORS & AGENTS
INTERNATIONAL SUPPLIERS
PRINTING SERVICES
GRAPHIC DESIGNERS/WEB DESIGNERS
INCUBATORS & ACCELERATORS
BUSINESS SUPPORT ORGS
TRAINING & VOCATIONAL SCHOOLS
ASSOCIATIONS
BANKS & FINANCIERS
DESIGNERS
ETHICAL CERTIFICATION BODIES
FUMIGATION & TESTING
3RD PARTY LOGISTICS
ETHICAL CERTIFICATION BODIES
Opportunity
Weakness/Gap
In process - opportunity to strengthen

NATURAL COSMETICS