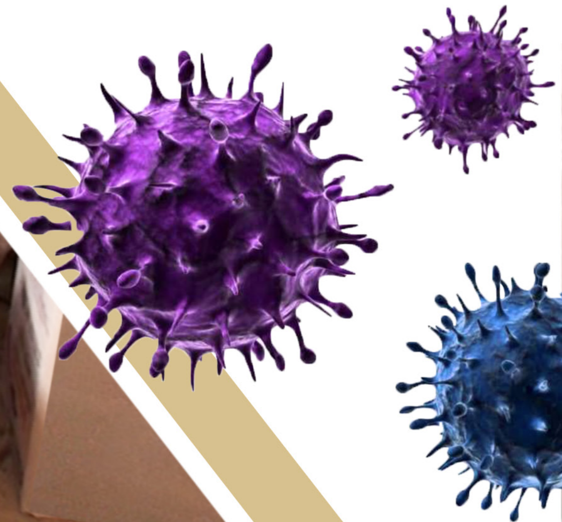

Pottery Value Chain

A Market Study with Potential COVID-19 Impact Analysis

Supporting Resilient Livelihoods and Food Security in Yemen:
A Joint Programme

July 2020

Co-funded by the European Union

Sida

International Labour Organization

Food and Agriculture Organization of the United Nations

WFP World Food Programme

UNDP

This Programme is co–funded by EU and Sida

Published by the United Nations Development Programme
Economic Resilience and Recovery Unit
UNDP Yemen
PO Box 551
Sana’a, Republic of Yemen
www.ye.undp.org
Published: July 2020

Study Conducted by Impact Research
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List of Acronyms

ERRY	Enhanced Rural Resilience in Yemen
EU	European Union
IDP	Internally Displaced Person
INGO	International Non–Government Organization
MFI	Microfinance Institution
NGO	Non–Government Organization
SME	Small and Medium Enterprise
SWOT	Strengths, Weaknesses, Opportunities, Threats
UN	United Nations
UNDP	United Nations Development Programme
USD	United States Dollar
VC	Value Chain
YER	Yemeni Riyal

ACKNOWLEDGEMENTS

This study has been conducted under the advisory support, supervision, and guidance of the UNDP Yemen team. Yousif Ghurab (Livelihood Specialist), Mohammed Sallam (Solar Energy Specialist), Mohammed Al Shaka (Social Cohesion Specialist), Mohammed Hebah (Local Planning Specialist), Abdulaziz Attobbai (Monitoring and Evaluation Officer), Khaled Al Sharabi (National Coordinator) and Arvind Kumar (Project Manager) provided extensive support in developing this study.

Thanks and appreciation are extended to the study participants among value chain market players and stakeholders for their time and effort in elaborating on their sectors. We are most grateful to the field researchers who made great efforts to obtain and collect the data required for this study.

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SUMMARY

Pottery products in Yemen are not in demand and yet, supply is not sufficient in most areas. Demand for pottery products has fallen with the emergence of affordable substitute non–pottery products of different purposes and the weak marketing strategies pursued by pottery market actors.

Supply, on the other hand, does not meet consumer demand in terms of quality and quantity due to the lack of financial capital and human capabilities.

For this type of businesses to grow, financial assistance is essential, as well as training in technical and practical aspects of the profession. Introducing appropriate technology in the value chain, from production to marketing, would be an advantage as well. Customers are a key driver of growth of the pottery industry and understanding and meeting their needs leads to their loyalty, which in turn boosts sales.

As per this study, available opportunities to be taken advantage of include the increment in prices of substitute products imported from outside the country due to the current imposed closure of ports, which makes customers switch to locally made products.

Another opportunity is that this type of industry is suitable for women and can provide job opportunities to many of them. The availability of financial institutes offering loans to small businesses can be a start for expansion as well. The estimated amount for required loan is YER 1,500,000 (USD = 500 YER) according to players in the industry.

Expanding operating areas for pottery businesses is recommended, even if they are village–based. This can happen by utilizing available opportunities and it would result in higher performance. Pottery chain actors should rely on product innovation and come up with new long–lasting products that are reliable and serve today's needs. They may upgrade their businesses to produce ceramics which is more in demand nowadays.

The study has highlighted technologies required in order to tackle associated production and supply bottlenecks, including electric potter's wheel, shaping equipment, scraps of moulding, fettling knives, large gas ovens, moulds and containers. With improved equipment, entrepreneurs and SMEs can achieve economies of scale.

Introduction

The first pottery business occurrence in Yemen goes back to 2600 B.C. According to the discoveries of Demigrieh, the Italian mission discovered the first piece of pottery in the central highlands of Yemen. That is followed by Othman Re–search in 1993 where he discovered the initial pottery, now in Faculty of Heritage, Sana'a University. In coastal parts of Yemen, specifically in Tihama, the matter remained unknown due to the lack of regular archaeological excavations, and in 1996 and 1997, a Canadian mission conducted investiga–tion in the village of Al–Mitnah in the large red shoulder hill that was dated to the Ziadi period (the state of Bani Ziyad) (NIC, 2018).

Pottery business is found in many geographical areas of Ye–men that are famous for making pottery, in Hodeida; Tiha–ma, Zabid, Al–Jarahi and Beit Al–Faqih districts, followed by Dhamar; Otama'a Wesab Alali and Wesab Al Safel, Rayma, Al–Hugareea'a in Taiz; Sana'a, Hadramout. These and other areas produce pottery with their traditional patterns, multiple colours and brightness. Several natural materials are included in the manufacture of pottery in Yemen, the most important of which is lactic clay in the form of red threads in the ground and mountains, called the Red Soil (Al Arab, 2019).

Pottery and handicrafts activities in Yemen have been im–portant as a symbol of the national heritage of the country. It is also important because it is the main source of income for more than six thousand families of about 40 thousand members. The pottery goods in Yemen are one of the most demanded products with a daily consumption (UNDP, 2012).

In 2018, Yemen imported pottery products valued USD 3,232,000 and exported USD 206,000 (Trade Map ITC, 2019). According to UNDP enterprise survey, the firms use some materials and supply of foreign origin, but only 4% of the enterprises are involved in export. It takes over 20 days to clear imported goods from customs.

During the conflict, since 2015, provision of inputs and raw materials has remained highly uncertain, especially for the manufacturing sector, since most of the intermediate goods of the sector are import–based and the lack of fuel and water further prevents the companies from optimal use of their capacity. As of 2017, losses associated with the con–flict had led to private sector businesses on average cutting their working hours in half, with layoffs estimated at 55% of the workforce, while more than a quarter of private sector firms engaged in industry, trade and services have ceased to operate. Physical damage to public and private infrastructure has severely affected the ability of businesses to operate.

Informality stands as another fundamental issue for the manufacturing activities of Yemeni firms. UNDP estimates that 91% of businesses in Yemen are not formally established. Less–friendly business environment and regulations further impede the growth and efficiency of the manufacturing establishments.

As a consequence of displacement of around 3.6 million people and restricted access to formal education in conflict areas, youth lack essential skills to seek employment opportunities. On–the–job training for young people would reduce their susceptibility of becoming easy targets for recruitment by radical groups, and also help rebuild local communities and contribute to peace building. In general, employing youth in meaningful vocations will simultaneously address factors influencing both the current crisis and longer–term development goals and objectives.

Lack of financial capital is a common constraint for business growth in Yemen, exacerbated by the ongoing conflict. Business peers, friends and family and informal moneylenders are currently filling the finance supply gap; they collectively account for some 80% of all loans provided during the war.

Like other sectors in Yemen, the pottery enterprises experience several war implications, with closure of 26% of businesses in the most conflict–affected areas. For instance, the most famous pottery market in Taiz (Al Shaneeni Market) shut the pottery product sales and became a weapon market. 42% of the women–owned enterprises were closed too. 95% of the closed enterprises sustained partial or total physical damage. Enterprises operating in the most affected areas have lost over 70% of their clientele on average. Working hours in enterprises have been reduced by 50.6% from 13.5 hours/day before March 2015 to 6.7 hours/day after that period. 41% of enterprises laid off 55% of their workforce.

SWOT Analysis

S – STRENGTHS

- Mud as the main raw material can be acquired directly from the ground at no cost.
- Short production process.
- Low production costs.
- Technical skills can be learned by oneself through experience.
- Good relationship is maintained in the pottery business supply chain.
- Pottery products are exported to other markets.
- Local economic growth.

W – WEAKNESSES

- Untrained labour force (73%).
- Insufficient innovation and weak marketing strategies.
- Low sales and inventory levels.
- Lack of capital needed to boost production.
- 46% of sellers are unable to meet demand.
- Unavailability of storage units.
- Inconsistent supply.
- Weak coordination among the value chain actors and lack of knowledge sharing mechanism.

O – OPPORTUNITIES

- The increased prices of imported goods due to restrictions imposed by the conflict, which increases the demand for locally made products.
- Pottery products are highly used in villages and rural areas.
- With the interruption of gas supplies, pottery goods become relevant equipment when firewood is used.
- Pottery is a profession that women can practice.
- Small Business Grants are provided by the humanitarian partners.
- Vulnerable youth and women can be taught and engaged in making pottery products in particular in rural areas. Skilful workers may train those vulnerable people and earn income as part of interventions.

T – THREATS

- High competition in some areas.
- Availability of substitute metal and plastic products.
- The increase in inflation rate which affects customers' purchasing power.
- High transportation costs and security concerns when sourcing raw materials and delivering products.
- Unavailability of lending organization.
- Unbalanced distribution of chain actors between governorates; many producers and few retailers in the same area.
- Rainy seasons force production pause.
- Low number of businesses offering apprenticeship.
- Closure of pottery markets due to the conflict and replacing it with alternative goods.
- Doubled customs and taxation for business and supplies.

Value Chain Actors

Suppliers

At the beginning of the chain come the raw material suppliers, who supply producers with materials needed for production. These include firewood, purified clay or mud, steel cylindrical containers and machines and tools used in shaping clay into different products. Suppliers constitute only 4% of total respondents and only exist in three districts; Alshamayteen, Almusaymeer and Bani Qais.

This is one cause of the lack of supply in raw materials. Yet, one reason for the inexistence of suppliers in some areas with the availability of production is due to the fact that essential raw materials can be found in the nature, and equipment used needs to be purchased once only.

Producers

After purchasing raw materials from suppliers or getting them from nature, such as mud and firewood, producers shape clay into usable products like Mawfa, Mabkhara or Madara, then set them under the sun to dry before burning them in ovens to absorb the remaining water. After this procedure is done, the finished product is ready for decoration and packaging to be sold. Producers are the most common market actors in the chain, representing 41% of respondents. They are frequently found in AlZuhrah, Abs and Almusaymeer districts. However, no producers were found to be working in Alshamayteen in Taiz, which has the largest number of retailers working in the pottery market, followed by AlTaiziyah which only has few producers. Ghahzah village in Ibb, Hays in south east Hodeida, and Samee district in Taiz were found to be the heighest producers for pottery products that are resold to wholesalers and retailers in the targeted districts. It seems that these locations provided comparative advantages to producers and interventions in these cities can further develop the value chain.

Distributors

Distributors act as a middle point between producers and other sellers. Usually they take finished products from producers and distribute them between wholesalers, retailers and brokers or deliver them directly to customers. Among the value chain actors, they make the most income due to their trade volumes and by sourcing products directly from producers. The main challenge is capital as they have to purchase large volumes to compensate for the high cost of transportation. These are mainly working in Alshamayteen and Almusaymeer districts, whereas in AlZuhrah markets, brokers are utilized as go–betweens.

Wholesalers

Wholesalers sell finished products in large quantities and usually for lower prices than for those sold by retailers. They sell directly to customers either in shops or deliver to customers' homes. Wholesalers are operating in places like Taiz

Retailers

Retailers are just like wholesalers but selling in singular units. They usually sell their products directly to customers in their shops or hand them over to intermediaries like brokers and traders who deliver them to customers. These market actors are highly concentrated in Taiz governorate which has only few producers, forcing retailers to purchase finished products from outside the district and incurring higher costs.

Intermediaries (Brokers and Traders)

Brokers and traders are the link between sellers and customers. They usually sell products to customers in their homes which makes those unable to visit the market loyal to them. Brokers and traders are also used as an advertising tool which spread products of the business to wider geographical areas and target customers in specific locations. Only people in AlZuhrah and Almusaymeer seem to prefer having products delivered to them rather than visiting the market and choosing by themselves from the wide range of available products. This can also be due to the fact that most producers work from home and have no shops in those areas for displaying products. In other districts where wholesalers and retailer exist, no brokers were found to be working.

Customers

Regardless of the source, customers are the end users of pottery products who look for high quality and low prices; which create the competition among sellers who strive to fulfil customers' needs and gain their loyalty. Customers are found to have switched their preferences to competitive non–pottery products imported from outside the country. This requires promotional campaigns in the pottery market to convince people to purchase pottery products.

Starting from mud in the ground until it becomes a valuable and usable product; pottery products are useful and pass through different stages before reaching final consumers. With the continuous demand for products, the process is repeated all over again.

Market Environment

Customs and Tax

The tax imposed on businesses especially on those gaining small revenues, affects the net profit they make. Also, the customs on imports and exports as well as on movement of products across different cities within the country are burdens on business owners and very often prevent them from trading outside the district.

Ministry of Public Works and Highways

Another main issue in the pottery product movement is the unpaved and closed roads. Due to the closure of some main roads, partial, narrow and unpaved roads are used for distribution of the fragile pottery products. The Ministry of Public Works needs to pave the roads and prevent their closure.

Ministry of Trade

Insufficient support is provided to businesses in the pottery industry, which makes it unable to compete with some international products.

Black Market

Gas as a raw material used in pottery production to light ovens used for burning products and fuel used for transporting vehicles are most of the time unavailable in large quantities as needed for those ovens and vehicles. This restricts the production and delivery capacity, which makes producers depend on the black market. The use of firewood has become an alternative to fossil fuel but this has environmental implications.

Central Bank

The Central Bank of Yemen is currently facing difficulties which causes massive fluctuation in the currency and leads to price hikes and a fall in people's purchasing power.

Key Infrastructure, Inputs and Market Support Services

Storage and transportation facilities are important for a strong infrastructure as they allow increasing production levels and meeting demand more often. Unfortunately, such facilitates are not available for many businesses in the pottery market and are the reason behind their deficiency.

MFIs, Donors, Banks and Vocational Training Centres

The pottery industry can be supported by the provision of essential materials and equipment or through financial support that can be used for purchasing equipment, enabling production and inventory level to increase, and inventory levels. Loans acquisition and repayment is to be facilitated for businesses and business owners need to be taught how to apply for loans in order to expand their businesses and be able to meet demand.

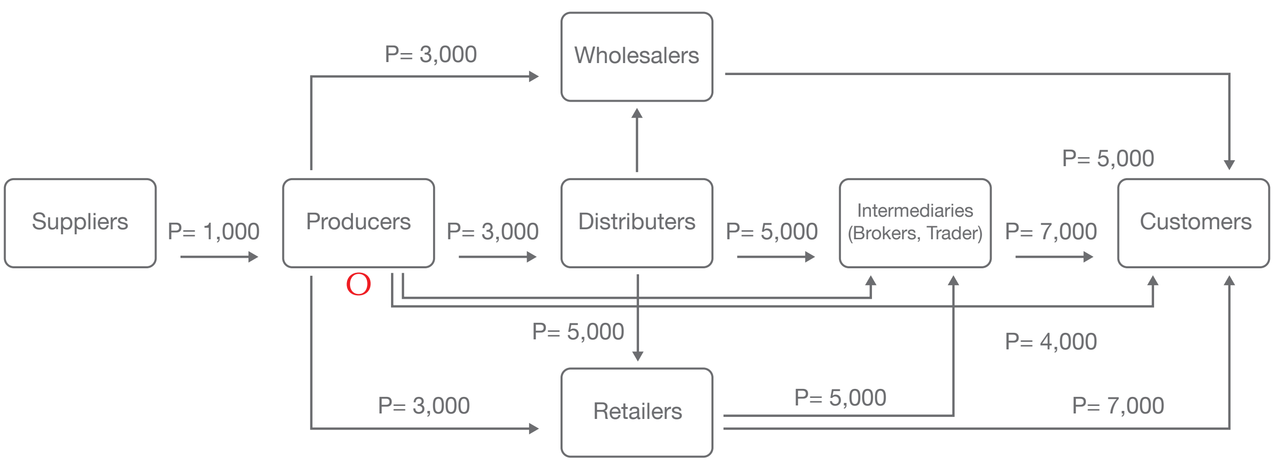
Pottery Sector Value Chain Map

Symbol Key:

Critical Issue !
Major Disruption X
Partial Disruption O

Market Environment:
Institutions, Rules, Norms and Trends

Market Actors and Their Linkages

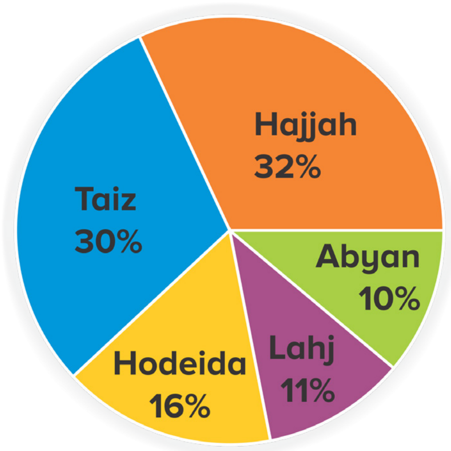


*P= Price (All price amounts are in YER), USD = 500 YER

Key Infrastructure, Inputs and Market Support Services

Demographic Data

Population Distribution



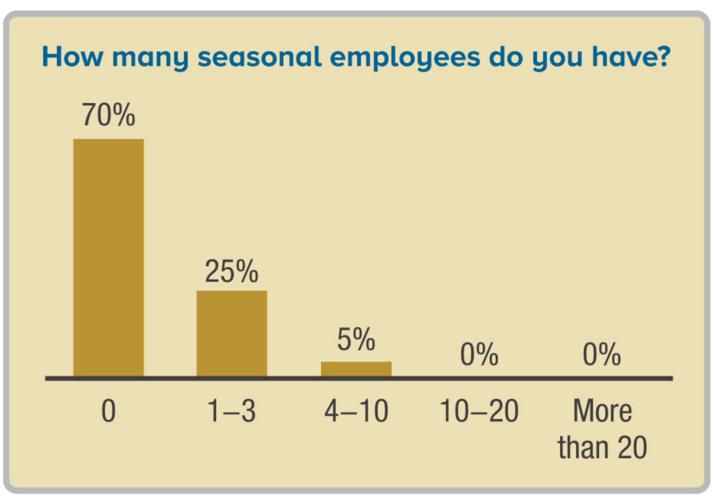
The survey was distributed in eight districts in five different governorates across Yemen. Most respondents were found in Hajjah, followed by Taiz and Hodeida, Lahj and Abyan, representing 16%, 11% and 10% of respondents respectively.

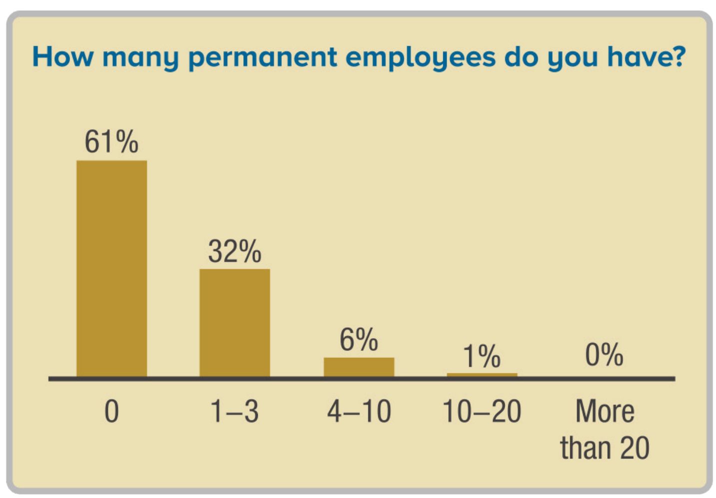
Most producers, retailers and suppliers fell in the age range of 25 to 34 years old, whereas most wholesalers and distributors were found to be older. However, only 12% of them were aged between 15 and 24 years old. It can be noticed that most workers in the pottery industry are males, with only 16% of respondents being women, most of which are distributors. 88% of the sample surveyed were residents while the rest were IDPs and returnees. Regarding their educational level, near half of the actors in the pottery industry were found to be illiterate. Only 6% of them were university graduates; however, none of them were producers, and 15% finished high school. The rest could read and write and only finished elementary school.

The fact that a large number of illiterate entrepreneurs were producers indicates two things, either they started with the occupation at an early age or got no access to education and therefore chose to work in pottery which requires only technical knowledge that can be acquired by working in the field. It can also be observed that those with university degrees do not work in pottery production; rather they became retailers, wholesalers or distributors.

Business Manpower

Half of the respondents were producers who produce and sell products, 60% of which were females. The other half were mostly retailers (29%), wholesalers, distributers, suppliers and brokers reselling items and goods, with 4% of them offering services. Retailers and wholesalers were all men, whereas there were more women distributors and brokers. Producers were mostly found in Hodeida, Lahj





and Hajjah, whereas more retailers were found in Taiz and Abayan.

Business owners have more permanent employees than seasonal ones. Suppliers rely merely on permanent em–ployees and need no seasonal ones. 61% of the respon–dents had one to three permanent employees and 25% only hire the same number of employees seasonally. 70% of the respondents, however, did not have seasonal employees which implies that sales are not highly influenced by sea–sons in this industry. Only producers who produce and sell goods in their retailing or wholesaling shops hire more than 10 employees. Some large wholesalers hire up to 10 em–ployees as well.

All respondents from Hodeida and Abyan were business owners, whereas 9% of those in other governorates were working for other people. All suppliers and more than 90% of producers and retailers owned their businesses. Around 30% of wholesalers and distributors were not owners of the business.

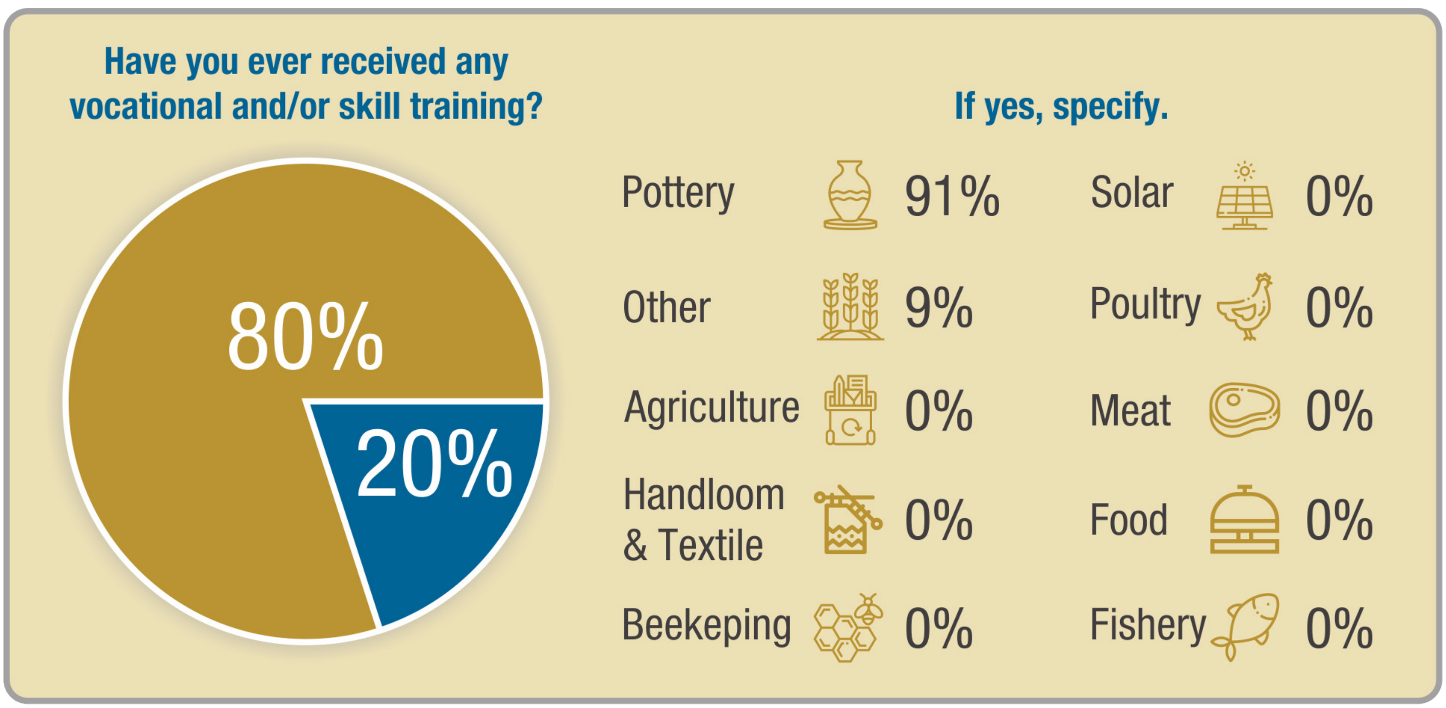
In terms of geographical coverage and how far products of the business can be distributed, around 70% of suppliers and distributors were found to be performing at district level, whereas retailers, producers and wholesalers performing at the same level were less than 40%. However, those only form 30% of total respondents and most of them are in Ab–yan and Lahj governorates. 65% of total respondents work at village level, especially those in Taiz, Hajjah and Hodeida.

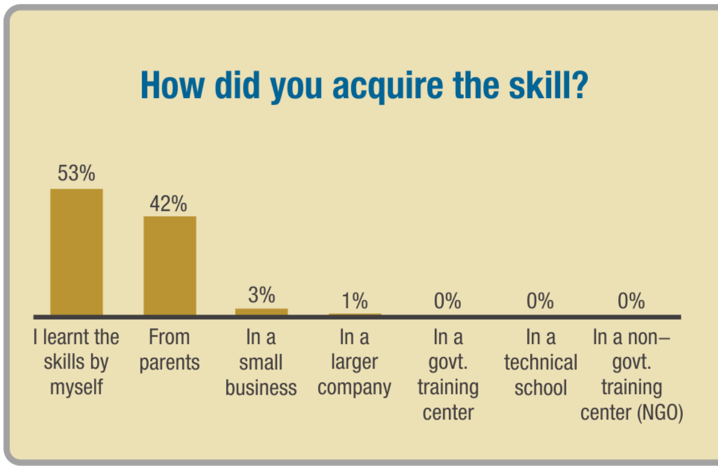
This high rate of people working in limited areas and their inability to expand their businesses to cover larger areas is due to many reasons. Some of these are lack in knowledge in how to market products or how to utilize intermediaries like distributors and brokers to distribute products at wid–er ranges. There are also limitations in financial resources which restrict expansion and plan achievements of business owners.

Vocational Training

No respondents from Hodeida governorate ever received vocational training and more than 80% of those in other governorates were not trained as well, except for respon–dents from Lahj who recorded lower rates in number of untrained employees. Overall, the trained workers from all governorates form only 15% of total respondents; however, 9% of them were trained on skills other than pottery.

Not receiving vocational training does not necessarily indi–cate that workers are unskilled or not qualified as those who did not receive training had other on–the–job resources to learn from, such as parents who work in the same indus–try; especially for producers, or businesses whether large or small where retailers acquired needed skills. 53% of the re–spondents acquired the skills by themselves through years of experience making and selling pottery. 95% of workers believed that skills acquired, regardless of their source, were useful and added to performance.





Sales and Competitiveness

Pottery products are not as frequently used as they were in the past, due to changes in customer preferences, customers have switched to metal and glass cookware and equipment. Pottery products used vary from products used for cooking or serving to others used just for decorating and other purposes. As found in this study, the three mostly sold products that penetrate the market are Mawfa, Madara and Mabkhara as explained below. Average sales per business owner in all targeted districts are shown in table 1 and further illustrated as per each district in table 2.

Table 1. Average Monthly Products: Stock and Sales

Product	Product Price (YER)	Current Stock	Unit Sold Per Month	Sale Earning Per Month (YER)
Mafi	7000	17	96	238,000
Mabkhara	500	116	56	53,000
Madara	900	100	24	29,000

Product 1: Mawfa/Mafi

A cylindrical clay oven used for cooking and baking called Mafi or Tannor was found to be the highly produced product in the pottery industry in Yemen. This type of oven can be lit using charcoal or firewood and thus is massively used in villages. The oven is made of mud which is shaped into a cylinder with a small hole at the bottom side which can be used to light it up. Then, it is left under the sun for two to four days until it dries, and later is heated in an oven to ensure all water is absorbed. After that, it is put in a cylindrical metal container, and gaps between it and the container are filled with clay or cement before it becomes ready to use. One Mafi can be produced within less than one week and production costs, include workers' wages, raw materials like mud, cement, steel and tools and operational costs, in addition to transportation costs if any. Levels of inventory for this product were found to be low as per most businesses except for those operating at wider geographical areas, who had up to 300 units in stock.

Inventory levels are determined based on sales levels which were indicated to be low as per 33% of the respondents, moderate as per 55% of them, and high as confirmed by 11% only of the respondents. These figures can be a result of the existing number of rivals which was indicated to be high as 55% of the respondents have stated. 37% of the respondents, however, have indicated medium–level competition with few competitors in the market and 7% of them admitted monopolizing the market.

Further development of the sales of Mafi would include the linkages between restaurants and SMEs as the use of Mafis can be associated with higher quality food making and if the product is positioned right, the demand can increase.

Product 2: Mabkhara

Another product made of clay that is highly sold in different areas of Yemen is the incense burner or so called 'Mabkhara'. Mabkhara is used for burning bakhoor which is a scented chip when put on charcoal, burns and provides scented smoke. Traditional Mabkharas are made of clay and are still highly used in Yemen; unlike in other countries where electric metal Mabkhara is preferred. Like Mafi, Mabkhara is shaped, dried then burned before it is ready to use. Usually, Mabkharas are designed with curves and colours and their prices vary accordingly, yet they are considered cheap.

Sellers usually have Mabkharas in their shops ready for sale and the number of units stored depends on the size of the business and the geographical area it covers. Huge sellers have up to 500 pieces in inventory. Mabkhara is a durable product and one unit is enough per house; therefore, in villages, the sales level was found low as per 50% of respondents. 37% said sales level was moderate and 12% found it high; probably those operating in larger cities. 6% believed they were the only sellers in the market who faced no competition, whereas the rest were equally divided into having many and few rivals. A couple of respondents indicated that they export to Saudi Arabia.

Further development of the Mabkhara demand would include the promotion of pottery types as opposed to the electronic ones. Mabkhara's design and aesthetics elements can induce consumers to get another fashionable Mabkhara. Branding can be another opportunity for higher–end consumers.

Product 3: Madara

Another pottery product sold is the 'Madara' which is a pot used for cooking and is highly used in cold areas of Yemen as it has an attribute of heat reservation which keeps food hot for longer duration. Madara is made the same way other pottery products are made. On average, medium sellers had around 150 units in inventory and 44% of them have indicated high sales levels and 88% had few competitors. One third of the respondents admitted low sales levels despite not having many competitors and this implies the type of competition they face, which might be in terms of the availability of substitute products rather than number of competitors selling similar products.

Further development of the Madara can be through product development to meet the needs of restaurants to use them and possibly promote their sales with food to increase consumer preference to use them due to their physical features and traditional style.

Table 2. Market Potential

Product	Governorate	District	Units Sold Per Month	Gender Distribution	
				Male	Female
Mawfa	Hajjah	Abs	100	100%	
		BaniQais	100	100%	
	Hodeida	AlZuhrah	160	100%	
	Abyan	Khanfer	7		100%
		Sarar	–		
	Lahj	Almusaymeer	3		100%
	Taiz	Alshamayteen	56	100%	
		AlTiaziyah	96	100%	
Mabkhara	Hajjah	Abs	100	100%	
		BaniQais	100	100%	

Product	Governorate	District	Units Sold Per Month	Gender Distribution	
				Male	Female
Mabkhara	Hodeida	AlZuhrah	100	100%	
	Abyan	Khanfer	98	60%	40%
		Sarar	16	100%	
	Lahj	Almusaymeer	–		
	Taiz	Alshamayteen	33	100%	
		AlTiaziyah	–		
Madara	Hajjah	Abs	–		
		Bani Qais	23	100%	
	Hodeida	AlZuhrah	–		
	Abyan	Khanfer	–		
		Sarar	–		
	Lahj	Almusaymeer	–		
	Taiz	Alshamayteen	–		
		AlTiaziyah	25	100%	

Table 3. Monthly Product Demand

Product	Governorate	District	Demanded Quantity
Mawfa	Hajjah	Abs	150
		Bani Qais	210
	Hodeida	AlZuhrah	240
	Abyan	Khanfer	180
		Sarar	–
	Lahj	Almusaymeer	90
	Taiz	Alshamayteen	70
		AlTiaziyah	150
Mabkhara	Hajjah	Abs	210
		Bani Qais	150
	Hodeida	AlZuhrah	–
	Abyan	Khanfer	240
		Sarar	30
	Lahj	Almusaymeer	–
	Taiz	Alshamayteen	150

Product	Governorate	District	Demanded Quantity
Mabkhara		AlTiaziyah	–
Madara	Hajjah	Abs	–
		Bani Qais	100
	Hodeida	AlZuhrah	–
	Abyan	Khanfer	–
		Sarar	–
	Lahj	Almusaymeer	–
	Taiz	Alshamayteen	–
		AlTiaziyah	150

Table 4. Monthly Product Supply

Product	Governorate	District	Supplied Quantities
Mawfa	Hajjah	Abs	130
		Bani Qais	150
	Hodeida	AlZuhrah	180
	Abyan	Khanfer	15
		Sarar	–
	Lahj	Almusaymeer	7
	Taiz	Alshamayteen	60
		AlTiaziyah	100
Mabkhara	Hajjah	Abs	100
		Bani Qais	98
	Hodeida	AlZuhrah	–
	Abyan	Khanfer	100
		Sarar	20
	Lahj	Almusaymeer	–
	Taiz	Alshamayteen	63
		AlTiaziyah	–
Madara	Hajjah	Abs	
		Bani Qais	55
	Hodeida	AlZuhrah	
	Abyan	Khanfer	
		Sarar	

Madara	Lahj	Almusaymeer	
	Taiz	Alshamayteen	
		AlTiaziyah	50

Table 5. Pricing For Different Intermediaries

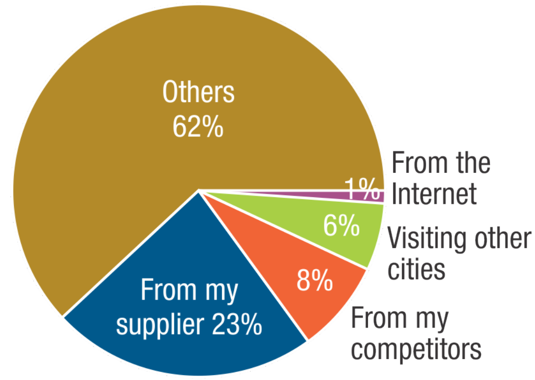
Product	Actor	Purchase Price (YER)	Selling Price (YER)	Profit (YER)	Profit Margin
Mawfa	Supplier		1000		
	Producer	1000	3000	2000	66%
	Wholesaler	3000	5000	2000	40%
	Distributor	5000	7000	2000	28.5%
	Retailer	5000	7000	2000	28.5%
	Consumer	7000			
Mabkhara	Supplier		200		
	Producer	200	300	100	33%
	Wholesaler	300	400	100	25%
	Distributor	400	500	100	20%
	Retailer	400	500	100	20%
	Consumer	500			
Madara	Supplier		200		
	Producer	200	400	200	50%
	Wholesaler	400	500	100	20%
	Distributor	500	700	200	28.5%
	Retailer	500	700	200	28.5%
	Consumer	700			

Market and Target Customer

In order to reduce market risks, market actors have to rely on market information to be able to make wise marketing decisions such as choice of what, when and where to sell. This would highly depend at the first place on who they sell their products to.

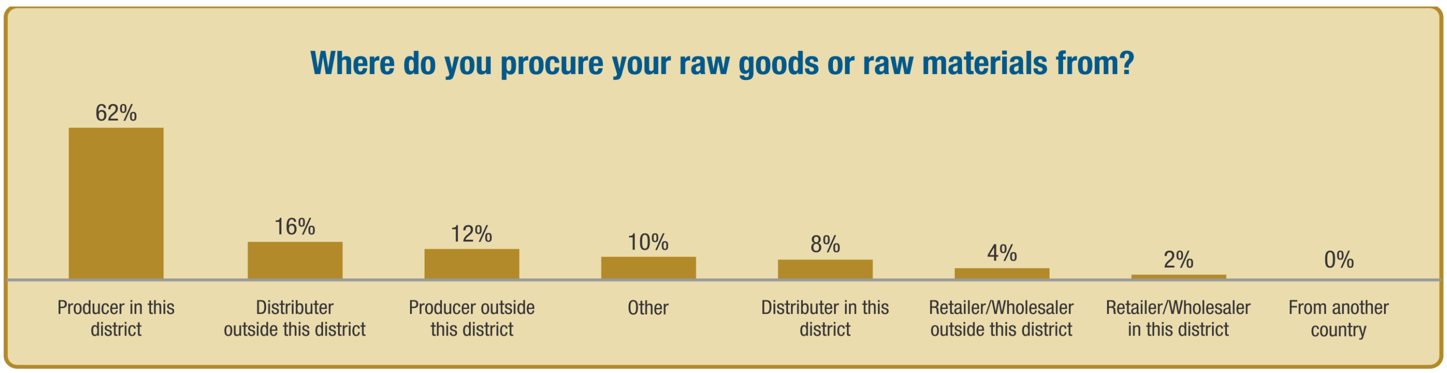
In most cases, pottery products are sold directly to customers through shops (56%) or are delivered to their homes (23%) or to public or private locations (13%). Producers and distributors sell products to intermediaries like brokers and traders as well. Wholesalers, suppliers and retailers mostly sell through shops, whereas distributors deliver to customers' homes. Producers prefer to sell directly to customers in public places or through shops if any.

It could be observed that selling through shops is more common in governorates like Taiz, Hajjah and Abyan than it is in Hodeida and Lahj where delivery is the preferable option. Moreover, market information is acquired, as indicated by 62% of the respondents, from customers themselves through market interactions. 23% used suppliers as a source of information. Others gather information from competitors and by visiting other cities. Due to the lack of information on this market in Yemen on the internet, it is the least used source.



Inputs and Production Base

For raw materials procurement, business owners had multiple resources; however, more than half of them preferred getting supplies from producers in the same district. Suppliers and retailers also rely on distributors and producers outside the district. Retailers and wholesalers outside and inside the district are also a source of supply of raw materials to their peer performers.

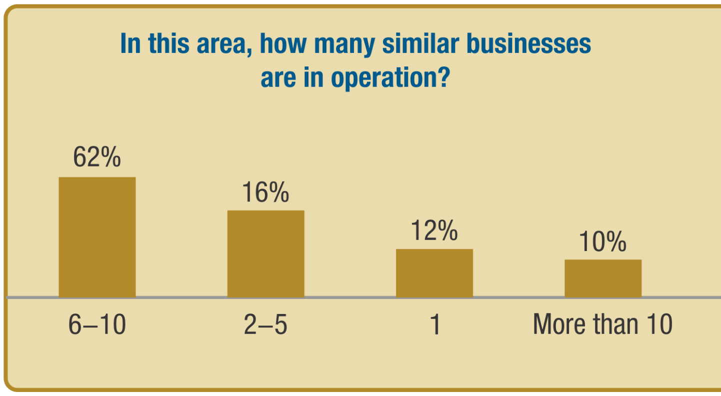


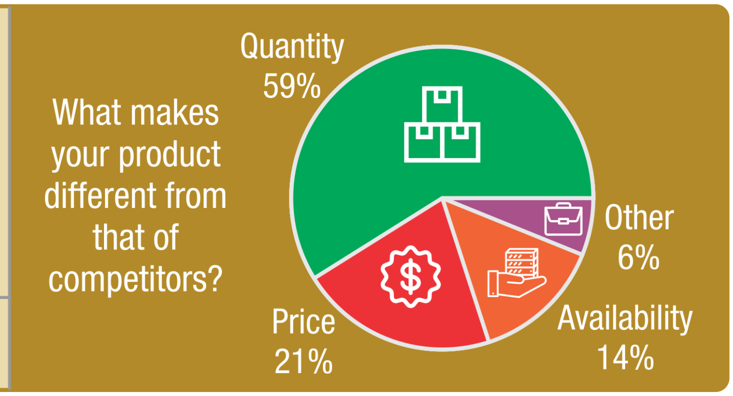
Around two thirds of the respondents were satisfied with their suppliers, yet there was one third who is not happy due to the lack of supply or poor quality of products supplied, as well as the insufficient number of traders available and their unprofessionalism. Procurement cycles are short with 53% of respondents requesting materials and goods in a duration equal to or less than a week. 11% of them make requests every few weeks and another 11% extend it to a month. Only 3% purchase materials annually and 14% every few months. The lack of capital is the main reason business owners cannot purchase materials at once, but rather have to use short–term retained profits to make regular purchase orders. This is why most industry actors tend to depend on suppliers from the same district to save transportation costs and ensure fast delivery of products.

Competition and Production Differentiation

High competition was found in Hodeida, Hajjah and Abyan markets, mostly among producers and wholesalers. 13% of respondents confirmed having more than 10 competitors, 40% had from 6 to 10 similar businesses in operation and 30% had 2 to 5 rivals. Businesses with only 1 competitor in the same area represent 17% of respondents and were mostly found in Lahj.

In order to survive, businesses operating in competitive areas need to follow differentiation strategies to robust sales and growth. Strategies followed by most respondents were quality focus, price reduction and product availability. Product quality is the main concern of producers and wholesalers. The latter along with suppliers focus on competition by offering better prices to customers. Although ensuring availability of products is essential for wholesalers, none of which followed it as a strategy. Retailers and distributors were the ones concerned with availability, yet not all of them can afford purchasing and keeping extra units in inventory due to the limitations in finances they face.





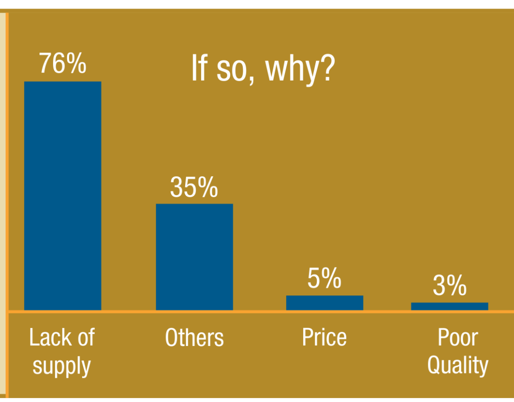
Consumer Demand

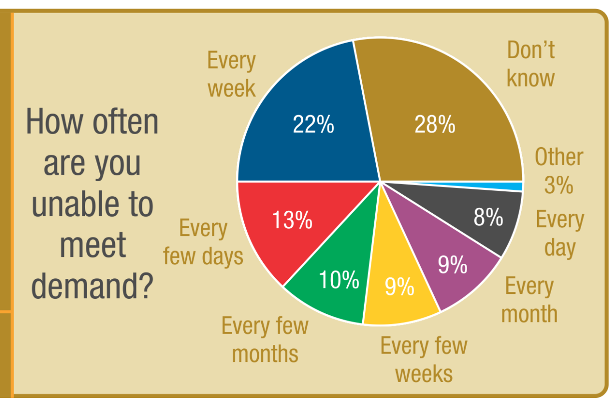
More than half of the respondents were not able to meet customer demand for their highest sales level, mainly due to the lack of supply as indicated by 76% of them. This refers to the insufficiency of supply in their areas which is caused by the unbalanced distribution of market actors; retailers are grouped in areas where no or only few producers exist. This can also mean their inability to purchase more is due to their poor financial status which prevents them from procuring what is demanded by consumers, whether in terms of quality or quantity. Important to note is that while pottery is made of mud, quality mud used in pottery is not freely available. Certain rocks has to be acquired, processed and transported. Certain physical features may require additional cost. Producers also have to bear the cost of firewood, whose prices have increased since the crisis and interruption of supplies.

35% mentioned other reasons such as the weak purchasing power and the lack of capacity to produce more. This is the main problem which leads to the lack of supplies. People in Abyan admitted that prices are the reason behind their inability to meet demand while others in Taiz complained about the products' poor quality and this varies among different customers which makes sellers unable to determine how often they cannot meet demand.

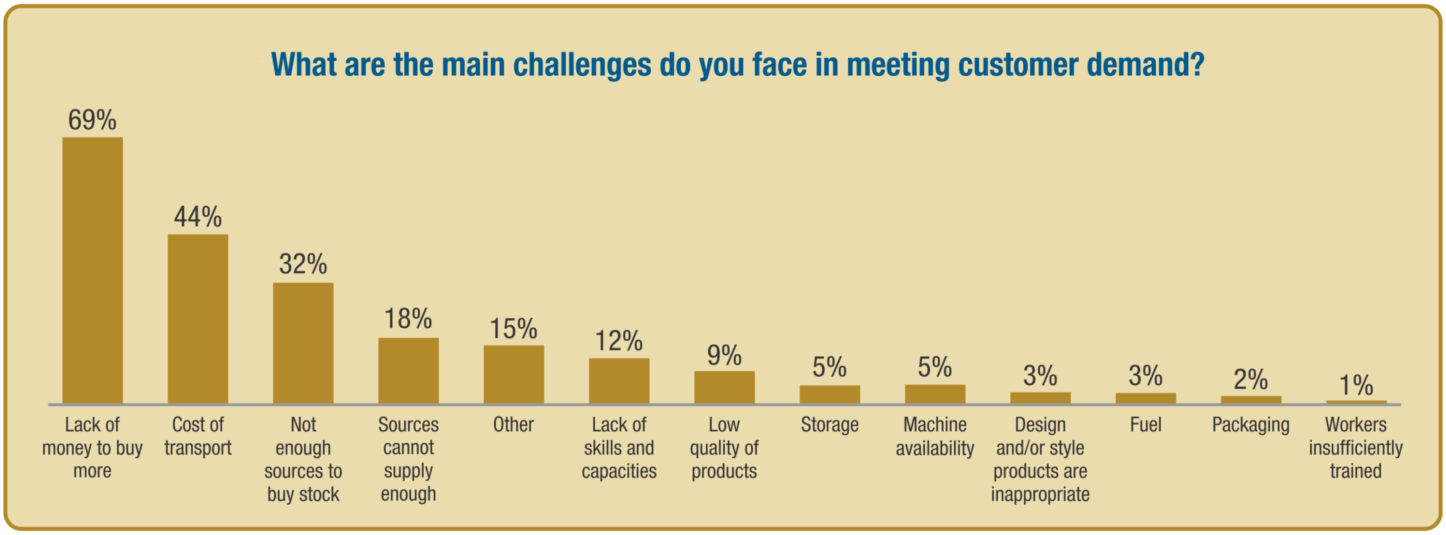
In Lahj and Hodeida, people are unable to meet demand on a weekly basis and on a daily basis in some areas of Hodeida. 28% of respondents claimed they are unable to satisfy demand every month.

One main reason for the inability to meet demand is the unbalanced distribution of market actors across the different governorates. For instance, Taiz has more retailers and fewer producers which make the latter unable to meet the former's demand. Had they procured their raw materials from Hodeida or Lahj where most producers operate, they would be able to meet demand. Nevertheless, this option is not affordable to small businesses when transportation costs are taken into consideration.



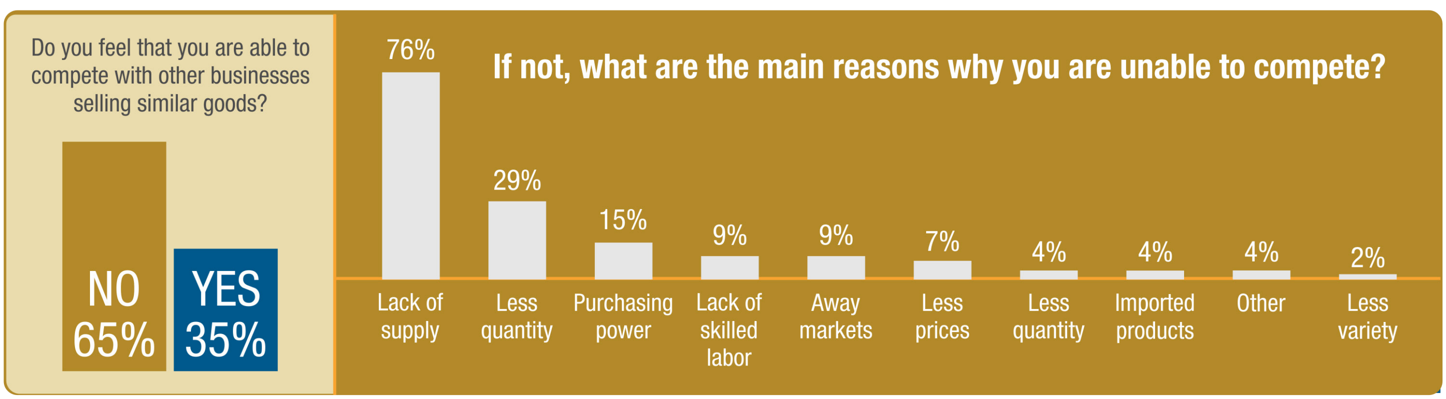


As discussed previously, some of the main challenges in meeting demand are the lack of money to purchase more, scoring the highest among other challenges, followed by high costs of transportation and insufficient sources to buy stock. Other challenges included inability of sources to supply, lack of skills, low quality, unavailability of storage or machines.

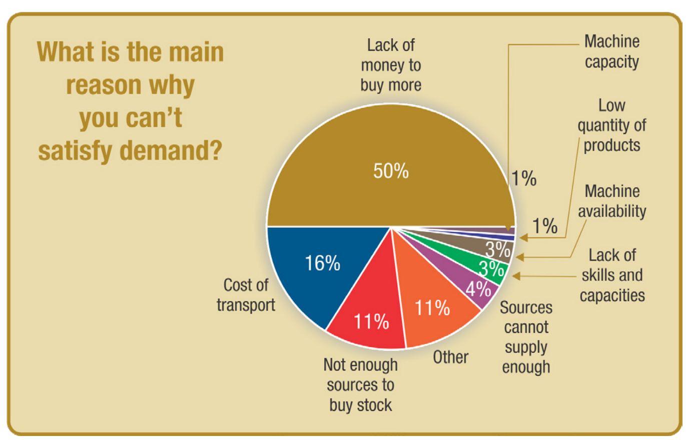


Lack of money to buy more was found to be the main reason as per 69% of the respondents' replys. 44% referred to the cost of transportation as a main challenge and 32% faced difficulties finding enough sources to buy stock from. Trans–portation cost was selected as the main reason in areas like Taiz and Lahj where commuting between different districts has become more complicated and costly due to the closure of many main roads as a result of the conflict in the country. This in turn affects the supply of products from outside the district or governorate and imposes additional costs which make sellers unable to purchase to satisfy demand.

Again, it is the lack in capital, low levels of inventory and weak purchasing power which prevent business owners from competing with rivals. 65% of the business owners, especially retailers and distributors, were not able to com–pete with other businesses selling similar goods due to many reasons but mainly the limitation in capital available. All re–spondents from Hodeida and Abyan had negative feelings towards their abilities to compete because of the availability of many competitors in those areas, unlike in Lahj where there is less competition.



Female producers and distributors face another problem related to distances between markets. Considering cultur–al beliefs, women are not supposed to travel far distances alone and this creates a challenge for them in purchasing raw materials or delivering products to consumers. Import–ed products were also referred to as a challenge as per 4% of respondents. Although the figure is small, the threat of its increment is valid due to the affordability in prices of sub–stitute modernized imported products. The lack of skilled labour who can market locally made products or innovate them adds to the challenge.



Business Development

It is crucial for businesses to define their points of weakness in order to be able to determine the best solutions. While most workers in the pottery industry are somehow trained on technical skills related to making pottery, maybe what they actually are in need of are other skills, such as product creativity and innovation, marketing, management and entrepreneurship, especially if they are not producers.

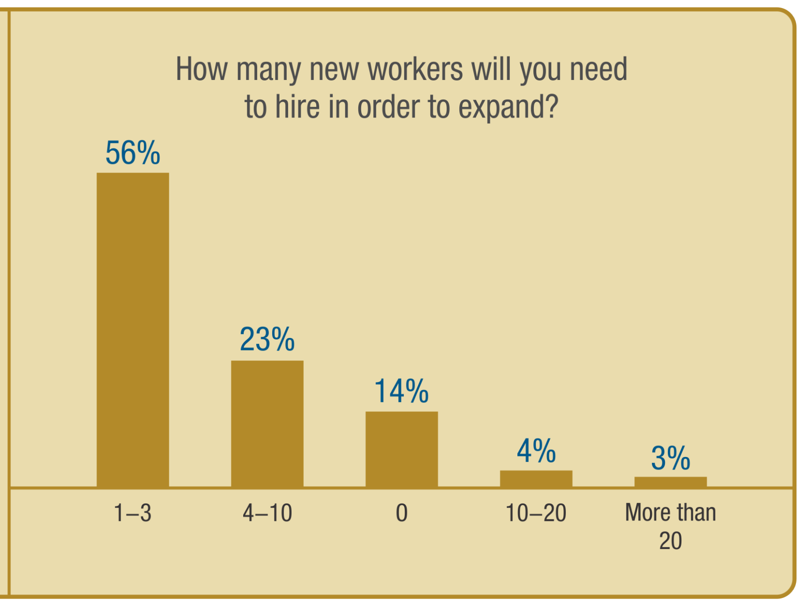
Training Needs

68% of respondents confirmed their need to receive training as they believe that training would increase their ability to compete. 89% of them found a need for training in pottery to come up with higher quality products and more innovative ones that can compete with imported products. 41% of them (retailers, suppliers and distributors) realized that learning marketing is the clue to increase sales and beat rivals. 21% and 18% understood that training on management and entrepreneurship respectively would fill the gaps and boost performance. Knowledge in customer service, finance and soft skills were also believed to be beneficial. In contrast, there were some business owners (12%) who were negative about the eligibility of training to increase their competitiveness. 20%, however, were indifferent and did not know if training was the solution to the challenges they face.

Business Growth

Business expansion is the aim of many business owners except for 11% from Taiz and Abyan who have no interest in taking such a risk. In order to expand business, owners need to hire more employees if they want to increase productivity, yet there are some who believe they can handle the expansion load themselves so they would not spend on hiring. This depends on the current size of business, the number of employees working in it and the extent of expansion aimed at. 56% of the respondents said they would need one to three new employees to be hired to fulfil the expansion. 23% of businesses admitted the need for 4 to 10 employees and 7% thought of hiring more. On the other hand, 14% of business owners thought they can handle the expansion without adding extra workers.

Newly hired workers need to be trained for better performance results and that was believed to be true to 72% of the



respondents, especially those from Hajjah. In Abyan, more respondents saw no need for training than those who believed it is essential. Such belief is based on another one which is that unskilled labour is not the limitation for growth in the value chain. Had they understood that unskilled labour is the bottleneck to the chain, they would support the need for their training. Lack of awareness and illiteracy contributes to this issue. Therefore, businesses first need to analyse the problem they face, and study the reasons behind it and their consequences before determining the solution to it.

Access to Finance

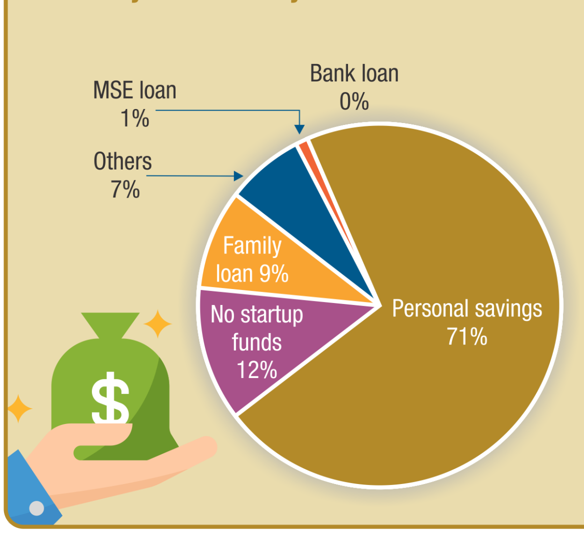
One of the challenges faced by new small pottery enterprises in the targeted districts is the inability of the actors to access suitable financing. The shortage of supported fund is related to the low presence of grant support, in particular in the rural areas.

The study revealed that family, friends and business peers are currently filling the finance supply gaps as well as informal money lenders who collectively account for 80% of all loans provided to pottery enterprises during the war. Assisting businesses in understanding their priorities and areas of focus through expanding the businesses, providing materials or stock, machines and manpower can lead to improving the enterprises' productivity level and providing a demonstration effect that can improve Yemeni pottery enterprise competitiveness in an early recovery and post conflict situation.

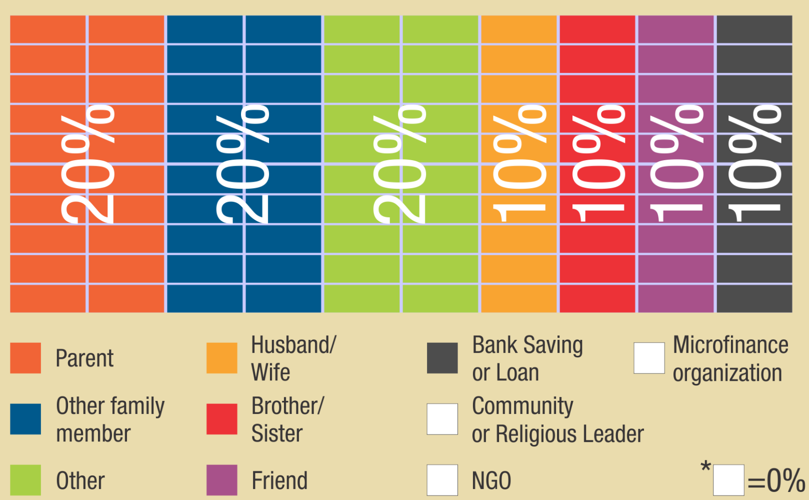
Hence, 71% of pottery entrepreneurs start their business through personal savings, followed by 9% receiving a family loan. The results also highlight that women have less access to start-up fund support. Hodeida comes first in using personal savings, while actors in Taiz are more into family loan practice. Women represent 12% in personal savings.

Despite the fact that the need for loans among women business actors is 100%, the level of fund use is almost the same if a loan is acquired. However, Hodeida and Taiz come with the highest portion in terms of expanding business objective; and Abyan for the materials needed. Noting that, YER 600,000 was the average loan amount requested by actors.

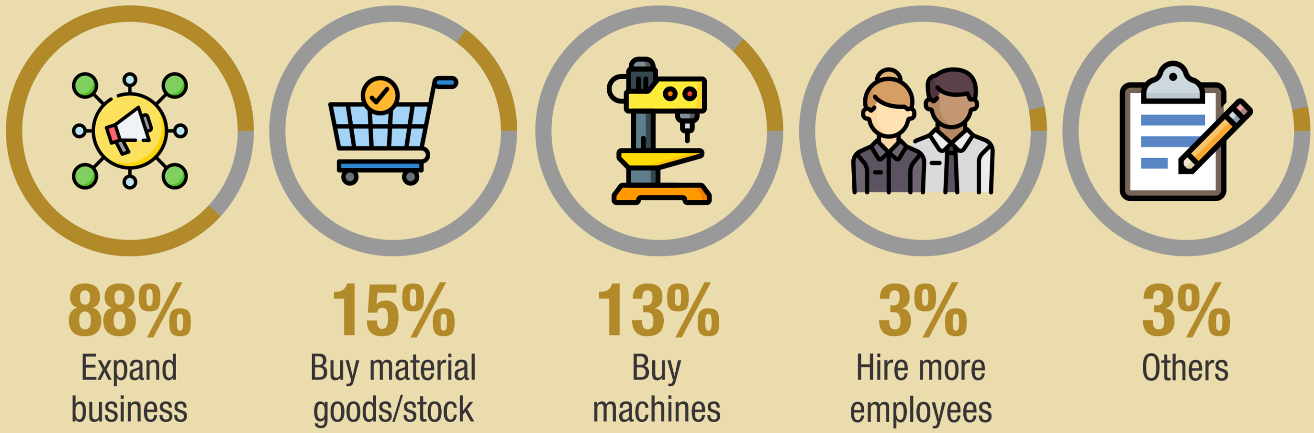
How did you find money to start this business?



Who gave you this loan?



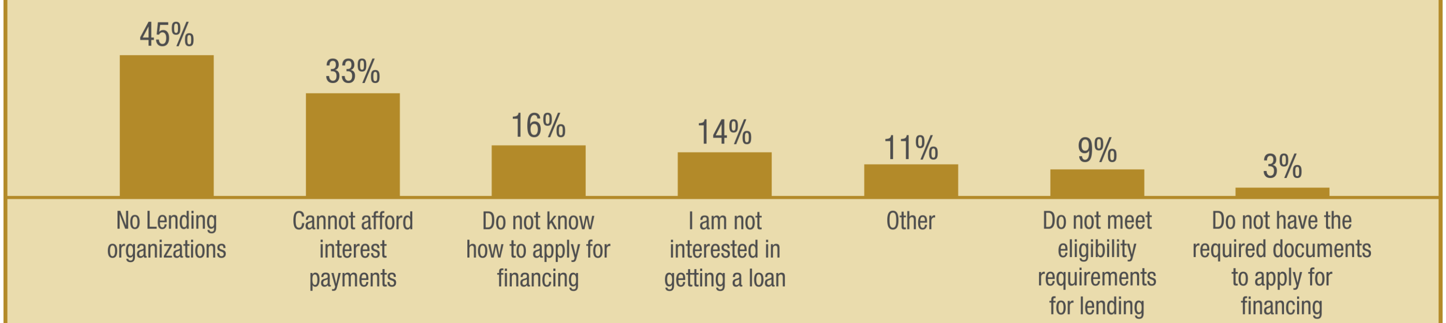
If you were to take out a loan, what would you use the money for?



Obstacles to Access Finance

The study highlights that the main challenge preventing the small enterprises in the pottery sector is associated with the absence of microfinance providers. The high interest rate comes second according to 33% of the respondents. Cetin at el (2007) noted that high interest rate is one of the main obstacles, to obtaining a loan for SMEs in Yemen. Furthermore, the annual interest rate ranges from 18% up to 35% in MFIs. Actors' inadequate learning on how to apply for financing is also one of the loan obstacles as indicated by 16% of the respondents, and that is explained by the poor educational level of the actors in this industry. Reimbursement period applied by MFIs in Yemen varies from 3 months to a maximum of 12 months. Nevertheless, 14% of respondents were not interested in getting loans and this could be due to the different types of collaterals that are in place, i.e. real estate, land, personal guarantees, commercial guarantees and jewels. Hodeida is ranked as the lowest in terms of having coverage by microfinance providers, followed by Lahj, Abyan, Hajjah, and Taiz respectively.

What are the obstacles that you encounter to receiving financing for this business?



Business Partnership and Joint Venture

91% of all entrepreneurs in the value chain have not formed any partnerships. They do not believe in partnering as an effective and profitable concept. They also experienced bad partnerships in their business experience, mainly in Taiz and Lahj. 9% are optimistic about partnering to bring successful experiences, mainly in Hodeida.

Cooperative Unions

Entrepreneurs in pottery-related businesses view cooperatives as something not effective and never adding value to their concerns, as indicated by 91% of respondents. This was witnessed in Hodeida and Lahj. On the other hand, Taiz markets have cooperatives which need to be strengthened as stated by 9%. All entrepreneurs in the industry seek co-

operative support to facilitate their business start–ups and growth.

Relations with Authorities

Entrepreneurs' relation with authorities is declining. The study revealed that 86% of respondents have no mutual communication with authorities concerning enterprise start–up or business growth. This was frequently seen in Abyan, followed by Hodeida, Lahj, Taiz and Hajjah. The conflict since 2015 hinders authorities' operations. Accordingly, entrepreneurs' and SMEs' trust in the government bodies was reduced or is totally missing. Those working in villages or remote areas have no channels with authorities or government offices. Entrepreneurs wish authorities to strengthen their presence in the market and to tackle challenges related to regulations and tax deduction.

Business Bottleneck

Supply/Raw Materials Challenges and Solutions

The study revealed that the pottery sector struggles with difficulties in securing the production inputs at stable and reasonable prices. There is apparently a limited number of suppliers who control the market and dictate prices. Entrepreneurs, on the other hand, do not have the capacity to store production inputs as expressed by the results. This is consistent with the result in which "high prices for inputs" was quoted as the most important problem associated with the supplying phase.The main issues associated with supply of inputs / raw materials are; scarcity of good quality clay or mud, high transportation costs when collecting raw materials, increased prices of water and gas and acquiring small volumes of supplies due to insufficient money to buy.

The study suggests provision of equipment and investment as a first priority to tackle supply and raw material input bottlenecks. These include provision of machinery, mud quality testing before delivery to sites and procuring vans to entrepreneurs to avoid high transportation cost. Entrepreneurs should receive capital to procure sufficient quantities. It is essential if suppliers' network is expanded so that people at village level could easily acquire materials and supplies.

Besides, training entrepreneurs and SME workers, or hiring staff to manage supplies is an essential priority in terms of being aware of demand and supply forecasting in the market, connecting with suppliers and ensuring smooth flow of materials. Thirdly, it is crucial to ensure that regulations and legal challenges are alleviated, such as reducing taxes and facilitating supply movements in districts and subdistricts. Technologies and systems such as supply chain system will add value to track the entire process of businesses sale until reaching consumers. Thus, suppliers are advised to deliver sales services to partners in the chain, ensuring support to their affiliation.

Production and Processing Challenges and Solutions

Some of the challenges faced during the production process are the lack of capacity, weak and inconsistent supply of raw materials, unskilled labour, unavailability of new machines and tools, fragile products and rainy seasons. These challenges are caused by many factors such as the lack of money to expand, the unavailability of firewood in most areas, the lack of vocational skills training, low quality of products and the dependency of pottery products on sunlight and air. All these result in the inability to meet customers' demand, and the main reason can be said to be the lack of money, which if available would make producers able to afford larger workshops, buy modern machines that save effort and time, hire more employees and train them and rent warehouses to keep stock.

When asked about potential solutions, 84% of respondents suggested that training and equipping workers with skills would ease the challenges. If producers were not able to buy modern machines, at least training their employees would help enhance the process and quality of goods. 65% believed equipment provision and investment will improve entrepreneurs' production. This indicates that training only, even if beneficial, is not the solution to all challenges. Equipment is essential, without which products cannot be made with high quality within short time. Investments will lead to expansion of the business and increases its ability to produce more and thus satisfy customers' needs. Technology transfer was also proposed by 14% of the respondents as a solution to the lack of innovation. In countries like China, pottery is famous and is made in innovative ways which differentiate products and facilitate their production. By transferring such technologies, local producers will enhance their work. 4% only suggested the provision of regulations and policies that save their rights.

Storage Challenges and Solutions

Regarding storage of goods, the main challenge faced is unavailability of storage units or warehouses where stock is stored due to the lack in capital which prevents producers and sellers from purchasing or even renting places to keep products in. This challenge contributes negatively to the inability to meet consumer demand, as producers who do not have places for storage tend to produce based on purchase orders only, so they would not have excess units. Others who choose to produce despite not having warehouses suffer from losses resulting from broken products or products affected by rain. Another issue faced by producers who have places for storage is that those places are not well maintained and therefore products are ruined during rainy seasons.

However, storage was not found to be a problem for around one third of the respondents who were unable to produce enough to meet demand, let alone have extra units in stock. From the business owners' perspective, potential solutions to those challenges could be the provision of financial support to help producers and sellers rent places for storage, expand the existing storage facilities or maintain them so they wouldn't be affected by changes in weather.

Distribution Challenges and Solutions

The main challenge in distribution as indicated by around half of the respondents is the high transportation costs resulting from the increase in fuel prices and closure of business roads in some areas which force people to take alternative longer routes to reach their destinations. Another challenge is fragility of pottery products especially if they are of low quality, which makes them break, given that most roads in villages are rugged and that in some areas animals are used as a substitute to cars. Moreover, cars available for distribution are not covered to protect pottery from rain which makes using them risky. Distributors and retailers also face challenges in convincing customers to purchase due to their lack of skills. They also suffer competition from sellers outside the district who can offer products at cheaper prices.

Suggested solutions by sellers were the intervention of authorities to pave and open roads in order to facilitate the distribution process. Others wished for financial support to enable businesses to purchase cars suitable for distribution. Additionally, entrepreneurs believed that building workers' capacities on skills related to quality assurance and marketing are essential to face competition challenges.

Marketing Challenges and Solutions

The findings indicate challenges associated with marketing are related to the inadequate capacity to conduct relevant marketing strategies and lacking the know-how in setting product price. The lack of information of the products, market, competitors, potential markets, and environmental and social factors comes second. Lack of capital is one of the key challenges preventing the entrepreneurs from spending on marketing activities.

As a result, entrepreneurs suggested that the provision of skills or training in marketing planning and execution strategies is the right approach to be considered. Secondly, an investment in hiring marketing staff, conducting market studies and research concerning consumer behaviours will be beneficial as well. Business applications and online sales are fruitful tools contributing to enhance marketing.

Consumption Challenges and Solutions

Consumption of pottery products vary from one location to another depending on how civilized the area is and the availability of substitute products in it. In places where there is high demand for products, producers are unable to satisfy needs, while in other areas producers and sellers are complaining from low consumption of products. This is mainly due to the unbalanced distribution of actors in the market. While producers in Hodeida do not know where to sell their products, retailers in Taiz suffer from insufficient supply of goods. Due to the high transportation costs, products cannot be easily traded between different governorates. Nevertheless, most sellers register low sales levels due to low demand for pottery products. The main challenges here are the availability of substitute products which are of better quality, more durable and affordable, and the weak purchasing power of customers.

To be able to compete and face low consumption challenges, producers were recommended by 93% of respondents to attend training that would enhance their innovation and equip them with skills that enable them to produce differentiated products with high quality at affordable prices. To do so, producers also need equipment and financial support as believed by 67% of respondents. Having both technical and financial capabilities, producers will be able to attract customers and increase demand of traditional pottery products against imported ones. Another suggested solution was intervention of authorities by increasing tariffs on imported products in order to protect local producers.

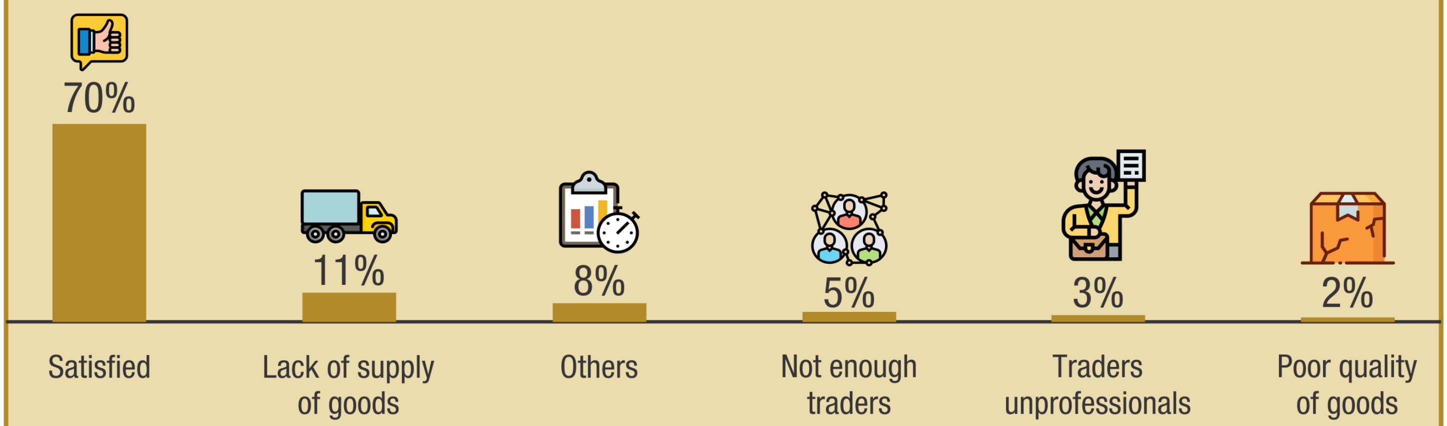
Supplier Relations

In the pottery sector, long-term interpersonal relations are the key to operations in the value chain. The business relations between producers, traders and wholesalers, retailers and customers are well maintained as indicated by 63% of the respondents. Although it is significantly high, it should be noted that the pottery sector became truly market-oriented hundreds of years ago; hence, the business relations have been maintained since the beginning. In the business chains, partners share information to ensure effective coordination between market demand and production planning. Also, there is trade credit between producers, traders and retailers. All in all, it can be concluded that in the Yemeni context, interpersonal business relations are the key to business performance.

The study revealed that high satisfaction among pottery actors is attached to provision of services including marketing support, loans, maintenance services and other essential services. However, Hodeida comes with lower satisfaction in relationships with suppliers, consumers and traders, followed by Hajjah, Lahj, Abyan and Taiz respectively. The actors indicated the lack of supplying goods and the issues involved including transportation costs jeopardizing long standing relations with suppliers and consumers.

Hence, in the pottery sector, there are significant opportunities to improve value chain performance through the delivery of financial services at the various stages of the value chain.

How satisfied are you with the supplier/wholesaler?



Export and Import

In 2018, Yemen imported pottery and ceramic products valued USD 3,232,000 and exported USD 206,000 (Trade Map ITC, 2019). According to UNDP enterprise survey, firms use some sort of supplies of foreign origin, but only 4% of the enterprises are involved in export. It takes over 20 days to clear imports from customs.

The study revealed that imported products are less sold in the local market as indicated by 84% of the actors, while 16% perform sales with less dependency on middlemen services. Apart from that, business actors face a number of challenges to distribute their products outside the district.

The other challenge related to imported goods was the increase in prices and the unstable currency exchange rate which accelerated deterioration of the Yemeni Riyal against the United States Dollar. As a coping strategy, the business actors reduced the volume of goods and raw materials and started purchasing the minimum quantity that enables entrepreneurs to start up their businesses.

Marketing Strategy and Customer Retention

Marketing is one of the main functions of a business and an important criterion for evaluating the level of sophistication. It was shown that SMEs do not have the necessary expertise to study consumer preferences. Additionally, the data concerning the client feedback, supply market, and competition is not readily available. In addition to the lack of expertise in ability to do proper pricing for their products, SMEs rely mainly on walk–in clients. Businesses that are not located in main business areas are not able to grow and prosper. When taking into consideration the quality of SMEs products and services one can conclude that the lack of marketing knowledge and skills is one of the major constraints to business growth (Qais, 2013).

The study highlights that a large number of actors in the pottery business are not applying any sort of marketing strategy as stated by 92% of the respondents. 8% of the business actors plan and implement strategies related to marketing. The poor marketing planning refers to the limited knowledge about markets and marketing in the industry. Apart from that, female business owners experience problems in accessing markets with limited production volumes and low quality products. Noting that, women in particular experience more obstacles to access markets than men because the social norms usually restrict women to stay in their homes. Women can only sell to other women in the neighbourhood and have limited access to other markets. They are usually deprived of business networks and benefits of business training opportunities (IFC, 2006).

96% of entrepreneurs and SMEs have never received any kind of support in marketing strategies. Marketing strategies include product development with improved designs and appeals, quality improvement to provide additional product functionality and reliability, and improved product usability in the vertical markets, such as restaurants. Pottery products can be positioned among consumers as traditional high quality products, fashionable antiques to have at home and on food tables, and reliable home equipment that provides valuable benefits. To overcome imported substitutes, production cost needs to decrease to maintain attractive pricing. Strong distribution networks that can reach and

maintain low average transportation cost per unit is critical to the marketing of pottery products. Besides, advertising and promotional efforts can maintain consumer interest.

Suppliers and producers rely more on word–of–mouth marketing strategy. It can be noticed that 57% of the re–spondents follow this strategy which becomes less effective in bigger cities. As an alternative, those covering wider geo–graphical areas advertise their products through social me–dia as people in those areas have access to the internet or hire sales agents to handle product marketing. This method is not applicable in some rural areas where high levels of illiteracy are registered, and where customers are directly visited by sellers as a marketing strategy. This implies that the marketing strategy to be followed by a business needs to be flexible and adjustable based on locations of oper–ations and target customers. 18% of the customers were unaware of the importance of marketing and thus did not care much about advertising.

How do you make customers aware of your product/ services?

Women and Youth Involvement in Pottery

Women face several barriers to engage in business. In addi–tion to the social barriers that limit and keep them from ac–cessing markets and engaging in business, they have lim–ited access to finance. According to the Yemen GEM survey conducted by IFC, only 1% of women had commercial bank loans. 63% relied on their own savings and family to finance their businesses (IFC, 2006).

The study revealed that less female employment was ob–served in the pottery value chain as indicated by 76% of respondents. 24% stated that women are involved in em–ployment in the business. The absence of women in em–ployment refers to the lack of opportunities in doing busi–ness for females, difficulties in getting access to loans, and the effect of culturally sensitive environment as indicated in the literature. In addition, women entrepreneurs lack busi–ness trainings and have limited opportunities to grow their businesses. Noting that, the study highlighted that women are more engaged in production business and most of them are illiterate.

Table 6. Gender Distribution in the Pottery Value Chain

Product	Governorate	District	Supplier		Producer		Wholesaler		Distributor		Retailer	
			M	F	M	F	M	F	M	F	M	F
Mawfa	Hajjah	Abs			100%							
		BaniQais			66%						33%	
	Hodeida	AlZuhrah			85%						15%	
	Abyan	Khanfer				100%						
		Sarar										
	Lahj	Almusaymeer				100%						
	Taiz	Ashamayeeten							50%		50%	
		AlTiaziyah			78%		11%				11%	
Mabkhara	Hajjah	Abs								100%		
		BaniQais									100%	
	Hodeida	AlZuhrah										
	Abyan	Khanfer				20%				20%	60%	
		Sarar			100%							
	Lahj	Almusaymeer										
	Taiz	Ashamayeeten	20%				20%				60%	
		AlTiaziyah										
Madara	Hajjah	Abs										
		BaniQais			50%						50%	
	Hodeida	AlZuhrah										
	Abyan	Khanfer										
		Sarar										
	Lahj	Almusaymeer										
	Taiz	Ashamayeeten										
		AlTiaziyah									100%	

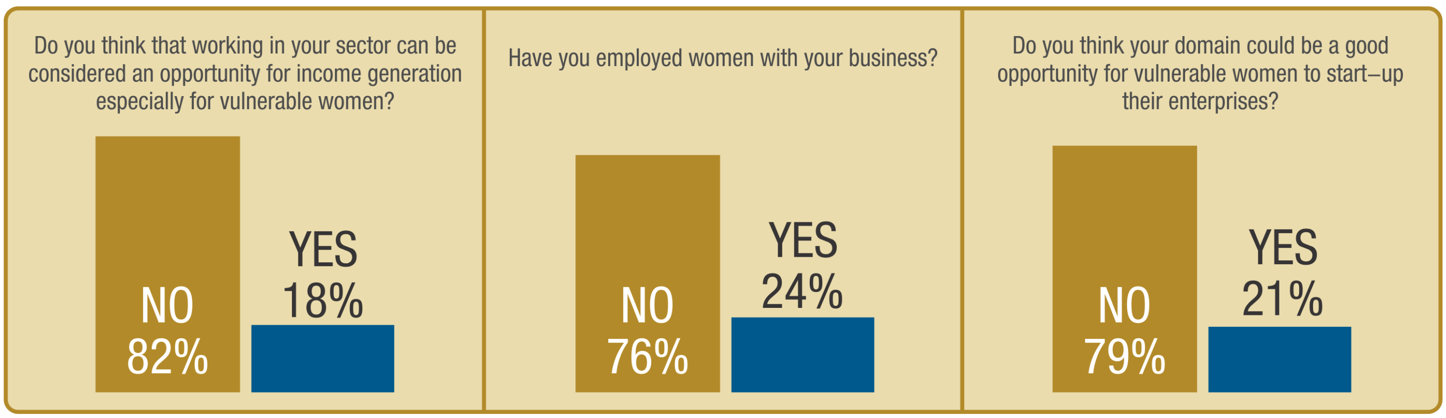
In the pottery value chain, engaging women in business is only practiced in the production stage and in related tasks. Actors reported that women are not able to collect supplies and raw materials or heavy tasks which affect women's dignity. Therefore, their employment opportunities are limited to production phases in adding value or enhancement of the finished products in particular. Due to budgeting or capital issues, entrepreneurs resist hiring extra female staff.

In the dire situation in Yemen, it is highly fruitful for women to get income opportunities, for instance through cash–for–work activities as indicated by 82% of respondents. The Food Security and Agriculture Cluster strongly recommends active partners in Yemen to adopt livelihood programmes targeting highly vulnerable people, especially women, through provision of employment opportunities to recover from the crisis and acute food insecurity, and to have money to save besides their consumption needs (FSAC, 2018).

Pottery is one of the promising markets for women to establish their potential small enterprises as stated by 79% of respondents. 21% think that women cannot perform well in this domain.

Youth are considered a vital part of the pottery business chain. The study revealed that most producers, retailers and suppliers fell in the age range 25 to 34 years old, whereas most wholesalers and distributors were found to be older. It can be noticed that most workers in the pottery industry are males, with only 16% representing females most of which are distributors.

The study advises strengthening the role of vulnerable youth throughout the pottery chain, where they can earn income and establish their start–ups. It is clear that giving youth the technical and professional knowledge and skills, in addition to business skills, and helping them start their own businesses in the sector, will have a large social and economic effect on the local communities. It will also help provide sustainable opportunities for income.



Key Barriers

Supply

- The difficulties in securing the pottery production inputs and raw material supplies at stable and reasonable prices.
- The increase in inflation rate which affected customers purchasing power.

Production

- Pottery products cannot meet consumer demand due to the insufficient production capacity which is caused by inconsistent supply of raw materials, unskilled labour, lack of new tools and machines, the fragilty of products, and rainy seasons.

Storage

- Poor storage facilities due to the lack in capital and managing business from home. Producers who do not have places for storage tend to produce based on purchase orders so they would not have surplus units.

Distribution

- The high transportation costs resulting from the increase in fuel prices and the closure of main roads in some areas, which forces people to take longer routes to reach their destinations.

- The fragility of pottery products, given that most roads in villages are rugged and that in some areas animals are used as a substitute to cars.
- Cars available for distribution are not covered to protect pottery from rain which makes using them risky.
- Distributors and retailers face challenges in convincing customers to purchase due to their lack of skills. They also suffer from competition from sellers outside the district who can offer products at cheaper prices.
- Lack of business outlets: the local market is limited, and the exporting of products is not yet organized, in addition to poor storage facilities for stock.

Marketing

- The inadequate enterprise capacity to plan and execute marketing strategies and to have expertise in setting the product price.
- The lack of information of the product specifications, market size, competitors, potential markets and environmental and social factors.
- Consumers have positioned pottery products as old and traditional.

Consumption

- The unbalanced distribution of actors in the market. In places where there is high demand for products, producers are unable to satisfy customer needs, while in other areas producers and sellers are complaining from low consumption of products. While producers in Hodeida do not know where to sell their products, retailers in Taiz suffer from insufficient supply of goods.
- The main challenges here are the availability of substitute products which are of better quality, durable and affordable, and the weak purchasing power of customers.

Other Barriers

- Less presence for the lending organizations supporting the pottery business actors,
- Rainy seasons force production pause.
- Low number of businesses offering apprenticeship and internship placement.
- Closure of main pottery markets due to the conflict and replacing them with weapon products.
- Doubled customs and taxation upon the business and supplies.

Industry Value Chain Summary

	Governorate	District	Sector / Gender	Market Potential	Demand	Supply	Go / No go
1	Hajjah	Abs	Male	High	High	High	
			Female	Low	Medium	Low	Go
		Bani Qais	Male	High	High	High	
			Female	Low	Low	Low	Go
2	Hodeida	AlZuhrah	Male	High	High	High	
			Female	Low	Low	Low	Go
3	Abyan	Khanfer	Male	Medium	High	Medium	Go
			Female	Medium	High	Medium	Go
		Sarar	Male	Low	Low	Low	Go
			Female	Low	Low	Low	
4	Lahj	Almusaymeer	Male	Low	Medium	Low	Go
			Female	Low	Low	Low	
5	Taiz	Ashamayeeten	Male	Medium	Medium	Medium	
			Female	Low	Medium	Low	Go
		AlTiaziyah	Male	High	High	High	
			Female	Low	Low	Low	Go

	Governorate	District	Women engagement (If yes, where in the value chain)	Women roles (What do women work with in the chain)	Youth engagement, what can youth work with	Main difficulties in the value chain that can be tackled by UNDP
1	Hajjah	Abs	Distributor	• Deliver ready products to customers' homes • Deliver products purchased from producers to retailers	• Bringing mud and sieving it • Transforming mud into products/ shaping products • Selling • Distributing products to retailers and customers	• High transportation cost due to road roughness, blockage and fuel cost • Lack of official markets and markets far from targeted districts • Limited capital in all districts • Lack of skilled–labour in product innovation, advertising and selling • High prices and lack of gas (as a raw material) • Insufficient production capacity • Weak and inconsistent supply of raw materials • Unavailability of new machines and tools such as: • Large ovens • Electric potter's wheel for shaping products • Moulds and containers of different sizes • Fragile products due to low quality production
		Bani Qais	No		• Bringing mud and sieving it • Shaping pottery products • Advertising • Selling and retailing	
2	Hodeida	AlZuhrah	No		• Carrying materials • Shaping products • Selling	
3	Abyan	Khanfer	Producers Distributor	• Shape pottery products • Burn pottery products • Sell finished products • Deliver products to customers and retailers	• Selling and retailing • Production • Distribution	
		Sarar	No		• Shaping products	

	Gover–norate	District	Women engage–ment (If yes, where in the value chain)	Women roles (What do women work with in the chain)	Youth engagement, what can youth work with	Main difficulties in the value chain that can be tackled by UNDP
4	Lahj	Almu–saymeer	Producers	• Shape, burn and sell pottery products	• Carrying raw ma–terials • Shaping • products • Drying products	• Lack of storage facilities and covered distribution vehi–cles given that products are affected during rainy seasons • Inadequate enterprise ca–pacity to plan and execute marketing strategies • Lack of information about product specifications, market size, competitors, potential markets, and environmental and social factors • Unbalanced distribution of actors in the market • Low number of businesses offering apprenticeship and internship placement • Doubled customs and taxation on businesses and supplies
5	Taiz	Asha–mayeeten	No		• Selling and • retailing	
		AlTiazi–yah	No		• Selling and • retailing	

	Gover–norate	District	Proposed Intervention	Proposed Training	Most prof–itable value chain player?	How to increase value creation?
1	Hajjah	Abs	• Provide businesses with necessary equipment to increase production • Provide financial sup–port for producers to purchase ovens to help them increase produc–tion and reduce gas consumption • Pave roads in order to facilitate the distribution process and prevent products from breaking • Ease the movement of goods, materials and supplies with no cus–toms and taxes in a step of supporting and pro–moting the local prod–ucts • Apply for loans to ex–pand business and in–crease production by purchasing new ma–chines and equipment or renting storage fa–cilitates • Facilitate loan acquisi–tion and repayment	• Product innovation skills • Quality maintenance during production • Effective distribution methods • Storage methods • Advertising and negoti–ation	• Producer • Distributor	• Support the following players locally inside the district: • Producer • Distributer
		Bani Qais		• Product innovation skills • Quality maintenance during production • Selling and negotiation • Advertising • Storage methods • Customer service	• Producer • Retailer	• Support the following players locally inside the district: • Producer • Retailer
2	Hodeida	AlZuhrah		• Product innovation skills • Quality maintenance during production • Selling and negotiation • Advertising • Storage methods • Customer service	• Producer • Retailer	• Support the following players locally inside the district: • Producer • Retailer
3	Abyan	Khanfer		• Product innovation skills • Quality maintenance during production • Effective distribution methods • Storage methods • Advertising and negoti–ation • Customer service	• Producer • Distributor • Retailer	• Support the following players locally inside the district: • Producer • Retailer • Distributor
		Sarar		• Product innovation skill • Quality maintenance during production • Usage of modern equip–ment • Selling and retailing	• Producer	• Support the following players locally inside the district: • Producer

	Gover–norate	District	Proposed Intervention	Proposed Training	Most prof–itable value chain player?	How to increase value creation?
4	Lahj	Almu–saymeer		• Product innovation skill • Quality maintenance during production • Usage of modern equip–ment • Selling and retailing	• Producer	• Support the following players locally inside the district: • Producer • Retailer/Wholesaler • Distributer
5	Taiz	Asha–mayeet–en		• Pottery production from scratch • Effective distribution • Selling and retailing • Advertising a nd nego–tiation skills • Storage knowhow • Customer service • Market analysis	• Retailer • Distributor • Supplier • Whole–saler	• Support the following players locally inside the district: • Retailer/Wholesaler • Distributor • Supplier
		AlTiazi–yah		• Pottery production skills • Advertising • Storage knowhow • Customer service	• Producer • Whole–saler • Retailer	• Support the following players locally inside the district: • Retailer/Wholesaler • Producer
	Proposed training for all districts	• Arrange apprenticeship programs with businesses for youth to be trained on production and marketing skills • Provide vocational training on production in areas where no or few producers exist to help retailers apply vertical integration in their supply chains and thus reduce costs • Engage women in retailing activities by training them on marketing strategies and supporting them financially				

	Gover–norate	District	Recommended Training (Specific training)	Recommendations for MFIs (What can be financed)	What new technologies/ tools/ equipment can be brought in	Tracing the money along the supply chain
1	Hajjah	Abs	• Product innovation skills • Quality maintenance during production • Effective distribution meth–ods • Storage methods • Advertising and negotiation	• Provide financial support for: • Producers; to pur–chase ovens to help them increase pro–duction and reduce gas consumption • Producers; to purchase upgrad–ed equipment and machines • Retailers and whole–salers; to rent or buy storage facilities • Distributors; to cover and equip distribution vehicles with storage facilities that prevent products from break–ing	• Electric potter's wheel • Shaping equip–ment • Scraps of moulding • Fettling knives • Large gas ovens • Moulds and containers	• See table 5, Pricing for dif–ferent interme–diaries in • Section Sales and Competi–tiveness
		Bani Qais	• Product innovation skills • Quality maintenance • during production • Selling and negotiation • Advertising • Storage methods • Customer service			
2	Hodeida	AlZuhrah	• Product innovation skills • Quality maintenance during production • Selling and negotiation • Advertising • Storage methods • Customer service			
3	Abyan	Khanfer	• Product innovation skills • Quality maintenance during production • Effective distribution meth–ods • Storage methods • Advertising and negotiation • Customer service			
		Sarar	• Product innovation skill • Quality maintenance • during production • Usage of modern equipment • Selling and retailing			
4	Lahj	Almusay–meer	• Product innovation skill • Quality maintenance during production • Usage of modern equipment • Selling and retailing			

	Gover–norate	District	Recommended Training (Specific training)	Recommendations for MFIs (What can be financed)	What new technologies/ tools/ equipment can be brought in	Tracing the money along the supply chain
5	Taiz	Asha–mayeeten	• Pottery production from scratch • Effective distribution • Selling and retailing • Advertising and negotiation skills • Storage knowhow • Customer service • Market analysis			
		AlTiaziyah	• Pottery production skills • Advertising • Storage knowhow • Customer service			

Potential Impact of COVID–19 on the Sector[1]

Value Chain

Pottery production as such need not be much affected by COVID –19 since it is based on locally available raw material and as most pottery businesses are family owned and run from home. Wholesale and retail business at the end of the value chain is more affected. However, consumers now spend on food products rather than non–essential products such as pottery. This in turn affects the entire value chain from production to retailing in terms of quantity demanded and sold. With shops and markets being closed, people being confined to their homes and with obstacles for cross city trade due to restrictions on mobility, sales of pottery products will continue to drop, with a possibility of nearly zero sales in some areas.

Although market closures were not applied everywhere, there are still many market players who had to cut production due to the low demand. With the change of customer priorities during the pandemic, especially since many people have lost their source of income, pottery products are rarely on the shopping list. Therefore, retailers and wholesalers are trying to sell their stock on hand. This caused producers to stop or at least decrease production to avoid additional costs with no profit in return.

The inter–governorate movement restrictions have added a burden to market players, especially those depending on supply from outside the governorate. Looking for alternative solutions imposes additional costs to the product and forces players to increase price to maintain profit. This, as a result, lowers demand further. Around half of pottery businesses have been forced to at least temporarily stop operations.

In areas where markets are open, low levels of sales are being experienced, with loss of up to 80% of earlier business income. For large producers and wholesalers, customers' payments are deferred. In areas where market closures have been applied, shops were closed and all workers were left with no source of income.

MSMEs

Most pottery businesses were struggling before the COVID –19 disruption and are ill equipped to take on a prolonged crisis. This affects all actors, leaving them with very low or no income. The low demand for pottery products due to cautious consumer behaviour for non–essential consumption has worked as a disincentive for MSMEs to look for alternative solutions by which they could still operate, even if dealing with much lower quantities.

Retailers depend on sales to random customers visiting the market and they do not have a database of consumers that they can reach and sell their products to by alternative means.

Most of the MSMEs depend on daily income that can fluctuate depending on the season. They suffer from weak infrastructure and lack of liquidity. This makes them incompetent to adjust their operations to meet the current needs. Most of them are unable to adapt to new practices such as online sale.

The uneven distribution of market players between governorates makes it difficult for retailers to look for substitute vendors in the same area, or alternatives such as vertical expansion of the business and in–house production.

The low demand for products has put sellers in a difficult situation where they can barely cover direct production costs. The minimal profit now experienced is not sufficient to cover employees' wages or repay loans at agreed deadlines. Business support programmes were available previously and such funds continue their provision; yet some of them have shifted to health–related projects to address current more urgent needs. Unsustainable pottery business models may not survive the pandemic, especially if the value chain disruption is prolonged, unless owners are ready to adjust and reform. MSMEs will have to consider adopting new distribution mechanisms such as doing business virtually.

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1 For a more comprehensive analysis of the potential COVID–19 impact on micro, small and medium enterprises in Yemen, see a synthesis report at this link: https://www.ye.undp.org/content/yemen/en/home/library/a–synthesis–report–on–micro––small–and–medium–enterprises–in–yem

Livelihoods

Since only 7% of businesses in the pottery market have more than three permanent employees, not many lay–offs are to be expected. Yet, temporary suspension of two or three em–ployees in businesses with more than one employee is likely to take place.

The main reason behind temporary suspension of employ–ees, reducing the number of working hours or laying em–ployees off is the inability to pay their wages, caused by decreased demand and therefore loss of business income. Social distancing and movement controls affect retailers and distributers more than others since they interact directly with customers and mostly operate from shops or visit cus–tomers at their houses. Producers, on the other hand, mostly work from home and do not face similar problems regarding physical distancing.

In the aftermath of the COVID–19 pandemic, not many changes in employment practices are expected, except that young people might be preferred over elderly workers, even though they have not acquired similar skills and work expe–rience. Average wages in the sector will likely decline.

COVID–19 Coping Strategies

	Pottery Sector Recommendations
Macro Level Outlook: Recom–mended government policies, relaxations and enforcement measures Also the role of private sector to support the macro level outlook	• Reduction of telecommunication costs, especially the internet, as well as new landline installations, would help bring together more sellers and customers at online sale platforms • Reduction of taxes imposed would help business owners to overcome their losses • Facilitate online payments and transactions by local and private banks to support the use of online trade • Work on stabilizing currency fluctuations to avoid changes in prices of commod–ities
Meso Level Analysis: Recom–mended continuity measures to be taken to mitigate the impact, including the need for finance	• Provide financial assistance through MFIs – extending new loans and restruc–turing repayment of old loans – to assist value chain actors to overcome liquidity challenges • Create a special online platform for pottery e–commerce and provide online training courses to support pottery sale • Train MSMEs on production of modern and high quality products • Support MSMEs financially to help them acquire new materials needed for pro–duction of more sophisticated products
Micro Level: Recommendations related to preparedness and plans to contain the impact of COVID–19	• Learn about online marketing and trade to overcome losses caused by market closure • Use commonly used applications like WhatsApp and Facebook as a platform for selling products • Introduce new production lines including production of new product varieties with different designs to attract customers whose priorities have undergone change

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Published by the United Nations Development Programme
UNDP Yemen
PO Box 551
Sana'a, Republic of Yemen
www.ye.undp.org
Published: July 2020