

**Access to Markets  
Case Study Series/ No. 3**

# **Making the Connection:**

**People, Incorporated of Southwest Virginia  
Appalmade**

**Candace Nelson and Karen Doyle Grossman  
with Amy Kays Blair  
The Aspen Institute**

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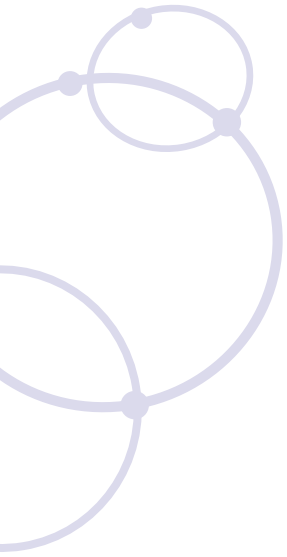
## **People, Incorporated of Southwest Virginia Appalmade**

**Access to Markets Case Study Series  
Case Study No. 3**

**December 2001**

Candace Nelson and Karen Doyle Grossman  
with Amy Kays Blair

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We express our admiration for and special thanks to the Appalmade crafters who traveled far distances to meet and share with us their personal stories of hard work, creativity and dedication to family. Conversations with these individuals were striking for their honesty and clarity – all of which helped enormously in the writing of this publication. And the perspective of Robert Gary of RSG Company was invaluable; we are grateful for his willingness to contribute to our research.

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# I. INTRODUCTION

This case study focuses on Appalmade, a program sponsored by People, Incorporated of Southwest Virginia. It is the third in the Aspen Institute’s Access To Markets Learning Assessment Series, which documents efforts to assist low-income entrepreneurs gain access to more lucrative or previously inaccessible markets. Improving access to markets is critical to achieving business growth, and it is a persistent challenge for microentrepreneurs. Appalmade, a market access program located in Appalachia, differs from other Access To Markets (ATM) programs because it focuses solely on providing income-generation opportunities to vulnerable individuals and families, regardless of whether they operate a business. Appalmade was designed to serve a very specific target group — women who have limited or no economic opportunities because of caregiving responsibilities and/or their remote location. Appalmade is an excellent example of a program that has kept the needs, talents and constraints of its client base at the forefront of its creation and execution. The Charles Stewart Mott Foundation is supporting this learning assessment in conjunction with grants to seven practitioner organizations piloting Access To Markets approaches.

## Shelby

When Shelby heard about Appalmade through her daughter and friends in Hurley, Va., she had been crocheting afghans, sweaters, pillows and dolls for 11 years. “I love to do crafts,” said Shelby. “I sold crocheted pillows to friends in Hurley, but it wasn’t enough money to help any.” She enjoys working on crafts because, she said, “It gives me time to myself. It gives me time to think, and I love to see what I’ve accomplished.”

Shelby has made a variety of products for the Appalmade wholesale and church lines, such as the Soodie folk doll, Mother’s Day bags, angel Christmas ornaments and a coyote doll that she designed herself. Shelby can duplicate a product just by seeing a finished sample, and she already owned a sewing machine when she joined Appalmade. Her daughter picks up the fabric from a People, Incorporated branch office and delivers the supplies to her in Hurley. Beth Johns of the Appalmade staff taught her how to paint her crafts, a new skill for Shelby.

“This is extra money that we don’t have. My husband is on disability, but this money (from crafts) pays some bills or it allows us to get something extra that we couldn’t (otherwise afford). I would like to make \$1,000 next year. I would like to get more orders. I never

thought about selling on my own. ... I'm doing fine with Appalmade." Shelby earned \$413 in 1999 and had earned \$534 by October 2000 from Appalmade.

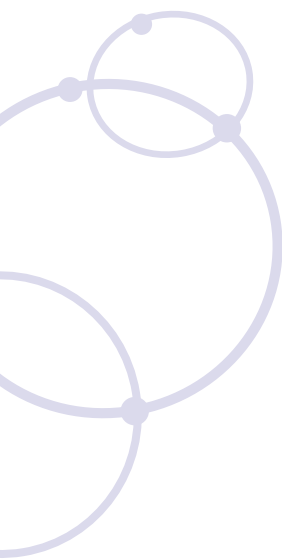
Shelby has four children, ages 16 to 30, and works 15 hours per week as a hospice worker, earning \$6.60 per hour. Her job does not provide health insurance. Shelby's husband was a coal miner for 24 years. He has had two back surgeries, suffers from numbness in one foot and has problems with his heart and lungs. He is a savvy and active leader in the community, and recently began using the Internet to learn about federal and other grant programs supporting efforts to attract new industry to the area.

Shelby lives with her family in a hollow called Brushy Fork. "I love where I live. In Hurley, everyone knows everyone. I was born and raised here. Used to be everywhere you looked, there was a coal mine. Now we have a new four-lane road, and we're hoping that will bring industry into the area."

People, Incorporated is a community action agency in rural Southwest Virginia. Appalmade was established in 1995 through People, Incorporated's BusinesStart program. Appalmade was created to bring opportunities for home-based income generation to low-income families living in some of the poorest and most remote areas of Appalachia. The community action agency's more traditional economic and business development programs, such as small- to mid-sized business financing, were not appropriate for the remote and geographically dispersed population living in the mountain communities where coal camps once dominated. Many of the people living in these areas are homebound because of disability, lack of transportation or caregiving responsibilities. A significant number of former miners and their families have serious health problems or permanent disabilities that prevent them from working, and a large number of women are caring for disabled relatives including parents, spouses and children. Coal industry downsizing has destroyed the local economic base for these families. Assisting them requires innovative, specialized and flexible economic development services.

The Appalachian region has a rich tradition of handmade crafts including fabric and sewn items such as quilts, rag dolls and apparel; and wood products such as figural carvings and furniture. For many of the residents of the remote mountain hollows, however, these skills have not been passed along to current generations. Even for





skilled crafters, there are barriers to successful self-employment in the traditionally home-based craft industry, including lack of adequate local markets; lack of capital to invest in supplies or inventory; lack of access to information or technology; and the inability to travel. These barriers are challenging for Appalmade’s target group to overcome because most are not in a position to assume the normal risks of operating a business.

Appalmade was established to address these constraints and to serve this specific target population — homebound, low-income women. The program conducts outreach to the most remote areas of the region and to its most vulnerable families, and has expanded even beyond the borders of People, Incorporated’s service delivery area. Knowing that clients cannot come to them, staff members take the program on the road and conduct informational seminars and training in numerous mountain communities and in clients’ homes. Appalmade’s program embodies three different marketing strategies, all designed to: create new markets, design products that can be produced at home with minimal skills and equipment; and bring cash to crafters and their families.

Appalmade employs its three marketing strategies to accomplish its primary goal of developing low-risk, income-earning opportunities for its clients.

- The Appalmade Store – a retail outlet in Abingdon, Va.
- Wholesale sales – the heart of the Appalmade marketing strategy
- Church-based sales, used by churches as fundraisers

Using these marketing strategies, the Appalmade program conducts all marketing and product development, and absorbs all the financial risk. If Appalmade designs a bad product line, it takes the hit. “Traditional microenterprise programs put (the lion’s share) of the risk on the entrepreneurs, but these folks do not have the financial cushion to sustain such risk,” said one former People, Incorporated official.<sup>1</sup> Given the extremely fragile financial situations of Appalmade crafters, it was determined that this was the only responsible way to introduce them to this industry. Appalmade operates three businesses, trains more than 150 crafters as suppliers, and constantly remains conscious of the need to develop new markets and products. According to Phil Black, BusinessStart director, one of Appalmade’s greatest accomplishments is the single-minded achievement of its original goal: bringing income into the hands of the women and families it deemed most in need. Black explained: “When you ask someone to make a transformation and you meet them where they are, you have faster, better results.”

<sup>1</sup>Welthy Soni, former director of BusinessStart, interview by author Karen Doyle Grossman, March 2000, Abingdon, Va.



## II. THE MARKETPLACE

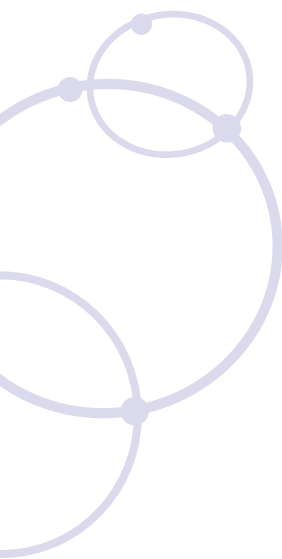
America's aging population has more discretionary money to spend. Home decorating has emerged as a hobby, even an art. Urban and upper-income households are leading a backlash against mass-produced merchandise. These are some of the explanations for a dynamic, growing market for handmade crafts. Although only a small part (\$90 million annually) of a much larger gift and home accessory market, handmade crafts encompass high-end items sold as art (such as blown glass, pottery and hand-woven fabrics), inexpensive handicrafts from developing countries and a wide range of items created by hobbyists and professional crafters using dozens of mediums to make one-of-a-kind products.

Appalmade's product niche is uniquely American, handmade and rough-hewn. Crafted products in this segment are often antique reproductions, made from recycled or natural materials that almost always look old. They include home decor items made of stamped or punched tin (lampshades, candle holders, light switch plates), wood (stools, birdhouses, coat racks) and cloth (dolls, animals and other ornamental items). "We sell an image, a lifestyle that is a cross between country barn and Colonial house," said Robert Gary, a principal of the RSG Company. Gary is a major sales representative for American handmade crafts; his territory includes New England and the Mid-Atlantic states.

To further define a niche within a niche, Appalmade's product line is known as "primitive." According to the Web site of The Homespun Peddler, a Michigan-based Internet retailer of primitive folk art, "People who like primitive know it when they see it, but they all have a hard time describing it to others." In addition to being American, rural, simple, childlike, old looking and



*Appalmade's focus is on handmade crafts produced largely by homebound, low-income women.*



obviously handmade, this Web site ([www.homespun-peddler.com](http://www.homespun-peddler.com)) characterizes primitives as ugly.

*“There are some pieces that we love but can only describe with that adjective. But we don’t mean really “ugly” ugly. We probably mean “strange or worn or old or made of unusual materials.”*

Primitive enthusiasts claim that this folk art form speaks to memories of childhood and its loved, worn toys, now lost. According to The Homespun Peddler, “Primitive art revives the memory, gives comfort and takes us back to a simpler time when gifts came from the heart and one toy was a friend forever.”

For Appalmade and the women it serves, the primitive line is a good fit. Its rough look (such as unfinished hems on doll dresses) is suited to home-based production, as it does not require time-consuming, advanced sewing skills, and forgives mistakes more easily.

### **The Twisted Sisters**

Norma, an Appalmade crafter, makes a line of dolls called the Twisted Sisters, including Annabelle, Hassie June, Delphy Jean, Lulie Belle, Blanche and Pearl. About 12 inches long, the sisters’ muslin bodies, coffee-stained to give them an aged look, are dressed in unhemmed calico, their eyes are mismatched buttons and their mouths are a line of red embroidery stitches. A few wisps of knotted thread provide a hint of hair.

### **The Customers**

Consumers in this market tend to be women aged 40 to 65. Champions of American handmade might also be nature lovers, gardeners or antique collectors. Charting the lifestyle of this consumer, Gary explains that in her 20s she is an apartment dweller decorating with inexpensive “cutesy” country; in her 30s she decorates her first home in country American; when she reaches her 40s she has a bigger home, more money and is looking for unusual, original items. She is willing to pay extra for the features that indicate that authenticity, such as antique buttons, tiny hand-sewn stitches and unusual materials.

### **The Producers**

Sole proprietors dominate the production of handmade crafts. While these business owners may periodically employ a few workers,

Gary said it is rare to find a company with the capacity to produce in large quantities. One of his clients, the Salem Collection, is the exception to this rule with an estimated 50 employees who produce a large range of home decor items, including a line of animals made with pecan resin cast in antique European chocolate molds. More typical is the client who works alone, making hand-painted pins or woodcarvings.

In the primitive folk art niche of American handmade gifts, many individual producers develop product lines of both finished products and their patterns. In fact, patterns have become the focus of The Homespun Peddler's Web site, where featured pattern lines include such names as "Poo's Originals," "Seed Pod Patterns," "Primitive Sis" and "Ginger Creek."

Like microentrepreneurs in many industries, crafters face challenges that result in instability. Their under-capitalization and poor cash flow make it difficult to maintain inventory or gear up production quickly to meet variable demand. Lack of business acumen undermines planning, pricing and keeping up with market trends. As a result, the average length of time that RSG represents a company is four years. Of the 20 companies it currently represents, only 25 percent have been its clients since RSG began in 1993. Gary explains that few leave RSG for other distributors, but are more likely to go out of business for a variety of reasons including:

- A change in life circumstances (resulting in loss of free time or resources to invest in the business);
- Failure to keep up with changing market trends: When sales of an existing product drop, it isn't replaced; and
- An inability to produce in the volume needed to make a profit.

It is no surprise, then, that crafters' business income is rarely the sole source of household support. In a 1999 survey of subscribers to the Crafters' Report, 71 percent reported their business income constituted less than 50 percent of total annual household income.

## **The Market and Its Channels**

The market for American handmade is nationwide, but it is most robust east of the Mississippi. Products are sold largely in home decor/furniture stores, specialty gift shops, galleries and at historic tourist sites such as Sturbridge Village in Massachusetts and Colonial Williamsburg in Virginia. For reasons cited at the beginning of this section, handmade gifts constitute a growth sector. Within this market, the primitive niche has been particularly hot in recent years



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(1998-2000). Gail Whittle owns Country Mischief, a retail gift shop in an 18th-century country home with 18 rooms overflowing with thousands of American, country and primitive gifts. Whittle said she wished she could replace her entire inventory with only primitives, which she feels are dominating the market.

Products in this segment of the gift and home accessories sector are handmade, and furthermore, handmade in America. Yet, there is no leading firm in the industry that influences product design or prices. Appalmade is competing against other, largely individual American producers. And while competition is fierce, it is mostly among individual crafters who find it difficult to translate their part-time hobby into a full-time business.

Less expensive handmade overseas items have traditionally constituted a minority share of retail inventories (23 percent vs. 77 percent of goods made in the U.S.) and are most often sold in specialty stores. However, as international handicrafts become more visible and widely available, their lower prices make them more directly competitive.

Manufactured copies of handmade goods are increasingly found in large chain gift stores. At the end of trade shows, these stores buy remaining wholesale stock for a fraction of its value and send these products overseas for reproduction. Even smaller shops specializing in handmade crafts often carry cheaper imported items to cater to a wider range of customers and ensure that they have "something for everyone."

The challenge to producers comes less from the competition than it does from the nature of the market itself. Rapidly changing consumer tastes make product life quite short. Sales of even the most popular products remain robust for just two to three years. Among American crafts, for example, sales of the once hugely popular dolls and embroidered samplers are declining. Gary sees a consumer shift away from gifts to more functional home decor items such as curtains, lighting and shelving, as well as reproductions of early American board games and toys. It is very difficult for individual producers, often isolated and wedded to their unique craft, to effect timely changes in their product lines and keep up with these shifting trends.

While handmade crafts are traditionally associated with craft fairs, galleries and small gift shops, they actually find their way to con-

sumers through several marketing channels. These are multiplying with the Internet.

### **1. Producer → Retail Craft Fair**

In this traditional channel, the crafter markets directly to local and regional consumers at retail craft fairs. These fairs continue to be a lifeline for crafters who are not well connected with galleries and other retail outlets. In addition to serving as a principal market outlet, these fairs provide an opportunity to interact directly with buyers and get ideas about what people want.

### **2. Producer → Local Retail Shops**

Crafters sell their products directly to local retailers, who provide an entree to the local market.

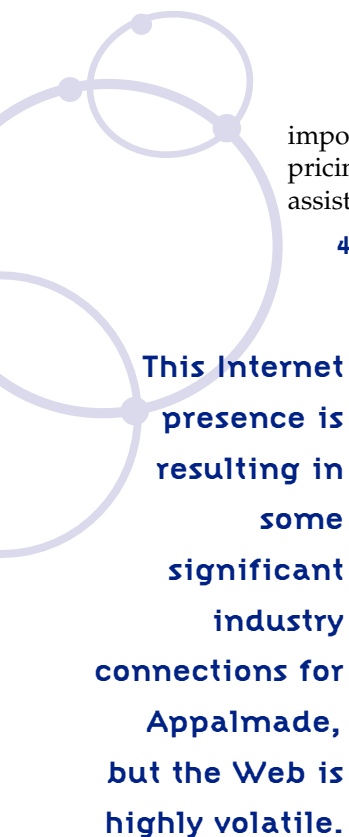
### **3. Producer → Sales Representative → Retail Shops, Catalogs**

Producers who want to reach beyond their local retail markets, or who simply do not have the time and resources to market themselves, engage a sales representative, who earns a percentage of sales. Sales representatives use two principal tools to expose their clients' products to retailers: the wholesale trade show and door-to-door sales. Trade shows, open only to credentialled retailers, offer producers access to a wider market. However, they also require outlays for travel, lodging, booth fees and sample inventory, making them expensive for individuals. Turning this task over to a sales representative can be a bargain.

The trade show calendar in the January 2000 issue of *Country Business* lists 17 events for March 2000 and nine for April. The most important national wholesale show for American hand-made products is the Market Square, held twice a year in Valley Forge, Pa. (near Philadelphia) and once in Marlboro, Mass. Hundreds of exhibitors, displaying products that are at least 85 percent American handmade, attract thousands more retail shop owners and catalog companies from across the country. These shows account for 40 percent of RSG's sales and are a major source of market research, attracting sophisticated buyers who know what consumers want.

In fact, market research is a valuable service that sales representatives can offer their producer-clients. Because they attend shows and regularly visit retailers, sales representatives can be an





**This Internet presence is resulting in some significant industry connections for Appalmade, but the Web is highly volatile.**

important source of market information. RSG, for instance, has two pricing structures for its clients, depending on how much technical assistance they need.

#### **4. Producer → E-Commerce Wholesale + E-Commerce Retail**

The Internet offers new wholesale and retail opportunities for producers. *Wholesalecrafts.com* links retailers and artists via a Web-based gallery and print catalog. A plethora of retail sites offer goods for sale. Hub sites such as *www.topcraftsites.com* guide users to more than 100 sites for products, patterns, craft shows, books and crafter networks. Appalmade placed several of its products with a now-defunct Internet marketer, *World2Market*, based in Seattle. Using a Web-building tool for small businesses through *Bigstep.com*, Appalmade also has its own Web site, *www.appalmade/bigstep.com* that features Appalmade wholesale products. This Internet presence is resulting in some significant industry connections for Appalmade, but the Web is highly volatile. Along with the demise of *World2Market*, *Bigstep.com* is cutting back on staff and services.

In addition, opinion within the industry is somewhat divided over the near-term potential of e-commerce in this market niche. Forrester Research estimates the online specialty gift market will be worth \$271 million in 2000, up from \$167 million in 1999. (Overall online shopping is estimated to top \$65 billion in 2001.) To date, Internet retailing has concentrated on international handicrafts. Proponents of these products are banking on the draw of social marketing and consumer willingness to pay premium prices to help low-income people receive fair prices. Yet, Appalmade has learned that while social or cause marketing is an attractive feature, it alone cannot sell a product. Robert Gary contends that neither retailers nor producers in this market niche are drawn to technology; many don't even have fax machines. While the pertinent Web sites are useful as Yellow Page-type directories, the uneven quality of the photographic images and presentation on some Web sites may deter sales growth.

#### **5. Producer → Sales Representative → Fair Trade Markets**

Fair trade organizations (FTOs) have marketed international crafts through alternative market channels since the 1960s. In America, this sector began with individual entrepreneurs, often returning Peace Corps volunteers, buying crafts and bringing them to the U.S. for sale at

craft fairs. This practice evolved into church or not-for-profit organizations establishing craft businesses — wholesale and retail — that offer producers in developing countries fair prices, and that donate the sales proceeds to community development efforts overseas and in the U.S.<sup>2</sup> Appalmade's church-based product line represents an innovation in alternative marketing channels.

## **Appalmade's Marketing Strategies**

Appalmade operates in three of the five channels described above. However, it is important to note that Appalmade fulfills a plethora of roles for its client producers that extends well beyond marketing. Operating as the business entity, it absorbs responsibility for developing a product line; training crafters to make these products; sourcing many of the needed raw materials; exercising quality control; and marketing. These roles are discussed in subsequent sections. However, its marketing strategies are described below and include:

- Wholesale marketing
- Network marketing through churches
- A retail consignment shop

### **1. Wholesale Marketing**

Appalmade's most lucrative market channel is its wholesale marketing of a primitive line of products that includes fabric dolls, farm animals, decorative Christmas items, embroidered pillows and other items. Appalmade wholesales its product line to retailers at the Market Square gift show twice each year, first in February and again in June for the Christmas season. At this show, Appalmade takes orders from retail shop owners and some catalog companies. It passes orders to the crafters for production. Finished products delivered to Appalmade in Abingdon are kept until each order is complete and ready for shipping to the retail client.



*Appalmade has operated a retail consignment shop since 1997.*

<sup>2</sup> Mary Ann Litrell and Marsha Ann Dickson, *Social Responsibility in the Global Market; Fair Trade of Cultural Products* (Thousand Oaks, Calif.: SAGE Publications, 1999).

In addition to the wholesale gift shows, Appalmade uses sales representatives Robert and Marcia Gary (RSG), based in New Salem, Mass.; and Repertoire, in the Pacific Northwest, to sell to retail shop owners. In recent years, Appalmade displayed with RSG at the Market Square show, but had its own booth in 2000. RSG earns a 15-percent commission on sales it makes for Appalmade.

Appalmade's wholesale price includes a 40-percent markup on what the client earns for each product. The retailer typically doubles this wholesale price. In general, the producers receive 35 percent of the retail price, Appalmade and the sales representatives receive 15 percent and retailers get 50 percent. In fiscal year 1999, Appalmade's wholesale sales totaled \$62,705. Twenty-eight percent of this total was brought in through the sales representatives.

### **The Hurley Girls**

Retha is the matriarch of a group of nine related women in the town of Hurley, Va. They make a line of primitive dolls carrying their name, "The Hurley Girls" – Flossy, Gertrude, Mossy, Soodie and Myrtle. A skilled sewer and quilter, Retha claims she could not bring herself to make these ugly dolls at first. And it wasn't easy – it took a couple of months before the women could get the dolls right. Now, however, Retha can set up an assembly line to make six of Myrtle or Flossy when the orders come in. For Appalmade, she also makes the kitten in a mitten, Priscilla Pig and a Christmas snowman.

Appalmade's successful line of primitives (described earlier) is not necessarily representative of traditional crafts with historic roots in the area. Rather, it evolved from Appalmade's early experience with gift shows and represents an entrepreneurial choice of the primitive look; the products are the result of Appalmade's design efforts in carrying out this choice. Each participating crafter is given a product to make. She gets a pattern and instructions from Appalmade staff members, who coach her through initial samples, working toward the look and quality that will sell at the wholesale show. A fairly diverse line of products enables Appalmade to match product assignments with an individual crafter's skill and production capability.



## 2. Church Network Marketing

The church fundraiser program is Appalmade's newest innovative marketing strategy. The basis of this strategy is that churches sell Appalmade products in their own fundraisers. Similar to the wholesale sales strategy, Appalmade staff members develop product lines, market the fundraiser to churches, take orders, assign production and train crafters. The premise behind this targeted marketing strategy is that church organizations can raise money while promoting the sale of hand-made crafts from Appalachian residents. Customers know that by purchasing the items, they are helping to improve the lives of craftspeople living in the Appalachian Mountains. At the same time, they are helping their church raise funds for its own mission. Appalmade's pricing in this program is slightly different from pricing in its wholesale operation. Of the retail selling price, 50 percent goes to the crafter, 20 percent to Appalmade and 30 percent to the church. Both crafters and Appalmade get higher returns through this market channel.

This program was initiated midway through 1998 with funding from the Charles Stewart Mott Foundation. In less than two years, the church fundraiser program has reached 141 churches of varying denominations in 26 states. This program is interesting in its ability to gain access to a national market for Appalmade products, but it is highly labor intensive. The program coordinator must maintain an active marketing program to continually bring in new churches. She also develops and distributes information and promotional packets to assist them with successful fundraisers. Appalmade needs each participating church to achieve a minimum volume of sales to make its effort worthwhile.

Significantly, the church fundraiser requires a different product line, distinct from what Appalmade offers in the wholesale market. In contrast to the sophisticated retailers who shop at the wholesale trade shows, the church fundraiser program appeals to a broader market of faith-based communities across the country. Consequently, products have to be more mainstream. These items tend to have a country look that is clean and homey. The humor of primitive is replaced by inspirational quotes and biblical verses embroidered on pillows and painted on wooden plaques. Nativity sets and other items with religious themes are popular. Additionally, the products marketed to churches generally need to be priced to accommodate the impulse purchases typical of church fundraisers; usually \$25 or less.



Maintaining two different product lines (with some overlap) obligates Appalmade to manage four distinct production cycles during the course of the year. Sample products need to be designed and produced for two trade shows in February and June; and again for the sample trunks shipped to the churches in the early fall and spring.

### 3. The Retail Shop

Appalmade opened its retail shop in 1997 to take advantage of the opportunity offered by low-rent storefront space in People, Incorporated's new building. Operated as a consignment shop, the Appalmade store sells goods made by more than 150 crafters. For these crafters, this market channel offers the lowest barriers to entry. Although the shop manager will not accept everything, crafters can submit and receive feedback on whatever they have made. Products do not have to be in the Appalmade line (in fact, primitives do not do well in the shop), nor do they have to produce a predetermined quantity of items. With minimal risk, crafters can test a wide variety of items in the store, and Appalmade can assess their skills. Attracting a diverse set of crafters, the shop is the best market outlet for those who do not want to accept the conditions of participation attached to the wholesale and church fundraiser programs. One crafter, for example, carved a handsome Noah's Ark set that would be a sure seller at the wholesale show, but when asked to make 25 sets, he submitted six. This person is clearly better suited to the shop.

#### Jewel

Jewel paints winter scenes, flowers, cats and anything else that inspires her, onto dozens of recycled materials. "I take nothing and make it into something. It costs me nothing, and to me that's what crafting is." She paints on rocks, shells, clay pots, old boards and fence post ends "sliced like bread." While she has made items for the church trunk, Jewel markets most of her crafts in the Appalmade shop, which suits her prolific penchant for making whatever comes to mind. She works almost every day, gets tired of doing the same thing and delights in finding ways to recycle odds and ends she finds around her home. Last Christmas, spoon ornaments were her biggest seller. Jewel bought the spoons at yard sales, painted designs onto the bowls, and attached a jute loop to their handles to make unique tree ornaments.

As with most retailers, the consignment shop's busiest season is the fall, with Christmas sales. Winter months tend to be very slow, but sales pick up in the spring with Easter and the onset of the tourist season. Abingdon's Barter Theater and the Highland Festival in July are strong tourist draws. To market the shop, Appalmade has placed "rack cards" at 250 sites along the interstate. The initial shop location, however, was less than ideal. Despite being on the town's main street with large display windows and ample parking, the location was far from the central shopping district and received no pedestrian traffic. Fortunately, Appalmade was able to relocate its retail store to downtown



*Handmade home-decorating items, such as these produced by Appalmade crafters, are part of the growing gift and home accessories market.*

Abingdon when prime retail space opened up. Appalmade staff report that, with its established retail presence frequented by tour groups, sales for 2001 have increased considerably.

The consignment shop marks up goods by 30 percent. Seventy-five percent of the retail price goes to producers and 25 percent goes to Appalmade. In 1999, out of store sales totaling \$40,050, \$30,840 was paid to crafters. Revenues increased 27 percent from the previous year.

Appalmade chose these three marketing channels largely because of the needs and limitations of its target clients — the unemployed, homebound women of western Virginia and northern Tennessee. While making crafts is an appropriate vocation for this target group, the retail market in Appalachia is already highly developed, if not saturated. By building a competitive business, Appalmade opens the doors to wider markets that bring economic benefits to rural low-income women.



### III. APPALMADE'S PEOPLE AND PROGRAMS

#### **People, Incorporated of Southwest Virginia**

For four decades, People, Incorporated of Southwest Virginia, a community action agency, has served the people of Buchanan, Dickinson, Russell and Washington counties and the city of Bristol. In 1999, People, Incorporated's 200 employees served 3,149 Appalachian people through its activities and programs in the areas of education; housing; economic and business development; health; transportation; energy assistance; and employment services. People, Incorporated has special programs for the elderly, children and for ex-offenders seeking to re-enter their communities.

Now headquartered in Abingdon, Va., People, Incorporated began in the early 1960s when a group of citizens from Hayter's Gap, a poor and isolated town, developed a series of programs for local youths. In 1964, this civic group applied for a federal grant under the Economic Opportunity Act, and formed the community action agency. The agency's mission is to support low-income people as they work to improve their lives, their families and their communities. In the words of former Abingdon Mayor Joe Phipps, People, Incorporated is "a community of people helping people."<sup>3</sup>

Rob Goldsmith, the executive director, joined the agency in 1978. A trained economist who is well versed in the region's unique economic history, Goldsmith knew that the area's dwindling number of large businesses would not be a primary source of jobs for People, Incorporated's communities. Instead, he decided that the agency should focus on increasing the potential for microenterprise development, founding the BusinessStart program and hiring Welthy Soni as the program director. Goldsmith notes that the microenterprise concept went over so well in the local communities that residents simply asked, "What took you so long?" BusinessStart has since become one of the flagship programs participating in the Commonwealth of Virginia's statewide Virginia Enterprise Initiative, coordinated by the state Department of Housing and Community Development.

Appalmade was established in 1995 by People, Incorporated's BusinessStart program to bring opportunities for home-based income generation to low-income families living in some of the poorest and most remote areas of the organization's Appalachian service region.

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<sup>3</sup>"Appalmade Shop Offers Region's Crafts for Sale," *Bristol (Va.) Herald*, 15 November 1996.

## **BusinessStart Facts**

**Total annual budget:** \$3 million

**Operating budget:** \$1 million

**Loan capital:** \$2 million

**Current director:** Phil Black

**Clients served annually:** 120

**Businesses assisted annually:** 80 to 90

**Average loan amount:** \$14,000

**Services:** Microloans; training; pre- and post-loan technical assistance; individual development accounts; venture capital fund; specialized loans to tourism and eco-businesses; incubator without walls (public relations, accounting, e-commerce and sector-specific services to businesses).

People, Incorporated's BusinessStart program is a microenterprise program providing microloans, training and technical assistance to residents of the community action agency's service area. Typically, microenterprise programs serve low-income people who seek to establish, formalize or expand businesses to generate more income for their families. But in assessing demand for microloans throughout southwest Virginia, Welthy Soni, BusinessStart's director during Appalmade's inception, encountered communities where there was no economic base, no businesses were operating and virtually no one was working. Investigating further, Soni learned that the majority of people who live in former coal camps receive disability payments and food stamps, and obtain health care by visiting mobile medical services vans. There was a great demand for opportunities to earn income, but no local economy upon which to encourage microbusinesses.

Led by Betty Hurst, Appalmade was established to address the constraints of these communities, particularly homebound, low-income women. The program conducts outreach to the most remote areas of the region and to its most vulnerable families, and has expanded even beyond the borders of People, Incorporated's service delivery area. Staff members take the program on the road and conduct informational seminars and training in numerous mountain communities and in their clients' homes.





**The Appalmade program conducts all marketing and product development activities and assumes all financial risk.**

The Appalmade program is distinct from a traditional microenterprise program, including People, Incorporated's own BusinessStart program, in that the crafters do not generally establish their own businesses. The Appalmade program conducts all marketing and product development activities and assumes all financial risk. Given the extremely fragile financial situations of Appalmade crafters, it was determined that this was the only responsible way to introduce them to this industry. Appalmade is operating three businesses and training more than 150 crafters as suppliers, while remaining constantly conscious of the need to develop new markets and products.

### **Appalmade's People**

To understand the Appalmade strategy, it is important to appreciate the local conditions in which its clients live, as well as some of the history and traditions of this remote region of Appalachia. The area has a long history of poverty and isolation, yet it is rich in tradition and culture centered around family ties and identity of place. The role of women in the family is one that has a long history of both caregiving and income earning during times of financial hardship.

### **The Appalmade Region's Family Economic History**

Generations of Appalachians have worked in the coal mines that form the region's primary economic base. Coal companies built camp towns including housing, and established camp stores where food and other essentials were sold — often on credit — to miners and their families, keeping them indebted to the company. Typically, camp housing did not have indoor plumbing or central heating, and as most land was either owned by the coal companies or unfit for habitation because of environmental degradation from mining, few miners owned property.

While mostly men and boys worked underground, women played an important role in the mining family. Husbands and fathers typically worked rotating shifts that disrupted family and community life and contributed to the isolation of individual families. Most women kept house, raised children and went out to work during the frequent strikes and layoffs. The omnipresent threat of injury or death of loved ones in the mines, and frequent spells of unemployment that depleted savings, contributed to high levels of stress in families. Few could afford cars, and this lack of transportation furthered isolation.

Traditions of early marriage and childbearing, combined with poverty, meant that most teenagers went to work, started families and did not complete high school. Few attended college. The role of women as homemakers under these conditions was even more important because it was believed that a man taking family troubles into the mine could be distracted and make fatal errors.<sup>4</sup> Even for families that did not suffer injuries or death in the mines, disability was prominent. Many miners contracted black lung disease, and the polluted environment caused other debilitating illnesses.

In the latter half of the 20th century, innovations in technology reduced the need for manpower in the mines, and the number of people living in company camp towns decreased. While some still mine, the num-

bers employed have declined dramatically. Many of those who remain in the region are unemployed or underemployed; elderly; disabled or caregivers for the disabled; or lack the education needed for employment — even if jobs were available. The

closing of ancillary industry and retail businesses followed the demise of the mines.

Yet, many of the people who remain in the region do so because of family and a sense of belonging to the place. Residents often identify themselves as “mountain people” and cannot imagine living far from friends, family and the only place they know as home.<sup>5</sup> Family ties in the region are strong; most residents (or their ancestors) have had negative exposure to outsiders, and poverty has increased the interdependence of family networks. For many, the idea of leaving the region and its safety net of family support — however fragile — is incomprehensible. They may not desire to leave a community that values family, pride and place, or may not feel equipped to leave the life they know for a more complicated one. Still others remain because they care for the land, want to improve it and hope to bring new jobs into the region. These people will stay and try to attract new industries and employers.



*Women in the Appalachian region have a rich tradition of creating handmade crafts.*

<sup>4</sup>Carol A.B. Giesen, *Coal Miners' Wives: Portraits of Endurance*, (Lexington, Ky.: The University Press of Kentucky, 1995).

<sup>5</sup>*Ibid.*



**... Appalmade  
has developed  
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and church  
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national  
markets for its  
products.**

The women of this region of Appalachia have a strong tradition of income patching — finding work during layoffs, selling or bartering goods from gardens or kitchens and making handmade crafts to sell in local retail craft fairs. Many are experienced sewers, having worked in a large sewing factory that closed. Factors hampering their efforts include being homebound because of family responsibilities; living long distances from supply sources or locations where they can sell their products; and lack of auto transportation. It also can be very difficult to arrange for alternative care for ill or disabled family members. Most do not have money to purchase supplies in any quantity, and certainly not in the amounts needed to receive volume discounts. Most local fabric stores have closed, and the ones that remain charge prices that are too high to allow crafters to make a profit on their sales. In addition, while many do have a family tradition of crafting, most do not have a good sense of what outsiders want to purchase. They are completely isolated from mainstream marketing venues.

### **Appalmade's Programs**

Appalmade programs are designed with both the talents and constraints of the local target population in mind.

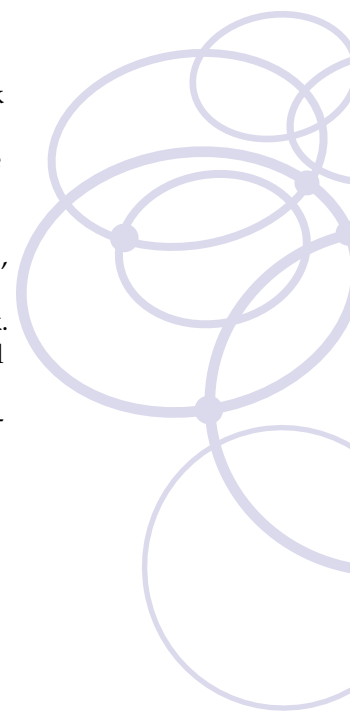
Many women are experienced sewers with some craft-making skills. Some have experience selling their crafts in local craft fairs. In addition, there is local interest in preserving quilting, woodworking and sewing traditions, skills that older generations have but must be passed on to younger generations if they are to survive. There are inadequate local markets to sell sufficient craft or gift items for all of the crafters who are interested in selling, thus Appalmade has developed its wholesale and church sales strategies to access national markets for its products. Clients do not have capital to invest in their work and cannot afford to lose money on the venture, so the program designed its intervention as a larger business rather than as a collaborative of microenterprises. Moreover, clients may have trouble securing transportation to attend training, pick up orders or deliver completed products. The larger People, Incorporated staff and the Appalmade network of crafters work together to ensure that raw materials and completed orders are delivered, and that training is available in the local communities when traveling to the Abingdon office is impossible. Appalmade staff members understand that their clients are suspicious of outsiders, extremely independent despite their poverty, and that they have limited experience



with outside markets and marketing. Strategies have been designed to build personal relationships with crafters and bridge these gaps to larger markets.

In designing the Appalmade program, Welthy Soni and Betty Hurst (whom Soni recruited to launch and manage Appalmade) reviewed a number of other rural programs serving similar populations and working to create income-generation opportunities. They describe this process as extremely instructive, as it allowed them to build on the experiences of others while putting together a program uniquely tailored for their population and environment. (The box below lists the programs that influenced the design of Appalmade, along with a brief description and contact information.)

Some of the important insights Appalmade staff gained in its design phase are directly attributable to these programs. For example, Watermark Association of Artisans in Camden, N.C., is a wholesale crafts cooperative that allows clients to avoid the risk of running their own business. Watermark takes craft samples to national markets, and crafters produce on contract, avoiding the need to accumulate costly inventory. While the marketing strategy seemed right for Appalmade, staff felt that the cooperative structure would not work well locally because of the independent mountain culture and because the parent agency is a nonprofit organization. Co-ops have to be for-profit. Another cooperative had been established in the region; it was not successful, and many local people still remembered the experience. Appalachian by Design, in Lewisburg, W. Va., is a knitwear project that similarly obtains contracts for knitted goods, trains knitters to produce them and takes on most of the risk. Appalmade staff felt that it would be able to serve more clients, and clients with a wider diversity of skill levels, if it worked in a number of craft areas and if it did not require the crafters to make a relatively large investment in equipment. Two programs, Southern Highland Craft Guild of Asheville, N.C., and Cave House Craft Cooperative of Abingdon, Va., are craft cooperatives that use a juried entry process, meaning that crafters are selected based on skill and artistry. Appalmade staff felt that this would be a barrier for many potential crafters in their region. Therefore, Appalmade designed a strategy that covered a wide range of crafts, was open to producers with even basic skills and that minimized risk to producers.



## Rural Income Generation and Craft Marketing Projects

### Watermark Association of Artisans

Watermark is a member-owned craft-producing cooperative. The association's products are sold across the U.S. and internationally, as well as through its retail shop. Watermark has more than 700 members who produce traditional and indigenous crafts, and the cooperative offers its members training in craft production.

**Location:** 150 U.S. Highway 158 E., Camden, N.C. 27921

### Appalachian by Design

Appalachian by Design is a nonprofit organization that connects home-based knitters to produce and market knitwear. It operates as a flexible manufacturing network and provides rural women in West Virginia with the opportunity to earn income from their homes.

**Location:** 208 S. Court St., Lewisburg, W. Va. 24901  
[www.abdinc.org](http://www.abdinc.org)

### Southern Highland Craft Guild

The Guild is a nonprofit educational organization of more than 700 craftspeople living and working in the mountainous regions of nine Southern states. Since its inception in 1930, the Guild has worked to instill and maintain standards of excellence in the design and workmanship of crafts taught, produced and marketed in the southern Appalachian region.

**Location:** P.O. Box 9545, Asheville, N.C. 28815  
[www.southernhighlandguild.org](http://www.southernhighlandguild.org)

### Cave House Craft Cooperative

The 130 members of the Craft Cooperative are selected by their peers, and their crafts have evolved into art. This cooperative has given Appalachian crafters a presentation venue for more than 28 years.

**Location:** 279 E. Main St., Abingdon, Va. 24210  
540-628-7721  
[www.cavehousecrafts.com](http://www.cavehousecrafts.com)

### **Berea College Crafts**

This non-credit program originated from a self-sustaining community complete with college-operated farms, dairy and bakery, among other trades. More recently the “fireside industries” shifted more to crafts production for retail markets. The college is dedicated to reviving Appalachian handcrafts and draws students from Appalachian counties in nine states who demonstrate academic ability and financial need. Students work 10 to 20 hours a week, in lieu of paying tuition, and are trained in craft skills and appreciation.

**Location:** CPO 2347, Berea, Ky. 40404  
800-347-3892  
[www.bereacollegecrafts.com](http://www.bereacollegecrafts.com)

### **Recruitment and Client Demand**

Recruiting crafters for the Appalmade program has involved a number of strategies to reach people who are isolated and homebound. In the program’s first year, Appalmade worked with 25 to 30 crafters, many of whom had existing ties to People, Incorporated through other programs. Some clients were participating in the organization’s home-building program, and others had children or grandchildren enrolled in Head Start. Appalmade made use of People, Incorporated’s staff of more than 200 and its existing volunteer network of 700 to help get the word out. They conducted potluck supper meetings in a number of communities, both to meet local residents and to begin to build relationships with families. Initially, Appalmade staff members traveled to eight counties, delivering both day and evening presentations that were well attended. To reach homebound residents, Appalmade worked with home extension agents who visited homes and could spread the word about the new program. Mostly, word-of-mouth has proved to be a powerful recruitment tool. Staff members find that once Appalmade establishes a relationship with one person, others from her circle of family and friends soon follow.

Public relations is another important part of Appalmade’s recruitment strategy, and the program has received abundant publicity in both local and regional newspapers, and on TV and radio. For example, Appalmade products were placed in the *Country Peddler* catalog and featured in the December 1998 issue of *Country Living* magazine. Appalmade staff members leverage the fact that they have a compelling story to tell about indigenous Appalachian craft



**Rather than tailoring the strategy to higher-end artisans, Appalmade focuses on the region's craft tradition ...**

making, their programs and the crafters themselves. Tammy Robinson, who was hired to market the Appalmade brand and manage the church sales product line, has 15 years of public relations and promotions experience in television and radio. She and Betty Hurst issue press releases about program activities and clients' accomplishments, and target newsletters and other publications with small but appropriate circulation. As a result, the program achieved very good coverage in church-based publications and newsletters. Thanks to this media attention, potential clients hear about their programs and potential customers hear about their products.

To date, Appalmade includes 40 families producing for the church and wholesale lines, and a total of 150 crafters who produce items for the Appalmade retail shop. They continue to conduct outreach to add crafters to their network of producers, but they are now screening new producers based on the type of craft production skills they possess and where they are located. Because of the highly labor-intensive manner in which the program operates, staff members have had to target their expansion to increase the efficiency of both the training and production sides of the program. No crafter is turned away, because every crafter can access the retail store market. However, to optimize cost-effectiveness, Appalmade has focused its in-depth services on crafters who can produce for the wholesale and church market programs.

Appalmade does not use income guidelines to screen applicants. The type of work available is extremely labor-intensive and can be monotonous, attracting people who need the work to survive. Rather than tailoring the strategy to higher-end artisans, Appalmade focuses on the region's craft tradition while keeping barriers to entry as low as possible. "This is an economic development strategy, not something to fulfill the soul," said Welthy Soni. Having said this, staff members indicate that recruiting crafters is fairly easy. The real difficulty of this model is its labor-intensive nature, requiring a lot of staff time for training, production organization and marketing activities. Nevertheless, the goal remains to provide work to everyone who wants it.

## Appalmade Staff

**Betty Hurst**, manager: Betty has more than 25 years of experience in grassroots economic development in a wide variety of settings. Her passion is working with others to make rural economic strategies successful.

**Beth Johns**, product designer: A practicing professional artist for 30 years, Beth also has extensive work experience in social services.

**Tammy Robinson**, church representative and public relations specialist: Tammy is a former radio and TV reporter with several years of experience as a scriptwriter for diverse marketing projects.

**Marsha DeLong**, fulfillment specialist: Marsha brings 20 years of experience from various positions in nonprofit organizations.

**Tammy Hawk**, retail sales clerk: Tammy has a variety of work experience, including retail and production of crafts, which contributes to successful interactions with both customers and crafters.

## The Appalmade Product Cycle Detailed Descriptions by Marketing Strategy

Through the operation of the three businesses, Appalmade provides several specific services to its clients. These are described below.

<b>Product Design</b>	<i>Applicable to Wholesale Sales</i>	<i>Applicable to Church-based Sales</i>	<i>Applicable to Retail Store</i>
	X	X	

Appalmade has a full-time designer (Beth Johns) who is responsible for coordinating all product designs. She either creates the design herself or approves original designs submitted by crafters. In addition, the designer's job includes tracking market trends, consumer preferences and changes, and knowing where to procure raw materials. In general, product design assistance is reserved for products sold under the Appalmade brand name, i.e., the products sold through wholesale and church markets. The retail store provides a place for both products that appear in the wholesale and church lines, and those designed by crafters that do not fit into one of the product lines.

<b>Development of Product Lines</b>	<i>Applicable to Wholesale Sales</i> X	<i>Applicable to Church-based Sales</i> X	<i>Applicable to Retail Store</i>
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The designer coordinates two product lines — one for wholesale and one for church sales. In each, products must complement each other and have a consistent “look.” Wholesale buyers want to deal with as few vendors as possible, so a product line is developed to give an array of related products that can be merchandised together. Consumers often like to decorate by theme or like to have several options to choose from within the same product type. Also, product lines create attractive merchandising opportunities. Appalmade’s retail store is not as intentional in its development of product lines. Instead, the store allows a large variety of products that are created by crafters. This may change with the store’s move to downtown Abingdon and may need to develop a more cohesive look. Appalmade does not help crafters develop their own product lines, primarily because few of the crafters operate stand-alone businesses.

<b>Market Research</b>	<i>Applicable to Wholesale Sales</i> X	<i>Applicable to Church-based Sales</i> X	<i>Applicable to Retail Store</i>
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Market research is done at trade shows and through the sales representatives. The Appalmade staff also reviews industry magazines such as *Craft Report* and *Gifts & Decorative Accessories*. However, to anticipate changes in demand in time to train crafters to make new products, they need to devote more time to market research. Appalmade recently formalized relationships with additional sales representatives working in Idaho, Oregon and Washington. Along with RSG, the new sales representatives help drive market research by providing timely information from markets and trade shows in different parts of the country. They also may try to get some products into the Southern Highland Craft Guild, which would help share the responsibility for conducting market research.

**Pricing***Applicable to  
Wholesale  
Sales*  
X*Applicable to  
Church-based  
Sales*  
X*Applicable to  
Retail Store*  
X

Appalmade typically sets product pricing for crafters. In the future, the program wants to offer training on pricing and teach crafters more about the concepts of wholesaling and volume production of identical items.

**Pricing Models:** (Shipping costs are charged to end customers under all pricing models)

**Wholesale Sales:** Appalmade adds 40 percent to the crafter's price. Appalmade's share includes a 15-percent cut for the sales representative. Retailers often double the wholesale price.

**Church Sales:** Pricing of the church product line is designed to enable the crafter to earn 50 percent from each sale, Appalmade to earn 20 percent and the church to earn 30 percent.

**Retail Store:** The crafter sets the price with the retail shop manager, and Appalmade marks up the price by 30 percent for its commission. In fiscal year 1998, retail shop sales were about \$40,000.

**Quality Control***Applicable to  
Wholesale  
Sales*  
X*Applicable to  
Church-based  
Sales*  
X*Applicable to  
Retail Store*

Appalmade staff members provide the only quality-control mechanism, doing so after the crafter has submitted a product. Staff members inspect goods submitted for sale and provide feedback to crafters. During initial training and early production, quality control is a big issue, made bigger by the fact that the producer is usually miles away from Appalmade. Some products must be sent back for changes or additional work to meet the quality standard. This becomes less of an issue when Appalmade has more time to train crafters.

**Selling and Brokering**

*Applicable to Wholesale Sales*  
X

*Applicable to Church-based Sales*  
X

*Applicable to Retail Store*  
X

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This is a service of Appalmade. Appalmade hopes to make its selling service even more effective by adding more sales representatives. The largest barrier to adding more sales representatives is the time it takes to find and develop a relationship with an experienced representative who handles American handmade goods.

**Personal Development**

*Applicable to Wholesale Sales*  
X

*Applicable to Church-based Sales*  
X

*Applicable to Retail Store*  
X

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While Appalmade does not incorporate formal steps geared toward empowering crafters personally, the personal development component is nevertheless a critical aspect of the program. The majority of the program's participants tell staff that being a part of Appalmade has either earned them respect within their families or communities, has enabled them to weather bouts of depression, or has led them to take initiative in their personal and professional lives.

## Wholesale Sales

As described earlier in this section, the wholesale strategy forms the heart of the Appalmade marketing strategy. Crafters can pick up supplies at a number of locations, or Appalmade will deliver them. Appalmade takes orders at trade shows and through its sales representative, and passes these orders along to crafters for production. In this way, financial risk to crafters is minimized because crafters purchase supplies and produce only in response to specific orders. They do not have to carry the costs of production and inventory in anticipation of sales. Crafters also may earn money before a product is even ordered. Appalmade buys samples of new products from crafters. These samples are used for marketing purposes, and no two crafters are assigned the same product. By matching each product to one producer, Appalmade can most easily track the income generated by each producer. And in



the case of the occasional high-volume order that cannot be met by the original crafter, an alternative crafter is called upon. In this case, the original crafter retains the future production “rights” to that product. Again, there is essentially no risk to crafters because they produce to order, and even samples generate income when crafters sell them to Appalmade. The program has had very little trouble with non-performing crafters. Producers are eager for the income they can make by filling orders, and they generally deliver as promised.

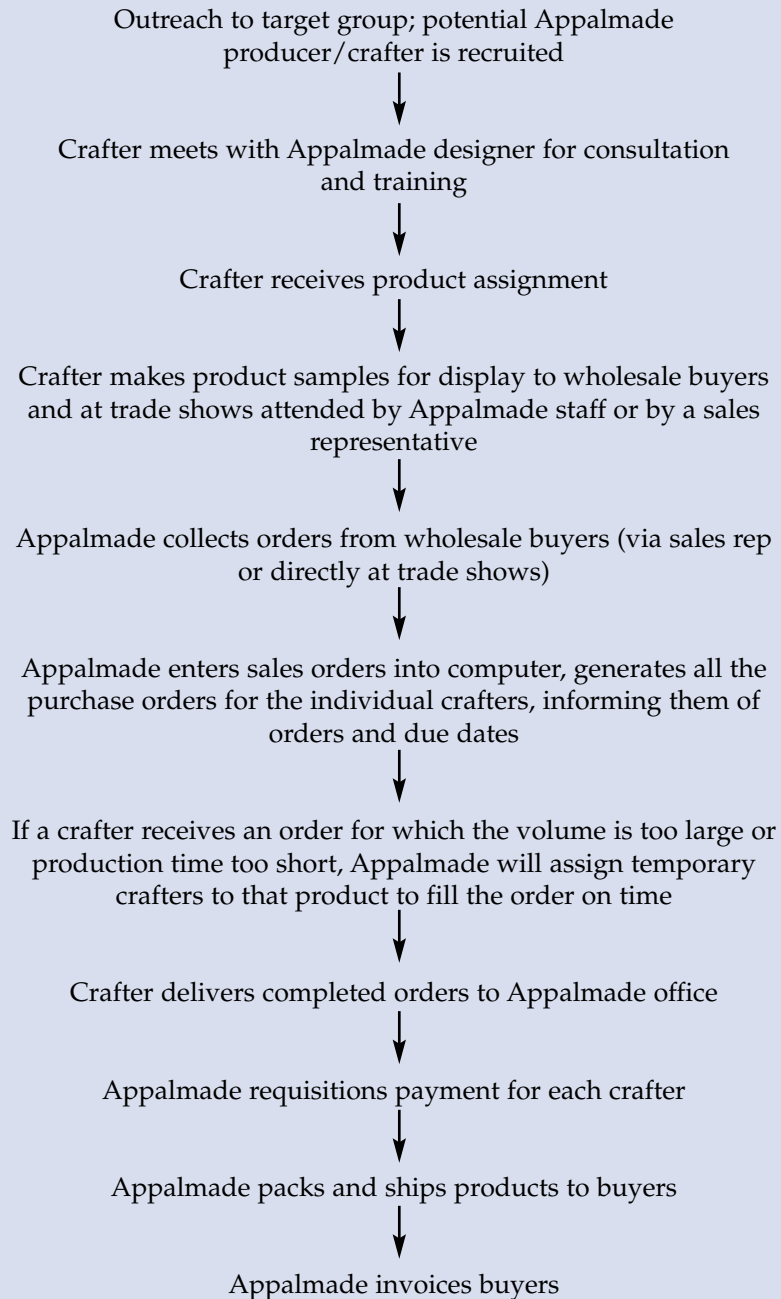
Since Appalmade’s beginnings, the program has continually increased its knowledge about wholesale trade markets for crafts, and has constantly worked to refine its methodology to maximize the effectiveness of those markets for its clients. Appalmade began with a few disappointing experiences, an unprofitable trade show and the realization that the retail store would not serve as a natural testing ground for new products. (Local tastes have proved to be no predictor of national sales.) Learning from early experiences, Appalmade staff members have understood which trade shows are worth attending and realize the value of having a sales representative working these shows on their behalf.

With few exceptions, Appalmade personnel develop the products and product lines that will be sold through wholesale channels. The product designer keeps abreast of consumer preferences by reviewing trade publications, attending trade shows and conducting other types of market research. In some cases, individual crafters have developed new products that have been accepted for the wholesale sales line. Researching new markets and designing new products is a never-ending process, and staff members acknowledge that it is taxing their human resources. They hope to rely increasingly on sales representatives to perform this function.

Appalmade trains crafters in a number of locations. It conducts sessions in the Appalmade office, in crafters’ homes and in community centers. In addition to teaching crafters exactly how to make products, Appalmade also sources the raw materials. Originally conducting all crafter training themselves, Appalmade staff members are partnering in a welfare-to-work effort with a group of crafters who have agreed to help pay contract trainers approved by Betty Hurst. These crafters, in exchange, will have the opportunity to participate in Appalmade’s wholesale line. This arrangement could potentially take some of the burden off of Appalmade’s small staff and allow the program to reach out to more of its target group.



## Wholesale Product Line – At A Glance



Large wholesale trade shows such as the Atlanta Gift Mart, Valley Forge Market Square and Charlotte Gift Show are Appalmade's most consistent and best wholesale sales marketing sources for a number of reasons. They are a great place to conduct market research, and most of Appalmade's sales have been made at these shows. Only buyers or sales representatives for retail shops, catalog companies and larger retail businesses can obtain the credentials needed to attend these shows, and they must place a minimum number of orders. Wholesale craft and gift markets are distinct from craft fair-style retail shows, determined by Appalmade to be too risky, as they require an upfront inventory and carry the risks inherent in gambling on what will sell.

Appalmade has had some experience with wholesale marketing of its clients' crafts via the Internet. The Internet is often touted for its potential to bridge gaps between remote rural producers and urban wholesale markets. Appalmade's first forays, including a link with a Web site called Web2Market, were not as promising as hoped. The gift and craft industry is saturated with Web-based marketing vehicles and portals, making it difficult for a resource-strapped brand to compete via the Internet. However, while direct e-commerce may be out of reach, the ability to promote Appalmade via a Web site is proving to be a promising strategy. Having learned about a free Web-building tool for small businesses (Bigstep.com, which since began charging a monthly fee), Appalmade decided to try establishing an online presence once again; creating a site that includes dozens of color pictures of the wholesale product line. Once the site was up and running, Hurst e-mailed a sales representative based in Kansas ([www.smith-dale.com](http://www.smith-dale.com)) whom she had met at the Market Square show. At the time of their first meeting, Smith-Dale was already representing several product lines and did not

believe Appalmade products were ready to be picked up. This time, when the Kansas group saw the new wholesale products on Appalmade's Web site, it immediately sent a contract suggesting exclusive rights to represent Appalmade's products in Japan, Hong Kong, Singapore, Canada, England and Germany. Smith-Dale proposed to handle the



*Appalmade's market niche is a product line of "primitives" – items that look simple, childlike and obviously homemade.*



**Attending trade shows provides valuable intelligence, not only about product trends, but pricing and product lines as well.**

import/export function, allowing Appalmade staff to learn from the experience. While the partnership is brand new, it is an exciting and concrete success for Appalmade, and an example of connecting microentrepreneurs to more lucrative and previously inaccessible markets.

Selling through catalogs presents challenges, as well as potential payoffs. Catalog owners may want only one or two products from an entire Appalmade line, which could mean a windfall for one crafter as long as she is able to produce at the necessary volume with consistent quality. However, negotiations about pricing can be difficult, as catalogs typically want greater markup potential. It also is hard to get into the top catalogs because of competition from other producers. Nonetheless, there can be great benefits for individual consumers and for the Appalmade brand name. Its products have been featured in such publications as *Country Peddler* and the *French Creek Sheep and Wool Catalogue*, and they have sent samples for consideration to a catalog in England.

While Appalmade staff members have had positive experiences with the wholesale markets, accessing these markets was time-consuming, required staff to be away from the program and costs money. Appalmade's first attempt to sell to the wholesale market was at the Charlotte Gift Show. The show is relatively small, easy to do and inexpensive, but it did not attract many buyers. Nevertheless, the show provided good information about the types of crafts that people were buying, as well as how to talk to retailers about future trends. At the other end of the spectrum is the Market Square show in Valley Forge. This show is held twice a year, is three to four days long and typically attracts 8,000 to 10,000 buyers. At this show, which features traditional handcrafts, Appalmade met its first sales representative.

Using market-savvy sales representatives has increased Appalmade's ability to generate sales. Appalmade's sales representatives cover five states in New England and three in the Pacific Northwest. Appalmade is currently considering connecting with a sales representative in Minneapolis. Typically, representatives take samples of products to individual retail shops and fax orders to Appalmade. All sales representatives make 15 percent per sale.

Appalmade hopes sales representatives can cover more trade shows and additional geographic areas of the U.S., thereby reducing the amount of marketing that Appalmade staff members must do. However,

this is not without a down side. To date, Appalmade has had difficulty finding the time to test-market new products. Attending trade shows provides valuable intelligence, not only about product trends, but pricing and product lines as well.

Two challenges that Appalmade faces in wholesale craft production are: 1) quality control and 2) overseas crafts production. Quality control becomes an issue as new products are developed and new training is required. Finding the time to conduct adequate training for crafters living in remote areas also is difficult. Imports are also difficult to address. When an item becomes popular, such as American-made quilts, larger producers will move quickly to set up mass production in a location with lower labor costs, such as China. This transplants crafts that are traditionally indigenous to the U.S. Appalmade considers this possibility when developing new products for its line, keeping track of which products importers may copy.

### **Lorraine**

Lorraine lives in a small town in Tennessee with her husband, Howard, who is disabled because of a back injury he suffered while working as a machinist for a tubing company. Howard began receiving disability payments four years ago after waiting three years to get approved. Lorraine worked in a sewing factory for 20 years, making about \$6 to \$7 per hour when she left the job 12 years ago.

Lorraine has permanent custody of a relative's two children. The youngest child has fetal alcohol syndrome and since has developed attention deficit disorder, asthma, a hearing impairment and other problems that require Lorraine to remain home to care for him.

Because Lorraine could not work outside the home, she started to make and sell vests, jumpers and stuffed animals at craft shows to earn extra money. She also performed alterations for people in her town. She made a little extra money this way, but then a friend heard about Appalmade, which had set up an informational meeting in Lorraine's town. Lorraine joined Appalmade and started making angel ornaments and gingerbread men for the Appalmade line. "I thought it would be just a little here and there. But it took off and it hasn't stopped yet. ... It has been a miracle for us, especially because it took three years for my husband's disability to come through." Lorraine made \$9,984 through Appalmade in 1999. Since joining Appalmade in late 1996, Lorraine has earned \$25,379

by producing crafts for the program. The money goes toward clothes, groceries and medical bills.

Lorraine's products are mostly her own designs, including fabric nativity sets, fabric animals and other items sold through the Appalmade wholesale line and retail store. She also sells a few items through the church-based markets. She gets inspiration for new designs from magazines; or Beth Johns, the Appalmade designer, will sketch a particular product she wants Lorraine to make. Lorraine's husband has become an integral part of her crafts operation. Lorraine puts out fabric and stuffing, and he wakes up early in the morning to start on products.

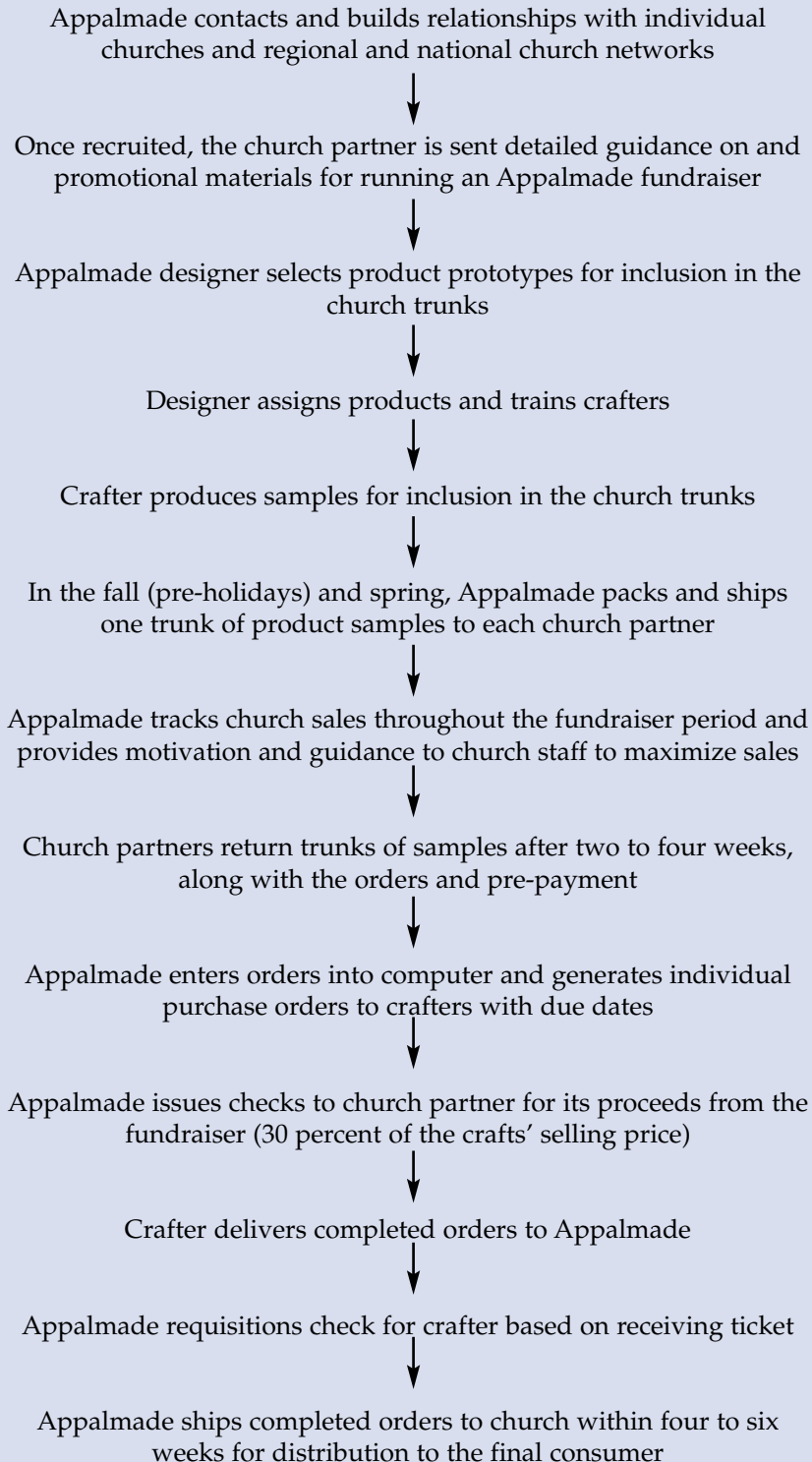
"Appalmade staff (members) are the greatest people in the world," said Lorraine. "They are so supportive ... they are right there for you. If you have the talent, you just need to work hard to make money. The harder you work, the more money you make."

## Church-Based Sales

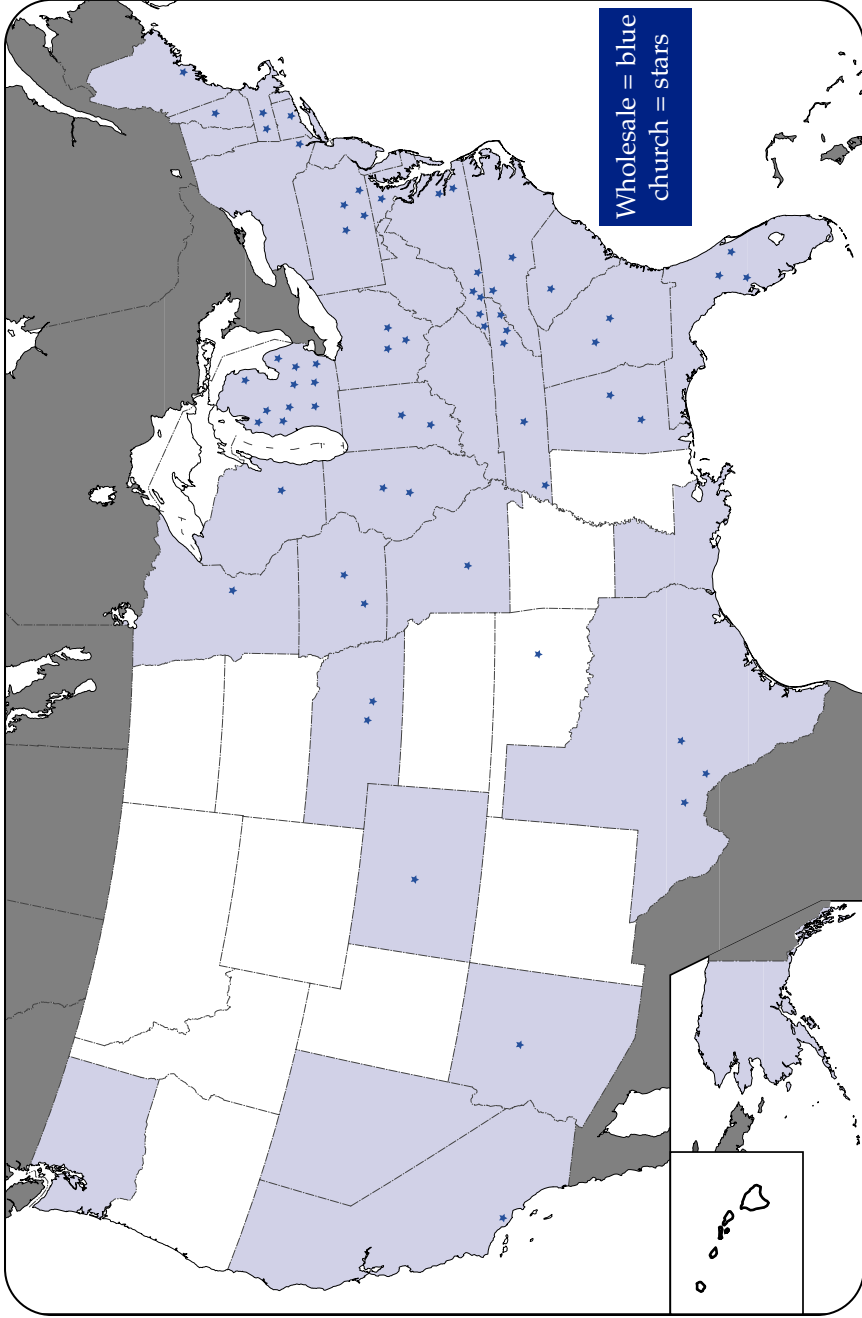
The church-based sales strategy, established in 1998 with a grant from the Charles Stewart Mott Foundation, is Appalmade's newest marketing tool. The church-based sales project requires a product line distinct from that offered through Appalmade's wholesale sales strategy. Appalmade sends trunks, filled with samples of more than 50 handcrafted items, to churches for the fundraiser. Items include dolls, birdhouses, ornaments, folk art collectibles and other seasonal items such as nativity sets in the fall and Mother's Day gifts in the spring. In addition to providing samples of handcrafts, the trunk contains materials to assist the church in marketing the products. For example, Appalmade has written announcements designed to be inserted in church bulletins, as well as a generic article for a church newsletter. And before the sale, fundraiser participants are encouraged to show church members a short video on the Appalmade program and its people. Churches earn 30 percent of each sale, but must pay shipping costs for the trunk out of their commission.

The product cycle in the church marketing strategy is the same as that of the wholesale strategy, with a few key differences in how marketing takes place.

## Church-Based Product Line – At A Glance



Appalmade's wholesale areas and church partners\*





Similar to the wholesale strategy, crafters earn income by producing samples for trunks and by producing items ordered. No inventory need accumulate, and crafters are paid for items produced. In this way, they avoid all financial risk. Also, like the wholesale sales strategy, Appalmade staff is constantly working to update and stay ahead of the learning curve regarding tastes and preferences for products sold in this market. Already, staff has learned there are some key differences between these two main markets. For example, to produce for this new product line, crafters have had to learn new skills such as lettering, and have had to learn to complete their work more precisely and perfectly than previously.

### **Appalmade's Church Partners**

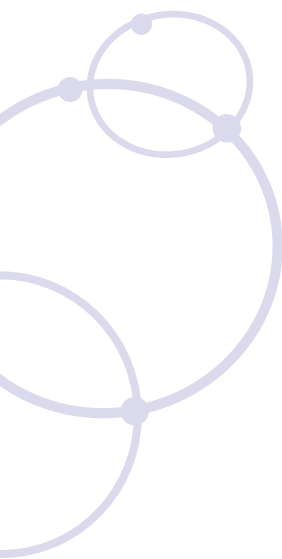
Developing relationships with church partners was Appalmade's first accomplishment. Tammy Robinson and Betty Hurst started by researching several major denominations to learn congregations' typical giving patterns. They attended several regional church conferences, and used the Internet to learn who in the church hierarchy might be receptive to their pitch. In the end, Robinson found that meeting with local representatives who could get Appalmade into the church's decisionmaking process was most effective. Robinson's efforts to get the Appalmade story placed in national and local church publications proved cost-effective, but it is still necessary to invest time and money to attend church conferences.

### **Retail Store**

The Appalmade Store is the point of entry for many new crafters who wish to market their work through Appalmade. Recently relocated to the heart of the shopping district in downtown Abingdon, the store is doing very well. Although there are still slow times, many more walk-in customers are finding Appalmade. The store started advertising in the Barter Theatre Program Guide, generating many new sales. It also gets tour bus traffic at this location. Before this move, the Appalmade store was located in retail space in the front of the People, Incorporated building. Although they did successfully attract customers to the old site, staff members believe that the less-than-ideal location limited sales.

Unlike the wholesale and church-based sales strategies, the Appalmade Store provides a sales outlet for a wide variety of products that do not have to conform to a specific look or line. While staff members do review products to determine suitability for the





store, criteria are broader and allow for diversity of inventory. Products are accepted on consignment, and there are no specified production requirements for crafters.

The store serves a number of purposes that all work to contribute to Appalmade's mission of creating income-generating opportunities for people who need to work from their homes. The store provides a local outlet for products marketed nationally. It introduces new crafters to marketing before they jump into wholesale production. It acts as an outlet for a wider range of craft products than are sold through wholesale markets, and for wholesale samples and cancelled orders. Because the mission of the Appalmade Store falls within the program's mission, there was no need to create a for-profit subsidiary.

The retail store was originally conceived of as a place to conduct market research on how products would fare with consumers. Appalmade staff members discovered, however, that local shoppers' tastes did not predict success in national markets. They also determined that what staff and crafters like did not predict success. Nevertheless, the store appeals to local shoppers and tourists, and provides a public face for Appalmade's programs and crafters.

# IV. ACCOMPLISHMENTS AND CHALLENGES

## Accomplishments

### Program Goals

*“Through design, training and marketing services, Appalmade creates opportunities to earn supplemental income for crafts people who need to work from their homes.”*

Appalmade was begun to attain this very clear goal, and from the outset it has remained true to its vision. Perhaps its most significant achievement is building a program that both realizes its goal of becoming a player in the marketplace and still remains faithful to the original target group of poor, homebound women. Appalmade’s program responds to both the capabilities and limitations of its target group; it is inclusive, consistent in its efforts to meet clients where they are; and it has earned the trust of its clients, whose fierce independence and extreme isolation underscore Appalmade’s commitment and effectiveness. This trust is built on a foundation of respect between partners in a business relationship, in contrast to the paternalism of welfare handouts. At the same time, Appalmade is on its way to developing a recognized brand name within the handmade American crafts industry.

Here are examples of specific accomplishments:

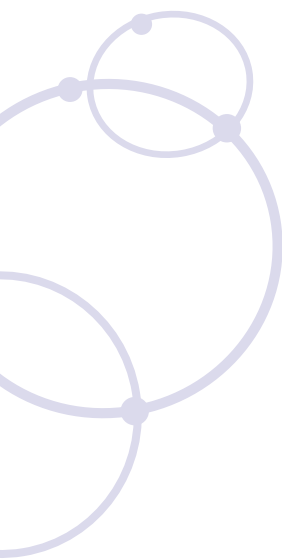
### Program Design

**Appalmade searched for a product line whose marketing requirements would be appropriate for the often-precarious personal and financial situations of clients.**

Production for the wholesale and consignment markets met Appalmade’s requirements: minimal risk for the client, home-based production and easy entry. With multiple product lines and distinct markets, Appalmade can accommodate a wide range of skills and preferences among its clientele. Those who cannot accept the time-consuming mass production of the wholesale market can place unique items of their own design in the retail consignment shop.

**Appalmade is doggedly inclusive.**

Well on the road to being a successful producer for the wholesale market, it will not sacrifice its broad target group to achieve sales goals that bolster program performance statistics or promote the income of a small group of more talented crafters. In other words, Appalmade does not rest with its winners; it is constantly updating crafters’ skills and designing new products to keep everyone engaged.



## Client Outcomes

The Appalmade program has created an income stream for 150 women who have few other employment options.

For many, income earned through Appalmade is their only source besides their husbands' disability checks. Even small amounts of income make a difference in important quality-of-life issues such as medical care, winter heat or holiday celebrations.

**Table 1: Examples of Client Income from Appalmade's Three Market Channels**

	1998				1999			
	Wholesale	Retail	Church	TOTAL	Wholesale	Retail	Church	TOTAL
Client 1	\$14,090	\$636	\$694	<b>\$15,420</b>	\$1,062	\$629	\$1,930	<b>\$3,620</b>
Client 2	\$6,228	\$272		<b>\$6,499</b>	\$5,137	\$384	\$478	<b>\$5,999</b>
Client 3		\$299		<b>\$299</b>	\$341	\$413	\$2,501	<b>\$3,255</b>
Client 4	\$486	\$70	\$125	<b>\$682</b>	\$1,861	\$155	\$1,014	<b>\$3,030</b>
Client 5	\$5,348	\$178		<b>\$5,526</b>	\$3,237	\$80	\$335	<b>\$3,652</b>
Client 6	\$102			<b>\$102</b>	\$592	\$37	\$410	<b>\$1,039</b>
Client 7		\$155		<b>\$155</b>	\$18	\$670	\$489	<b>\$1,158</b>
Client 8	\$1,985	\$485		<b>\$2,470</b>	\$761	\$421		<b>\$1,576</b>

## Small is Significant

Retha claims she did not initially produce crafts for Appalmade for the money. However, when her husband needed medical attention for his black lung disease, contracted after 20 years in the mines, Retha saved her Appalmade income to pay for the 224-mile round trip to the doctor in Bristol, Tenn. Before he died in 1998, they made eight such trips.

Jewel is prolific. She works on her crafts almost every day. She does not sell everything, but claims that the \$269 she earned in Appalmade's church fundraiser was "Christmas for us — turkey and all."

**Appalmade has created new market opportunities that most clients could not have accessed on their own.**

Those who produced and sold crafts before their participation in the Appalmade program relied exclusively on local retail craft fairs.

**For many women, earning their own money has been a new and empowering experience.**

This psychological benefit cannot be understated. Clients speak of pride, self-confidence and perhaps most poignantly, about how their “business” helps them fight depression. Many women who have recently lost loved ones, or who are homebound with disabled or handicapped family members, express the same conviction:

*Retha grieved after her husband died, but she knew she needed to stay busy. “I can stay away from them nerve pills as long as my hands are busy. Idle hands are the devil’s workshop.”*

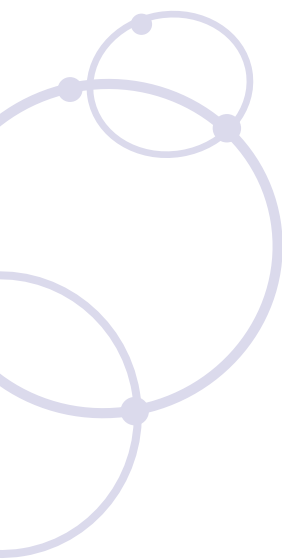
*Similarly, Sue experienced a long period of depression after the death of her husband. “I knew I was depressed when I just couldn’t get off the couch. But I didn’t doctor for it; I finally just got to work on my crafts.”*

### **Pride and Self-Esteem**

Jewel has an adult son with severe epilepsy whom she takes care of at home. For years she tried to market her crafts at local fairs, but her son’s episodes frequently kept her from actually attending on the day of the fair. Finally, she gave up. When she learned about Appalmade, consignment sales encouraged her to make other items for the church trunk. She appreciates the money, but loves the pride and recognition of her accomplishment. When her children bought her a new drafting table where she can paint, Jewel set it up in the dining room. “If anyone doesn’t want to look at it, I’ll give ‘em a blindfold!”

### **Program Operations**

Appalmade’s successful adherence to its mission and program goals is supported by well-run operations and a highly committed staff. It has enabled poor women to earn income by developing, from scratch, three market channels, designing a product line for each channel and training clients to make those products. Two of these three channels are meeting the challenge of accessing markets beyond the immediate region, long saturated with local crafts. Box 1 lists a summary of operational achievements.



### **Box 1: Achievement Highlights**

- Three market channels and two product lines with the corresponding understanding of how to reach distinct markets
- National exposure for Appalmade products
- Some Internet and catalog sales
- Direct access to large national consumer market through churches
- Steady sales growth
- Positive trend in cost recovery
- Steady program evolution and growth – staff grown from 2.5 to 5.0 FTE
- Positive relationship with clients attributed to clear communication of expectations, prompt payment and honesty

#### **1. Wholesale**

Despite initial research into programs that marketed crafts on behalf of low-income producers, staff really started at point zero and learned by doing. After a couple of false starts, poor decisions about where to invest marketing time and exposure to various wholesale trade shows, Appalmade settled on a product line and a marketing method that is manageable and appropriate for its clients. The wholesale channel has gained national exposure, with sales in 36 states. Appalmade has a strong track record of delivering retailers' orders on time.

#### **2. Church Fundraiser**

To build the network of churches that participate in the Appalmade fundraiser, staff has taught itself about the structure and culture of various national religious denominations and faith-based communities. It has pursued an aggressive marketing campaign to attract church participation in the program. And it has had to train church members, largely volunteers, on how to operate successful fundraisers. Since initiating this work in March 1998, Appalmade has worked with 141 churches in 26 states. This represents a national consumer market that is distinct from the retailers who order wholesale from Appalmade.

### 3. The Retail Consignment Shop

The strength of Appalmade’s consignment shop is the ease of entry it offers to crafters who are unsure of their interest or ability to participate in the wholesale program. It is a training ground where Appalmade can assess crafters’ skill for potential fit with the other channels. Efforts to market the shop with rack cards at 250 locations have paid off.

All three market channels experienced steady sales growth from 1998 to 1999, resulting in a positive trend in cost recovery, as indicated in Table 2.

**Table 2: Sales and Cost Recovery by Market Channel**

Market Channel	1998		1999	
	Sales	Sales as Percentage of Expenses	Sales	Sales as Percentage of Expenses
Wholesale	\$53,552	48 percent	\$62,705	57 percent
Retail	\$31,418	55 percent	\$40,050	50 percent
Church Fundraiser	0	0	\$15,598	14 percent

Initiated midway through 1998, the church networks yielded no income that year. And as the newest market channel, the investment required to develop it is not yet balanced by sales. In 1999, sales in this channel represented 13 percent of overall revenues, while its expenses amounted to 37 percent of the total. As Appalmade’s initial investments begin to bear fruit, these figures will be more balanced. The wholesale channel, in contrast, represented 53 percent of revenues and only 37 percent of total expenses.

## Challenges

Appalmade’s challenges are the natural outcome of a program that serves an isolated target group by setting itself up in business. In effect, crafters are subcontractors to Appalmade, which is responsible for product design, quality control, marketing, sales and shipping. Yet Appalmade must continuously confront the competitive challenges in the marketplace, not as a business set up to maximize efficiency and profit, but rather as an underfunded nonprofit that responds first and

foremost to its mission of social and economic empowerment for isolated, poor women.

### **“Big Picture” Market Challenges**

**Appalmade is challenged to develop a conscious strategy for ongoing market research and product development.**

A primary challenge for Appalmade is one faced by all market players – staying on top of the constantly changing market. Although not unique to Appalmade, this challenge is nevertheless very trying for an organization that is responsible to so many clients and run by staff members who are themselves learning the business.

Keeping pace with fickle consumers and changing trends indicates the need for regular market research. While the art and science of keeping apprised of market trends falls largely to the Appalmade designer, everyone participates. However, staff is challenged to find enough time for this activity. It is further hampered by few easily accessible sources of information about market trends and new products. Appalmade relies on its sales representatives who have extensive contact with retailers, but they, too, are subject to the vagaries of consumer whim. Once Appalmade’s new ideas materialize into samples, staff members have few opportunities to test-market them. They tend to go straight to the big trade show before anyone knows how well they will do.

Currently, some products in Appalmade’s popular primitive line are beginning to fade in popularity, and staff is experimenting with new colors, a brighter look and more products in the functional home decor area. Thriving on imperfection, the primitive look is fairly easy to achieve, but new trends call for crafts that are more refined and require different and more advanced skills to produce. Appalmade is investigating partnerships that will result in additional, and more sophisticated training for producers that can be coordinated by Appalmade’s designer but conducted by outside trainers.

**Competition from mass producers and overseas copycat production threaten the handmade gift industry.**

Popular items are quickly copied, or “knocked off,” and mass-produced at a much lower cost. The challenge in this context is to keep moving nimbly from product to product, maximizing profits before competitors flood the market with lower-cost copies, underlining again the need for more intentional product development strategies. In addition, Appalmade may want to explore ways to band with other craft



organizations to increase consumer awareness about the economic effects of foreign production, overseas labor practices and the importance of supporting American crafters.

**Appalmade competes in the commercial marketplace with a labor force that is constrained by isolation, limited skills and low incomes.**

Appalmade responds to these barriers by offering multiple services — product development, training, sourcing raw materials and quality control — that its clients need to participate in the national crafts industry. In addition, given its producers' extreme poverty and aversion to risk, Appalmade assumes most of the financial risk. Appalmade's investments in these areas highlight its position as a business development program as opposed to a competitive business. As a multi-faceted program, it may need to rely on a partial subsidy.

### **Operational Challenges**

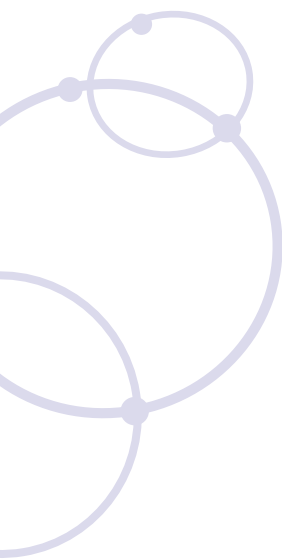
While the challenges of the marketplace are daunting, they at least pose a level playing field for most market actors. Representing 150 individual producers, Appalmade faces unique operational challenges.

**Appalmade operates in three markets simultaneously.**

This most significant challenge is also a source of its strength. Distinct product lines, developed for each market, offer Appalmade clients a greater opportunity for participation. However, running three distinct businesses has stretched the limits of the Appalmade staff in several areas including:

1. **Design:** In two of the three channels — the wholesale and church fundraisers — Appalmade has to design distinct product lines. Operating successfully in both markets doubles the pressure the designer faces in continually upgrading and reinventing to anticipate changing trends.
2. **Production schedules:** Staff must adhere to specific schedules tied, respectively, to trade shows and fall/spring fundraisers at participating churches. These schedules dictate product development, production of samples (for both the wholesale trade show and the sample trunks sent to churches) and filling of orders.
3. **Logistical challenges:** At certain times of the year, notably from September to November when everyone is gearing up for





Christmas, all four staff members face severe logistical bottlenecks in packing, shipping and accounting — to name but a few of the tasks that consume them at that time.

**Appalmade is highly engaged in training producers and controlling the quality of products.**

Appalmade's clients are its soul, its reason for being. And their production of marketable products is the obvious prerequisite to Appalmade's intense effort to successfully maintain its position in its chosen market channels. Yet, clients need initial training to learn their product assignments, and Appalmade needs to exercise quality control in their production. Training and quality control are always time-consuming in any business. Time required for these tasks is much greater when the producers are geographically dispersed and possess a wide range of skill levels. Thus, Appalmade has a responsibility to work closely with its producers that extends beyond the boundaries of a commercial marketing firm. To date, it has mainly trained individuals one-on-one. While effective, this is time-consuming, and Appalmade staff is challenged to find more efficient ways to impart production skills to the clients.

**Appalmade must match products and producers.**

Another operational challenge unique to Appalmade's method is the assignment of products to producers. Staff must match products to individual skills and production capacity, while striving for a fair distribution in terms of income potential. Given the wide variation among clients, differences in earnings are unavoidable. One client whose product was featured by a catalog company made \$14,500 in fiscal year 1998, a "hit" that is probably not sustainable for that client nor replicable for all clients. Appalmade's challenge is to find products whose sales volume is large enough to sustain a wide variety of producers.

**Appalmade has to integrate its business operation within a not-for-profit organization.**

On the operations side, Appalmade faces the challenge of harmonizing its need to become increasingly competitive and efficient in the marketplace while operating under the culture and structure of a large nonprofit organization. As a program of People, Incorporated, Appalmade's accounting is done through the agency-wide system. This process is required for all items, including those that are often needed quickly, such as purchase orders for all payables. While this practice is standard in an agency that makes normal purchases for daily operations, it has proven very cumbersome for sending monthly contracts,

bills and payments to 150 crafters.

## Challenges Specific to Each Marketing Channel

### 1. Wholesale Marketing Channel

Seeking to increase sales, Appalmade sees a potential opportunity in placing more products in catalogs and finding additional sales representatives, as these factors generated significant sales activity in fiscal year 1999. In the first instance, increasing catalog sales is complicated by the fact that Appalmade needs to place a product or products that generate large enough sales volume to sustain multiple producers so that more than one client can benefit from what has been a robust sales channel. One client had sales of more than \$20,000 during the two years that her items were in the *Country Peddler*.

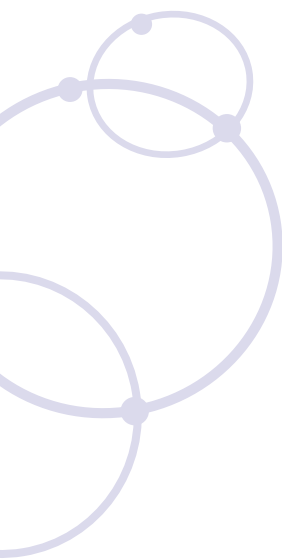
The second of these challenges — contracting with additional sales representatives — is more straightforward but no less difficult to resolve. Good ones are hard to find. Given the company's specialization in American handmade crafts, RSG is an excellent fit, but not one easily replicable in a small product niche. Appalmade needs both the time and opportunity (exposure, contacts, etc.) to cultivate additional relationships to increase sales via this mechanism.

### 2. Church Fundraiser

Marketing in the wholesale program occurs largely through the established mechanism of the industry trade show (with known dates and locations), plus RSG's efforts throughout New England and those by the new sales representatives in the Northwest. By contrast, Appalmade's marketing to churches across the country requires a different, more diverse set of activities that it must maintain over time. Even though Appalmade has successfully recruited participation of more than 100 churches in the first 24 months of this program, its effort must be ongoing, as individual churches will cycle in and out of the program. Marketing in this channel involves attendance at denominational conferences, follow-up sales contacts, public relations, visual materials, videos and anything else that can sell the Appalmade story to churches.

However, the marketing job does not end with recruitment. Appalmade faces a second challenge in ensuring sales within the participating churches. Not only has Appalmade learned through experience to establish minimum sales requirements with churches (expectations are now set at \$1,000), it has to help them meet these targets.

While sales in the church program are experiencing robust growth (Sales for the first eight months of fiscal year 2000 have surpassed fiscal year 1999 sales by 42 percent; and if projections for the



remainder of the year are realized, sales will more than double), expenses incurred by this strategy are the highest among the three market channels. In 1999, the church program accounted for 13 percent of total sales and 37 percent of total expenses. In 2000, these figures should change to approximately 28 percent of sales and 33 percent of expenses. While the 1999 data indicates the high expenses normally associated with a new program, Appalmade is clearly working to eliminate operational inefficiencies. The proportions of total sales and total expenses are beginning to even out.

### **3. The Retail Shop**

Appalmade's retail shop is challenged to break even. Given that it is competing in a geographic area already saturated with distinct crafts, the shop has fared better than expected. However, to improve its current cost recovery of approximately 50 percent, the shop needed to do two things: Move to a better retail location that can draw pedestrian traffic (which it did); and find a better balance between client responsiveness (such as accepting unmarketable items) and profitability. While the move will initially impact negatively on cost recovery because the shop has traded free space for monthly rent, higher sales should compensate for this shortfall over the longer term. Accomplishing the second task may force the Appalmade staff to make difficult decisions about excluding clients' crafts that do not sell well, or develop alternative merchandising strategies for such products (such as sales tables or flea market space where disparate items are discounted and set apart from more sophisticated products on the store shelves).

## V. LESSONS LEARNED

- Get to know clients' limitations and their capacities. Keep these in mind when designing and building a program. Look for barriers to participation and strategies to avoid them. Building a program around specific clients' needs increases potential for real impact. Appalmade avoided strategies that required high skill levels, mastery of one product or significant investment in equipment. Instead, it designed a program based on ease of entry and minimal financial risk for its clients.
- Conduct thorough research on the industry or sector clients will enter. Identify the best options for investing limited resources. Trial and error can be a great way to learn, but it is costly. Appalmade invested in a color catalog before it really developed an Appalmade line, and learned about wholesale gift shows by attending a few that were not right for its products. The craft sector is huge; identify a niche that is appropriate for the target group. Develop an identifiable product line characterized by a look, a range of colors or uses.
- From the beginning, plan to invest resources in market research and product development to cope with the relatively short product life cycles.
- If choosing wholesale marketing channels over retail, identify the best trade shows for the market niche. There are many wholesale gift shows, but most likely only a few that will cater to products like yours and attract retailers who carry them.
- Identify and work with sales representatives experienced in your product niche. Not only will good sales agents achieve wider exposure for products, they are a valuable source of market information because they are in more frequent contact with sophisticated retailers.
- Developing and maintaining several markets simultaneously opens new opportunities for clients, but creates significant additional work in terms of market research, sales strategies, product development and production systems.
- Helping low-income people access markets brings with it the dual challenges of building a small enterprise while operating a social service organization. Avoid doing everything. Look for efficiencies in the time-consuming small jobs (such as temporary or part-time help). Invest in business strategies, staffing, organizational structures and practices that can create efficiencies in the end.

## VI. CONCLUSIONS

In all three market channels, profitability is clearly a challenge for Appalmade. At the root of this challenge is Appalmade's mission to reach isolated poor women whose needs require that it function as a comprehensive program as opposed to an efficient business. The latter would not absorb the costs of training a disparate, widely scattered, unskilled work force. Purely business, bottom-line choices would dictate working with a smaller number of skilled crafters as opposed to keeping the doors open to anyone seeking to participate.

While Appalmade can increase sales and achieve greater operational efficiency, it remains a program serving those who need intensive assistance to fully take advantage of this rare opportunity to earn income. As such, it may not be able to achieve the profitability that a business would require. Nevertheless, as a program operating on business principles, Appalmade has opened channels for income and has built a new type of assistance relationship with clients based on production, commercial exchange and respect.

While Appalmade's diligence in pursuing its mission has paid off for more than 150 crafters, the program must now plan for its future, addressing two key questions:

### **What Growth Path Should Appalmade Pursue?**

Will it focus on increasing profitability through further cultivation of the skills and production capacity of current clients in whom it has made a significant investment? Or, will the organization continue to grow by increasing the number of clients it serves and spreading the benefits of its craft-marketing program more widely? It is unlikely that it can both increase sales and incorporate additional crafters at current staff levels. Already staff does not have sufficient time to train crafters, design new product lines and conduct market research. Yet, the vision that motivates it keeps the doors open to new clients in need.

### **How Can Appalmade Achieve a More Stable, Sustainable Operation?**

The program has been built with the steadfast commitment of hard-working women who — as is commonly the case with any com-



*Gift items and household decorations in the American country and primitive style have enjoyed tremendous popularity in recent years.*

mercial or nonprofit start-up — do everything. They design products, train crafters, negotiate contracts, maintain an accounting system, pack boxes, mail packages and search for odd buttons and other necessary craft supplies. Yet, to sustain this operation, Appalmade needs to reduce its dependency on the tireless commitment of too few staff members and find efficiencies that will free them up to perform substantive work such as product development and marketing. It needs, in short, to become even more business-like if it is to continue to realize the vision of creating opportunities to earn income where there are too few. Appalmade has succeeded in doing all the hard work necessary for any start-up business; it has proven that its strategies will work. Now, it must take the next step and shift from a start-up to a stable, successful marketing organization.

Additional copies of this report can be purchased for \$10 each. Also available: Access to Markets Case Study No. 1, *Making the Connection: Appalachian Center for Economic Networks (ACEnet)* and Case Study No. 2, *Making the Connection: Neighborhood Development Center*. To order, contact FIELD, the Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination, by calling the Publications Hotline at 410-820-5338.

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