

Handicrafts & Gifts

Essential sourcing intelligence

November 2013

US\$150

Nepal supplier profiles

Detailed profiles of 18 suppliers with verified manufacturing and export credentials

Product gallery

Specifications and full-color images of 180 top-selling export products ranging from holiday decor to statuettes

Industry trends

Coverage of current issues, plus insights into supply centers, products and pricing



promoting sustainable global trade

hinrich foundation

Global Sources is offering this series of *Developing Country Sourcing Reports* as part of its corporate social responsibility undertakings in partnership with the Hinrich Foundation, a philanthropic development organization whose mission is promoting sustainable global trade.

The aim is to give international buyers new sourcing opportunities from experienced exporters, generating orders and creating lasting jobs in developing economies.

Supplier capability in Nepal

HANDICRAFTS & GIFTS

The handicrafts and gifts industry in Nepal is enjoying steady growth as demand from emerging economies continues to boost sales. The expansion of several domestic manufacturers in new markets in the Asia-Pacific region is a key factor behind this development.

Shipments to large economies such as the US and the EU also play a part but have slowed slightly over the past year due to financial difficulties in these destinations. Nonetheless, they still account for a considerable part of foreign revenue.

The industry relies on several competitive advantages despite a number of internal and external issues that threaten to hamper its sustained development. Chief of these is the detailed workmanship applied by artisans on most products. Materials native to the country also help in emphasizing the uniqueness of items and enhancing the diversity of designs.

Key findings

1. Among manufacturers featured in this report, slightly more are planning to keep export prices unchanged compared with those that will adjust quotes higher. The former will adopt this strategy to maintain competitiveness and draw in new customers. Suppliers that are preparing to raise prices will do so in response to increasing production costs.
2. Enterprises generally forecast revenue to climb in the coming year as a result of expanding market reach. Many companies predict growth to come from nearby countries in South Asia, in addition to the Asia-Pacific region.
3. Due to competition from more established supply markets in Asia that specialize in low-end items, the industry in Nepal emphasizes on products aimed at the midrange and high end. Models under these segments typically feature intricate designs done through traditional labor-intensive processes.
4. The soaring cost of labor is regarded as the most crucial challenge confronting the sector as it diminishes the line's competitiveness versus other sourcing hubs. Dwindling manpower availability is another concern as many local craftsmen opt for high-paying jobs abroad.
5. The capital, Katmandu, is the country's most important supply zone for handicrafts and gift items made of wood, wool, stone and metal. Ceramics are mostly produced by enterprises based in Bagmati zone's Bhaktapur district. This area is home to an ethnic group that specializes in the craft.

Objective, methodology & scope

This Nepal Sourcing Report is part of a series designed to provide buyers with information on new products from export manufacturers in supply markets that specialize in handmade merchandise.

The Developing Country Sourcing Report series is part of Global Sources' corporate social responsibility initiatives. It is offered in conjunction with the Hinrich Foundation, whose mission is promoting sustainable global trade. One of its objectives is to help create jobs in developing Asia through export promotion.

To produce this report, large, midsize and emerging manufacturers, all with substantial export experience, were surveyed. The selection of suppliers is designed to reflect the composition of the industry in Nepal in terms of geographic location, materials used and range of products offered.

For in-depth profiles, our researchers visited the facilities of each company and interviewed senior executives who discussed their recent performance and provided forecasts for the next 12 months. All other makers in this report were either visited or contacted by phone.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including a breakdown of exports by product type and market. Suppliers also participated in a survey designed to provide insight into the industry.

This report covers different types of handicrafts and gifts available in Nepal, including holiday and promotional crafts, and souvenirs. Each product category has its own price guide that describes features of models for the low end, midrange and high end.

In this report

- 18 in-depth company profiles
- 180 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics and charts

The Industry Overview section discusses key issues affecting export manufacturers. It provides insight on the composition of the industry and general supplier capability, and elaborates on the important sourcing centers within Nepal.

The Products & Prices section details the features and price ranges of handicrafts and gifts. It also examines the design and manufacturing processes, main materials used, and sourcing centers where components are procured.

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Industry Overview

Stable overseas demand is driving the growth of the handicrafts and gifts industry in Nepal. Shipments over the past three years have been steadily rising despite erratic economic conditions in traditional markets.

The sector is divided into two primary groups: textile and nontextile products. Export data from the Federation of Handicraft Associations of Nepal or FHAN show that revenue from textile goods, which include pashmina, silk and woolen items, grew 4 percent to roughly \$2 billion in the 2012-13 fiscal year. This was after the line recorded a 33 percent increase from the previous period. The expansion is largely credited to increasing orders from the West, particularly the US and the EU.

Similarly, outbound shipments of nontextile items, which are mainly composed of metal, paper, wooden and ceramic crafts, went up 8 percent to \$2.4 billion last year. In 2010-11, foreign sales reached \$1.7 billion, marking an improvement of close to 31 percent from the period prior.

The US is the primary overseas destination for handicrafts, accounting for \$14.2 million in turnover, down 17 percent from 2011-12. Despite the drop, major retail chains Macy's, Wal-Mart, Kmart and Pottery Barn have been

boosting their purchasing activities in Nepal this year. Germany is the second-largest foreign market at \$4.1 million. Japan rounds out the top three, absorbing \$3.9 million.

The sovereign debt crisis in Europe has slowed down exports to some EU members last year. It directly affected sales of nonessential goods, particularly wooden and paper crafts, which declined 17 and 12 percent, respectively. Deliveries to the Netherlands plummeted 45 percent to \$1.9 million. Income from the UK plunged 8 percent to \$3 million. Despite the negative figures, suppliers are optimistic that the sector as a whole will bounce back in the next 12 months amid recovering demand from the bloc.

The bullish outlook is also buoyed by increasing orders from the Asia-Pacific region, particularly mainland China, where basic and midrange models are popular. This development is favorable to domestic manufacturers as most of them specialize in these price points because of less-strict quality requirements. Other key destinations in the region include Hong Kong, Australia and New Zealand.

Enterprises are also looking into alternative markets such as Russia, Chile, Ecuador, Guatemala and Honduras.

Challenges

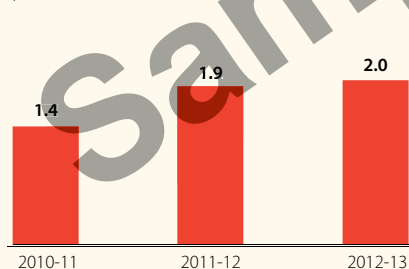
The heavy reliance on imported materials is considered as the primary hurdle affecting the line. The majority of makers buy fabrics, specifically cotton and silk, from mainland China. Wool is mostly procured from New Zealand, and leather is bought from India. Embellishments such as glass beads, crystal and semiprecious stones are purchased from mainland China and the Czech Republic. Teak is obtained from Indonesia.

Because of fluctuations in demand and supply, the costs of these inputs are likewise volatile. As such, some vendors would create an artificial shortage to drive quotes upward, justifying price adjustments. To save on outlay, some makers source raw components in bulk to avail of discounts provided by sellers. Others utilize recycled inputs such as scrap metal and repurposed wood to lessen expenses.

The thinning labor force is also cited as a major concern. In recent years, enterprises have been finding it difficult to hire skilled and semiskilled workers to expand their businesses as craftsmen seek better pay and opportunities abroad. Data from the Ministry of Labor indicate that about 36,000 people leave Nepal every month and pursue overseas employment, mostly for

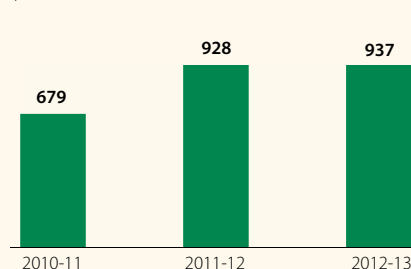
Export value

Textile products \$ billion

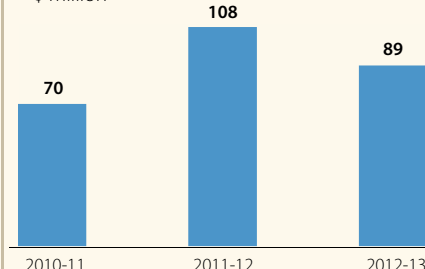


Includes pashmina, woolen, felt, silk, cotton, hemp, allo, dhaka and miscellaneous textile products

Metal crafts \$ million



Wooden crafts \$ million



Fiscal year starts mid-July

Source: Federation of Handicraft Associations of Nepal

SUPPLIER MATRIX

Company	Year established	Head office location	Factory location(s)	Ownership	Full-time employees	Part-time employees
[REDACTED]	2005	Katmandu (Bagmati)	Bhaktapur (Bagmati)	Locally owned	17	10
[REDACTED]	2011	Katmandu (Bagmati)	Katmandu (Bagmati)	Locally owned	6	20
[REDACTED]	1976	Katmandu (Bagmati)	Lalitpur (Bagmati)	Locally owned	4	45
[REDACTED]	1992	Katmandu (Bagmati)	Lalitpur (Bagmati)	Locally owned	22	50
[REDACTED]	2009	Katmandu (Bagmati)	Katmandu (Bagmati)	Locally owned	5	30
[REDACTED]	1987	Katmandu (Bagmati)	Katmandu (Bagmati)	Locally owned	12	40
[REDACTED]	2004	Katmandu (Bagmati)	Katmandu (Bagmati)	Locally owned	6	15
[REDACTED]	2008	Lalitpur (Bagmati)	Lalitpur (Bagmati)	Locally owned	20	30
[REDACTED]	2009	Lalitpur (Bagmati)	Lalitpur (Bagmati)	Locally owned	3	22
[REDACTED]	1989	Katmandu (Bagmati)	Katmandu (Bagmati)	Locally owned	20	20
[REDACTED]	1997	Katmandu (Bagmati)	Katmandu (Bagmati)	Locally owned	7	140
[REDACTED]	2005	Lalitpur (Bagmati)	Lalitpur (Bagmati)	Locally owned	7	12
[REDACTED]	2001	Katmandu (Bagmati)	Katmandu (Bagmati)	Locally owned	12	20
[REDACTED]	2005	Lalitpur (Bagmati)	Lalitpur (Bagmati)	Locally owned	22	8
[REDACTED]	1996	Lalitpur (Bagmati)	Lalitpur (Bagmati)	Locally owned	8	27
[REDACTED]	2007	Katmandu (Bagmati)	Sansari (Koshi)	Locally owned	18	100
[REDACTED]	2001	Katmandu (Bagmati)	Lalitpur (Bagmati)	Locally owned	30	25
[REDACTED]	1990	Katmandu (Bagmati)	Katmandu (Bagmati)	Locally owned	6	10

Bronze House

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Bronze House was established in 2005 and specializes in metal crafts. It generates \$110,000 in total annual revenue.

The company's entire output is sent abroad. Thailand is the largest overseas destination, accounting for two-fifths of exports. The US absorbs 30 percent of shipments. Japan and Germany each take up 15 percent.

Four-fifths of orders are under ODM basis.

Singing bowls are the best-sellers. The product line also includes statues, bells, cymbals and religious items.

Prices are generally between \$3 and \$9. The material used, size and design complexity dictate quotes.

Copper, brass, tin, lead and zinc are the main components used. They are sourced from vendors in Katmandu.

Alloy is bought from Singapore.

The owner serves as the designer and QC inspector. Up to 50 models are launched every year. Samples are normally provided between two and three weeks.

All manufacturing steps are performed in a 278sqm factory in the Bhaktapur district of Bagmati zone. The maker also owns a retail shop in Katmandu Durbar Square.

Bronze House has 17 permanent and 10 part-time workers. They assemble as many as 30,000 pieces per month.

Packing consists of polybags and cartons. The minimum order requirement is 10 pieces per model. Delivery is within a month.

The supplier will target Japan and China for market expansion over the next 12 months.

Capability

Materials used

Fabric	✓
Wood	✓
Metal	✓
Paper	✓
Clay	✗
Other	✗

Exports by product

Holiday crafts	20%
Promotional crafts	20%
Souvenirs & gifts	60%

Exports by market

North America	30%
EU	15%
Europe (non-EU)	–
Asia-Pacific	55%
Middle East	–
Other	–

Company facts

Year established	2005
Head office location	Katmandu (Bagmati)
Factory location(s)	Bhaktapur (Bagmati)
Ownership	Locally owned
Full-time employees	17
Part-time employees	10
Total annual sales (all products)	\$110,000

Sales & output: Handicrafts & gifts

Annual sales	\$110,000
Share of total sales	100%
Annual export sales	\$110,000
Total monthly capacity	30,000 pieces
Average monthly output	10,000 pieces
Capacity utilized	33%
Average monthly exports	10,000 pieces
Export ratio	100%

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Bagmati, Nepal

Popular export models



Model: BH001
MOQ: 10 pieces
Packaging: Polybag, carton
Delivery: 30 days
Price: \$10
Description: Singing bowl; copper, bronze, tin, zinc and lead; embossed Bajra motif; 4in diameter; in various designs and sizes



Model: BH002
MOQ: 10 pieces
Packaging: Polybag, carton
Delivery: 30 days
Price: \$8
Description: Singing bowl; copper, bronze, tin, zinc and lead; Buddha eye motif; 5in diameter; in various designs and sizes



Model: BH003
MOQ: 10 pieces
Packaging: Polybag, carton
Delivery: 30 days
Price: \$5
Description: Singing bowl; copper, bronze, tin, zinc and lead; Mandala motif; 4.5in diameter; in various designs and sizes



Model: BH008
MOQ: 10 pieces
Packaging: Polybag, carton
Delivery: 30 days
Price: \$9
Description: Singing bowl; copper, bronze, tin, zinc and lead; wooden base; 4in diameter; in various designs and sizes



Model: BH009
MOQ: 10 pieces
Packaging: Polybag, carton
Delivery: 30 days
Price: \$9
Description: Singing bowl; copper, bronze, tin, zinc and lead; wooden base; 4in diameter; in various designs and sizes



Model: BH010
MOQ: 10 pieces
Packaging: Polybag, carton
Delivery: 30 days
Price: \$9
Description: Singing bowl; copper, bronze, tin, zinc and lead; wooden base; 4in diameter; in various designs and sizes

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