CHAPTER – VI
SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

Hand-woven carpet is a handicraft item having commercial, economic, religious and cultural importance in Iran. While the conventional importance is dictated by social sanctification, the commercial importance is derived from the fact that it was a prominent foreign exchange earner for a long time. The economic importance of hand-woven carpets is evaluated by the fact that it has provided employment to 9-10 million people and carpet making is a rural based labor intensive industry, predominantly employing women labor.

Carpets have been of great importance in the life of Iranians since a long time. As the famous specialist in oriental civilization and Persian art and culture, American Professor Arthur Pope, noted “all around the world the Persian carpets are symbols of poetical luxury and the precious historical carpets of Isfahan and Kashan are the manifestation of the Iranian genuine and authentic art.” Persian carpets are traditionally known for the tremendous variety in design, color, size and weave and also for the uniqueness of each and every piece produced. Thus, in terms of importance from economic and cultural point of view, hand-woven carpets have occupied a prominent place in Iran. Of late, its importance in the international market is declining for various reasons. USA, Canada, Germany, France are importing the carpets from Iran. But the quantum of imports are coming down thereby affecting the foreign exchange reserve of the country.
Iran has been depending on oil exports to earn foreign exchange. However, the prominent non-oil export item was hand-woven carpets. The oil reserve are gradually depleting and hence Iran is compelled to increase non-oil exports to earn foreign exchange for its development. But in recent years, the carpet industry in Iran has been affected by so many factors. Though there is a good demand for hand-woven carpets, the supply position, over the years is not in tune with the demand. Poor quality raw material, wild fluctuation in prices, malpractices in marketing etc, have affected the supply side of carpets. Further, the intermediaries seem to have taken a lion share of the sales proceeds and carpet making has become unremunerative to weavers. There has been competition from machine made carpets and also from other Asian countries like India, Pakistan and China. Cumulatively all these have affected the flow of foreign exchange from the exports of hand-woven carpets. Hence, the researcher has selected this area to find out the possible causes for the consistent fall in the exports of hand-woven carpets.

The study addressed itself with the following objectives:

a. to historically trace the growth of hand-woven carpet industry in Iran;
b. to analyze the perceptions of exporters and sellers towards various aspects of export marketing of hand-woven carpets;
c. to identify the causes for the fall in the exports of hand-woven carpets; and
d. to suggest suitable remedial measures to overcome the deficiencies in export marketing of hand-woven carpets.

The data needed for the study was collected from sample members at six cities of Iran viz., Tehran, Mashhad, Isfahan, Tabriz, Yazd and Kerman. 85 exporters/sellers and
45 exclusive exporters gave the data relevant for the study. Data was collected using questionnaires and interview schedules.

**Layout of the Study**

The study has been presented in six chapters.

The first chapter is of an introductory nature and it unravels the subject and significant of the study, the objective of the study, the hypotheses framed to initiate the study, the methodology adopted for the study, the sample design of the study and the limitations of the study. Further a brief review of the earlier studies in the area of carpet marketing is presented.

In the second chapter, a detailed account of the profile of the Iranian economy has been presented. The significance of the carpet industry has been highlighted.

In the third chapter, an elaborate attempt to study the carpet industry in Iran has been made. Historical growth of the industry has been traced. The trend in exports are analyzed.

In the fourth and fifth chapters, the perceptions of the sample members on various aspects of export marketing of hand-woven carpets have been analyzed. Important contributory factors for the fall in carpet exports have been identified.

In the concluding chapter, a summary of survey findings has been presented. Further the implications of the findings have been analyzed. Suggestions to improve export marketing of hand-woven carpets have been offered.
Major findings:

In what follows is a summary of the main findings of the study.

1. INADEQUATE RESEARCH ON EXPORT MARKETING OF HAND-WOVEN CARPETS:

A review of research studies and the literature on carpet export marketing and related aspects revealed that the extent of research carried out is inadequate. The researchers have emphasized more on the production aspects of the carpet, thus totally ignoring the marketing side, particularly export marketing. Few attempts made in this regard have proved to be perfunctory and not very comprehensive. In nutshell, the survey of the earlier studies revealed the following:

i. Most of the studies have concentrated on the production aspect of the carpet;

ii. Few scholars have studied the market structure in general;

iii. No comprehensive study has been carried out on the export marketing of carpets;

iv. Perceptions of exporters and sellers on various aspects of export marketing of hand-woven carpets have not been analyzed; and

v. Most of the articles are journalistic in nature and lack sound research temper.

2. CARPET MAKING AND CULTURE OF IRAN ARE INTER-WOVEN:

Persian carpets are traditionally known for the tremendous variety in design, color, size, and weave. Indeed, Iranian culture is embedded into carpet. It is well
documented that Iranians more than any other nation have used various sizes and types of Persian carpets to enrich, decorate and beautify rooms, halls, historical buildings, religious centers and holy constructions. Most of the hand made Persian carpets and rugs have been recognized as precious artistic works because of their graceful design and delicate styles and pattern. Many hand made Persian carpets and rugs are also preserved as costly and dear artistic works in museums and private collections all around the world.

3. HAND WOVEN CARPETS – IRAN DOMINATES PRODUCTION SCENE

In the past, Iran had a greatest share of carpet industry among the hand woven carpet exporters. In 1974, 60% of the global market belonged to Iran. The latest statistical data indicates that around 8-10 million people are either directly or indirectly employed in the carpet industry in Iran. This works out to 14.6% of the population of Iran. Available data also reveals that about 6 million sq. meters of carpet worth over 500 million U.S. dollars are exported annually. All these indicate the dominance of Iran in the carpet industry of the world.

4. CONSISTENT DECREASE IN EXPORTS OF HAND WOVEN CARPETS:

Though Persian carpets remain as top hand made carpets in the world, they have unfortunately lost their share in international markets. In 1974, 60% of the global carpet market belonged to Iran. However, the share in the global market has gradually reduced. By the end of 2007, the share has touched as low as 31.3%.
5. THE SHARE OF NON-OIL EXPORT INCREASE BUT THE SHARE OF HAND WOVEN CARPET DECREASE:

Our study reveals that the share of non-oil exports has been increasing in absolute terms whereas the share of hand-woven carpet exports has been coming down regularly. The Iranian non-oil exports was amounting to 3763 U.S. million dollars in the year 2000 and this touched 15200 U.S. million dollars by the year 2007. In terms of percentage, the growth rate was 303.93. The situation in case of hand-woven carpet exports is quite different. Between 2000 and 2007, the share of hand-woven carpet exports has registered negative growth rate. In absolute terms, the value of exports of hand-woven carpets has come down from 619 US million dollars in 2000 to 397 US million dollars by 2007. In terms of percentage, there was a negative growth rate of -35.86%.

6. PROFILE OF SAMPLE MEMBERS:

In our study we have also analyzed the demographic background of the sample members. The various factors analyzed include education, profession and experience. Our study reveals that 65.38% respondents are sellers and exporters are 34.62% on exclusive exporters. Again 49.23% of the sample members have education upto Diploma level; 33.85% of education below Diploma; and 16.92% have Post-diploma education. Further our study indicates that 63.85% of the respondents are in the industry for more than 21 years. Hence our sample profile consists of respondents who are educated and experienced. Therefore it may be construed that the responses given by the sample members are accurate and authentic.
7. PROBLEMS GALORE IN HAND-WOVEN CARPET INDUSTRY

Our study has grouped the problems faced by the carpet industry in Iran into 5 broad categories. They are:

i. Competition from machine made carpets;
ii. Competition from other countries;
iii. Production bottlenecks;
iv. Distribution bottlenecks; and
v. Lack of export orientation.

It is revealed that the hand-woven carpet industry is facing severe competition from machine made carpets produced not only in Iran but also from other countries like Belgium, Egypt, Germany, China and Sweden. India and China are also posing competitive threat to Iran. Availability of cheap labor and raw material has put the competitors in the driver seat. Poor raw material and escalating cost have aggravated the problem of hand-woven carpet industry in Iran. Again, the companies lack export market orientation. The middlemen who export the carpets have eaten away the major share.

8. PERCEPTION OF THE SELLERS AND EXPORTERS ON EXPORT MARKETING ARE SIMILAR:

The various aspects of export marketing were grouped under four categories viz.,

1. Category I – the weakness in export marketing management,
2. Category II – lack of scientific research on target market,
3. Category III – lack of attention to marketing mix and
4. Category IV - governmental and non-governmental factors affecting carpet industry.

On each of these categories, several statements were addressed to the respondents and their opinion was taken on a 5-point scale. The causes responsible for the fall in exports as perceived by the respondents have been listed and ranked. The maximum and minimum of the each component was calculated and a mean value was arrived at.

Our study reveals that 17.82% of the respondents feel that category I factors are the major factors for the decrease in carpet export. However, category IV, II and III in that order contribute for the fall in the exports. On the whole, 64.54% of the total responses contributed for all the categories. From this, one can infer that there could be other factors also responsible for the fall in the carpet exports.

9. INFLUENCE OF SECONDARY VARIABLE IS NEGLIGIBLE:

While analyzing the perceptions, the background factors such as age of the company, size of the labor force, age groups, experience and nature the dealer were considered. The main findings are;

a. In all the components both exporters and sellers had statistically similar scores as all the obtained ‘t’ values were found to be non significant.

b. It became clear that in all the categories, age of the company did not have any significant influence as all the obtained ‘f’ values were found to be non significant. In inference it can be stated that perception of the respondent with different years of establishment was similar for all the components and for the
total scores. This indicates the perception is independent of the age of the company.

c. Even with regard to the size of the labor force, the mean scores and the ‘f’ values indicate the perception of the respondents with the different sizes of labor force was similar for all the components and for the total scores. Hence, the perceptions are independent of the size of the labor force of the company.

d. Our study reveals that age of the respondents did not have significant influence as all the obtained ‘f’ values are found to be non significant. This implies that perception of respondents of different age groups was similar for all the components and for the total scores. Thus, perceptions are independent of the age of the employee.

e. Again our study reveals that in all the components, years of experience did not have significant influence as all the obtained ‘f’ values were found to be non significant. In other words, perception of the respondents with different years of experience was similar for all the components and for the total scores.

f. Even with regard to education, the results are similar. In all the components, level of education did not have significant influence as all the ‘f’ values were found to be non significant. This implies perception of respondents with different levels of education was similar for all the components and for the total scores.

10. CONTRIBUTORY FACTORS FOR THE DECLINING CARPET EXPORTS:

As indicated earlier, our study classified the contributing factors for the fall in exports into 4 broad categories. For each of these categories, the causes are identified.

In case of category I, our study reveals the following:
i. Entry of competitors have affected the exports. There is not only competition from within but from outside also. Machine made carpets have posed a big threat to hand woven carpet industry. Again the entry of carpet manufacturers from India, Pakistan, and China have posed a threat.

ii. Not only there is a competition from outside, but there is a competition from within. In Iran, the carpet manufacturing companies are in government, private and co-operative sectors and there exists competition among these companies. This has adversely affected the exports. There is, therefore a need to coordinate the exporting activities of all these companies.

iii. Lack of governmental support has also affected the exports. The government no doubt, is supportive to the needs of the people and the industry. But proper advice has to be given to the government as to what is to be done to protect the interest of hand woven carpet industry.

iv. Prevalence of illegal trading has adversely affected the carpet exports. Smuggling the carpets has affected the bonafide exports. There is a need to plug the loopholes and to curb illegal trading.

v. Carpet manufacturing companies are owned by people who have neither experience nor expertise in carpet making. As a consequence, the companies are not professionally managed and obviously this has affected carpet exports.

vi. It is often said that the export regulations are so frequently changed that many companies do not want export but would prefer to concentrate on the domestic markets.
vii. Hand-woven carpet industry is considered as a priority sector industry and hence has been included under Five Year development plan in Iran. However, in reality the respondents feel that due importance has not been given.

In case of category II factors our study reveals the following:

i. The exports of hand-woven carpets have been hindered because of the inaccessibility of new markets. As on now, Iran is concentrating mostly in European markets and Asian and African markets have not been adequately explored. There is a need to enter new untapped markets.

ii. The demand for carpets in the existing markets have either saturated or reduced. This is due to various reasons such as change in the customer needs and tastes, purchasing power, availability of imitation carpets etc. Efforts should be made to develop a niche market for hand-woven carpets of Iran.

iii. Level of economic development of the target countries should be taken note of while exporting carpets to such countries. In reality this is not taken note of. As a result the exporters are pursuing a uniform policy with regard to pricing, quality etc. Less developed countries find the prices too heavy and hence do not by the carpets. There is a case to pursue a differential pricing policy while exporting carpets to different countries.

iv. While entering new markets, many factors such as political and cultural factors, degree of economic development, degree and nature of competition, demand and supply position, per-capita income, income distribution, GDP position, geographical condition, role of social institutions in different countries, demographic characteristics of importers, need and preference of customers etc.
have to be considered. Unfortunately our study reveals that the importance of the above factors are not properly perceived by the exporters. This implies that there is lack of scientific marketing research and markets are entered on a hunch basis. This has adversely affected the exports.

In case of category-III factors the main observations are:

i. Our study reveals that on the whole adequate attention has not been paid to various ingredients of marketing mix like product, price, promotion and physical distribution.

ii. Our study reveals that the competitors have evolved better distribution policies than the Iranian carpet exporters.

iii. Though Persian carpets as their own unique features both in design and texture, customer needs are not integrated into the product. Conventional designs dominate the production scene.

iv. Even while pricing the product, the demand and supply factors are not considered. The market forces are kept out while determining the prices of carpets. The competitors have an edge here as the raw material and labor costs are cheaper.

v. Even with regard to promotion, the carpet manufacturers are not in tune with the contemporary situation. Competitors employ electronic media to advertise their products but Iranian manufacturers are yet to make use of this media effectively to promote hand-woven carpets.

vi. With regard to distribution, middleman will eat major share of the cake thereby depriving the producer his deserving dues. There is a strong need to streamline the distribution system and there is a case for direct marketing.
In case of category IV factors the main observations are:

i. There is a restriction of free entry of people into Iran. As a result, there is a restriction on the movement of foreigners in the country. This naturally affects the exports.

ii. There is a laxity of data base with the exporters about new markets and hence has incapacitated them to enter new market segments.

iii. The procedures and rules prevalent in the importing countries have also adversely affected the exports of hand woven carpets.

iv. Trade restrictions such as trade suspensions, rationing, custom duties, tariffs and tax duties have affected the exports of hand woven carpets.

v. Visa formalities also restrict the entry of traders into Iran. This also affects carpet exports.

vi. Lack of scientific approach to export marketing has affected the exports. Improper marketing research, lack of quality certification, unscientific pricing, lack of promotional efforts etc., have all cumulatively affected the hand-woven carpet exports.

In the light of the observations made in the study, certain suggestions have been offered to make export marketing system of hand-woven carpets more effective. These are presented in the following pages:
SUGGESTIONS

1. **Better coordination between government, private and co-operative units:**

   As indicated earlier, there is no coordination between the companies in government, private and co-operative sectors involved in carpet manufacturing. As a consequence, the quality, pricing of exportable carpets are at variance. This can be sorted out by bringing better coordination between companies in different sectors. An export pool can be created where one can ensure better quality as well as standard price.

2. **Introduction of market intelligence system:**

   Time and again it has been mentioned in our study that the companies have no data base regarding the markets where they can sell their carpets. Such a data base can be created provided there is an agency to carry out systematic marketing research. The government can create an agency for this purpose or the companies put-together may create an institution for the purpose of carrying out international marketing research. Such a data base will enable companies to decide about entering into new market segments.

3. **Creation of special financing institution to finance hand-woven carpet industry:**

   As is well known the hand-woven carpet industry is handicraft industry which is rural based and where women in large number are employed. This rural based industry is suffering from many problems including finance. To procure the right type of raw materials, the weavers are to be provided with finance at a concessional rate of interest as
hand-woven carpets are cultural ambassadors of Iran. Therefore, there is a need to create a financial agency to cater to the needs of weavers.

4. **Provision of subsidies to hand-woven carpet weavers:**

   The hand-woven carpet industry is highly skilled based and hence uniformity in carpet weaving may not be possible. Each carpet has got its own unique features and characteristics. Unlike machine made carpets the time consumed to weave a carpet is more. The quality and the value of the carpet would be very much high if it is hand-woven. There is a need to provide subsidy to the weavers of the carpet. This may take a shape of either interest subsidy, concessions pertaining to production inputs or price protection.

5. **Enter new market segments by diversification of markets:**

   Our study indicated that there has been concentration of hand-woven carpets predominantly in European markets. For various reasons, there is no trade between Iran and some countries. As of now, the demand in European markets has either saturated or gradually declining. In view of this, efforts should be made to enter new untapped market segments in Asian and African continents. Efforts may also be put into promote the carpets in existing market segments.

6. **Encourage non-oil exports:**

   Traditionally, major share of foreign exchange is earned through oil exports from Iran. Among the non-oil export items hand-woven carpets was a major exchange earner. But things are changing now. Oil resources are depleting and Iran has to bestow more
attention to export non-oil items. All care and concern have to be shown to hand-woven carpet industry.

7. **Enter World Trade Organization (WTO):**

   As of now, Iran is not a member of World Trade Organization. There are inherent disadvantages for a country by remaining out of WTO. In order to enlarge the international trade, it is imperative for Iran to become a member of WTO. The political hurdles in its entry into WTO should be sorted out in the larger economic interest of Iran.

8. **Visa formalities should be streamlined:**

   There has been a rigid restriction of entry of traders into Iran for various reasons. True, in the interest of the nation there could be restriction of entry of unscrupulous people. But the entry should be free for people who indulge in trade and business. It is therefore, suggested that visa formalities should be simplified without sacrificing the interest of the country.

9. **Introduce export achievement award:**

   The government instead of controlling the economic affairs of the nation should concentrate on policy making and leave the rest to the private sector initiative. In such an environment, there may be a healthy competition amongst the units manufacturing carpets. To motivate the individual companies to achieve excellence in exports, an export achievement award may be instituted.
10. Create export promotion councils:

In order to encourage the exports of hand-woven carpets, an exclusive export promotion council should be set up. The task of this council is to arrange international exhibition of hand-woven carpets in different parts of the world and help the companies to negotiate deal with importing countries.

It is earnestly hoped that if the above suggestions are implemented the hand-woven carpet industry of Iran which is facing a crisis can be resurrected and rehabilitated.

CONCLUSION

Carpet weaving is an ancient tradition of Iran. Until a few years ago, Iran was the world’s leading carpet producer. The Persian carpets with its fast colors, fine designs and unique texture has always been the most tangible manifestation of Persian art for other nations. Its raw material and construction, design and color composition, foundation threads and knot density, border design, generally distinguished a good quality carpet. In spite of serious challenges in the global carpet markets, Persian carpets have a superior quality from every aspect.

Unlike the figural arts of western culture, in Persian arts, words and shapes are important and convey artistic messages. The art of carpet weaving takes the most of the shape aesthetics, the Iranian carpet weaver in her enchanting the beautiful designs penetrates deep into human emotions. Carpet weaving is a well established traditional form of art in most parts of Iran. The best Persian carpets are usually produced in Tabriz, Kashan, Qom, Isfahan, Mashhad, Kerman and Hamadan. Regional carpets have designed colors specific to that region.
Hand-woven carpets have long been the government’s second source of income after oil. However, the industry in recent years suffered setbacks to the extent that many today claimed Iran has lost its outstanding position in the global carpet market. Given that the carpet industry is a major foreign exchange earner and a vital sector in Iran’s fragile economic system, a slump in the industry would unleash unemployment and cost the government hugely.

The downturn was blamed on stringent banking laws that oblige exporters to deposit guarantee funds with banks for the return of foreign exchange. Other factors included high carpet prices and the reduction in purchasing power among the European customers. The downward trend was mainly because of unstable export regulations and flagging demand for Persian carpets.

Experts have warned that ineffective policies and negligence would result in more cuts in the share of hand-woven carpets in the non-oil export sector. The Iranian government has always been sensitive to the needs of the people and the industry. It tried to improve the situation by passing lenient laws on exporters. The first five year economic development plan (1989-1993) envisaged carpet exports to reach $4400 million dollars within the plan period. Exports topped $4504 million dollars, well above the plan forecast. The second plan 1994-1999 envisioned $7 billion US dollars in carpet exports, a target level which for many reasons was not materialized.

The carpet industry has long been plagued by smuggling as encouraged by the high price difference between the foreign exchange rate of the black markets and the officially declared rate. On the other hand, hand-woven carpets are being unrealistically
priced and this causes problems in international markets. Further, Iran lacks proper marketing strategy and this is the reason for the country to land behind competitors in international carpet markets. In addition, Iran’s carpet industry lacks proper administration which is not just the problem of the carpet sector alone but prevalent in all industries. Market situations have more or less are beneficial to countries like Pakistan and China who are strong competitors to Iran. The Iranian carpet weavers should keep abreast of the changes that are taking place in international markets in areas like customer taste, regulations etc. This of course, calls for an organized and coordinated system to develop a data base. Further, the regulations have changed so often and the state is in control of everything, whereas in most of the countries the private sectors are in charge of most economic affairs with government only responsible for policy making.

The traditional hand-woven carpet industry in Iran deserves to be resurrected. The constraints coming in the way should be sorted out. Keeping in mind the socio-economic and cultural significance of hand-woven carpets to Iran, it is high time every one wakes up to the occasion to resurrect the industry. The government is no doubt realistic and has always been receptive to suggestions given by academic researchers and experts in the interest of Iran. In this activity of rehabilitation and resurrection, the role and responsibility of government, private and co-operative sectors is co-equal.