

the **GAUTENG**
BUSINESS OF TOURISM



START AN ART & CRAFT CENTRE



1. DEFINITION

An Arts and Crafts Centre is a facility from which products with artistic value and/or souvenir value are sold along with a range of products which emanate from the local culture. Beaded Baskets and Ndebele Dolls are examples of locally produced, culturally influenced, products. It could be an open-air facility or inside a building.

The arts and crafts centre described here should be distinguished from a street- market or flea-market which sells arts and crafts items, but may also sell a range of other goods.

2. DEFINITION

These are some observations that will be helpful for the newcomer to the field. Some of the issues are of a moral/ethical nature which requires careful thought.

- Not many craft work producers make a living solely from traditional craft production and marketing.
- Community based craft producers often only have limited time available for production and therefore only add a little cash income to their households, sometimes enough to for example, pay for children's school fees.
- It is important to ensure that producers are not exploited. Some traditional craft work has unique artistic value (i.e. as a work of art) and in genuine cases the costing of such items should ensure that the artist is adequately rewarded.
- Some items may have genuine antique, anthropological or archaeological value in which case they may be extremely valuable.
- Some items may be adapted to give a more generic usefulness within the household fashion market (e.g. using locally produced craft materials to manufacture lamp shades in fashionable colours or designs etc). This can open a significant market and income generating potential for your business and for the producers.

In contemplating an arts and crafts business thought will need the following:

Sources of products, an eye for items that may be modified through adding value to them and whether you wish to engage with producers in this design modification process, a knowledge of industry standards for ensuring quality control, availability of sufficient quantity of products for your requirements and how seasonal availability may affect this, marketing and ongoing adaptation to market requirements.

Your interest in starting an arts and craft business is likely to fall under one of the following:

1. selling arts and crafts as an addition to an existing tourism activity;
2. creating employment by creating a new market outlet for people involved in craft production;
3. creating an art-works outlet for indigenous crafts with unique artistic value;
4. entering the selection, production and marketing of handicrafts through a sales outlet but also selling to the national home industry and international home industry markets.

There are some basic steps that you should follow before embarking on investing in your arts and craft centre in order to avoid disappointment. For example:

1. Prepare a business plan for the new enterprise
2. Ensure that you have both a reliable market and source of products. Product range may include items with souvenir value through to valuable and costly art works, depending on your cash flow, your specific interests and experience.

3. Linkage with existing producers and/or markets may be important in starting, before opening your own supply networks or marketing channels.

3.1 When dealing with rural craft producers, it is very important not to raise unrealistic expectations. For example, if quality is not adequate, do not pretend that it is acceptable.

3.2 There are many different types of arts and crafts centres and they can operate at many different scales. Here is a brief description of some options:

3.3 An entrepreneur who already runs a tourist accommodation facility or some other tourism related activity (e.g. a Bed & Breakfast or a travel agency) and desires to start (on the existing premises) a small display of arts and crafts for sale to clients. Sales may occur but are not the mainstay for the economic well-being of the main business.

3.4 An entrepreneur already runs a tourism booking and/or advisory service (e.g. a community tourism organization or a travel agency) and desires to add to the interest of customers by having available arts and crafts for sale. The floor area for display purposes may be approximately 20m², provided the outlay on stock is not substantial. The financial contribution of the enterprise to the main activity may not be significant or essential. However, the display adds to the attractiveness of the business premises and so draws more clients.

3.5 An entrepreneur has no existing tourism operations or services but desires to start a dedicated arts and crafts centre with a floor area of between 50m² and 150m² with a street or arcade frontage, no off-street parking but a steady stream of passing pedestrian traffic. This is clearly a costly exercise and requires that a very detailed Business Plan should be prepared.

3.6 An entrepreneur already runs an existing tourism facility (large tour operation, game lodge, cultural village, petrol filling station etc) and desires to add on an arts and crafts centre. It will have a display area (internal and external) of several hundred square metres, plenty of off-street parking for cars and buses, space for other facilities such as restaurant(s) and other related tourism services. This is a major and costly exercise and requires preparation of a full Business Plan.

There is little a difference between arts and craft centres which are tagged onto an existing operation and those that are started from scratch. Most concerns and questions relate to both categories of centre, but the importance attached to each may vary according to the scale of the proposed arts and craft centre.

In developing your Business Plan, some of the concerns and questions you should answer include the following:

1. Do you want to stock items of real artistic value or do you only want to stock items of souvenir or memento value?
2. Is there a genuine market for the products you intend selling? If you are unsure, do some testing of the market by stocking (if possible) a few items and monitor closely:
 - 2.1 what sells,
 - 2.2 how quickly they sell,
 - 2.3 was the price right,
 - 2.4 who bought the items,
 - 2.5 do people ask for specific types or categories of items,
 - 2.6 do people buy items of only souvenir value (mementos) or do they buy items with real art value
- 2.7 Is your space adequate for the products to be sold? If you had more space could you stock more? In which case would you sell more?
- 2.8 Do you have suppliers for the products you wish to sell? Are they reliable? Is their prices right for your market?

If you have done a trial, then you will have some of the information required for preparing a detailed business plan before investing any further.

Specific legal considerations for entrepreneurs starting new Arts and Crafts Centres are:

1. Planning and Environmental Authorizations: There is a distinction between Centres that may be started in a city or town, compared with those that may be located in a rural area.
2. Centres to be started inside a city or town: Go to the Planning authorities at the Local Municipal offices and establish whether the piece of land you intend using for the Centre is zoned for the type of activity you are proposing. If it is appropriately zoned, then you may proceed with your development but establish from the municipality, if there are any other controls that you are obliged to comply. If it is not appropriately zoned, inquire what processes are necessary to obtain authorization for the change of land use and change of zoning. The Local Municipal officials should be able to guide you on whether an application to the authorities is needed and how you should go about making such application.

3. Establish what trading licence is required and obtain one from the Local Municipality, if needed.

3.1. Centres to be started outside a recognised town: Inquire whether the establishment of an Arts and Crafts Centre constitutes a change in type of land use.

The Local Municipal officials should be able to guide you whether an application to the authorities is needed and how you should go about making such application.

3. BUSINESS ISSUES

3.1 Structure of Your Business

You may be registered as a Sole Proprietor, or your business may be registered as a Private Limited Company ((Pty) Ltd Company, or Close Corporation (cc)). Chambers of Commerce, Gauteng Tourism Authority (GTA) and Gauteng Enterprise Propeller (GEP) are a good contact through which to obtain details of organisations that can give advice on the structuring of your business. Advice may also be obtained from Business Advice Centres.

3.2 Managing Your Business

Management of your business will involve:

- a decision on the types and packaging of services;
- bookkeeping and accounting;
- arrangement of VAT and taxes;
- record-keeping for your own records, for advertising reasons and for tax purposes;
- taking and managing bookings from clients;
- employment and labour conditions which includes employment equity, labour unions and conditions of employment;
- training of staff : it is vitally important that staff are trained in customer care and to be professionals in their field; and
- insurance cover which includes both security and public liability.

3.3 Marketing and Advertising

Marketing and advertising may be done through a variety of mediums, such as, printed brochures, internet, television and word of mouth. Gauteng Tourism Authority should be approached to enter your business into their tourism assets database for the Province which provides freely available information on tourism facilities.

GTA, Ekurhuleni, Johannesburg and Tshwane metropolitan tourism information centres, West Rand, Sedibeng and, should be approached to help disseminate your marketing material; also to advise on other marketing opportunities available relating to your businesses.

Any brochures produced should include an easily readable map of location (if you have an office) to direct clients to your premises.

Other Requirements

- It is important that your business is registered with GTA and GEP.
- Membership of SATSA (Southern Africa Tourist Services Association) is advisable to ensure that minimum standards are adhered to. Membership of SATSA can be used as a marketing tool and provides tourists with an assurance that certain standards are being maintained. The requirements for membership of SATSA are available at www.satsa.co.za
- The criteria set out in South African Tourism's voluntary grading system which has been established in terms of the Tourism Act (72 of 1993) are also useful as practical guidelines for achieving a specific standard of service. Participation in the grading system provides a good marketing tool and ensures a high level of service. Booklets may be obtained from Tourism Grading Council of South Africa (TGCSA) which outlines the minimum standards required for the grading. www.tourismgrading.co.za

3.4 Financial Record Keeping

Good record keeping systems provide information for managing finances. The key items in record keeping include;

- Original records e.g. keeping your sales slips, receipts, invoices etc.
- Journals which record the details of every transaction in chronological order e.g. the cash book;
- Ledger where information obtained from journals is made more useable;
- Trial balance is a list of all ledger accounts balances taken out to prepare financial statements;
- Financial statements:
 - Income statement
 - Balance sheet

The minimum requirements for a small business operation are:

- Cash book
- Cash control Systems
- Assets Register
- Debtors Record
- Creditors Record.

3.5 Budgeting

Budgets are based on past experience, current state of affairs and future expectations. Budgets will help provide an estimate of financial requirements in the execution of plans in the business operation. Kinds of budgets include:

- Sales budget: a forecast of expected monthly income
- Materials budget: expected purchases
- Labour budget: expected remunerations and numbers of workers
- Capital budget: expected fixed assets expenditure e.g. machinery, land etc
- Cash budget: expected working capital requirements over a specific period.

3.6 Tariff Structures

Tariffs should be based on those of your competitors and a detailed analysis of income and expenditure for the proposed operation. Research will be needed to set realistic tariffs. Advice on how to set your tariffs competitively may be obtained from;

- GTA
- Ekurhuleni, Johannesburg and Tshwane Metropolitan - Tourism Information Centres
- Sedibeng, Metsweding and West Rand District municipality - Tourism Information Centres.

4. FINANCIAL ISSUES

4.1 Financing your business

The Department of Trade and Industry provides limited subsidy for certain small and medium sized enterprises in the Tourism field.

Gauteng Tourism Authority may be approached for advice on potential funders.

4.2 Business Plan

Loan organisations (like Banks) usually require a comprehensive Business Plan to be prepared in applying for a loan.

This Business Plan should include:

- business analysis
- financial forecasts; based on rational assumptions and experience
- budgeting guidelines
- schedules determining the amount and kind of finance most appropriate for the business
- details on proposed financing sources
- useful information about the planned business which will aid decision making by the loan organisation.

Assistance to draw up a business plan, can be obtained from:

- GTA and GEP
- Business Advice Centres,
- You may employ Consultants to advise you or to draw up your Business Plan with you. This would be at your own expense. The GTA could give you a list of such persons to assist you.

IMPORTANT CONTACTS

Gauteng Tourism Authority
11th Floor
124 Main Street
Marshalltown
Tel:011 085 2500
www.gauteng.net

Dep of Sport, Arts, Culture and Recreation
NBS Building 7th Floor, 38 cnr Rissick and
Market Street, Johannesburg
Tel: 011 355 2504
Fax: 011 333 4319

Gauteng Enterprise Propeller
124 Main Street
6th Floor
Marshalltown
Tel:011 085 2001
www.gep.co.za

Department of Trade and Industry
Physical address:77 Meintjies Street,
Sunnyside, Pretoria, 0002
Tel:0861 843 384

Joburg Tourism Company
Ground Floor, Grosvenor Corner
195 Jan Smut Avenue, Parktown North
Johannesburg
Tel:011 214 0700

Tshwane Tourism
Old Nederlandsche Bank Building
Church Square
Pretoria
Tel:012 358 1430

Ekurhuleni Tourism
Corner Hendrick Potgieter Road and
Van Riebeeck Avenue
Edenvale
Tel:011 999 3327

West Rand District Municipality Centre
Corner ixth and Park street
Randfontein
Tel:011 411 5155

Sedibeng District Municipality
471 merrimen Street
House & Home Building
Vereeniging
Tel:016 450 3317/ 016 450 3316

TEP(Tourism Enterprise Partnership)
3rd Floor Travel House
6 Hood Avenue, Rosebank
2121
Tel:011 880 3790

South African Tourism Service Association
(Satsa)
3rd Floor, Petrob House, 343 Surrey Avenue
Ferndale, Randburg
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ACKNOWLEDGEMENTS

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Publishers
Stonemoon Design, Print and Advertising

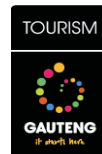
Photography
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