

This summary is based on the annual Irish Craft Industry Survey, which was conducted for the Crafts Council of Ireland (CCol) in 2004 by Platinum Consulting Group (PCG). To increase the survey's accuracy it is now conducted in the fourth quarter of each year for the preceding year. This allows respondents to provide an estimate for sales figures based on their tax returns. An additional benefit of surveying at this time in the year is that craft businesses are in a reasonable position to give a forecast for their current year sales so near to year-end, and this provides a quick means for tracking changes in the key performance indicators.

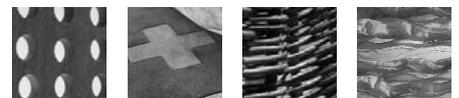
# 2003/2004

# The Irish Craft Industry

A Summary of Economic Performance Indicators in the Irish Craft Industry

At the end of 2003, the CCol Register of Craft Enterprise held details on the craft business of just over 1300 craftspeople from the island of Ireland, and this provided the group of companies contacted for the Industry Survey. A database of this size also provides a stratified sample of the craft industry which accurately reflects its composition by craft sector, age of business, and location. PCG received 385 replies (29%) from CCol registered craft companies from which the financial and market profile of the Irish craft industry for 2003 has been drawn. From this sample, it was possible to extrapolate robust estimates for the entire Register and for the industry as a whole. Figures for total all Ireland sales, exports, employment and other business profiling were then completed. For accuracy in comparing the performance of the different craft sectors making up the industry - where measurement can be based on small sectoral samples - only projections based on CCol registered companies are used, which is noted in the tables used for illustration.

The statistical analysis the Survey produces feeds directly into CCol strategy, and delivers a large part of the Council's KNOWLEDGE goal that is central to policy making in the Strategic Plan for 2004-2006, and will be a reference for policy throughout the lifetime of the plan, ensuring it remains dynamic and flexible. These qualities are absolute necessities in an evolving market for craft that, since 2001, has been marked by uncertainty in the world economy, and by increasing competition from well-designed goods sourced from low-cost economies. While the industry has proven resilient to economic shock in the past due to the flexibility of its micro-enterprise base, it is still a manufacturing sector that is as sensitive to shifts in background economic and consumer trends as any other.



## SALES PERFORMANCE OF THE ALL IRELAND CRAFT INDUSTRY

In that context, the all Ireland craft industry in 2003 recovered more sales lost in the turbulent 2001 trading year, and recorded a second - albeit small - annual increase.

However, while total all Ireland sales increased by just under 2% to €86 million (2002: €84 million), sales by Republic of Ireland based craftspeople remained virtually static, with sales reported by Northern Irish craftspeople increasing by 22%. Much stronger growth was forecast for 2004, with expectation of all Ireland sales reaching €96 million for the year, but the performance in each jurisdiction showed a reverse to the position in 2003. In 2004, Republic of Ireland (RoI) sales were expected to be the driver for growth with an expected increase from €75 million to €85 million, a 13% increase, while Northern Ireland (NI) sales were expected to remain at the previous year's figure of €11 million.

Millions (€)	2004	2003	2002	2001*
ROI Sales	€85	€75	€75	NA
NI Sales	€11	€11	€9	NA
Total Sales	€96	€86	€84	€76

\*The Council's estimate for 2000 was not based on the detailed sampling used since 2001 on, but it is likely that all Ireland sales of craft that year were in the region of €90+ million. Anecdotally, 2000 was certainly regarded in the industry as a record year for direct and indirect craft sales, and so the 2001 figure of €76 million for all Ireland turnover represented a very sharp fall.

## EXPORT PERFORMANCE

In terms of exports, NI industry share is estimated at €4 million in 2003, with RoI share at just over €18 million, giving a total of €22 million in exports for craft businesses in Ireland, which is 26% of all Ireland total craft sales. The CCol's international trade fair Showcase is the main route for export sales and based on the proportion of inter-jurisdictional sales which were reported by exhibitors at the 2003 fair as part of their total export orders, it is likely that approximately 20% of the €22 million annual exports recorded in the 2003 Craft Industry Survey represent NI to RoI and RoI to NI sales.

RoI exporters predominantly rely on the Northern Ireland, the UK and the USA for export sales. These markets are vulnerable to currency market fluctuations and can have a negative impact on the industry as a whole. 2003 saw the development of a strong pound and a weak dollar, which have both had a negative impact on the Irish crafts industry in terms of exports and their price competitiveness, particularly in NI where the Sterling's continuing strength against the Euro impacted on its sales into RoI and Europe.

This table shows that Textiles is the most dependent of all the craft sectors on exports to achieve its overall annual performance and its value to weight ratio must assist in this. The issues of value/weight ratios in shipping costs and the high risk of breakage explain Ceramics' position in the table.

Exports as a % of Sales '03	
Textiles	34%
Wood	24%
Jewellery	23%
Furniture	19%
Ceramics	17%
Overall Industry	23%

## SECTORAL CHANGE

As with the significant jurisdictional differences in year on year sales or the variability of export levels from craft to craft, there are some important changes in sectoral sales performance within the industry. Following many years of strong growth starting in the late 80s and accelerating in the 90s, 2002 saw the first substantial decrease in Ceramics sales of 10%. The sector is yet to completely recover despite some small level of growth in 2003 and 2004. This sharp fall contrasts with strong growth in the Jewellery sector, which means that for the first time it tops the sectoral sales for the industry as a whole:

Estimates based only on craft companies registered with CCol

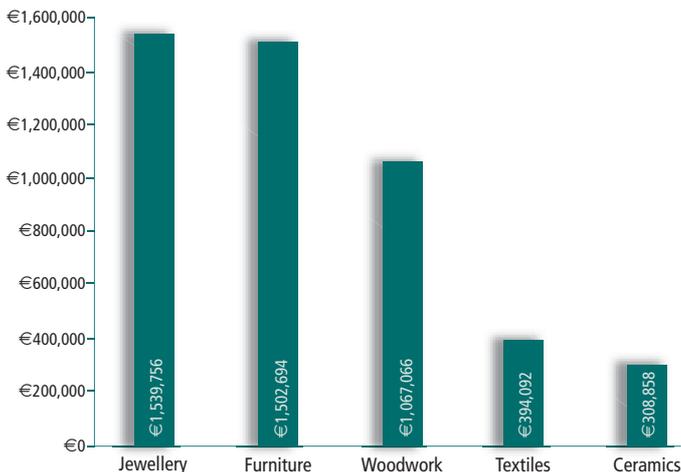
Discipline	Average Sales per Craft Company on CCol Register		No. of Companies on CCol Register	Total Sales per Sector	
	2003	2004	2003	2003	2004
Jewellery	86,822	96,506	159	13,804,698	15,344,454
Ceramics	44,156	45,267	278	12,275,368	12,584,226
Textiles	30,811	32,287	267	8,226,537	8,620,629
Furniture	67,342	83,500	93	6,262,806	7,765,500
Woodwork	32,492	39,954	143	4,646,356	5,713,422
<b>Whole Register</b>					
<b>Average/Total Sales</b>	<b>€47,411</b>	<b>€53,005</b>	<b>1,323</b>	<b>€62,724,753</b>	<b>€70,125,615</b>

The figures also show that Jewellery companies, on average, were likely to have double the volume of sales in 2004 as their Ceramics counterparts, an outstanding performance but one which must be viewed in the light of the significantly higher raw material costs and their impact on profit margins. The principal factors at work here appear to be the large number of competitively designed and priced imports faced by Irish Ceramics companies in the gift market they have so successfully operated in for a decade and a half, as well as the increased focus on the value addition of design in the Jewellery sector, which appears to have helped it cope more successfully with imported competition.

## BETTER TO GROW MARKETS RATHER THAN TO CANNIBALIZE THEM

An additional interpretation of the figures and recent history would be that the success of pottery sales in the 90s also drove the growth of start-up businesses in the Ceramics sector so that at 278 registrations with CCol, it forms the largest craft by the number of practitioners. It has long been the anecdotal belief of the owners of the longest established pottery workshops that late-comers to the sector cannibalized the existing market for Ceramics rather than growing it, resulting in a relatively large 'cake' being cut increasingly small. This view would seem to be validated by the survey. It is a characteristic of the craft industry that growth in sectoral sales leads to more individual companies being established, rather than existing micro-enterprises growing to SME size to meet demand, but there is a distinct downside to that phenomenon if new companies are limited in their capacity to 'design' into new markets.

### Forecast Value of Sales Growth for Registered CCol Companies in 2004 by Sector



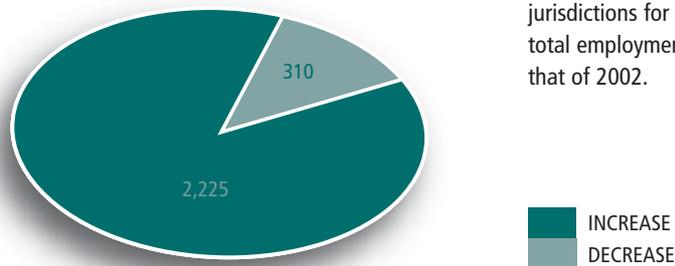
In sharp contrast, forecast sales growth shows that not only the Jewellery sector but also the Furniture sector, is likely to have performed well in 2004. This may reflect high-end consumers' willingness to accept relatively expensive prices for the individual design and material quality of bespoke furniture relative to its mainstream competitors. If that is the case, the advent of IKEA into the Irish market is unlikely to have any negative impact on the craft furniture sector, so long as a section of Irish consumers continue to place value on individuality, provenance, creative design and the differentiation between 'by hand' and 'by factory'. At the time of this survey, both Jewellery and Furniture sectors showed confidence in their ability to persuade the consumer of that case.

## EMPLOYMENT LEVELS IN THE INDUSTRY

Only 31% of all Survey respondents had any employees (in addition to themselves) in 2003. When compared with those employing staff in 2002, there has been a 5% rise in the proportion of craftspeople employing staff other than themselves in 2003, with stronger growth in NI.

### Employment in the Craft Industry in 2003 in NI and ROI

The table below shows the actual level of employment in the Crafts Industry in both jurisdictions for 2003. 2003 saw an increase in total employment of 2% when compared with that of 2002.



## DIRECT AND INDIRECT ROUTES TO MARKET

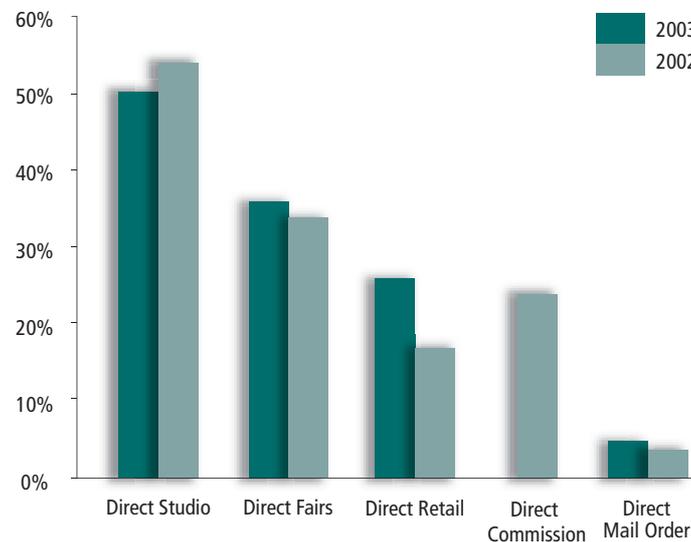
There is little change in the importance of direct or indirect channels in bringing craft product to market between 2002 and 2003. The overall numbers reporting that they exclusively use direct routes changed by a single percentage point from 23% in 2002 to 24% in 2003. Those exclusively using indirect channels remained the same at 3%, while those using both indirect and direct moved from 74% in 2002 to 73% in 2003.

However, there was a marked difference in the balance of direct, indirect and both channels when comparing those craftspeople who earned less than 50% of their annual income from the sale of craft and those who earned over 50% of their annual income.

Sales Channels Used	Under 50% income	Over 50% income
Exclusively DIRECT Sales Channels	31%	21%
Exclusively INDIRECT Sales Channels	3%	3%
BOTH Sales Channels	66%	76%

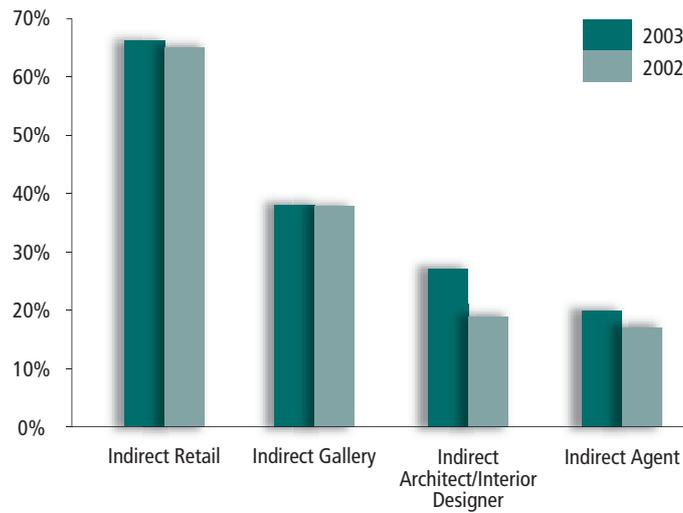
While direct channels are significant to both income groups, those earning over 50% of their income from the sale of craft are less dependent on direct sales channels.

### Direct routes - relative importance of direct routes in 2002 / 2003



The chart on the left shows the relative importance of the different routes to the consumer when making direct sales (data on 'Direct Commission' was not sought until the 2003 survey). The increase in 'Direct Retail' relates to the addition of purpose built outlets usually adjacent to workshops. Similarly little change was noted in indirect sales routes, with only the use of architects/interior designers as an indirect source of commissions increasing significantly between 2002 and 2003.

**Indirect routes -  
relative importance of indirect routes in 2002 / 2003**



**THE ROLE OF GENDER IN THE CRAFT INDUSTRY**

Women business principals in the craft industry pay themselves a significantly lower average wage than their male counterparts. The difference is very significant as can be seen from the table below:

Comparison Of Wage Levels	Survey 2003	Male	Female
Average Wages	€13,966	€16,131	€11,357
Wages As a % of Overhead	42%	34%	61%
Average Overheads	€33,369	€46,761	€18,535

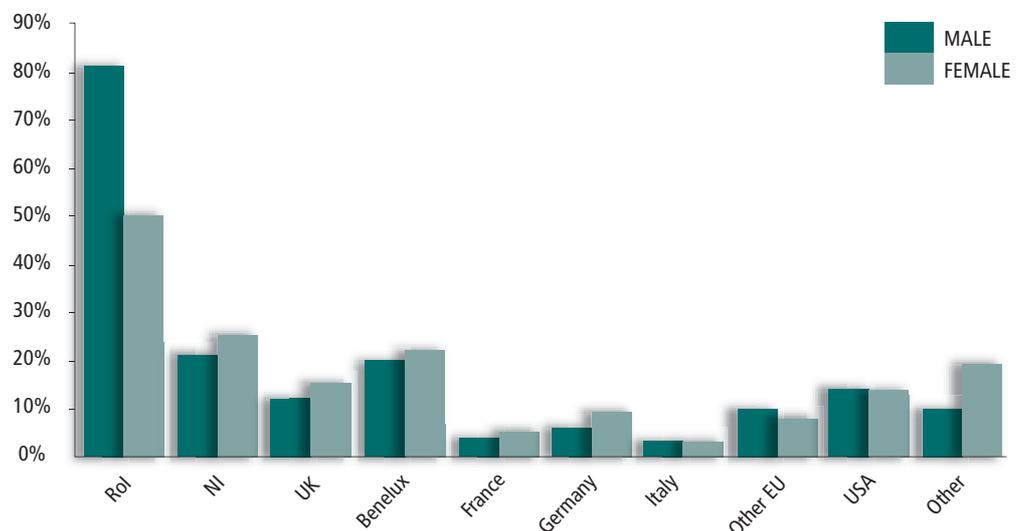
Equally, this is reflected in turnover levels:

Average sales are calculated from a simple average of the total level of sales provided by respondents.

Turnover year	Male	Female
2002	€71,079	€23,672
2003	€68,159 (-4%)	€25,343 (+7%)
2004	€74,789 (+10%)	€28,110 (+11%)

While women may still have some way to go in terms of matching men in terms of wage levels and gross turnover, they outperform male craftspeople in the proportion of exports they achieve. This is reflected in the importance of exports to the Textiles sector and to female predominance in it by nearly 12 to 1.

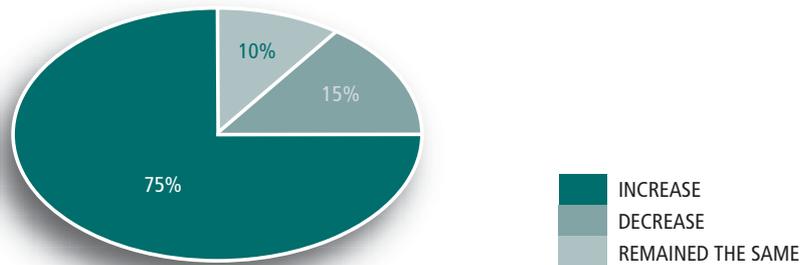
**Gender and the importance of home and export markets**



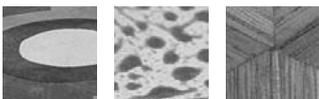
## HOW THE INDUSTRY REGARDS THE CRAFTS COUNCIL OF IRELAND

There are wide range of possible service options for CCol projects given the diversity of its client base in terms of company size, commerciality, business age and target markets. The Council's operational activity is based on a mix of services/projects reflecting this diversity, each project aimed at specific segments of the client base. To evaluate its own service performance CCol also uses the survey to gain feedback from the industry. In 2003 75% of all respondents felt that there had been an increase in overall service standards:

### The industry's view on CCol service standards



In 2003, the survey also sought levels of satisfaction/dissatisfaction in regard to individual services and projects, with respondents reporting an average 50% satisfaction and 16% dissatisfaction with them. These responses to overall organisational standards and to specific projects and services form the benchmarks which will be used measure improvements in Council performance during the term of the new CCol Strategic Plan 2004-2006.



 Crafts Council of Ireland



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