

## **Craft retailers' supplier selection criteria – a key to market access**

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### **Abstract**

Craft producers in South Africa face difficulties selling to formal craft retailers. This is due to the lack of understanding of what craft retailers consider as important when searching for suppliers. The study was conducted to determine the importance of various supplier selection criteria that craft retailers use to evaluate suppliers. Convenience sampling was adopted and self-administered questionnaires were completed by a total of 233 craft retailers.

The findings revealed that craft retailers consider product quality as the most important supplier selection criteria when evaluating craft producers as suppliers. The MANOVA results further indicated that although the importance attached to supplier selection criteria differed for various types of craft retailers, such differences occur only for selected supplier criteria. An understanding of the supplier selection criteria used by craft retailers could enable informal craft producers to gain access to the formal market.

### **Key phrases**

*craft producers; craft retailers; retail buying behaviour; supplier selection criteria*

## **1. INTRODUCTION**

The craft industry is a key strategy of the South African (SA) government for sustainable development and the creation of employment opportunities (Department of Labour 2011:7). The craft industry also contributes to economic growth and environmental stewardship (United Nations 2008:3; United Nations 2010:65). Furthermore there is an increasing demand for craft products globally, especially for home accessories and décor, gifts and products for garden and outdoor living which are simultaneously used for decorative and functional purposes (United States Agency for International Development 2006:54).

The rise in consumers' disposable incomes and the tendency to accessorise and re-style homes with unique articles are the major driving factors of the surge in demand for crafts and decorative products (Frost & Sullivan 2005:15). In SA, recent decades have seen the opening of many homeware stores such as PepHome, @Home, @Home living space, and Mr Price Home as well as Woolworths Artistic Collection department, which operate from inside the Woolworths branches. Craft retailers are often more represented in areas with greater urban based population and tourism economies. Craft retail activities have seen an increase of craft retail outlets that now represent approximately 750 outlets consisting of craft markets, galleries, small retailers and national chains (Department of Labour 2008:39). All these retailers sell handcrafted products, which create opportunities for craft producers targeting craft retailers.

However, for craft producers to derive an economic benefit, they need to gain an understanding of the retail markets (Hay 2008:13, 31). A study conducted among informal craft producers in Gauteng in support of the formally mentioned opportunity, revealed that they experience difficulties selling to formal craft retailers as craft retailers purchase only 36% of craft products from SA craft producers (Department of Sports, Arts, Recreation & Culture 2007:129). Another South African study, the Wesgro study (2000:33) also confirmed that craft producers find it difficult to access the formal craft retail market and as a result resort to only selling directly to end consumers, using direct channels (Wesgro 2000:25), thus limiting their distribution and access to the market.

Informal craft producers thus lack the skills and expertise necessary to access the formal markets such that it becomes risky and costly for formal retailers to work with the craft producers (Phillip 2006:213). They are often unable to manage complex communications and networking necessary to sell products to the formal economy (Broembsen 2011:1). Craft producers therefore need support such as financial access and financial management, business management, marketing, supply chain management, technical training and managerial training (Yeboah 1998:7) in order to access the sophisticated and formal retail market.

This article focuses on the craft industry and aims to provide an understanding of the buyer behaviour of formal craft retailers with specific focus on the supplier selection criteria used when searching for craft suppliers. A better understanding of the supplier selection criteria used by craft retailers as well as the importance of these criteria could assist informal craft producers to gain more knowledge about craft retailers. This knowledge could provide

insight that craft producers could use in their marketing activities aimed at craft retailers. Knowing which of the supplier selection criteria is most important might assist craft producers to market their products effectively, by focussing on these important criteria and in so doing gaining access to this segment.

## **2. LITERATURE REVIEW**

This section clarifies what a craft product entails and briefly highlights the South African craft industry and explains what supplier selection criteria refers to in the context of the craft industry.

### **2.1 The South African craft industry**

A craft product is defined as “the creation and production of a broad range of utilitarian and decorative items produced on a small scale, with hand processes being the significant part of the value-added content” (Department of Arts, Culture, Science & Technology 1998:7). Rogerson (2010:117) posits that craft products must be 80% handmade from different materials, which may include clay, natural fibres, beads, recyclable materials and textiles, to qualify as craft products.

The craft industry contributed R2 billion rand to the gross domestic product (GDP) in the craft industry value chain (Kaizer & Associates 2005:ii) and consisted of over 7 000 craft producer organisations in 2005 (Department of Trade & Industry 2005:6). The number of craft producer organisations has also increased by 40% with an average growth of 8% per year, double the national average (Department of Labour 2008:38). Furthermore the industry employs over 40 000 people (in McCarthy & Mavundla 2009:34). The local market has shown a strong growth of between 3-4% annually. The SA government spent R97 million on the establishment and growth of the craft industry in SA between 2001 and 2003 (Create SA 2004:4 in Grobler 2005:8), making this an important sector.

The craft industry is highly significant due to the employment it creates and incorporates both informal craft producers selling on the roadside and formal craft producers that sell their products locally and internationally (Elk 2004:1). The industry provides an opportunity for craft producers by giving creative expression to both ideas and products which in turn provides a perfect opportunity for people to move from the subsistence level to the substantive levels of the economy.

Craft producers have the greatest concentration in the informal/sole trader category and also consist of cooperatives, project-based and small batch manufacturers. Due to the small size

of these organisations, craft producers are often unable to achieve the economies of scale that drive the competition in many markets. It is also difficult to create or sustain an industry association in the sector (Department of Labour 2008:35, 36, 38). The informal craft industry constitutes mainly of women, some of them operating from the rural areas where there is no formal employment (Hay 2008:2). These women use crafting as a way of life and to provide for their families (McCarthy & Mavundla 2009:34). The informal craft producer often operates from their homes which allow them the flexibility to engage in a number of livelihood activities while formal craft producers usually operate from their studios or workshops.

Informal craft producers especially face numerous marketing-related challenges in SA. They lack understanding of what the market needs, which leads to an inability to formulate appropriate and competitive product and marketing strategies (Grobler 2005:43). Craft producers often sell similar products that do not address market demands and they have difficulty in accessing the markets (Department of Sports, Arts, Recreation & Culture 2007:10; Hay 2008:13; Makhitha & Bresler 2011:250). Craft producers also lack skills in product design, distribution and organisation management (Department of Trade & Industry 2005:85) and possess limited knowledge of the lifestyles and product preferences of their potential customers and the promotional strategies needed to target them (Littrell & Miller 2001:68). According to Urban-Econ Tourism (2010:53), craft producers copy each other's product designs and products which lack innovativeness and uniqueness. Because they are not informed about the market and are unable to produce the quality and quantity it demands, they cannot access the formal retail market.

In addition to these challenges, large formal retailers have market power that allows them to return any unsold goods during a certain period, which discourages some craft producers from selling to craft retailers; instead they opt to sell through flea markets (Rogerson 2000:706). Craft retailers are also known to exploit craft producers (Urban-Econ Tourism 2010:54).

These challenges widen the gap between small, informal craft producers and formal craft retailers, making it difficult for the informal craft producer to sell their products through formal craft retailers and therefore necessitate a better understanding of the buyer behaviour of craft retailers.

## **2.2 Buyer behaviour and supplier selection criteria**

Retailers have embraced buying as a strategic task due to customer demands for quality products, competitive pressures, globalisation, space management, green issues and

changing customer needs (Pressey, Winkholfer & Tzokas 2009:216). Retailers therefore make decisions on what to buy (the type and assortment of merchandise/products) and from whom to buy. These decisions are influenced by the store's merchandise/product policy, which differs from store to store and includes the price range to be offered, the quality of merchandise/products, the exclusiveness of merchandise/products, variety, timing of introduction, merchandise/product assortment and price policy (Diamond & Pintel 2008:113). Retailers formulate supplier selection criteria to select the right merchandise from the right suppliers. Buying from the 'right supplier' can lead to a decrease in costs, an increase in profit, an improvement in quality and a guarantee of on-time delivery (Naude 2013:12).

Retailers go through a particular buying process consisting of various stages (Johnston & Lewin 1996:2). During the buying process, suppliers are identified, evaluated and selected (Sanayei, Mousavi, Abdi & Mohaghar 2008:736). The process of evaluation and selection require the formulation of supplier section criteria (Braglia & Petroni 2000:96). This refers to a list of criteria that retailers generate when supplier selection decisions have to be made and are generated either prior to selection or when the supplier selection decision has to be made (Braglia & Petroni 2000:96).

Suppliers, such as informal craft producers, targeting formal retailers need to understand and familiarise themselves with the buying process and the supplier selection criteria of targeted retailers. This will enable suppliers to formulate an appropriate sales and marketing strategy targeted at the buying organisations (Johnston & Lewin 1996:1) or in this context a retailer by emphasising the appropriate criteria.

Supplier selection criteria in general have been the subject of investigation for many decades (Bruce & Daly 2006; Da Silva, Davies & Naude 2000; Fiorito 1990; Francis & Brown 1985; Hansen 2001; Hart & Rafiq 2006; Kahraman, Cebeci & Lulukran 2003; Kim & Boo 2010; Lin & Wu 2011; Luo, Wu, Rosenburg & Barnes 2009; McLaughlin & Rao 1990; Nadia 2013; Nilsson 1977; Pelligrini & Zanderighi 2001; Sternquist & Chen, 2006; Ettenson & Parrish 1989; Wilson 1994).

These studies investigated and rated different supplier selection criteria across types of retailers, organisations, products and industries. Sheth (1981:5) singled out price, delivery and packaging as the generic criteria that retailers use to evaluate suppliers. Furthermore the author listed product assortment, financial position, business negotiations and relative marketing effort of the organisation as criteria for selecting suppliers. Existing literature has indicated that quality, delivery and price are the key criteria used to assess the performance

capabilities of suppliers (Dandeo, Fiorito, Giunipero & Percy 2004:35; Sheth 1981:5; Sternquist & Chen 2006:260; Wilson 1994:40). Naude (2013:11) investigated 11 supplier selection criteria used by small businesses in South Africa. The study found that price, quality, on-time delivery and reliability are important supplier selection criteria used by all businesses. Other criteria such as customer service, BBBEE, quality accreditation, reputation, payment terms, flexibility and location were used by some but not all of the businesses.

The only study that refers to craft retailers in SA and therefore of particular relevance for this study is the study by the United States Agency for International Development (2006:22) that listed the six most important criteria for craft retailers when evaluating suppliers as quality, design, price, capacity, delivery and organisation skills.

Furthermore supplier selection criteria differ from one type of purchasing situation to another and also from one organisation to another (Dempsey 1978:260; Sheth 1981:5; Webster & Wind 1996:57). The literature has also indicated that selection criteria differ across product categories (Sen, Basgil, Sen & Baracli 2008:1827; Wagner, Ettenson & Parrish 1989) and types of retailers (Hansen 2001:164). Hansen (2001:166-7) reported that supermarkets differ in the importance they attach to selected supplier selection criteria. Yu, Fairhurst and Lennon (1996:20) also reported that the store characteristics influence the market choices of retail buyers and that some large retailers have different needs from those smaller retailers. The fact that different retailers use different criteria makes it even a more complex problem. The afore-mentioned lead to hypothesis one:

H<sub>1</sub> There are significant differences between different types of formal craft retailers and the importance they attach to selected supplier selection criteria

### **3. RESEARCH OBJECTIVES**

The objectives of the study are as follows:

- to ascertain the importance that formal craft retailers attach to various supplier selection criteria;
- to determine if differences exist in the importance formal craft retailers attached to selected supplier criteria based on the type of retailer.

#### **4. RESEARCH METHODOLOGY**

The study used a survey method targeted at formal craft retailers operating in all nine provinces of South Africa. This included formal craft retailers of different types and sizes such as craft shops, small interior and gift stores, interior and decor shops, discounts retailers, clothing shops, furniture shops, museums, galleries, jewellery shops and destination retailers. A non-probability convenience sampling method was used owing to the difficulties of identifying craft retailers and the fact that there was no reliable, complete and up-to-date database of formal craft retailers.

The data collection was done electronically, through email as well as personally hand delivered questionnaires to craft retailers for self-completion. The total number of questionnaires sent out to craft retailers was 681, and 233 were considered usable. Due to the low response rate data were collected from formal craft retailers operating in six provinces, including Gauteng, Western Cape, Kwazulu-Natal, Mpumalanga, North West and Eastern Cape.

The measuring instrument was designed using supplier selection criteria identified through a literature review as well as information collected from preliminary qualitative interviews conducted amongst five craft retailers and craft industry experts. The results of the qualitative interviews confirmed the criteria already identified from literature as well as identified 11 additional criteria that was included such as 'suppliers willingness to negotiate price', 'products are handmade', 'product have a swing tag', 'products are branded', to name but a few.

The questionnaire was pre-tested to ensure clarity and to determine how long it took respondents to complete the questionnaire. Respondents were requested to indicate how important each of the 39 listed supplier selection criteria is on a 5 point Likert-type scale, where(1) indicated not important at all to (5) extremely important. The Cronbach's alpha for the scale was 0.90, indicating satisfactory internal consistency reliability. No incentives were provided for participation, as participation was voluntarily.

#### **5. ANALYSIS AND DISCUSSION OF RESULTS**

This section discusses the descriptive results followed by the most important supplier selection criteria indicated and lastly the results of the hypothesis testing.

## 5.1 Descriptive results

The sample consisted of various types of craft retailers and for the purpose of statistical analysis the retailers were collapsed into five groups. These five groups were as follow: craft stores (44%), small interior/gift store (13%), large retailers such as clothing and décor stores (14%), speciality stores such as galleries, museums and jewellery shop (13%) and destination retailers (16%).

The respondents consisted of buyers, managers, owner-managers, manager-buyers and executives responsible for buying. The owner-managers were the largest group, comprising 44% (n=101) of the population. Managers were the second largest group of respondents, comprising over 18% (n= 42) of the population. This was followed by manager-buyers, with about 14 per cent of the population (n=31). Buyers made up over 12% of the population (n=28). The last group of respondents were the executives, who represented about 12 per cent of the population, consisting of 27 respondents. The majority of respondents (65%) had five or more years of buying experience.

## 5.2 The importance of the supplier selection criteria

As mentioned earlier respondents were requested to indicate the importance of the supplier selection criteria on a 5 point Likert scale. The results of these findings are listed according to importance based on mean scores, in Table 1.

**TABLE 1: Importance of supplier selection criteria**

Order of importance	Supplier selection criteria	Mean (M)	Standard deviation (SD)
1	Product quality	4.59	0.71
2	Product is exciting and attractive	4.39	0.74
3	Product styling and design	4.18	0.87
4	Product distinctiveness/unique	4.18	0.90
5	Supplier's willingness to cooperate with us	4.18	0.97
6	Product's sales potential, i.e. product will sell	4.17	0.93
7	The ability to supply products based on our demand/requirements	4.15	0.92



Order of importance	Supplier selection criteria	Mean (M)	Standard deviation (SD)
8	Supplier capacity, i.e. the ability to supply needed quantity	4.13	0.99
9	Delivery reliability, i.e. the ability to deliver on time	4.12	1.17
10	Total cost of acquiring the product	4.08	0.99
11	Supplier's willingness to negotiate prices	4.07	1.04
12	Supplier introduces new products or improvements from time to time	3.91	1.07
13	Good product ideas that match current trends	3.88	1.07
14	Ability of the product to fit in with existing ranges	3.88	1.08
15	Products are handmade	3.87	1.20
16	The convenience of placing orders with the supplier	3.86	1.05
17	The flexibility of the supplier to accommodate our changing needs	3.84	1.05
18	Established long-term relationship with the supplier	3.80	1.22
19	Supplier provides new and interesting product idea/s	3.75	1.01
20	Reputation of a supplier	3.74	1.25
21	The supplier has quality management systems in place	3.73	1.22
22	Upliftment/empowerment of small organisations	3.72	1.19
23	Supplier offers competitive prices	3.72	1.24
24	Product is fashionable	3.72	1.36
25	Supplier offers a broad range of products	3.58	1.26
26	Origin of the product	3.55	1.31
27	Our history with the supplier	3.43	1.30
28	Supplier accepts product returns if there is product failure	3.43	1.44
29	Locally manufactured crafts	3.33	1.34

Order of importance	Supplier selection criteria	Mean (M)	Standard deviation (SD)
30	Products are packaged according to our requirements	3.33	1.37
31	The supplier provides us with product and organisation information	3.32	1.35
32	Supplier provides after-sales service/support	3.14	1.48
33	Suggested retail price	3.03	1.44
34	Products have a swing tag with information	2.81	1.43
35	Supplier provides marketing support	2.72	1.35
36	Financial position of the supplier	2.57	1.48
37	Supplier provides product training	2.53	1.42
38	Products are certified, i.e. SABS, proudly SA	2.51	1.55
39	Products are branded	2.36	1.43

**Source:** Authors

From Table 1, it is evident that some supplier selection criteria were regarded as more important than others. The 10 most important supplier selection criteria based on the mean value were: 'product quality' (M=4.59, SD=0.71), 'product is exciting' (M=4.39, SD=0.74), 'product styling and design' (M=4.18, SD=0.87), 'product distinctiveness/uniqueness' (M=4.18, SD=0.90), 'supplier's willingness to cooperate with us' (M=4.18, SD=0.97), 'product's sales potential' (M=4.17, SD=0.93), 'the ability to supply products based on our demand/requirements' (M=4.15, SD=0.92), 'supplier capacity' (M=4.13, SD=0.99), 'delivery reliability' (M=4.12, SD=1.17) and 'total costs of acquiring the product' (M=4.08, SD=0.99).

The fact that product quality was identified as the most important criteria is in line with previous studies on supplier selection criteria that also identified it as one of the most important criterion (Craft Council of Ireland 2001:16; Government of Canada 2005:29; Hansen 2001:164; Kim & Boo 2010:512; Skallerud & Gronhaug 2010:204; United Nations Industrial Development Organisation 2007:29).

A study investigating Tanzanian craft retailers also listed quality as the most important criterion that craft retailers in Tanzania look for, which strongly supports the finding that

quality is critical for craft retailers (Belgian Development Agency 2012:30). It is interesting to note that product quality was rated the most important supplier selection criterion, yet having products certified by authorised organisations such as SABS or Proudly SA was indicated as the second least important supplier selection criterion.

Francis and Brown (1985:2) reported that organisations buying products that are difficult to measure or specify, such as crafts, are more concerned about quality than price, as evident in the findings of this particular study where product quality ranked most important and price only 33<sup>rd</sup>. The United States Agency for International Development (2008:28) found quality, price and timely delivery (reliability) to be the most important criteria for retailers. Although this study found reliability to be only the ninth most important supplier selection criterion, it was still indicated as very important ( $M=4.12$ ). Price also ranked relatively low at 33<sup>rd</sup> but it was still indicated as very important by retailers as well as the fact that 'total cost of acquiring the product' was in the top ten.

The following supplier selection criteria were found to be least important. 'Products are branded' ( $M=2.36$ ,  $SD=1.43$ ) was least important to formal craft retailers, followed by 'products are certified by authorised organisations such as SABS or Proudly SA' ( $M=2.51$ ,  $SD=1.55$ ), 'supplier provides training' ( $M=2.53$ ,  $SD=1.2$ ), 'financial position of a supplier' ( $M=2.53$ ,  $SD=1.42$ ) and 'supplier provides marketing support' ( $M=2.72$ ,  $SD=1.35$ ). The relatively low importance attached to branding in this study is in line with findings from Hansen (2001:164), who also reported that branding is less important for buyers. Skallerud and Gronhaug (2010:204) found that marketing support was more important for up-market stores than for middle-range stores that consider it only moderately importance. This study also found marketing support only slightly too moderately important ( $M= 2.72$ ,  $SD=1.35$ ).

The next section will report on the results of the hypothesis test to address the objectives of this study.

### **5.3 Hypothesis testing**

The appropriate test to compare different types of formal craft retailers and the importance they attach to each of the supplier selected criteria was identified as MANOVA. As all the assumptions for parametric testing were met and MANOVA offers protection against Type I error, that indicates that multiple tests correlated to dependant variables (Tabachinik & Fidell 2001:323) as was the case in this study with 39 items measuring supplier selection criteria, it was deemed the appropriate test. The significance level was set at 0.05.

The results of the MANOVA test that compared the five different types of craft retailers and the importance attached to the supplier selection criteria found significant differences:  $F(95, 997) = 1.87$ ,  $p = 0.000$ ; Wilks' Lambda = 0.45. The null hypothesis was therefore rejected and  $H_1$  was supported.

To determine where the significant differences were amongst the five types of craft retailers and the importance they attached to various selection criteria, ANOVA tests were conducted. The results indicated significant differences for 6 of the 39 criteria, and the significant results are reported in Table 2.

Cohen's (1988) guidelines to compare groups' eta square were used to interpret the effect sizes indicated in Table 2, as small (0.01), medium (0.06) or large (0.14). Therefore the effect size for 'suppliers offer a broad range of products' can be described as large (0.146) explaining 14.6 percent of the variance and the other effect sizes can be classified as medium: 'financial position of the supplier' (0.096), 'products are certified by the authorised organisation' (0.074). 'Origin of the product' (0.053), 'suppliers accepts product returns if there is product failure' (0.052) and 'our history with the supplier' (0.056) can be described as small.

**TABLE 2: ANOVA results for supplier selection criteria**

Supplier selection criteria	Df	F value	P value	Partial Eta squared
Supplier accepts product returns if there is product failure	5	2.413	.037*	.052
Financial position of the supplier	5	4.736	.000*	.096
Our history with the supplier	5	2.614	.025*	.056
Supplier offers a broad range of products	5	7.608	.000*	.146
Products are certified by an authorised organisation	5	3.550	.004*	.074
Origin of the product	5	2.468	.034*	.053

\* Significance level was set at  $\alpha = 0.05$

Source: Authors

To determine where the significant differences lie within the five groups of craft retailers, Duncan post-hoc tests were conducted and these results are reported in Table 3.

From Table 3 it is evident that craft stores (M=3.07) considered the criterion 'supplier accepts product returns' to be significantly less important than small interior or gift stores (M=3.93). Small interior/gift stores (M=2.70) also placed less importance on the criterion 'supplier offers a broad range of products' than the other retailers.

Destination stores (M=2.09) and small interior/gift stores (M=2.15) attached significantly less importance to the criterion 'financial position of a supplier' than speciality retailers (M=3.11) and large stores did (M=3.23). This is in line with the finding of the USAID study that financial position is useful when selling to large retailers (United States Agency for International Development 2006:38).

Large retailers (M=3.27) placed more importance on the criterion 'products are certified by an authorised organisation such as SABS, Proudly SA' than small interior/gift stores (M=1.96) and destination retailers (M=1.97).

**TABLE 3: Results for the Duncan post hoc test**

Supplier selection criteria	Types of craft retailers	Subset	
		A	B
Supplier accepts product returns if there is product failure	Craft stores	3.07	
	Small interior/gift stores		3.93
	Large retailers	*3.67	*3.67
	Speciality stores	*3.64	*3.64
	Destination retailers	*3.69	*3.69
Financial position of a supplier	Craft stores	*2.65	*2.65
	Small interior/gift stores	2.15	
	Large retailers		3.23
	Speciality stores		3.11
	Destination retailers	2.09	
Our history with a supplier	Craft stores	*3.44	*3.44
	Small interior/gift stores	3.15	
	Large retailers	*3.67	*3.67
	Speciality stores	2.96	
	Destination retailers		4.00
Supplier offers a broad range of products	Craft stores		3.97
	Small interior/gift stores	2.70	
	Large retailers		3.43
	Speciality stores		3.54
	Destination retailers		3.94
Products are certified by authorize	Craft stores	*2.66	*2.66

Supplier selection criteria	Types of craft retailers	Subset	
		A	B
organisation such as SABS and Proudly SA	Small interior/gift stores	1.96	
	Large retailers		3.27
	Speciality stores	*2.79	*2.79
	Destination retailers	1.97	
Origin of a product	Craft stores	3.53	
	Small interior/gift stores	3.37	
	Large retailers	3.30	
	Speciality stores	3.46	
	Destination retailers		4.26

\* Retail stores in the same subset (A or B) do not differ significantly

Source: Authors

Bienabe and Vermeulen (2007:3,9) also found that large retailers buy from suppliers who adhere to the required standards, which is similar to the findings in this study. However, this study also found that certification by SABS or Proudly SA was one of the least important supplier selection criteria.

Destination retailers (M=4.26) attached more importance to the criterion 'origin of the product' than all the other types of retailers. Product origin was also found to be used by craft retailers to determine the quality of craft products in Tanzania (Belgian Development Agency 2012:31). While the origin of the product was not found to be important for craft buyers, it was found to be necessary for telling the story about the products (Government of Canada 2005:19). The destination retailers (M=4.00) also differed significantly from speciality stores (M=2.96) and small interior/gift stores (M=3.15) in attaching a higher importance to the criterion 'our history with a supplier', thus suggesting that building relationships are important to them.

The results show that different types of craft retailers attach different levels of importance to selected supplier selection criteria, which is in line with findings of previous studies (Hansen 2001; Yu, Fairhurst & Lennon 1996). According to Paige and Littrell (2002:323), retailers differ in terms of product assortment qualities, such as where they buy their products, uniqueness, product quality and quantity of craft products they buy.

## 6. RECOMMENDATIONS

There are different types of craft retailers in SA, some of which exhibit similar behaviour in attaching the same importance to the top ten supplier selection criteria. Since the different types of formal craft retailers did not differ with regard to the importance they attached to the

10 most important supplier selection criteria, these criteria ought to all be taken into account when developing a marketing strategy targeted at craft retailers in general.

Craft producers should therefore market their products by focussing on the criteria their target audience, in this context craft retailers deem most important. This study therefore provided craft producers with the knowledge of the 10 most important supplier selection criteria to be included in their marketing activities. By focussing their marketing activities on these important criteria, might give craft producers the opportunity to attract the attention of formal craft retailers to consider them as possible suppliers. This could help informal craft retailers gaining access to this segment. Continuous effort should be made to improve the craft producers' marketing activities to include the most important criteria. Craft producers should carefully consider their product strategy, pricing strategy as well as the importance of supplier selection criteria across types of craft retailers when marketing to craft retailers.

### **6.1 Product strategy**

The fact that the top four criteria relates to the product emphasizes the importance of a well thought through product strategy for craft producers when targeting any type of formal craft retailer. Craft producers should ensure that their products are of good quality as well as exciting and unique. Therefore, giving special attention to product styling and design. Of importance to informal craft producers is an understanding of the specific product requirements of formal craft retailers so that they can develop products to meet those requirements, as evident in the top four criteria being product-related. This can be achieved in different ways, such as by visiting craft retailers, bringing new product ideas or samples to discuss with them or by asking formal retailers what they look for in specific products. It is essential that craft producers develop and update their products from time to time and keep track of changing trends. In addition to updating product quality, craft producers must also update product designs and styles so as to make products look unique.

It is important that craft producers avoid copying other producers' ideas since this limits their ability to offer styles that are unique and can be identified with their organisation. Product development must be a continuous exercise that ensures that creativity and innovation are the first priority. For example, retail markets such as the décor markets are fashion driven and their needs change continuously which is why craft producers must update their products from time to time so to remain relevant to the changing needs of retailers.

The least important supplier selection criteria is, that products are branded; products are certified by authorised organisations such as SABS or Proudly SA, the supplier provides

product training, the financial position of a supplier and that the supplier provides marketing support. Craft producers should thus place less emphasis on these criteria than on the most important ones. Again this is advantageous to the small craft producers lacking financial resources as they do not need to go through the often lengthy and expensive process of gaining certification for the products or providing marketing support that could be expensive.

The reason for the low importance accorded to branding may be that certain craft products, such as jewellery and wooden products, do not need the attachment of a name to enhance their appeal, while some retailers such as Mr Price sell their products under their house brand. However, it would be unwise for craft producers to ignore branding entirely, since a brand name is able to contribute to the recognition of the craft producer.

## **6.2 Pricing strategy**

Furthermore craft producers need to pay attention to their pricing strategies. Craft retailers consider the total cost of acquisition rather than price alone. This is shown by the fact that the total cost of ownership is rated the 10<sup>th</sup> most important supplier selection criterion, whereas price is ranked 33<sup>rd</sup> in level of importance. However, craft retailers buy from suppliers who are willing to negotiate prices (11<sup>th</sup> most important of all criteria) and also evaluate the price competitiveness of craft producers (23<sup>rd</sup> most important criterion). Craft retailers often have to visit remote areas, driving as far as 1000 kilometres looking for craft producers, some of them camping at places near craft producers to acquire stock (Mutua, Massino & Mburu 2004:97-8). This is possibly why total costs of ownership are more important than price alone. Craft producers must also be willing to negotiate prices since this is very important to craft retailers.

## **6.3 Types of craft retailers and the importance attached to certain supplier selection criteria**

When craft producers would like to target particular types of formal craft retailers they could consider emphasising those criteria indicated as more important by the specific retailer type.

For example craft producers could place more emphasis on their 'favourable financial position' when marketing their products to large craft stores and speciality stores. Destination retailers in turn place more importance on suppliers offering a broad range of products and the 'track record' of the supplier. Although this criterion was not rated among the most important ones, it is essential that craft producers targeting small interior/gift stores satisfy this retail group's need of product variety. For craft producers, this means that they



need to have a broad as well as a wide product range, thus providing a 'one-stop-shopping' experience.

Large retail stores are more likely than small interior or gift stores and destination retailers to place importance on products that are certified by an authorised organisation such as SABS and Proudly SA. The ability to meet specified standards is one of the challenges faced by craft producers. However, they need to adhere to these standards if they want to market their product successfully to large retailers.

Retailers such as Mr Price offer training programmes to craft producers with the aim of developing saleable products. The training programme was established after it was realised that product design and development were necessary for sustainable income generation for craft producers and it ensures that craft producers supply high-quality products that are unique (Science in Africa 2006:2). Craft producers planning on targeting these large retailers need to attend such training courses to learn new skills and establish relationships with craft retailers.

The results also showed that destination retailers attach more importance to the origin of the product than the other retailers do. The reason for this may be that these stores sell the majority of their products to tourists, including international tourists who would be more interested in buying products that have nostalgic value for them. For craft producers targeting this specific retail group it could be beneficial to emphasise the origin of their products through branding or swing tags, which allow craft retailers to tell a story or recount the history of their products and organisations.

## **7. CONCLUSION**

The aim of this study was to determine the importance of the supplier selection criteria indicated by different types of formal craft retailers when selecting their suppliers. The findings revealed that product quality is the most important supplier selection criteria. The study further found significant differences between the different types of formal craft retailers and the importance they attach to six of the 39 supplier selection criteria.

The main limitation of this study is that due to convenience sampling the results are not representative of the broader SA formal craft retail population. Therefore, the results cannot be generalised. It should also be noted that 44% of the sample consisted of craft stores which could bias the results. However, the findings of this study contribute to the limited

empirical information available on the craft industry and more specific understanding the criteria used to selected craft suppliers.

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