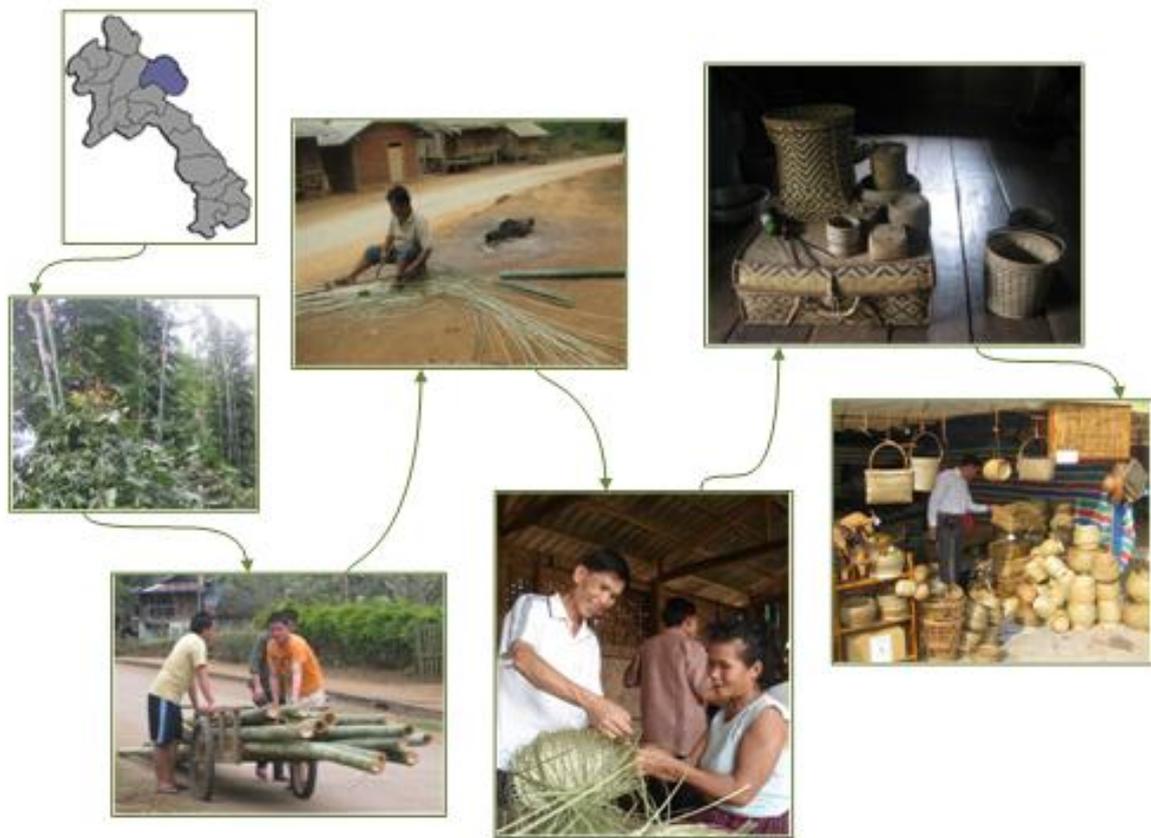


# Exploring market opportunities for Houaphanh bamboo handicraft and furniture products

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Utrecht University





# Master Thesis

Exploring market opportunities for Houaphanh bamboo handicraft  
and furniture producers

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## **Master Thesis**

International Development Studies

Faculty of Geosciences

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## Abstract

This report is the result of a four month internship period as a cooperation between Utrecht University and The Netherlands Development Organization (SNV) in the Lao PDR. The internship is part of the master program International Development Studies. During these four months, data has been gathered for this master thesis.

The thesis relates to SNV's bamboo program and in specific, its activities in Houaphanh province. Houaphanh is one of the poorest provinces of the Lao PDR but rich of natural resources. The bamboo program is meant to help poor Houaphanh villagers diversify and increase their incomes and improve their quality of life. This goal is pursued by initiating bamboo handicraft and furniture producer groups. Currently, new market actors and channels need to be found in order to grow and make sure the activities provide a sustainable income for producers. Therefore, the focus of this thesis is to map current market linkages and marketing activities and to identify potential new linkages and marketing opportunities.

In order to do so, interviews have been conducted with members of the eleven Houaphanh producer groups, village representatives, several government bodies, a trader and selected individuals with a related expertise. Besides that, a problem and solution tree are conducted to map the different constraints value chain actors are facing and to find solutions that can solve these constraints. Finally, a market survey is held to identify consumers' requirements concerning bamboo handicrafts and furniture.

This thesis presents the results and an analysis of primary and secondary research activities . The Houaphanh bamboo handicraft and furniture value chain is described in detail. Market requirements regarding the bamboo products are gathered and linked to producers' capabilities. In combination with other types of data such as interviews with the government and certain selected individuals, statements are made about the development of market linkages and marketing opportunities. Collective action and an origin-based marketing strategy are key concepts discussed in the data analysis and in the recommendations.

## Preface

While conducting fieldwork and realizing this thesis many people accompanied me by offering their support. It is my pleasure to thank them all once more while highlighting some persons whose contributions were priceless.

**SNV Lao PDR:** Where to start. First of all, it was great SNV Lao PDR offered me the opportunity to do my graduation research in such a fascinating country. Being there on my own made this experience as intense as possible for which I am really grateful. SNV supported me with their material and financial resources, great colleagues, their knowledge and network. Even though many people at SNV helped me in the process of collecting data, there are some persons I would like to thank in particular. Martin Greijmans who is my supervisor and who's guidance was extremely valuable. Never reluctant to help out, even at night or during weekends. Second, the great help by Touk, Noy, Nalin, La, Deth and Bounxou during the fieldwork was more intense than I could ever hope for. Especially Touk, who has helped me with interviews, questionnaires, translations and preparations with a major dedication I cannot thank enough. Finally, I would like to thank Be, Khek, Julie, Laure, all of Houaphanh staff members and of course everyone working at the old meeting room in Vientiane. Thank you guys for making time in- and outside the office a great experience.

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**Utrecht University:** I would like to thank the IDS staff for preparing us for the fieldwork and thesis process as well as the opportunities they offered us to conduct research abroad. In special, Dr. Guus van Westen's contribution is valued. He guided me from the early processes to the final version of this thesis, always providing helpful feedback and making me look more critically at my work.

**Family and friends:** Last, but definitely not least; the people who have supported me all the way. From preparations to fieldwork and to finalizing the thesis. Sending postcards, birthday gifts, messages and boxes to make the Lao people familiar with Dutch delicacies. Organizing the best welcome home party. Supporting me in the writing process by giving feedback and joining me in drinking an uncountable number of cups of tea. Not to forget, the necessary and fun distractions which always made me get back on track the next day. And finally, my friends in Laos; Noy, Touk and Hudson who are the main reason I had the best possible time in Laos. I am happy to be still in touch with them today.

## Abbreviations

|             |  |
|-------------|--|
| ASEAN       | Association of Southeast Asian Nations   |
| BoP         | Bottom of the Pyramid  |
| CIA         | Central Intelligence Agency  |
| COC         | Chain Of Custody   |
| DAFO        | District Agriculture and Forestry Offices  |
| DOF         | Department of Finance  |
| DOIC        | Department of Industry and Commerce  |
| DPI         | Department of Planning and Investment  |
| EDC         | Enterprise and Development Consultants Co., Ltd.                                 |
| FSC         | Forest Stewardship Council   |
| GRET        | A French organization working on natural resources development for communities   |
| HDI         | Human Development Index  |
| INGO        | International Non-Governmental Organization                                      |
| Lao Kip     | National currency of the Lao PDR. 10.000 Lao Kip resembles +/- \$ 1.25 or € 0,87 |
| LDN         | Lao Development Network (consultancy firm, hired by SNV)                         |
| LNCCI       | Lao National Chamber of Commerce and Industry                                    |
| LPRP        | Lao People's Revolutionary Party   |
| MDGs        | Millennium Development Goals   |
| NEM         | New Economic Mechanism   |
| NTFP        | Non-Timber Forest Products   |
| PAFO        | Provincial Agriculture and Forestry Offices                                      |
| SMEs        | Small and Medium Enterprises   |
| SNV         | The Netherlands Development Organization   |
| The Lao PDR | The Lao People's Democratic Republic   |
| UNDP        | United Nations Development Programme   |
| USP         | Unique Selling Point   |
| UXO         | Unexploded Ordnance  |
| WWF         | World Wildlife Fund  |

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# Chapter 1 – Introduction

## 1.1 - Background & problem statement

The Lao People’s Democratic Republic (The Lao PDR) has extensive forest areas which are home to abundant bamboo resources. One of the main regions rich of bamboo resources is the province of Houaphanh. At the same time, this is one of Laos’ poorest provinces (figure 2). It is located in the Northeast of the country, a thirteen hour drive from the capital city of Vientiane. The region is characterized by its diverse nature, culture and ethnic groups. Its bamboo products are characterized by durability, natural colors and region-specific weaving designs which are passed on from generation to generation.

Traditionally, Lao people produce bamboo handicrafts for household purposes. For several years now, the Netherlands Development Organization (SNV) has been involved in bamboo value chain activities in the Lao PDR. The main goal of these activities is to derive more value from the traditional skills and achieve pro-poor economic development for poor people inhabiting the region. Over the past few years, *producer groups* have been established in three districts of Houaphanh province: Xam Neua district, Viengxay district and Sobbao district. Currently, eleven producer groups are in place. A number which will be further expanded in the upcoming years.

The producer groups exist of members (men and women) who -in short- collect raw materials, pre-process them and weave bamboo handicrafts or built bamboo furniture products. Next, the products are sold. This happens either in the village directly to consumers who pass by , to a trader who will sell the products to a market or shop, or by the villagers themselves who sell the products along the road or at a market.

The goal of this thesis is to further develop the above market access channels and identify new market access opportunities in terms of *linkages* for Houaphanh bamboo producers. Besides that, suitable marketing opportunities will be identified in order to promote the products to a wider audience. This is done with the intention of providing new possibilities for producers to increase their wellbeing and directs us to the following key research question.

*To what extent are market linkages and marketing opportunities developed and how can they enhance bamboo industry operations and the wellbeing of bamboo handicraft and furniture producers located in Houaphanh province of the Lao PDR?*

The problem statement has been divided into a few concrete research questions. Of course, several themes and theories underlie these questions and certain considerations have been made. These are discussed in chapter 3 in order to get a more thorough understanding of the research questions and

related information and choices. The questions each tackle a specific area of development within the Houaphanh bamboo handicraft and furniture value chain which is related to the SNV bamboo program. At first, the value chain will be analysed and described in detail. Next, shop owners and consumers will be questioned about their requirements concerning bamboo handicraft and furniture products. Besides that, producers will be questioned concerning their capabilities and the constraints they are facing. Finally, other value chain actors or supporting organizations will be involved in the research process to shed their light on certain relevant issues. Combining this information, suggestions can be provided for developing (new) market linkages and adopting certain marketing tools. The research questions are formulated as follows:

1. How is the bamboo handicraft and furniture value chain organized which originates in Houaphanh province of the Lao PDR and is related to the SNV bamboo program?
2. What requirements do targeted markets within the Lao PDR have for buying bamboo handicraft and furniture products?
3. To what extent can Houaphanh bamboo handicraft and furniture producers adhere to market requirements?
4. How can the collected information related to marketing opportunities and market linkages contribute to improvements in the Houaphanh bamboo industry and producers' wellbeing?

The final research objective is for SNV to be able to run a pilot study with selected bamboo products to further penetrate selected markets. This thesis will therefore aim to provide lessons which guides SNV on how to develop a working relationship between producer groups and brokers to selected markets as well as how to proceed with marketing activities.

## **1.2 - Relevance of study**

Bamboo is a Non-Timber Forest Product (NTFP), from which income is one of the most important and often single seasonal coping strategy for people in the Lao PDR normally engaged in rice and cash crop farming (Greijmans, Soukchaleunphone & Phommasane, 2009: p.1). Bamboo can provide villagers with income diversification and as appears from SNV's experience in Houaphanh, can increase people's income. In many instances however, producer groups are still weak in terms of organization, production capacity, efficiency and quality. Traders are hard to find and markets and consumers are often not aware of the existence of the products. Therefore one of the major questions at the moment is how to practically link the bamboo producers to new national, regional and in the end, (Fair Trade related) international markets. This should hopefully improve the workings of the bamboo handicraft and furniture industry in Houaphanh and mainly, the wellbeing of producers. This thesis focuses on Lao's internal markets in order to develop a solid national base for

distributing the products. Once this has been achieved, new considerations can be made for expanding to nearby regions or to international markets. This thesis therefore aims to explore sustainable activities related to marketing and market linkages which benefit current local and national value chain development and can possibly be expanded to foster future export.

### **1.3 - Approach and limitations**

During the fieldwork, several research approaches have been adopted. These include structured and semi-structured interviews, a problem and solution tree and a market survey. Each of them provides us with specific types of data and will be carefully discussed in chapter 4.

During the internship period, some limitations were faced. This is mainly caused by time constraints, repeatedly cancelled appointments and the researcher's inexperience in conducting fieldwork. Ideally, more persons would have been interviewed and surveyed. Some specific examples include questioning all producers instead of the group leaders, interviews with the government of the Lao PDR at national level and interviews with more traders. Second, in the eleven producer group villages in Houaphanh, appointments were made with the head of the village and the head of the producer group. These persons were not always present which might have caused a certain bias in the data. Next, less information was gathered on the producer groups visited during the first fieldtrip (Nayom, Tad and Phounsane). This is a negative effect caused by the concurrent manner of data collection which is further discussed in chapter 4. Finally, it is questionable to what extent the questionnaire reflects reality. Over one-hundred questionnaires are conducted in a few locations within the country. It is uncertain to what extent they represent Houaphanh's target groups in other stores and regions of the country. After executing the survey, it appears it might have been good to further specify the target group of Lao consumers. This group exists mainly of individuals buying products. However, a smaller group seems to entail the restaurants and hotels in the Lao PDR. This distinction, and hence specific information on hotels and restaurant is therefore missing from the dataset.

### **1.4 - A guide to the study**

The results of this thesis are obtained during an internship at SNV Lao PDR in the period of February to May 2011. The internship is part of the Master program *International Development Studies* at Utrecht University (The Netherlands). The next chapter provides the conceptual model of this thesis, chapter 3 elaborates on the research design. Research methods are presented in chapter 4. Chapter 5 presents the findings of the fieldwork which are analyzed in chapter 6. Conclusions, recommendations and an overview of follow-up research activities are presented in chapter 7.

## Chapter 2 - Regional background

Even though the Lao PDR is located in an economically quite booming region, the country is still seen as backward due to relatively low human and economic development levels (Rigg 1995). The background information presented in this chapter can be helpful to put certain issues of the research into a (socio-)geographical perspective. The Southeast Asian region, The Lao PDR itself and one of its provinces; Houaphanh province will be highlighted. Finally, the role of the research partner organization, The Netherlands Development Organization (SNV), within these geographical areas is presented.

Figure 1 – Geographical context of the research



### 2.1 – Regional context

The Lao PDR is a Southeast Asian country and the single one in the region which is fully land-locked. Besides that, it shares the Mekong river with China, Myanmar, Thailand, Vietnam and Cambodia. This implies it is nearly impossible not to deal with its neighbours. Southeast Asia has always been threatened to be overpowered by more powerful nations as China or the United States (Tow 2004: p.435). Regional initiatives such as ASEAN and the Greater Mekong Sub region Economic Cooperation aim to strengthen the bonds between Southeast Asian member countries and to form a stronger counterpart against China, the United States and other powerful nations. The Southeast Asian countries all faced their own struggles as well as joint ones. Political issues, ethnic strides, weak economies with unequal benefits, the Indochina Wars and so on. For most Southeast Asian countries living conditions improved late 20<sup>th</sup> century. The Asian crisis in 1997 backfired the region but today, industries, income levels and investments seem to be recovering in many countries. As is stated in the Human Development Report of 2010, Malaysia's and Thailand's per capita incomes grew more than fivefold in the last forty years (Klugman et al. 2010: p.42). However, this is still low compared to the richest countries in the world. How these countries will further develop on their own and jointly

with ASEAN members remains to be seen in this time of shifting international relations. The following paragraph provides more in-depth information on the Lao PDR and its inhabitants.

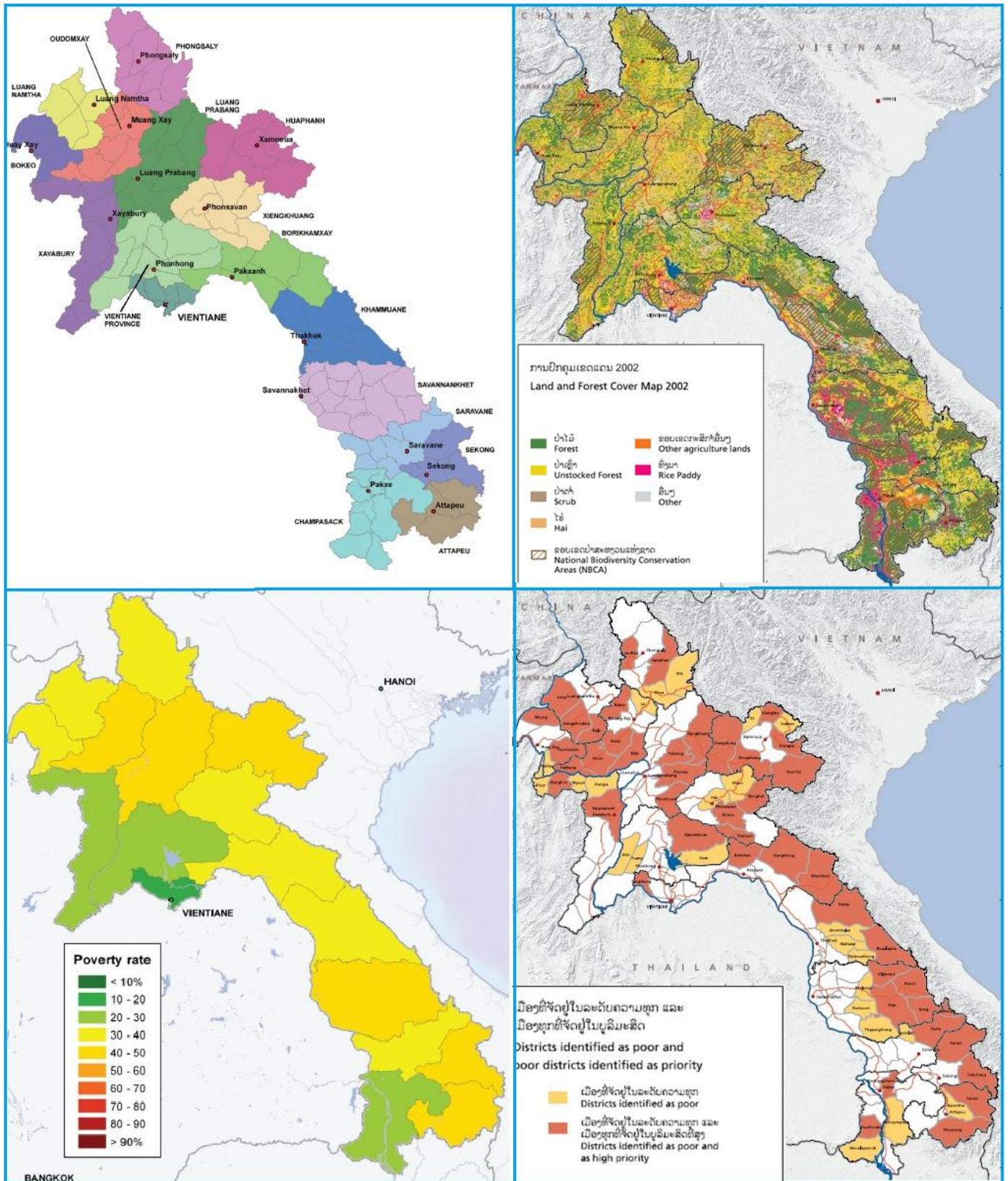
## 2.2 – National context

The Lao PDR is a landlocked country in Southeast Asia neighbouring Vietnam, Cambodia, Thailand, Myanmar and China. The country has a vast natural resource base and is rather sparsely populated with 5.620.000 people inhabiting the country (Lao Statistics Bureau 2005). According to the projection of the most recent population census in 2005, this number will grow to about 7.9 million in 2020 (ibid.). Figure 2 presents several maps of the Lao PDR. The bottom maps show that in the majority of provinces, thirty to fifty per cent of the population is poor. In these provinces, quite a number of districts are declared as high priority areas by the government of the Lao PDR. The country is home to numerous ethnic groups and sub-groups. In Pholsena's (2006) book on this issue it appears that censuses all present different figures. Ranging from 47 to as much as 850 different ethnic groups. Hoping to unify everyone during the Second Indochina War, while trying to specify every group again afterwards, makes this a complicated issue. The latest 1995 population census conducted by the government, reports the existence of 49 ethnic groups in the country.

The Lao PDR has a colonial history, being under the reign of France from 1893 until the defeat by Japan during the first Indochina War in 1954. Even though this defeat by France marks the independence of the Lao people, Boupha (2003) claims the country has been plagued by many internal conflicts and dealt with new interferences from France, the US and Japan until the 1970s. The independence in 1954 also marked the start of a *Secret War* in the Lao PDR. This marks a period of complex international relations and internal and external conflicts. Due to the major impact of these events on Lao's population even until today, a case box in this chapter elaborates on the Special War.

After the long period of dependency and conflicts, the Lao PDR began to transform from a central controlled economy to a more market based system in the late 1980s. This occurred under the reign of the communist Lao People's Revolutionary Party (LPRP). Decentralization and the reduction of external trade barriers were the most immediate consequences of this major policy shift (Rigg 2003: p.14). This economic reform took place in the other Indochina countries (Vietnam and Cambodia) as well. In the Lao PDR this transformation was called 'chin takaan mai' (new thinking) or the New Economic Mechanism (NEM). The New Economic Mechanism was triggered because of 1) difficulties socialism was facing globally, 2) an enormous lack of financial resources and 3) increasing pressure by peasants to be less subject to the central control (Rigg 2003: p.13). However, Rigg (ibid.) adds that for most farmers, methods and structures of production remained largely the same.

Figure 2 – Top Left: The Lao PDR and its 17 provinces (Chamberlain 2008: p.5).  
 Top Right: Land and Forest cover (Chamberlain 2008: p.9).  
 Bottom Left: Poverty rates per province (Epprecht et al. 2008: p.24).  
 Bottom Right: Classification of poor districts (Chamberlain 2008: p.17).



Since the 1970s-1980s, the Lao PDR aims to expand its external relations. Its admission to ASEAN<sup>1</sup> in 1997 was a boost to achieve this goal. ASEAN membership combined with decreased danger from rebel groups and government efforts to reduce opium production had large impacts. The tourism industry is flourishing more and more, hydroelectric dams are in the making and levels of investment are rising. It seems the country has been in a development rapid since the end of the war and since it opened to the outside world. This claim is supported by the 2010 Human Development Report. In this publication The Lao PDR is claimed to be the sixth fastest grower in the period 1970-2010 concerning the Human Development Index (HDI) (Klugman et al. 2010: p.29). This index integrates data on national income, life expectancy and literacy. In a different publication UNDP reports that the country's annual per capita income has grown but that it has not gone forward in reaching the Millennium Development Goals (UNDP 2011: p.109). The MDG's include more factors (eight in total) than the HDI, among which; gender equality, environmental sustainability and reducing poverty and hunger. Fact remains that the Lao PDR is still one of the poorest countries and is classified as a least developed country. It is ranked 122 of the 169 reported countries in the 2010 Human Development Report. Other striking remarks in the 2010 Human Development Report are made. It is stated that schooling gaps likely remain between indigenous and nonindigenous inhabitants. In the Lao PDR, geography, climate and ethnicity-based discrimination toughen the delivery of basic infrastructure to the remote areas which are often home to ethnic minorities (Klugman et al. 2010: p.75). Besides that, while being one of the fastest HDI movers, the country receives an aid budget up to 89 per cent of their gross national income (ibid: p. 111).

All this information on the development of the country since the late 1970s calls for several questions. Is the Lao PDR really developing in such a high pace now it is finally independent? Is this development sustainable and equal among ethnic groups? Are foreign interests and investments in the country beneficial for the population? The country is a peripheral area in Southeast Asia due to its landlocked position, past conflicts and relatively late economic development. As industries are small-scale, it is difficult to compete with regional markets and/or the international marketplace. With changing international relations and population figures, it is difficult to say what the future looks like for the Lao PDR. Having China as neighbor it might offer the country future growth possibilities as it can serve as a hub to reach other countries in the region (a high-speed railway project from China to Vientiane is currently on the planning). Besides that, the Lao PDR has a rich natural resource base which might attract Chinese investors. As already noted, will this bring positive developments for the inhabitants of the Lao PDR or will powerful and rich China reap the benefits of these changes?

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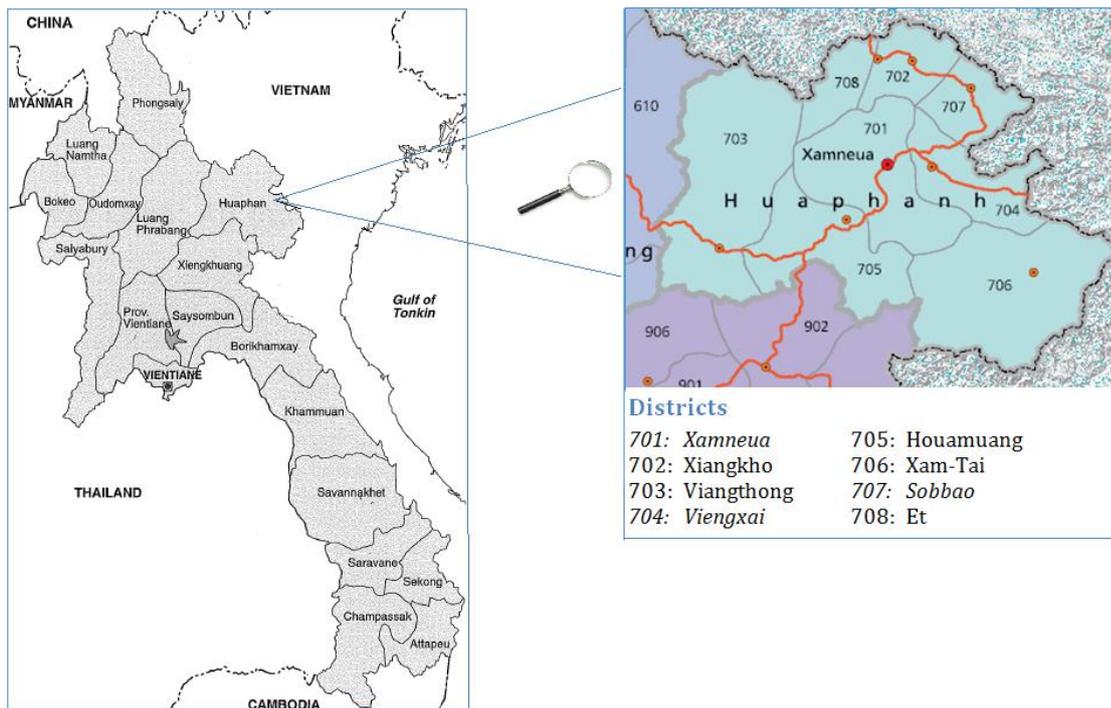
<sup>1</sup> Association of Southeast Asian Nations which is in existence since 1967.

## 2.3 – Local context

The research is committed to one of SNV’s programmes in the Lao PDR. SNV and the content of its programmes will be addressed in the following paragraph. The program linking to the research is operational in two regions of the country; Vientiane province and Houaphanh province. Houaphanh province is located in the Northeast of the country, a thirteen-hour drive away from the capital city of Vientiane. It is home to quite a number of poor people, disadvantaged communities (UXO victims) and ethnic minorities. Figure 2 on the previous page points out that seven out of eight districts in the province are classified poor of which five even as high priority areas.

As the SNV program faces more struggles in Houaphanh province compared to Vientiane province, Houaphanh has been chosen as a focal geographical area of the thesis. The program currently involves three out of eight districts, located in the eastern part of the province. These are Viengxay district, Sobbao district and Xamneua district which is home to the capital city of the province. The districts are respectively coded with the numbers 704, 707 and 701 in figure 3.

Figure 3 - Left: Lao PDR (Pholsena 2006: p.xiii) Right: Eight districts of Houaphanh province (Chamberlain et al. 2008: p.5)



Houaphanh, and especially the limestone mountain area around Viengxay have been the scene of the war<sup>2</sup> that raged between 1964 and 1975. As the war played and still plays a significant role in the lives of Lao people and in the development of the country, more in-depth information is provided in the case on the following pages.

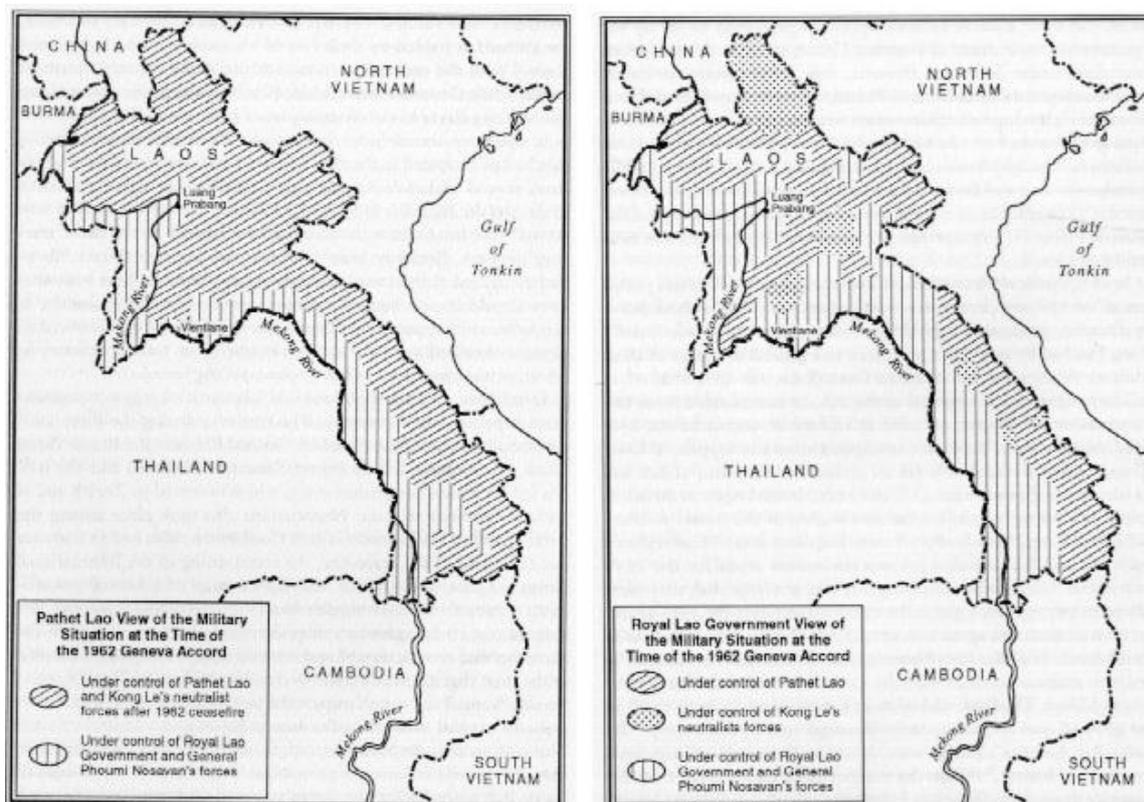
<sup>2</sup> Second Indochina War (referring to the region). Secret War/ Special War specifically concerning the Lao PDR.

## Case: The Secret War

This historical event is about the specific case of the Lao PDR in the Second Indochina War. Initially, from the late 1950s onwards, the war was fought between the communist North Vietnam and South Vietnam which was supported by the US. The US were involved as they were wary of communism spreading any further. This case box describes how the Lao PDR got involved in these political struggles and how the war was later to be known as the Secret War.

The influence of France in the Lao PDR declined steadily since the early 1950s. At the same time, the US launched an economic assistance program in Vietnam, the Lao PDR and Cambodia while trying to eliminate communism in the region. As Lao citizens grew tired of all foreign interference, internal struggles rose. The country was split into three political groups, each trying to fight for its power; the neutral forces, the Left-wing 'Neo Lak Hak Xat' and the right-wing Lao government (Committee for the Defense of National Interest) (Boupha 2003). These struggles led to heavy internal fighting late 1950s. By the time things started to cool down, the rightist forces were supported by the American Central Intelligence Agency (CIA) in the so-called Special War (Andradé 1996). This all happened in secrecy and became known to the world as the Secret War years later when the events came to be public knowledge. The civil war which erupted in 1964 tore the country into a Liberated Zone (leftist forces) and the Vientiane Administration (pro-Western rightist forces). Figure 4 illustrates the political groupings at that time as perceived by the leftist (left picture) and rightist forces (right picture).

Figure 4 – Political division of The Lao PDR during the war (Chan 1994).



US forces which were already based in Vietnam were placed in the Lao PDR. During this war, more than two million tons of bombs were dropped on Lao territory (UXO Lao 2010). From this point in time, the left and the neutral forces joined strengths and were cooperating with similar groups in Vietnam and Cambodia. Slowly, the leftist forces grew stronger and the rightist forces had to retreat from several areas. This led to the forced resettlement of numerous people. An example are the Hmong people in the North who cooperated with the CIA against the leftist forces (Andradé 1996). The leftist forces received an increasing amount of support as they focused on the unification of nationalities and ethnic groupings. In 1971 the US were defeated in Vietnam which at the same time weakened their position in The Lao PDR.

Figure 5 - Clearing of Unexploded Ordnance after the war (UXO Lao 2010).

Figure 6 – Children playing on the shells of B-52 bombs dropped during the war (Mansfield 1997: p.45)



The war ended by drawing the Vientiane Agreement of 1973, but the scars remain visible even today. Degraded forest areas, psychological scars of lost family members, the conserved shelters of the left-wing Neo Lak Hak Xat, bomb craters and people who lost family members or were injured by Unexploded Ordnance (UXO). The first democratic elections were held in 1975. The patriotic forces (the Lao People Revolutionary Party) won (Boupha 2003). This marked the start of the Lao People’s Democratic Republic in the state structure it is known for today.

Houaphanh is home to several ethnic minorities. Of the four ethno linguistic groups in the Lao PDR, three can be found in Houaphanh. Inhabitants of the province are mainly considered to belong to the Tai-Kadai group. Other groups are the Hmong-Yao and Austroasiatic people (TAEC 2011). These groups are further specified into numerous sub-groups such as the Khmu, Hmong and Tai Dam. As stated earlier, even though ethnic groupings are recorded, it is not sure whether they match reality considering the numerous documents which all state different ethnic divisions within the country. People might recon themselves to a different group than is declared on paper.

The province has access to just a few all weather roads and an airport which is only operational with clear skies (figure 7). Several areas of the province are difficult to access, or even inaccessible during the rainy season. Main income activities of Houaphanh inhabitants are livestock keeping, Non-Timber Forest Products, agriculture, opium cultivation, handicrafts and labor, remittances and trade (Greijmans, Oudomvilay & Banzon 2007: p.10). For most of these activities, good quality land and sufficient quantities of livestock are required. However, as can be seen in figures 3 and 8, large quantities of land in the Lao PDR are degraded (*unstocked forest*). First of all, this is caused by the heavy bombings during the Secret War. Besides that, shifting cultivation and as a part of this, slash-and-burn activities deteriorate soil conditions. Shifting cultivation is an agricultural system whereby the land is used for cultivation until it loses fertility and is abandoned or used for other purposes. As the land is left, people often search for new land where they then cut and burn the original vegetation to make room for their planned cultivation. This is called slash-and burn. Foppes and Ketphanhi (2000) argue that shifting cultivation occurs on a large-scale in the hills which comprise seventy per cent of the land area in the Lao PDR. They add that the negative effects finally lead to increasing poverty and outward migration to cities. The Government is currently looking for more sustainable solutions among which “resettling villages in valleys, introducing land allocation programs and promoting permanent agriculture” can be found (ibid.). However, many years of tradition and specific customs which are taught from one generation to the next are not easy to change. According to Greijmans, Oudomvilay and Banzon (2007: p.11), bamboo has proven to be positive for sustainable development, as long as not all shoots are harvested at once. Hence, besides benefiting producers, extending the bamboo value chain operations might be beneficial to the ecology of the region as well. This does not belong to the scope of the thesis. Nevertheless, it directs us to the value chain and the specific bamboo program by SNV in the province. The latter is discussed in the upcoming paragraph while the next chapter is aimed at clarifying the value chain concept.

Figure 7 – Houaphanh accessibility (Chamberlain 2008: p.7).



Figure 8 – Degraded area in Houaphanh province



## 2.4 – The Netherlands Development Organization

The Netherlands Development Organization, also known as SNV, is an international NGO (INGO) working in 32 African, Asian, Latin American and Balkan countries. SNV aims to fight poverty by means of capacity building of local organizations. It defines capacity as “the power of a human system (be it an individual, organization, network of actors or a sector) to perform, sustain and renew itself in the face of real-life challenges” (SNV 2007: p.17).

SNV is present in Asia since 1980. It started to operate in Nepal and extended services to Bhutan, Pakistan, Bangladesh, Cambodia, Vietnam, Indonesia and the Lao PDR. It is present in the Lao PDR since the late 1990s where it is active in five out of seventeen provinces. One of these provinces is Houaphanh province. Here, SNV is currently involved in projects related to pro-poor tourism, water, sanitation and hygiene and Non-Timber Forest Products (NTFP). Besides that, the organization aims to include governance, gender equity and social inclusion, value chain development and access to finance in the execution of programs relating to their main themes (SNV, 2010).

This thesis is executed to support the SNV NTFP theme. After conducting an initial value chain analysis, SNV identified bamboo handicrafts as a new potential successful program in Houaphanh. SNV aims to improve the bamboo handicraft and furniture value chain in Houaphanh province by adopting a value chain approach for pro-poor economic development. This thesis adopts the same approach. It is investigated how this approach can bring improvements for the functioning of the chain as well as for the wellbeing of producers by zooming in on market linkages and marketing opportunities. The concepts underlying this thesis are clarified in the next chapter.

## 2.5 – Overview

This chapter provided some further background on the region of investigation. Different geographical scales have been discussed. From Southeast Asia, zooming in on the Lao PDR and Houaphanh province. Relevant topics range from the turbulent history to major political shifts, from ethnic diversity to SNV’s bamboo program. The aim of this chapter is to be able to see the bigger picture around the research topic and its impact. The following chapter deals with the research methods where after the results of the fieldwork are presented.

## Chapter 3 – Theoretical framework

In the first and second chapter, the central problem statement and some further background information have been presented. This chapter will clarify the concepts and theories underlying the problem statement and research questions. Besides that, major approaches for investigating these concepts and theories are presented. After discussing relevant themes within academic literature, the conceptual model is provided, forming the structure for this thesis.

### 3.1 – Literature review

The upcoming paragraphs present the theories related to the current state and future development of market linkages and marketing opportunities of the bamboo handicraft and furniture industry related to the SNV bamboo program in Houaphanh province. The goal of this development is an improvement of producers' wellbeing.

#### 3.1.1 – Major theories

##### *Human wellbeing*

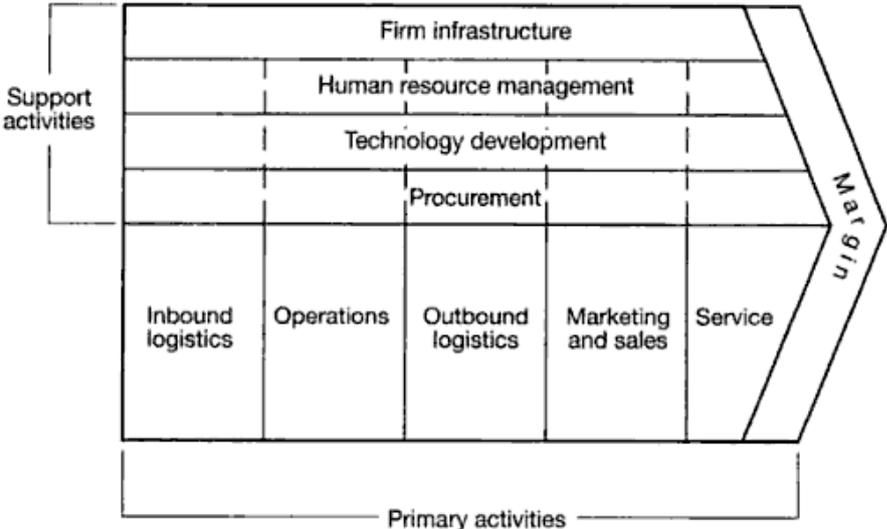
By trying to develop profitable market linkages and marketing activities, the *wellbeing* of Houaphanh bamboo handicraft and furniture producers and their families will hopefully improve. What exactly is meant with *wellbeing* or a person's *quality of life*? Quality of life is often perceived to deal with someone's physical health or material standard of living. Ideas which are heavily contested by authors as Sen and Nussbaum. A broader perception of wellbeing is concerned with "enabling people, as far as possible, to achieve their goals and choose their ideal lifestyle" (Alber et al. 2004: p. 1). This broader perception can be measured by adopting subjective indicators (Diener & Lucas 1999; Easterlin 2003) and objective indicators (UNDP 1998). Objective indicators consist of measurable items, mainly concerning social, economic and health aspects (Costanza et al. 2008). Subjective indicators on the other hand reflect people's own evaluation of their happiness concerning these aspects. This implies there can be an endless number of factors determining one's quality of life. Factors range from literacy to happiness and from economic production to psychological security (Costanza et al. 2008). Costanza et al. (2008 p.18) define quality of life as "the extent to which objective human needs are fulfilled in relation to personal or group perceptions of subjective wellbeing". Human needs can consist of the basic requirements for survival, safety, social, self-respect needs and the need to fulfill your potential (Maslow 1943), but can also include freedom, understanding, creativity and other needs alike (Max-Neef 1992 and Nussbaum & Glover 1995). For this thesis it is not relevant whether all possible indicators of wellbeing are included. As opportunities for market access are investigated, income generation is considered to be the main means of

increasing wellbeing in this thesis. However, several other factors are incorporated in the research process as well. These include social and psychological factors for making additional statements about producers' quality of life.

### *Market linkages*

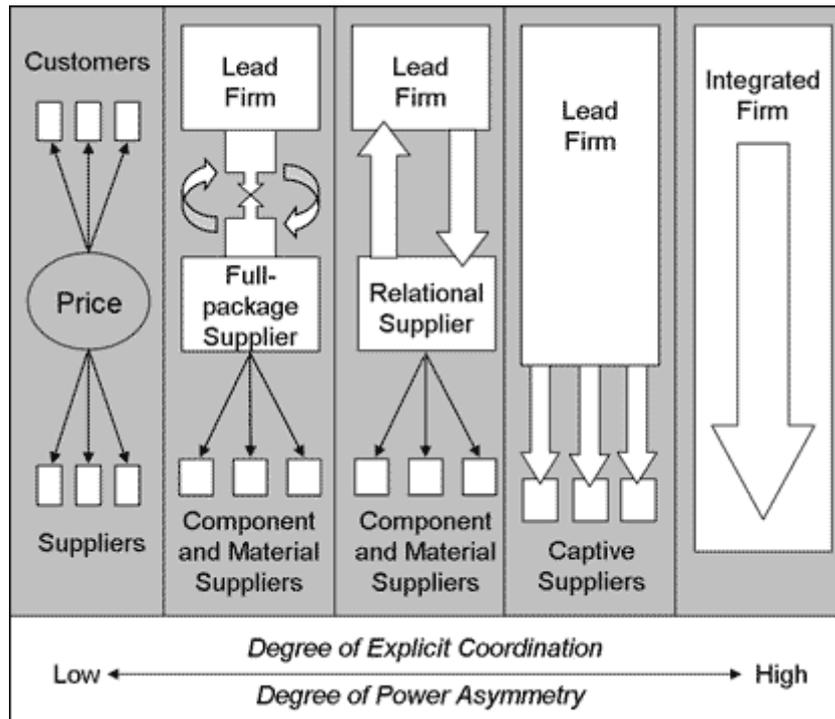
Relationships between different *value chain actors* can be referred to as *market linkages*. In order to discuss such linkages it is crucial to define and discuss the concepts of *value chain* and *value chain actors*. Value chains have been extensively debated in academic literature. Accredited authors in this field are amongst others Porter, Kaplinsky, Gereffi, Neuman and Hirsch. Two of the founding fathers of value chain research are Hopkins and Wallerstein (1977) who recognized that the capitalist world system is not merely concerned with the exchange process but that several activities occur before an actual exchange. They identified a commodity chain (later referred to as value chain) which they defined a few years later as “a network of labor and production processes whose end result is a finished commodity” (Hopkins & Wallerstein 1986: p.159). Porter (1985) then develops a value chain model aimed at improving business operations. He distinguishes between primary activities (traditional functions of the firm) and support activities. This idea is represented in figure 9 (next page) with the horizontal bars representing support activities and the vertical bars primary activities within a specific firm. By excelling in its core operations and thereby, excel competitor's performances, a firm is able to make a profit. Porter (1985) and since then, many others as can be seen in everyday practice, follow the idea of outsourcing the activities in which the firm does not excel. This implies a situation in which the supply chain transforms into the value chain. In other words, a firm which produces and supplies products or services leaves certain operations to be performed by a partner. Hence, the same product is developed by a network of firms which all excel in a certain practice instead of one firm producing a product from beginning to end and selling it to consumers. Authors as Wallerstein and Gereffi build on this approach by extending the focus from a central business to an economic branch. The goal of this approach is to understand where, how and by whom value is created along the chain, hereby adding a socio-economic perspective to the value-chain approach (Appelbaum & Gereffi 1994). Christopher (2005) adds that supply chains are in fact networks. Important to know then is where power can be identified in the value chain, so-called *chain governance*. This returns us to the concept of market linkages. Market linkages include relationships between different actors along the value chain and the way transactions are governed between these actors. The type of relationships can be divided into three broad categories including spot market or arm's length relations, persistent network relations and horizontal integration (M4P 2008: p.41). An *arm's length relation* implies a buyer and a seller decide on a single transaction at a certain place at a certain moment. Hence, interactions and transactions are not organized by means

Figure 9 – A visualization of a companies’ supply chain (Porter 1985)



of an agreement or contract (Humphrey 2002). Extending to a more long-term relationship, a *persistent network relation* is identified. Trust becomes more important as transactions between actors are repeatedly made. In this type of relationship, people rely and depend on each other. One stage further, *horizontal integration* can be found. This is characterized by a high level of coordination between actors and transactions that in the sense of shared ownership. This can be partially or fully shared (e.g. a cooperative). Hence, one organization can deal with different levels of the value chain. Gereffi, Humphrey and Sturgeon (2005) developed a similar model which is widely recognized among economics such as Ponte and Gibbon (2005), Schmitz (2005) and Morrison (2008). The idea is quite the same; the extremes of the theory, *arm’s length* and a so-called *integrated firm* (comparable to *horizontal integration*) remain the same. Other chain relations are divided into three different types of what M4P (2008) referred to as network-based relations: *Modular*, *relational* and *captive* relationships. The level of coordination and cooperation increase respectively. In short, market linkages can vary from a buyer and seller meeting each other at a (online) marketplace, a so-called *arm’s length* relationship, to the other extreme of total coordination by integrating all levels of the value chain into one organization. This range of different value chain relations combined with different governance types is depicted in figure 10. Chain governance has to do with coordination and control along the value chain (Humphrey & Schmitz 2008: p.262); the ability or *power* one actor has to influence or determine actions of other actors (Gereffi et al. 2001: p.4). Governance can also be influenced by non-value chain actors such as the government who defines certain chain related standards, organizations developing certification schemes or other outside actors (Humphrey & Schmitz 2008: p.268). For this thesis, it is important to know what the consequences of the current governance type within the particular Houaphanh bamboo value chain are for the different actors,

Figure 10 - Five global value chain governance types (Gereffi, Humprey & Sturgeon 2005: 89)



with the producers in specific. Even though strong chain actors or certain rules can make it difficult to influence governance, certain actions might influence current power relations in the chain. Examples include branding, speed, flexibility (or: process upgrading) (Humphrey & Schmitz 2008: p.271-272), product upgrading and chain upgrading (Gereffi et al. 2001: p.5). In other words, *upgrading* can be a tool to move up along the value chain (Bolwig et al. 2010: p.176). This thesis is aimed at exploring market linkages for the SNV-linked Houaphanh bamboo handicraft and furniture value chain and the (potential) effect they have on producers' wellbeing. As the value chain is currently in its early stages of development, this approach has been chosen to identify new pathways for development that work in the advantage of producer groups. Another identified tool to benefit producers' position in the chain is engaging in marketing activities. As the question is to optimise market linkages, the bamboo value chain is not merely meant for the relocation of goods from backward to forward linkages but becomes a means to enhance performance. This thesis explores what marketing-related steps can be taken to strengthen producers' competitiveness and in the end, their wellbeing. The next paragraph will discuss marketing more in-depth to get an understanding into the second building block of this thesis.

### *Marketing opportunities*

Marketing is a concept known and practiced by many people all over the world. Its definition however ranges from a narrow interpretation in the sense of an advertisement to familiarize people

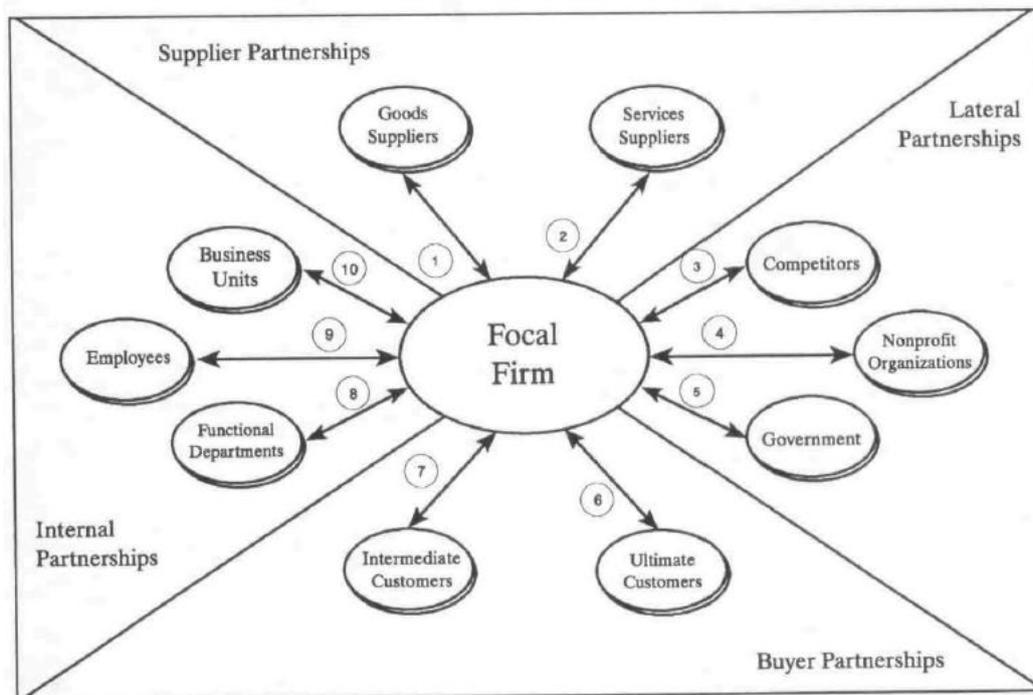
with a product or service, to a broad interpretation of doing everything it takes to satisfy consumers. The ultimate goal of this thesis and of the SNV bamboo program is to improve living conditions of Houaphanh bamboo handicraft and furniture producers by adopting a value chain approach to development. The program is struggling with the development of new, and improvement of existing market linkages between different value chain actors. The question is how marketing can help to foster new and better market linkages and vice versa. These improvements in the value chain can hopefully improve producers' quality of life. To achieve this, a narrow definition of marketing is not sufficient. Instead, marketing should be used in such a way it is possible to improve market linkages and to benefit producers. To do so, all actors, including the end-consumers with their needs and wants should be identified in detail. This is in line with amongst others, Kotler et al.'s (2008: p.7) definition of marketing whereby marketing starts long before the product is produced and continues even after the final sale. Marketing is then defined as a "process by which companies create value for consumers and build strong consumer relationships in order to capture value from consumers in return". CIM's (2009: p.2) definition is similar. They add that "in essence, the marketing function is the study of market forces and factors and the development of a company's position to optimize its benefit from them". In other words; marketing is all about getting to know the market, the consumer you want to reach and to bring your product to that consumer in the best possible way in order to achieve the best results. So what exactly are *marketing opportunities* as mentioned in the problem statement? For this thesis, marketing opportunities to investigate are marketing activities by one or more actors in the value chain that can develop market linkages or directly improve producers' wellbeing. Marketing activities can range from advertisements to positioning strategies. In order to know what type of marketing activities need to be undertaken, the marketing activities and market linkages within the value chain need to be mapped. Chapters 5 and 6 present the current level of development and will discuss marketing opportunities that might lead to future development. At the start of paragraph 3.1.1 it is discussed that market linkages are all about relationships between the actors in a value chain. Hence, relationship marketing is a specific area to consider.

Relationship marketing started with the recognition that not pushing your sales but maintaining good relations is beneficial for your company's success. Some theorists focus on the positive effect of solid relationships with the consumer (e.g. Gruen, Summers & Acito 2000; Sorce 2002) while others pay more attention to relationship with supply partners (e.g. Brown, Lusch & Nicholson 1995; Kumar, Scheer & Steenkamp 1995). According to Morgan and Hunt (1994: p. 22), "relationship marketing refers to *all* marketing activities directed towards establishing, developing, and maintaining successful relational exchanges". This means they include all value chain actors while distinguishing between four types of relations/linkages. These include relationships within the firm (*internal partnerships*), relationship with suppliers of goods or services (*supplier partnerships*),

relationships with consumers (*buyer partnerships*) and finally, with other external entities (*lateral partnerships*). These type of relations are visualized in figure 11.

The basic factors determining the nature of relational exchanges can be linked to the theory of chain governance as they have to do with power/dependency, commitment and trust (Brown, Lusch & Nicholson 1995; Morgan & Shelby 1994; Kumar, Scheer & Steenkamp 1995). Which of these factors and to what extent they play an important role in the value chain of this research can only be said after conducting the field research.

Figure 11 – Relational exchanges (Morgan & Hunt 1994: p.21)



### 3.1.2 – Major approaches

#### *BoP Producer constraints*

As mentioned in paragraph 3.1.1, in order to identify suitable marketing opportunities, the current development of market linkages and marketing activities need to be mapped. Besides this, more in-depth information can be helpful. Once the constraints different actors in the value chain are facing are known, these can be tackled. London, Anupindi and Sheth (2010) conducted a study into the main constraints producers at the *bottom of the pyramid* (BoP) are facing. The *bottom of the pyramid* refers to the 4 billion people worldwide living on less than \$2 a day (Prahalat 2010: p.xiv). London, Anupindi and Sheth (2010) analyzed sixty-four BoP businesses and the constraints the producers are facing. It appears producers mainly face problems when creating value, so-called *productivity constraints*. Second, they face problems with capturing this value, *transactional constraints*. In other

words: London, Anupindi and Sheth (2010) state that many BoP producers face problems when creating value, but also to be able to maintain all of the value they have created. This is translated into the so-called *BoP producer constraints framework* and marks the area where marketing blends in. Referring back to Kotler's et al. (2008: p.7) definition, marketing is the "process by which companies *create* value for consumers and build strong consumer relationships in order to *capture* value from consumers in return". The framework helps to investigate constraints concerning value creation and value capture and is embedded in the conceptual model in figure 13. The identification of these constraints can serve as a base for developing a marketing strategy.

*Productivity constraints* (value creation) refer to the availability of resources while *transactional constraints* have more to do with the power of the producer in the value chain (referring to chain governance). Six major constraints were identified by London, Anupindi and Sheth (2010). Constraints covering raw material resources, financial resources and production resources are labeled *productivity constraints*. Main indicators are the accessibility, affordability and quality of these resources. *Transactional constraints* (value capture) on the other hand can be broken down into market access, market power and market security. This area of constraints mainly deals with accessibility and affordability of markets, information asymmetries, knowledge, competition, transparency within the value chain and issues alike. The trader is the intermediary between the producer and the shop or market. Besides that, he needs to make sure the market requirements are communicated to the producers. Hence, he also faces *transactional constraints*.

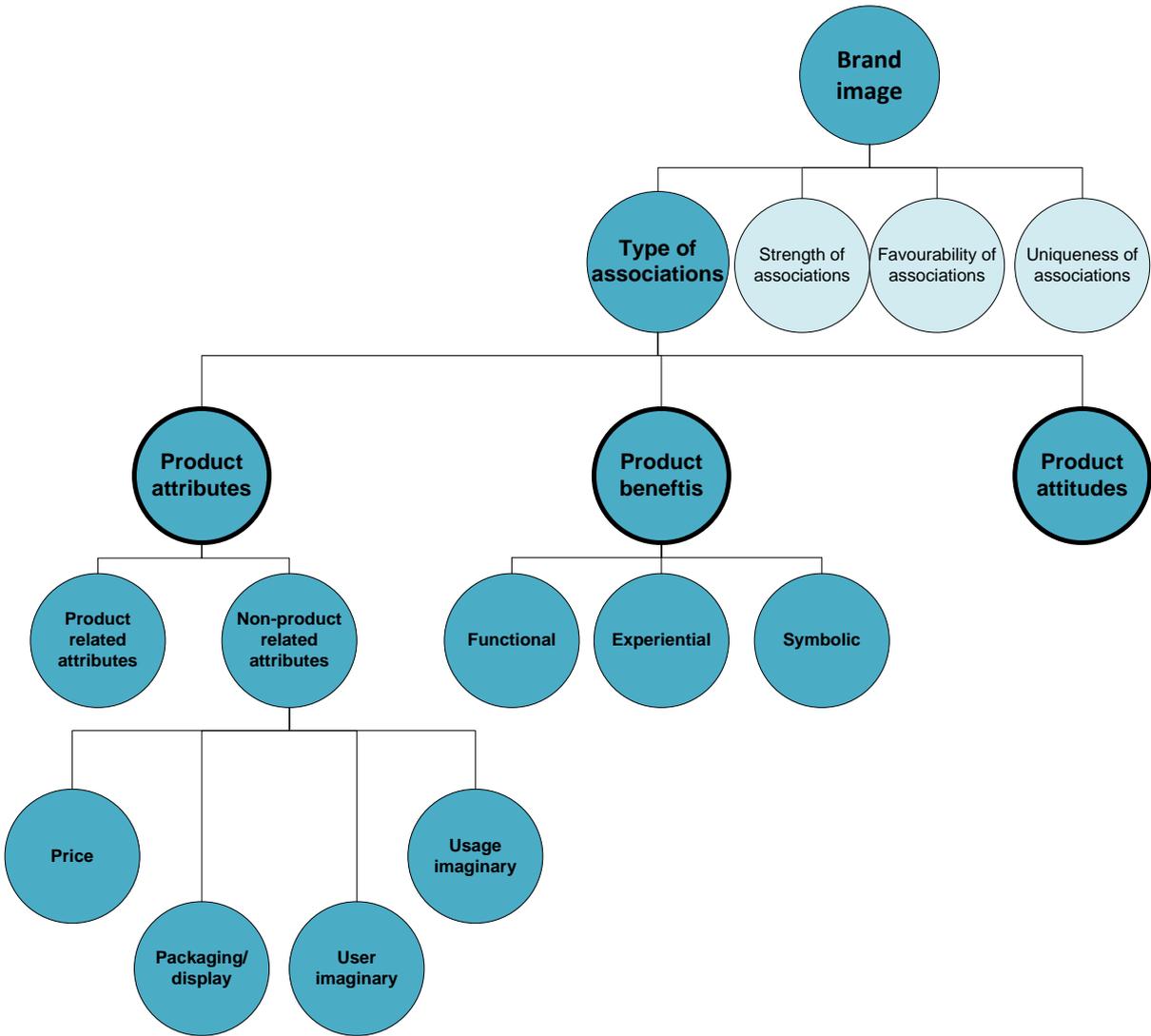
### **Market requirements**

*Market requirements* include all the wants and needs of consumers. Identification of market requirements can serve to check whether producers know where their products go to, for what price they are sold to the end-consumer, what the *unique selling points* of products are and matters alike. When familiar with the product range, shops, markets and consumers have a certain image about them. This is the so-called *brand image*. Brand image is an extensively debated topic in academic literature since the 1950s. Dobni and Zinkhan (1990) provide an overview of brand image theory up to that time. It appears the concept has been very influential since its early years but is also subject to many different interpretations, definitions and measurements. Dobni and Zinkhan (1990) provide an overview of this discussion and state that a major difference is whether brand image is perceived to relate purely to the physical aspects of a product or goes beyond that. A credited study from the early days is conducted by Gardner and Levy (1955). They frame brand image as something that is not purely related to a product's physical aspects. In addition, it informs the consumer about social and psychological aspect of a product. The brand image then consist of feelings, ideas and attitudes that consumers have about a particular product or brand. In the course of years, numerous articles

on brand image have been written by numerous researchers. For this report however, we focus mainly on the study by Keller (1993) as this is building on the foundations of the accredited studies of the early days but also takes a step further. He defines brand image as “perceptions about a brand as reflected by the associations held in consumer memory” (Keller 1993: p.3). These associations are the meanings consumers attach to different aspects of the brand such as its color, shape, but also the benefits they can derive from using the product. Keller (ibid.) categorized these different types of brand associations into three main groups. First of all, he discusses *brand attributes*. These can be *product-related* such as shape, size and texture. They can also be *non-product related* such as the price and packaging as well as information on the person using the product (user imagery) and what that person uses it for (usage imagery). Second, *product benefits* are identified. These can be *functional*; the benefits of the product as such and often refer to *product-related* attributes. *Experiential benefits* are the benefits you receive from the product when using it while *symbolic benefits* match the way you perceive yourself and the way you want to be perceived by others. Finally, brand associations are about *product attitudes*. This refers to the overall image or evaluation a consumer has about the brand. Besides the brand associations, Keller states the *favorability* (positive or negative evaluation of brand associations), the *strength* (how information is stored and maintained in the brain) and the *uniqueness* of the associations are important to form a brand image. Figure 12 displays the relation of the different factors defined above towards brand image.

The production of the bamboo handicraft and furniture products discussed in this thesis is a quite recent process. The first producer groups started operating in 2008. Hence, the products are distributed in only a few locations within The Lao PDR. No official company or brand name is established yet. These factors imply it is barely possible to measure consumers’ brand image of the bamboo products. Therefore, it will be investigated which product associations are important for consumers when buying bamboo handicraft or furniture products. In figure 12, this is displayed in dark blue. Thicker black circles indicate concepts which are adopted in the conceptual model. Besides that, consumers are asked to give an evaluation of the Houaphanh products after consulting an information sheet about the products and the product catalogue (provided in appendix VI). The other factors making up a brand image; the favorability, strength and uniqueness of brand associations are not possible to investigate at this stage of product development for the same reasons. Hence, the thesis focuses on the types of associations consumers have and believe are important when purchasing bamboo handicrafts and furniture. How this will be translated to data collection activities is described in chapter 4.

Figure 12 – Brand image (Keller 1993: p.3-7)



**3.2 - Debate on the research topic**

The research topic is concerned with identifying suitable interventions in the value chain related to marketing opportunities and market linkages. The goal of these interventions is an improvement in the wellbeing of producer group members. All of the above value chain and marketing related theories and tools relate to a firm. While there are several producer groups working on the same project, no real firm is established yet. This can imply certain theories do not fully relate to the workings of the Houaphanh bamboo handicraft and furniture value chain. To provide an example: Marketing activities normally are a means to satisfy the end consumer which then should lead to higher profits and long-term consumer relations (Kotler et al. 2008). In the case of Houaphanh bamboo, marketing activities will be conducted for the same reasons. However, the end goal will not only be higher profits but also the wellbeing of producers. This mainly includes a higher income. Besides that, producers are asked for their perception concerning their quality of life. In order to

know what marketing tools are applicable in the case of Houaphanh, it is necessary to analyze the value chain and current activities first. As this research mainly focuses on the effect of marketing on market linkages, it is likely that relationship marketing will be involved. Any more specific issues cannot be provided at this stage. Marketing and development of market linkages are complex and long-term processes. Therefore, this study tackles Lao's internal markets for short-term future development while aiming to provide a solid base for future export plans.

### **3.3 - Conceptual model**

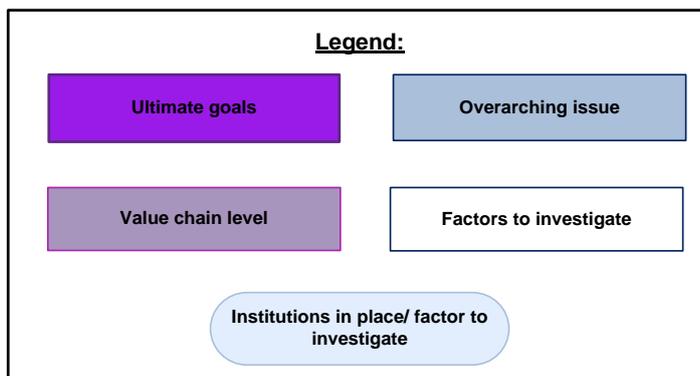
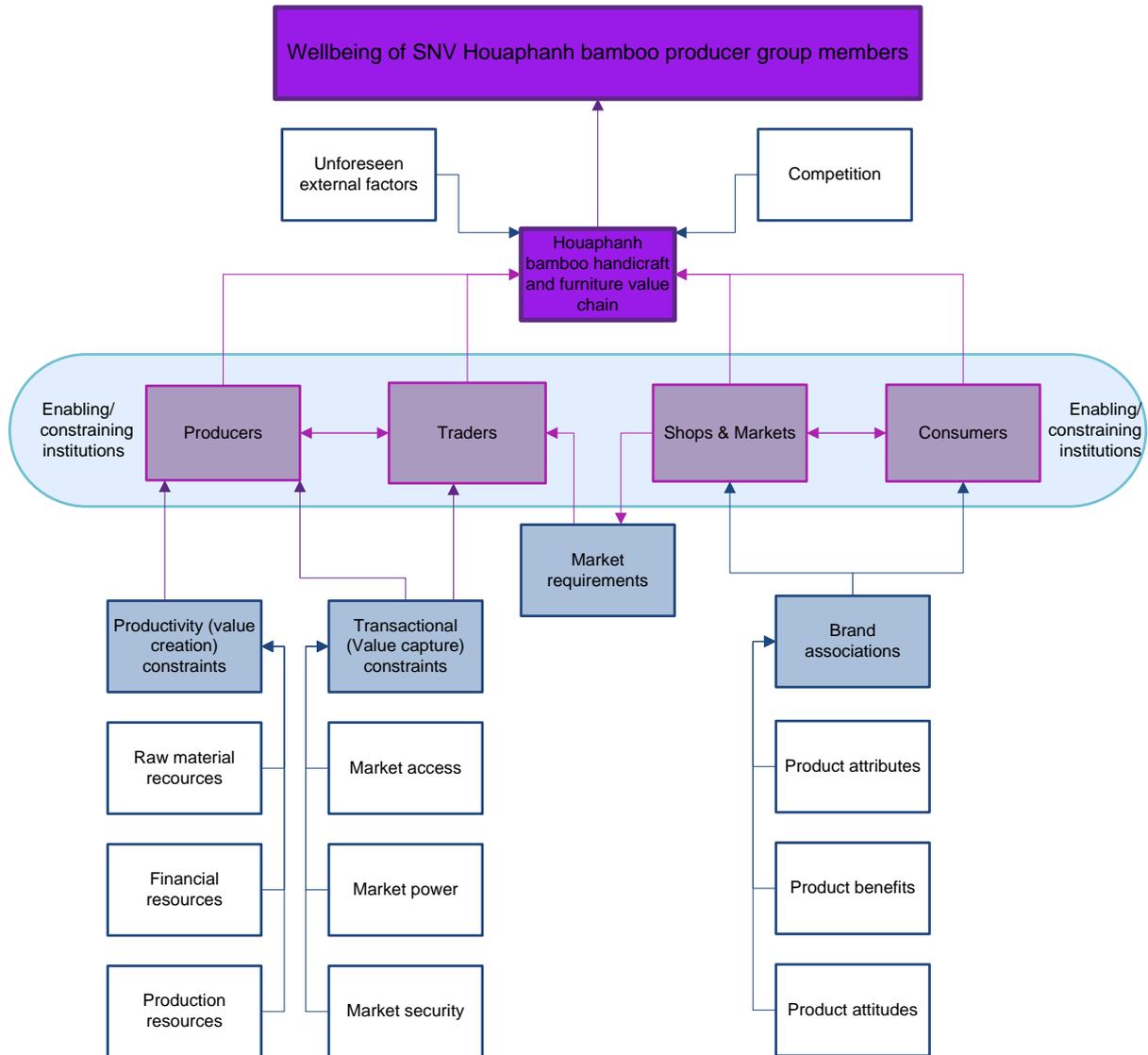
In order to provide an answer to the problem statement, a structure for the study is required. This structure, or conceptual model, will be the guideline for covering relevant stakeholders and variables. The BoP producer constraints framework by London, Anupindi and Sheth (2010) and the theory on brand associations (brand image) by Keller (1993) form the base of this model. The BoP producer constraints can be identified among the producers and the trader. Type of brand associations can be surveyed among consumers and shop owners. Consequently, this information can be transferred to the producers via the trader in order to take consumer requirements and preferences into account for production. Next, it can be analyzed to what extent producers' capacity matches consumers' demand. This information can be helpful in determining if and which tools are needed and what market linkages can be helpful as well as identifying other actions that can be beneficial to the success of Houaphanh bamboo handicraft and furniture operations. Next, any enabling or constraining institutions encountered during the research will be reported. Institutions refer to the structures of social life (Hodgson 2006). These can include enabling institutions such as social networks and trust as well as constraining institutions consisting of norms, a state and matters alike that have an effect on the Houaphanh bamboo handicraft value chain (North 1989; Granovetter 2005). Finally, external factors influencing the chain such as competition and other unforeseen factors are adopted in the model as they can influence the development of the Houaphanh bamboo handicraft and furniture value chain. The conceptual model is available on the next page (figure 13).

### **3.4 - Overview**

This chapter dealt with the main theories and themes structuring the thesis. Human wellbeing, market linkages (including value chains and chain governance) and marketing opportunities are the major theoretical topics nurturing this thesis. Besides that, London, Anupindi and Sheth's (2010) BoP producer constraints framework and Keller's work on brand image provide a solid base for the thesis and are reflected in the conceptual model. The problem statement has been fragmented into four

more specific research questions. These questions will be dealt with from chapter 5 onwards. Next, chapter 4 will first present the adopted research methods needed to acquire the data.

Figure 13 – Conceptual model of the research



## Chapter 4 – Research design

Before turning to the results of the fieldwork, this chapter describes in detail which research methods are used to retrieve the results. Furthermore, the consumer questionnaire, producer group interviews as well as the problem and solution tree will be clarified. Finally, the chosen sampling strategies are discussed along with the degree of reliability and validity .

### 4.1 - Choice of topic and literature

As soon as the internship list of the master program was released, it was clear the focus would be on a business or value chain related topic. With a Bachelor Degree in Business Studies, it would be interesting and challenging to combine this knowledge with the field of development. Several factors led to the choice of conducting research in the Lao PDR. First of all, from the start the contact with Mr. Greijmans (SNV's supervisor) was pleasant and frequent. Hence, a quite clear view of the local situation as well as relevant literature were available early on in the process. Second, this information made clear that the research would not involve an evaluation of existing development work but rather focus on work in progress. This, as well as the fact that Lao PDR seemed to be a country still quite unknown to many people sounded very appealing. Browsing on the internet, only limited information can be found on this country. These factors were soon decisive. A three to four month research in the Lao PDR under the guidance of SNV it would be. In consultation with Mr. Greijmans the topic was specified to the market linkages and marketing opportunities for actors in the bamboo handicraft and furniture value chain. This topic suits with my interests and educational background as well as with SNV's program and the issues SNV is currently facing.

The consulted literature varies from older 'foundation building' theories to more recent unconventional work. From well-known authors to upcoming academics. Topics range from value chain related concepts such as the value chain itself, marketing and governance to theories about human wellbeing. Besides that, geographic information on Southeast-Asia, the Lao PDR and Houaphanh province are collected. Academic books and journals as well as socio-economic Atlases concerning these topics have been consulted. Reputable journals include *Contemporary Southeast Asia*, *Journal of Marketing*, *Journal of Retailing* and *Harvard Business Review*. Furthermore, SNV provided access to certain relevant documents and publications. Finally, specific information on the Lao PDR has been consulted and purchased in the Lao PDR. This includes a visit to the *Traditional Arts and Ethnology Centre* and books concerning the history of the country from the perspective of Lao academics. This has been done to ensure a balance with other literature on the country which is often written by people from other, mainly Western, nationalities and point of views.

## 4.2 - Research methods

The objective of this study is to describe the Houaphanh bamboo handicraft and furniture value chain. By doing this, the strengths and weaknesses of the value chain can be mapped. Besides that, the study aims to investigate how market linkages and market opportunities can improve the value chain. This needs to be done in such a way that the producers can reap the fruits of these developments. To do so, several research methods are adopted. These methods are a mix of secondary and primary data, whereby the primary data consists of qualitative and quantitative methods. To be more specific, a mix of quantitative, ethnographic and participatory approaches will be used; a so-called Q-squared approach (Hulme 2007). The quantitative data consist of a consumer survey (questionnaire), ethnographic data consists of several semi-structured interviews and participatory data from a number of problem and solution trees. The methods are used in a concurrent manner. According to Hulme (2007: p.24) this has the advantage of reducing time and logistical demands. The downside is that results from one method cannot be used to improve the other method as both methods are used at the same time.

To complement the fieldwork, several secondary sources are consulted. This has two purposes. First of all, readings provided by SNV are used in combination with primary data in order to answer the research questions. This mainly relates to a description of the value chain and its various actors. Second, the research does not merely imply a secondary evaluation or literature review but also aims to provide certain suggestions to solve a practical problem. Therefore, literature presented in the previous chapter provides the base for solutions that will be developed at a later stage. A combination of primary and secondary data is desired as one data type can invalidate or support the other one by comparison.

The interviews with the head of the villages and head of the producer groups in Houaphanh province were of a structured nature. However, if some interesting additional information came up during the interview, this was included and elaborated on. This choice has been made in order to compare results between the different groups, which is one of the major advantages of structured interviews. Besides that, interviews with a trader, several shop owners, the district governments of Viengxay and Sobbao district and the interviews with other stakeholders are conducted by using a semi-structured outline. As these respondents involve only a few individuals, it was possible to make the interviews semi-structured. This allows for more freedom and un-anticipated results. The interviews with the Department of Finance (DOF) and the Department of Industry and Commerce (DOIC) of Houaphanh province were intended to be semi-structured as well. However, the interviews were cancelled so the respondents received a question sheet which makes the interview structured. An overview of the research methods and different stakeholders is provided in table 1. The items in

grey are planned appointments that were cancelled and where it was not possible to ask questions any other way.

**Table 1 – Planned research methods per target group**

| Target group                          | Who  | Method   |
|---------------------------------------|--|--|
| <b>Producer groups</b>                | Group leader   | - Structured interview<br>- Problem and solution tree      |
| <b>Trader</b>                         | Trader   | - Semi-structured interview<br>- Problem and solution tree |
| <b>Shops</b>                          | Shop owner   | - Questionnaire<br>- Semi-structured interview             |
| <b>Consumers</b>                      | Consumer   | - Questionnaire  |
| <b>Government</b>                     | District, Provincial and National (2x) government of The Lao PDR   | - Semi-structured interview<br>- Problem and solution tree |
| <b>Other stakeholders<sup>3</sup></b> | WWF<br>EDC (consultancy)<br>Fair Trade Laos<br>Lao National Chamber of Industry and Commerce (LNCCI)<br>Soaban handicraft shop<br>Kongkham factory<br>Lao Farmer Group | - Semi-structured interview                                |

### 4.2.1 - Questionnaires

The questionnaire is available in appendix II and relates to the theory on brand image which is discussed in chapter 3. Its purpose is to retrieve information about (potential) consumers' associations with bamboo handicraft and furniture products. The questionnaire contains several questions about bamboo products in general as well as questions in which Houaphanh products are evaluated. To evaluate, respondents receive a product catalogue (Appendix VI) and a brochure (Appendix V) with background information and pictures related to the Houaphanh products and the producer groups.

Question 1 to 3 are general questions intended to find out if people are familiar with (Houaphanh) bamboo products. Refreshing your memory about Keller's (1993) perception of brand image; the research focuses on people's associations with a brand. To begin with, this involves questions about product attributes. Product attributes are further divided into product related and non-product related attributes. Question 4 refers to these attributes. Product price and product

<sup>3</sup> More information about other stakeholders will be provided later on in this chapter.

display refer to two out of four non-product related attributes. The other items in the matrix of question 4 refer to product related attributes as they say something about the composition of a product. The same applies for question 8 where weaving patterns need to be ranked and question 9 where new product options can be evaluated. These lists could have been endlessly long. However, the choice has been made not to burden respondents with long list of product characteristics as this might reduce the chance of cooperation. As Bryman (2004: p.153) mentions, respondents might be tempted not to complete the question or might lose attention if questions are too long. Specific selections have been made in cooperation with staff of SNV The Lao PDR. Question 5 refers to product benefits in general while question 6 highlights the symbolic benefits a consumer might retrieve from a product. Question 7 and questions 15 to 21 tell us something about *user imagery*; what 'type' of person is interested in buying the Houaphanh bamboo products. The classification of income scales is made based upon the income tax scales of the Lao PDR (The President of the Lao PDR 2005: p.37) The amounts in US Dollar and Euro are based on the same tax scales for comparison and based on exchange rates of March 23, 2011. Question 10, 11, 12 and 13 are posed to get insight into (potential) consumers' overall opinion on the Houaphanh bamboo products. The final set of questions refers to the different types of non-product related product attributes again. Question 14 deals with usage imagery, which tells something about the way how and place where consumers use the product. Again, long list could have been provided, with a deliberate decision not to do so. Finally, question 22 provides respondents the opportunity to make any remarks or pose questions they feel are important.

The questionnaire combines open and closed questions. Where possible, questions have been posed in a closed manner. The choice for closed questions has been made as it enhances comparability of outcomes (Bryman 2004: p.148). In most cases, room is provided for respondents to add any deviant answers or to specify their chosen answer options. Several questions are formulated as open questions. Some questions are perceived to result in too limited outcomes if the question would have had closed answer options. These considerations have been made in cooperation with SNV in order to make sure the best results are retrieved.

The survey includes *personal factual questions* (covering personal information as well as behavior) and *questions about attitudes*. Each closed question can be asked in several ways. It depends on the question what method retrieves the most suitable results. For this survey, several *unbalanced Itemized Rating Scales* have been used. An Itemized Rating Scale allows the respondent to express the way they feel about a number of items. (Sekaran 2003: p.198-199). For 2 questions, the choice has been made to include an additional box stating 'I do not know what this is'. This has been decided as respondents might not be familiar with some of the items in the question. They might leave the question blank or instead choose for *unimportant* as there is no option for a neutral

answer. This is why it is called an *unbalanced* Itemized Rating Scale. Next, several questions consists of *yes* and *no* answer possibilities. Other questions include a rating scale where respondents are asked to mark several items. Scores can only be used once in order to indicate what item they like best or least. Finally, some questions consist of multiple-choice answer where one answer option is allowed. In case more answers are allowed, this is indicated in the questionnaire.

#### 4.2.2 - Interviews

Several interview formats have been used since multiple target groups are included in the research. Of main importance are the interviews with the producer groups. The producer groups consist of a number of people who make bamboo handicraft and furniture products. They are usually located in one village or a few villages which are in close proximity of each other. The SNV program currently counts eleven producer groups in Houaphanh province. In order to find out about the organization and tasks of these groups but also about the factors in the BoP producer constraints framework by London et al. (2010), a structured interview was developed. The full interview is provided in appendix I, where it becomes clear what the questions intend to ask by looking at the description in the left columns. These descriptions refer to concepts in the framework by London et al. (2010).

Other interviews are held with a trader, shop owners, government officials and other stakeholders. The semi-structured interview with a trader is similar to the interviews for the producer groups. This interview however was of a more open nature and included more questions about his links with other actors in the value chain. These include his relations with the different producer groups, the shops, direct consumers, other traders etcetera. Shop owners are primarily asked to complete the consumer questionnaire. Hence, it can be retrieved later whether the answers by the shop owners correspond with consumers' wishes. Besides that, shop owners are the persons buying the Houaphanh products from a trader so their opinions are extremely valuable. In addition, the shop owners that already sell the Houaphanh products are asked to participate in a brief interview. The interview consists of a few questions in order to find out whether they are satisfied about the Houaphanh products and if they face any issues that can be improved. Government officials are asked to explain how the rules and laws support or harm producer groups and if and how government support can be extended in the future. Besides that, they are asked if they have any further ideas concerning the research topic and in specific whether they have any suggestions to improve market linkages and to develop suitable marketing opportunities. Other stakeholders are asked for similar suggestions, relating to their field of expertise. Where applicable, they are also asked to list the constraints they are facing concerning market access and if they have any

suggestions in mind for tackling these constraints. Besides that, any other suggestions relating to the research topic are discussed.

### 4.2.3 - Problem and solution trees

In order to receive more open and unlimited responses as well, a participatory approach has been adopted. Creating a problem and a solution tree, respondents are able to formulate their own solutions to a problem. This suits the study as several working strategies need to be developed. In order to do so, a clear view of the current limitations is required. Of course, other research activities will allow for the researcher to develop solutions. However, in my opinion a researcher can never have a full view on the situation in only a few months. Hence, several value chain actors are asked to present their views and ideas. In combination with the results of the other methods, a more complete problem description will be developed. This in turn will lead to a more adequate set of answers and solutions.

The Houaphanh bamboo program faces a broad range of challenges. Therefore the choice has been made to define the core problem of the trees as being: *Market access for Houaphanh bamboo handicraft and furniture producers*. Besides that, the answer possibilities have been divided into *producer, trader, market, government* and *consumer*. For each of these groups, respondents can fill in what they regard as underlying causes and consequences of the problem. The results can be displayed in a problem tree. Subsequently, respondents are asked to name possible solutions and the outcomes they feel these solutions will have. This results in a solution tree. As stated before, several respondents have participated in this method. This occurred individually (trader) but also in small groups (district government members, producers). The outcomes are merged into one problem tree and one solution tree and are presented in figure 16 and 17 of the following chapter.

### 4.3 - Sampling

This paragraph includes a definition of the research population, description of the way samples are selected and how the data is obtained. As the research is limited in matter of time, it is not possible to include all the members of the producer groups and all the consumers or potential consumers in the study. Therefore, samples of both groups are drawn which will represent the populations. As different stakeholders are involved and different research methods are used, the methods of selecting samples vary accordingly.

### 4.3.1 – Producer groups

Two major research populations are studied. The first population consists of the producer groups, the second involves (potential) end consumers. The bamboo producer groups are located in the *SNV bamboo program target villages* in Houaphanh province of the Lao PDR. At the moment of writing this thesis there are eleven bamboo producer groups in Houaphanh province. The groups are located in three different districts in the eastern part of the province. An overview of the villages is provided in table 2.

Table 2 - SNV target villages in Houaphanh province for bamboo handicrafts

|                   |   |
|-------------------|---|
| Xam Neua district | 1. Done (furniture group)<br>2. Houakhang (furniture group)   |
| Viengxay district | 3. Phounsane (handicraft)<br>4. Pounakhaow (handicraft)<br>5. Xiengman (handicraft)<br>6. Viengphane (handicraft)<br>7. Nathaen (furniture & handicraft)<br>8. Kangmeuang (handicraft)<br>9. Piengbane (handicraft) |
| Sobbao district   | 10. Nayom (handicraft)<br>11. Tad (handicraft)  |

All eleven villages are visited to capture differences between villages and between producer groups. The information to obtain from this group includes basic information about the village and its inhabitants. An interview with the head of the village (*Nai Ban*) is scheduled in each of the eleven villages. More important is the specific information on the producer groups concerning the research topic. Due to time limits it is not possible to interview every single producer, hence interviews are scheduled with the heads of the villages and the heads of the producer groups. As these persons are representatives of respectively the village and the producer group, they are considered most representative of the population. This means *judgment sampling* is applied. Judgment sampling brings along a certain bias as certain selection decisions are made by a researcher, while not knowing whether the chosen interviewees truly represent the entire population (Laws 2003: p.366).

### 4.3.2 – Consumers

The second major study population consists of the people who purchase Houaphanh bamboo handicraft and furniture products and the people that could be interested in purchasing these products. For this population, no *sampling frame* is available. A sampling frame is a list showing all the persons belonging to the population. It is impossible to know in such an early stage of Houaphanh product development who bought the products and who will be interested to do so in the future.

The first selection decision has been made based on location. Products from Houaphanh were sold in only two locations (market of Phonsavan and shops in Luang Prabang) at the start of the fieldwork (February 2011). Besides that, the production capacity of producer groups is still low. Consequently, it was decided to focus on markets which are feasible to reach for the producers within a short time span. The survey has been conducted in Vientiane, Luang Prabang and Phonsavan. A second selection decision was made based on target groups. In order to know the main target groups of the shops that sell bamboo handicrafts and bamboo furniture, some conversations with shop owners in Vientiane are held. Some of these shop owners indicate that most of their consumers are Lao people buying products for their household. Other shop owners indicated to have a more mixed target group or to sell mainly to foreigners (tourists and expats).

As mentioned, for this population, no sampling frame is available. Hence, the surveys have been conducted in a few selected shops selling (amongst others) bamboo handicraft and furniture products in Vientiane, Luang Prabang and Phonsavan. This implies the sample is a *cluster sample* (Laws 2003: p.359). A bias can occur by over-representing one target group while under-representing the other. Therefore, it is decided to continue executing the survey until the number of conducted surveys is the same for both target groups.

The survey is conducted among the shop owners as well. Owners of all identified shops in these locations which do not only sell the traditional product range (sticky rice box, rice cleaning tray and rice steaming basket) are asked to cooperate with the questionnaire.

#### **4.3.3 – Response**

The producer groups are visited during two fieldtrips to Houaphanh province. The first fieldtrip originally was a study trip for a different purpose. It did however offer the opportunity to get familiar with the people, province and the living conditions of the villagers. Besides that, three producer groups have been visited where the interviews were tested and developed further along the way. The second fieldtrip was solely for the purpose of going to the remaining eight producer groups to obtain data for this thesis. In each group, appointments were made with the head of the producer group and the head of the village. Even though we could have interviews in each group, the head of the village as well as the head of the producer group did not always attend as agreed upon beforehand. In Houakhang, Phounsane, Nayom and Nathaen, the head of the village was not present. In Houakhang this was solved by leaving a form with the questions in Lao language. The head of the village filled in the form so it could be retrieved a few days later. In Nathaen, Phounsane and Nayom, the deputy head of the producer group and one or more of the group members answered most questions concerning the village. For some questions, they did not know the answer. In Nathaen, the answers were obtained from the head of the village at a later point in time by phone.

In Piengbane, Tad and Nathaen, the head of the producer group was not present. Instead, the interview was held with the deputy head of the group. More specific information about the interviewed individuals, the length of the interviews etcetera can be found in Appendix III.

The market survey is executed among 118 persons of which 4 are test surveys. It is held among owners of shops selling bamboo handicraft and/or furniture products (30), Lao consumers (44) and foreign consumers (44). 79 respondents are female, 38 are male, and one is of undefined gender. The average age of the respondents is 32 years. Most respondent work full-time (35%), are self-employed (27%) or student (25%) and have finished secondary school or a bachelor education. The incomes of the respondents are spread-out, only the highest of six income groups (more than 15.000.500 kip/ \$1873) is represented to a lesser extent. People speaking English or Lao were able to fill in the survey. Some people were willing but not able to fill in the survey due to a language barrier. The survey can be found in appendix II.

#### **4.3.4 – Sampling other stakeholders**

Besides the two main study populations, some other people are involved in the study. First of all, a semi-structured interview with the main trader of Houaphanh bamboo handicraft and furniture products (Mr. Khamleck) has been conducted. Second, semi-structured interviews are conducted with a group of district government officials of Viengxay and Sobbao district. Third, interviews were planned with Houaphanh's provincial department of finance and department of industry and commerce. These interviews were cancelled at the last moment. The interview questions were left behind and returned once filled in. Fourth, semi-structured interviews have been conducted with a selected number of individuals. Each having its own expertise or experience in the field of market access for Non-Timber Forest Products or handicraft products. An overview of the interviews with selected individuals is provided in appendix IV. Next, in addition to the market survey, a small set of questions was asked to the shops that sell the Houaphanh bamboo handicraft and furniture products. Furthermore, a problem and solution tree have been used for two producer groups (Tad & Done), two groups of district government officials (Viengxay and Sobbao district), officials of the department of industry and commerce of Houaphanh province and a trader (Mr. Khamleck). Unfortunately, an interview with the Lao Ministry of Commerce and Industry did not materialize. The same applies to the Lao Ministry of Agriculture and Forestry and to the director or other representatives of the Lao Farmer Group.

#### **4.4 – Validity & reliability**

Reliability is concerned with the stability and consistency of the process of collecting data (Sekaran 2003: p.203). This implies consistency across time and across the various respondents. Adopting a Q-

squared research method can increase confidence in the reliability of the data (Hulme 2007: p.14). Besides that, Hulme (ibid.) argues that a Q-squared approach also leads to a deeper understanding of the research topic and can have more effective policies as a result. The results of the interviews can be compared with the results of a problem and solution tree. Consequently, the results of the interviews can be checked for completeness. An unfortunate aspect is that the methods are used in a concurrent manner due to time constraints. This implies that when the results from the problem and solution tree shed a light on an important but undiscussed issue, it cannot be included in the interview anymore. Fortunately the problem and solution tree were produced on the spot and if necessary, directly translated to English by Ms. Phutphong. As a result, additional questions or a specification could be asked if striking issues would appear. At the same time however, translation bias can reduce the reliability of results. Concerning consistency across respondents, several remarks need to be made. All eleven producer groups are visited and interviews are conducted. A downside is however the impossibility of interviewing the head of every producer group. Instead, some interviewees are deputy heads or other group members. This difference can cause a certain bias in the data. For as far as possible, shop owners and consumers with similar criteria are selected which should increase reliability of the results.

Validity is concerned with the extent to which the research design can safeguard a cause-and-effect relationship (internal validity) and to what extent the results of a particular research are generalizable to the actual field settings (external validity) (Sekaran 2003: p.149). Several factors can negatively affect the validity of a research. Only the heads of the groups are interviewed. Besides that, only one trader could be involved in the research. Such selection decisions can cause a certain bias in the data and hence, lower the study's internal validity. Other factors with a similar effect can be uncontrollable such as *history effects* (certain influencing events or factors) and *maturation effects* (people who get tired, feel hungry or get bored) (ibid.). Maturation effects however, can be prevented by avoiding lunch and dinner times and by not interviewing for hours in a row. The research has been conducted in the field, which means the setting is as close to reality as possible. As Sekaran (2003: p.150) argues, "any cause-and-effect relationship found under these conditions would have wider generalizability to other similar production settings". Due to the complexity of ethnicities, extent of contact with 'outsiders', available means of transport etcetera, results can never be fully generalizable for other villages in Houaphanh or for the similar SNV program in Vientiane province. Yet, this has never been the purpose of the study. The study specifically focuses at the wellbeing of the SNV producer groups in Houaphanh province. Finally, more than 100 questionnaires are conducted with shop owners and consumers. Such a number allows for some degree of generalizability and provides a base for the producer to know what (potential) consumers are looking for when purchasing bamboo handicrafts or furniture.

## 4.5 – Ethics

Before going to the field to collect data, several issues need to be carefully considered. Even though this thesis does not cover an extremely sensitive topic, people have the right to know why questions are being asked and what happens next. This concerns their personal information as well as the information they provide. For this thesis, such a level of transparency or *informed consent* (Brydon 2006: p.26) is secured as much as possible from the start. People are informed that a research team will come over to ask questions. Upon arrival, every team member is thoroughly introduced and the purpose of the visit is once more explained. In order to make sure people can speak more freely, government officials are not present during the appointments. This is possible as they only need to be present when starting a new project. Since this research belongs to the bamboo program, the government is already familiar with its stakeholders and purposes. Hence, access to the villages is granted. In some cases, the head of the village was present during the interview, in some cases not and in other cases he left during the interview. No differences in responses are noticed between these different scenarios. The producer group members are familiar with the SNV staff that accompanied me, which increases the initial level of trust. People dare to ask questions and soon are aware that there is no ulterior motive. If applicable, respondents are asked if they agree with taping the conversation. Any important outcomes of this thesis can be corresponded to the producer groups via the SNV field practitioners if desirable. Finally, due to information provided by colleagues, dress codes and behavior are adapted to the local context as much as possible. After conducting the interviews or other research methods, small gifts are handed over to the villagers. The gifts included some small souvenirs from Holland and stickers for children to show appreciation for their time and efforts.

## 4.6 - Overview

This chapter provided further insight into the Q-squared research method that is adopted. The implications for the different research populations, sample selection and sample size information have been put in the foreground. Finally, several comments concerning the reliability, validity and ethical considerations of the research have been made. Now the research methods, theoretical framework and a geographical background have been presented, the results of the actual fieldwork can be discussed and analyzed. Chapter 5 will first present the findings, where after these will be critically analyzed in chapter 6.

## Chapter 5 – Results

This chapter presents the results of the conducted research. First of all, information retrieved from the Houaphanh producer groups is presented which is followed by the results of questionnaire concerning market requirements for bamboo products. Next, the outcomes of the interview with the trader, Mr. Khamleck are discussed as well as those of the different government bodies that participated. Finally, interviews with other stakeholders and the problem and solution tree are addressed. In this chapter, several price indications are made. It is therefore good to keep in mind that 10.000 Lao Kip resembles more or less \$1,25 or €0,87.

### 5.1 – Producer groups

Currently, eleven producer groups are located in Houaphanh province. Three of these groups produce furniture products (Done, Nathaen and Houakhang) while the other groups produce handicraft products. Nathaen produces both furniture and handicraft products. The complete set of questions used for the interviews with the producer groups can be found in Appendix I. Some basic information and statistics of the producer groups are provided in table 3 on the next page.

#### 5.1.1 – General group information

##### *Quality of life*

As can be seen in table 3, the income of producer group members is considerably higher compared to the income of an average villager. Besides a question on income, group leaders are asked whether they feel the wellbeing of producers has improved since they belong to the bamboo producer group. For Phounsane, Nayom and Tad there is no data available on this question as the question was added after the first field visit (discussed in paragraph 4.3.3). The remaining eight groups state the quality of their life has improved. Done and Pougankhaow leaders say there is now less need to sell rice or do silk weaving. In Viengphanh it is mentioned that a trader regularly visits them now which saves the members time and costs. Nathaen and Houakhang indicate they face fewer problems with collecting food from the forest as they possess more money now to buy food at the market. In Xiengman and Piengbane, leaders commented they now have money for better health care and to send their children to school. Finally, in Kang Muang it was said they can produce products from locally collected materials which means they have no production costs. This implies more money for other activities is available.

Table 3 – Basic information and statistics 11 producer groups

| Producer group        | Since  | Members  | Average time on bamboo per day   | Product varieties                         | Average income per group member (yearly)                                    | Average income per villager (yearly) |
|-----------------------|--|--|--|---|---|--------------------------------------|
| <b>1. Phounsane</b>   | 2009 (August)  | Members: 20<br>Of which women: 3<br>Of which regular: 20                               | Dry season: 5 hours<br>Wet season: 3-4 hours                           | 13 product types<br>Handicraft            | 6.000.000 – 9.600.000 Kip   | 1.500.000 – 1.700.000 Kip            |
| <b>2. Nayom</b>       | 2010 (October)                                       | Members: 32<br>Of which women: 6<br>Of which regular: 32                               | Dry season: 7 hours<br>Wet season: 2 hours                             | 5 product types<br>Handicraft             | 3.600.000 – 6.000.000 Kip   | ?                                    |
| <b>3. Tad</b>         | 2010 (January)                                       | Members: 33<br>Of which women: 1<br>Of which regular: ?                                | Dry season: 4 hours<br>Wet season: 8 hours                             | 5 product types<br>Handicraft             | ? (keep no record)  | 2.500.000 Kip                        |
| <b>4. Done</b>        | 2009   | Members: 60<br>Of which women: 4<br>Of which regular: 27                               | Dry season: 12 hours<br>Wet season: 3-4 hours                          | 7 product types<br>Furniture              | Regular: 9.600.000 – 10.800.000 Kip<br>Irregular: 2.400.000 – 3.600.000 Kip | 920.000 Kip                          |
| <b>5. Houakhang</b>   | 2010 (March)   | Members: 11<br>Of which women: 1<br>Of which regular: 11                               | Dry season: 8-10 hours<br>Wet season: 4 hours<br>(then only furniture) | 4 product types<br>Furniture              | 6.520.000 Kip   | 1.800.000 Kip                        |
| <b>6. Viengphanh</b>  | 2010   | Members: 13<br>Of which women: 1<br>Of which regular: 13                               | Dry season: 4 hours<br>Wet season: 1-2 hours                           | 1 product type<br>Handicraft              | 3.150.000 Kip   | 2.520.000 Kip                        |
| <b>7. Nathaen</b>     | 2009   | Members: 12<br>Of which women: 2<br>Of which regular: 5<br>(1 furniture and 4 weaving) | Dry season: 9 hours<br>Wet season: 3 hours                             | 5 product types<br>Handicraft & furniture | 3.910.000 Kip   | 2.000.000 Kip                        |
| <b>8. Pournakhaow</b> | 2008   | Members: 22<br>Of which women: 1<br>Of which regular: ?                                | Dry season: 10 hours<br>Wet season: 2-3 hours                          | 6 product types<br>Handicraft             | 2.000.000 Kip (on bamboo alone)   | 1.280.000 Kip                        |
| <b>9. Xieng man</b>   | 2010 (June)  | Members: 8<br>Of which women: 0<br>Of which regular: 8                                 | Dry season: 10 hours<br>Wet season: 2 hours                            | 8 product types<br>Handicrafts            | 3.000.000 – 4.800.000 Kip   | 2.500.000 Kip                        |
| <b>10. Kang Muang</b> | 2009 (with Piengbane), independent since August 2010 | Members: 11<br>Of which women: 0<br>Of which regular: ?                                | Dry season: 8 hours<br>Wet season: 3 hours                             | 1 product type<br>Handicraft              | 4.800.000 – 7.200.000 Kip   | 1.800.000 Kip                        |
| <b>11. Piengbane</b>  | 2008   | Members: 31<br>Of which women: 2<br>Of which regular: ?                                | Dry season: 8-9 hours<br>Wet season: 2 hours                           | 3 product types<br>Handicraft             | 1.800.000 – 5.400.000 Kip   | 850.000 Kip                          |

## *Product range*

Each group produces its own range of products. Some groups produce only a single product type while other groups have built quite a range over the months and years. An issue which stood out was that most products have a fixed price but that some price differences are questionable. To give a few examples: Done produces a set comprising of a small coffee table and four chairs. They sell the exact same set at different prices (a range between 300.000-500.000 kip). The expensive version is sold in Vientiane, while the cheap set is sold at the local market. Other groups do not seem to use such deliberate and market-specific price differentiations. Another example is the different sizes of baskets in Nathaen. A small size is produced in one day and sold for 15.000 kip. A medium size is produced in two days and sold at 20.000 kip. Similar examples are encountered in other groups. This makes one wonder on what basis prices are determined.

### **5.1.2 - Productivity constraints**

#### *Raw material resources*

Done has five types of bamboo available which are mainly located at two kilometers from the village. They collect the bamboo by foot or by motorbike. Some types of bamboo are scarce. They are worried about the future and hence set up a regulation for sustainable harvesting since they joined the SNV project. This implies each family has to plant five bushes of bamboo in their field per year. If people do not behave accordingly and cut whole canes, a fine of 1.500.000 kip per hectare is issued. In Viengphanh, three types of bamboo are collected by walking for two kilometers on a decent road. Bamboo is not scarce, but rattan is. They have no regulations in place for sustainable harvesting. In Nathaen, four types of bamboo can be found, varying from a distance of one to fifteen kilometers. They collect by motorbike and *tock tock* (see figure 14) over good roads. Two types of bamboo and rattan are scarce. The other two types of bamboo are planted by the villagers. There are no regulations in place.

**Figure 14 – Transport of bamboo by ‘tock tock’**



Pougnakhaow group members collect two bamboo species of which one cannot be used this year due to a disease. The bamboo can be found at about 700 meters from the village, following a convenient road. There are no huge amounts of bamboo, but enough for making the products. No regulations are in place. In Xiengman one bamboo specie is used which can be found at 300 meters from the village. It is not scarce and people collect it by foot. They also need rattan and vegetable fern, this is scarce and sometimes needs to be bought from a trader. There are no regulations for sustainable harvesting. Kang Muang makes use of one bamboo specie, rattan and vegetable fern. The bamboo is not scarce, located on one kilometer from the village and collected by foot. Rattan and fern are bought from a trader when needed. There are no real regulations in place as long as you cut within the village. Otherwise, bamboo collectors need to talk to the head of the neighboring village first. They do take care to cut only one or two canes per bush so as to harvest in a sustainable manner. Piengbane makes uses of two types of bamboo which are gathered by foot or motorbike five hundred meters and five kilometers from the village. Besides that, they buy rattan and vegetable fern from a trader. Bamboo is not scarce, but quite far from the village. They are worried it will be scarce in the future as *GRET*<sup>4</sup> was not able to provide enough material to build a fence. This implies the villagers' livestock can damage the bamboo forest. There is a regulation by the village authority on sustainable cutting. When asking more questions it appears there is no rule enforcement; nobody checks whether people live up to the rules for sustainable cutting. Houakhang has access to two bamboo species which are located at two kilometers from the village and collected by foot or motorbike. Bamboo is not scarce according to the group leader. They have a forest using plan in place which is agreed upon by the Viengxay district government. Phounsane members use two bamboo species which are both quite scarce. There are no regulations in place. In Nayom two bamboo species are used which are four and five kilometers away from the village. People collect it by foot which takes a whole day. The bamboo is not scarce and cut when the stem is about one year old in order to have the best quality. Finally, Tad group collects two bamboo species located at respectively one and three kilometers from the village. It is not scarce and collected by foot. Besides that, they learned to produce new designs with vegetable fern. This material was only available during the training. Members now use bamboo instead.

### *Financial resources*

In Done, Viengphanh, Houakhang and Nathaen and since this year also Piengbane, there is a regulation for a yearly fee but no action (no actual collection of money). In Piengbane people stopped collecting as villagers do not see the benefits or have no money to save as they also save in a

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<sup>4</sup> GRET is a French organization focusing on natural resources development for communities

village saving fund and a livestock group. In Viengphanh, Nathaen, Piengbane, Houakhang, Nayom, Tad and Xiengman, no group incomes exist at all. Done members have a group saving fund. Besides that they earn money from study tours (200.000 kip per tour) and rentals for an electricity generator (20.000 kip per night for group members, 40.000 kip for villagers). In Houakhang members borrowed money from Mr. Khamleck (trader) to buy new tools. He charges them no interest and allows them some time to pay back. No specific rules have been recorded concerning this loan. Pounakhaow, Phounsane and Kang Muang have a yearly fee of 12.000 kip per member and Pounakhaow also employs a group entrance fee of 10.000 kip. The members of Pounakhaow have access to the village saving fund but have not used it until now as they are afraid they are unable to pay back with an interest rate of 15 per cent. They rather borrow from the group fund which issues no interest. Other group incomes are earned by trainers if they go to a different village to provide lessons. The group will receive 10 per cent of the income earned by this activity. Besides that, the group receives three per cent on top of the total payment by the trader (only Mr. Khamleck). Finally, Pounakhaow and Phounsane receive 200.000 kip for groups visiting them for a study tour. Kang Muang mentions they would like to have access to credit to buy new materials which makes production easier, especially for older people who cannot go to the paddy field anymore. Besides that, they would like to have a storage facility for rattan and vegetable fern as they often have to wait for these materials to arrive and rather would want to order in bulk.

### *Production resources*

Most producer groups merely make use of primary hand tools. Examples include a measuring tape or a metal strip with holes in different sizes to make sure each bamboo or rattan strip has the same thickness. Most members make their own knives and hand drills. Only few tools are needed for production. However, electric tools might increase efficiency. Besides that, most groups use natural methods for insect prevention. These include smoking bamboo canes with fire and putting the canes in a basin with water, salt and Lao tea or fish sauce. Some producer groups also tell about their belief that no insect problems occur in the period from September up to November or when there is no moon. They would like to cut many canes in this period but have no place to store the bamboo. The problem with these methods is that insect prevention cannot be guaranteed. Insects pose the main quality threat for Houaphanh bamboo handicraft and furniture products. Furthermore, soaking the canes in a basin takes a long time (up to a week) while most groups only have a small basin and cannot soak many canes at once. The members of Nathaen and Houakhanh have attended a training for the *timbor technique*. This is insecticide with more long-lasting effects. However, groups do not have the funds or the materials needed for this treatment. Instead, Houakhang now uses a chemical spray to prevent insects.

Some groups have access to other methods and tools. For instance the group in Done, Houakhang and Nathaen (the three groups producing furniture) have an electric drilling machine and Done also has an electric sawing machine. Most groups do not have the financial resources to purchase such electric tools. Besides that, supply of electricity can be an issue. Whereas most groups have no real transport facilities, Done group can rent a Hyundai truck from other villagers to bring their products to Xam Neua (200.00 kip per round trip) or Xieng Khouang province (1.500.000 kip per round trip).

Another issue faced by all groups is the storage facility. People store products in their house and do not have a protected place to store raw materials. This is not a big issue yet. However, if production is growing, storage facilities are required. Currently, finished products are not provided with any kind of packaging or protection. The products which are gathered by Mr. Khamleck are labeled by attaching a small paper showing the Houaphanh bamboo logo and a text briefly stating the location and contacts.

### **5.1.3 – Transactional constraints**

#### ***Market access***

Most groups have a quite convenient location along the main asphalted road. Main markets for sales are Xam Neua (between 10 and 65 km), Viengxay (between 3 and 50 km) and Xieng Khouang (around 250 km.) Xiengman and Piengbane groups also sell at the weekly market in Kangmeuang. Piengbane adds the Namao border market (Vietnamese-Lao border). For most groups, several ways of selling occur. Some people pass by the village and see the products along the road. Sometimes, such clients also order products and come back another time. In other instances, the group finishes quite an amount of products and sells them along the road or at a market (mainly Viengxay, Xam Neua and sometimes Xieng Khouang). However, not every group has transport to bring its products to the market and has to go by foot. Third are contracts with traders or traders that pass by every once in a while. Finally, the group in Pougnaokhaow attends trade fairs in Viengxay.

The head of the producer groups feel the number of clients has increased over time. Most groups therefore have difficulties facing demand in terms of quantity (not enough, not on time). The group leaders of Done and Houakhang mention they do not face this problem as they have enough producers. The leader of Viengphanh states they can meet the demand of a trader if he gives them advance notice of one or two months. Meeting demand in terms of quality seems to be another issue. New product designs which are not up to a decent standard yet and the main issue about insects are a few examples. Producers cannot give a 100 per cent guarantee their products are insect-free. The group leader of Viengphanh states they do not face quality issues since they attended the training by SNV. Their only product is the sticky rice box. Xiengman and Kangmuang

also claim to face no quality issues. They mention that in case of lower quality, the trader will calculate this in the price.

### *Market power*

Most groups face no competition between members as they can sell all their products. The quantities of production are discussed beforehand. Members producing products of less quality sell them at a lower price. Pounakhaow, Piengbane and Xiengman feel a sense of competition between the members. They do not consider this as a problem as the consumer will choose the best product which is regarded as a fair process. In Phounsane they aim to attract more villagers to enter the group as a way to prevent *slash and burn* activities. The groups do not feel any competition with other producer groups as each group has its own distinctive product range and is able to sell most products.

Most groups set up agreements with clients, except for Nayom group which only produces in its spare time and Tad. Tad is interested in an agreement if the trader will provide a deposit. But even then they are still unsure about it because they fear sanctions when they cannot meet demand. Other groups use agreements which are verbal in most cases. Agreements mainly include issues such as delivery time, product quality, product size, costs (guaranteed price) and product design (finishing). Agreements lack any rules concerning sanctions and incentives. In Pounakhaow however, the trader can fine the group two per cent of the total value if they do not deliver on time.

### *Market security*

Producers do not produce in constant quantities. This is caused by the fact that producing bamboo handicrafts and furniture is often a secondary income activity. For most families the traditional paddy field is the main income activity. During the cultivation season, producers only have time in the evenings to work on bamboo products. In some villages, there is no electricity available at night which makes it difficult or impossible to produce at that time of the day. During the dry season, most groups spend half or whole of their working day on bamboo products. In Houakhang a rule is in place stating each member must produce a minimum of five items per month.

The number of clients is another unstable factor. This mainly applies to people passing by the village. Done and Houakhang have no regular clients. Viengphanh, Piengbane and Kang Muang have four regular traders, Xiengman three, Pounakhaow two and Nathaen and Nayom one (Mr. Khamleck). Most groups mention they are interested in accessing other/new markets. Xiengman adds that would perhaps provide them with consumers who are willing to pay more for their products. Nevertheless, they are concerned about the capacity of their production. For Kang Muang and Viengphanh the interest in new markets is not present. Mainly for the same reason as why the

others are worried, but also because they sell enough now. Houakhang is interested but mentions that it would be even better to sell from their homes as this saves time and transport costs.

Group leaders mention groups are able to change prices according to product design and the level of decoration, but also that prices increased gradually over time. In Pounakhaow the group leader mentions Mr. Khamleck (main trader) tests different prices with the market first. Once a suitable price has been found, the prices are fixed. Besides that, prices depend on the quality of a product.

#### 5.1.4 - Market requirements

The groups express their interest in new product designs and new production techniques. They are interested in having more variety in design to attract a wider range of consumers and/or be able to ask a higher price for their products. They are however a bit wary whether the new products will be sold or not. New techniques could help them to be efficient in terms of time which enables them to meet market demands. Done group expresses its interest in more knowledge transfer from SNV while SNV is still involved in the project. They are mainly interested in capacity building and various business skills (varying from product design to bookkeeping). Viengphanh however is not interested in new designs as it will take them a lot of time to produce the new products efficiently and to reach a good quality standard.

In Done, most products are sold directly to the end consumer. In most other groups this is not the case and a trader is involved. Villagers know their products go to markets in Xieng Khouang, Luang Prabang and Vientiane, but do not have more specific information concerning the final consumer. Producer groups state the *unique selling point* of the Houaphanh products are the natural colors, the specific designs (weaving) and the shape of their products. They claim to be well-known for the good quality of sticky rice boxes. Nathaen mentions they excel in specific product types such as the Khmu carry bag. Done believes their products are not really unique from Sangthong products (the similar SNV program in Vientiane province) except for a few minor differences.

When asked for ideas on marketing, most interviewees went blank for a second. They mention issues such as more pattern variations, increasing their skills and quality, ask for the help of SNV and the government (mainly for more market and business knowledge as well as product promotion). Pounakhaow would be interested in marketing their products in other regions once their funds allow them to. Piengbane believes it is important to raise awareness in the villages about bamboo weaving activities as a good income opportunity. Houakhang adds it would be good to explain the benefits and way of usage of each product. Done states it would be good if the trader can give them a guaranteed price for their products to consumers. Besides that, it should be the trader

who brings their products to the market which should be his/her main job. Finally, they want bamboo to become the main income activity for the villagers.

## 5.2 – Trader

A semi-structured interview was executed with Mr. Khamleck who is the main trader in Houaphanh bamboo products and who is officially involved in the SNV project. He is working with SNV since June 2010. At the time of interviewing, he works to a more or lesser extent with all SNV producer groups. He has two fixed clients which consist of one shop in Luang Prabang and one in Phonsavan. Besides fixed clients he exhibits and sells the products at trade fairs and sometimes at new markets. The products have been rewarded with several local and national prizes already. For this year, he is planning to access new markets in Udomxay and Borikhamsay provinces. Besides that he is planning to execute a survey in several Vietnamese districts bordering Houaphanh province. The goal is to investigate the Vietnamese interest in the products, the price they are willing to pay and the costs of transport and export. Finally, he would like to open a shop in Vientiane (the capital city of the Lao PDR) with a representative of Houaphanh products or a family member to manage the business.

He states the prices he agrees upon with the producers are product-based in order to make sure it is worthwhile for them to produce. His own profit-margin however is based upon the price the consumer wants to pay which implies his profits are often low as he merely transports and sells low quantities. In order to make the project work, SNV also hires Mr. Khamleck as a facilitator and coordinator of the groups that are interested until the trade in Houaphanh products is more sustainable. He stores the products he collects from villages in his house (3 days – 1 week) and brings them to markets by car or puts them on a bus.

He mentions that from a producer perspective it is now of most importance to increase quantities of production. In order to achieve this he wants more villagers to be involved. Besides that, experience over time will increase efficiency. The next issue to focus on is product quality. He provides producers with a sample product. If the products do not meet this standard, they will receive a lower price for the product, after receiving a first warning. This system has not been used in practice yet. When SNV is not involved anymore he aims to keep improving by looking for new designs on the internet. He does not speak English and does not obtain an e-mail address at the moment.

Mr. Khamleck provides producers with a deposit to make sure they will not sell the products to someone else who happens to pass by while he ordered them beforehand. This increases the trust level between trader and producer and provides a basis for future agreements. However, trust is not 100 per cent yet as delivery times are uncertain. Fortunately, the two regular clients show

understanding for this issue. Mr. Khamleck does not receive a deposit from his clients. He receives the money when he sells the products. He would like to show the story of the producers, the products and the province to consumers. In order to do this, he is thinking of an exhibition in Xam Neua. He realizes this will take some time to accomplish. Finally, he believes the *unique selling points* of Houaphanh bamboo handicraft and furniture products are the weaving designs, the natural dyes and materials and the involvement of ethnic minorities and disabled people. However, he also says the products are easy to copy which is a risk factor.

### 5.3 – Market & consumers

Most respondents purchase bamboo products once a year or less (47%), sixty-nine per cent of the respondents is not familiar with bamboo handicraft and furniture products from Houaphanh province. Nineteen per cent of the respondents claim to have purchased Houaphanh products in the past. These people add they think the products are nice, durable and the finishing looks good but that the prices are higher than products from other regions.

The interviewees were asked to rank certain aspects of a product. The scale is divided from very important to somewhat important, somewhat unimportant and very unimportant. It appears that overall, respondents think the finishing of a product is of most importance, followed by the quality (durability) and the product type. Next in line is the price of a product. Somewhat unimportant are the size of a product and how it is displayed in the shop. Of even less importance are the bamboo species used for production and especially the brand of the product.

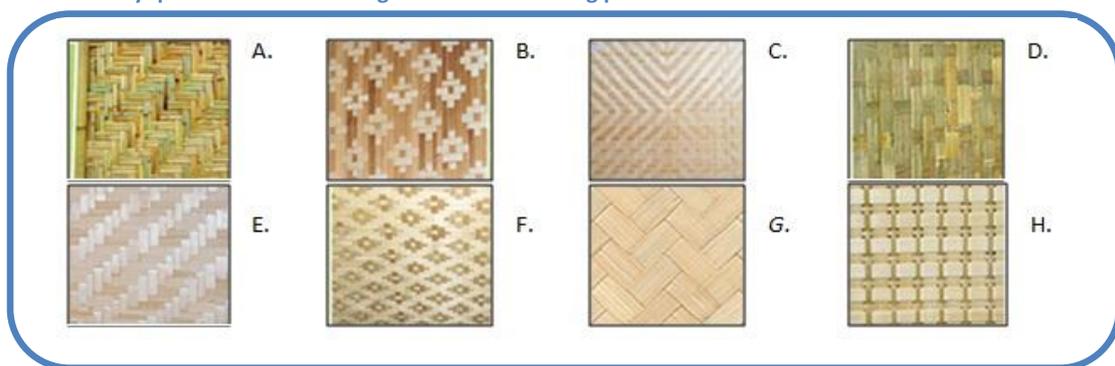
A similar question was asked concerning the story behind a product. The answer option 'I do not know what this is' was added. Twenty-eight respondents do not know what gender equality entails. Twenty-three are not familiar with the concept of child labor, thirty-four with fair trade, fifteen with ecological sustainability, seven with poverty reduction and twelve respondents do not know what is meant with the location of origin of a product. Leaving these respondents out and calculating the averages of the remaining respondents, some results become clear. Most important when it comes to the story behind a product appears to be poverty reduction. This is followed by respectively ecological sustainability, fair trade and child labor. Gender equality and the location of origin of a product seem to be less important. People add they believe it is important to create jobs and generate incomes for rural poor people.

Benefits consumers retrieve from the products which are often mentioned are daily use in the house, the natural look of the products, the light weight and its durability. Some respondents (61 respondents) also attach symbolic value to the products. This mainly includes that the products are

conceived as a symbol of Lao people and their culture. Furthermore, by buying the product people feel they help ethnic minorities to earn a higher income.

Another question asks respondents to rank the different weaving patterns displayed in figure 15. Respondents rank pattern F highest, followed by pattern B and C. Equally ranked are pattern A and H, followed by pattern E, G and finally, pattern D. Respondents who prefer pattern F and B mention they like it because it looks like a flower. Pattern C is also ranked high, respondents appreciate its simplicity and refinement.

Figure 15 – Survey question on the ranking of different weaving patterns



The next question covers new product options. Respondents are asked to rank several product options on the following scale: very positive, slightly positive, slightly negative, very negative and 'I do not know what this is'. Four respondents do not know what personal text messages in bamboo weaving entail. Five respondents are unfamiliar with Lao silk, twenty-five with paper mulberry, six with Lao cotton, ten with Lao wood, eight with new weaving designs and four with the use of bright (unnatural) colors. 'New weaving patterns' is by far ranked as best option for new product development. The option ranked second best is a product in which both bamboo and Lao silk are combined. For instance a bamboo bag with silk lining inside. This is followed by three options who are ranked close to each other; first a combination of bamboo with cotton, followed by a combination with wood and finally, a combination of bamboo and paper mulberry. On average, personal text images or messages incorporated in the bamboo weaving are ranked only slightly positive while respondents are negative about the use of bright colors. Additional comments mainly include people's interest in a wider range of furniture products. Other comments are the interest for bamboo pencils, pens & cloths.

Sixty-five per cent of the respondents have a very positive overall evaluation of the Houaphanh products that are displayed in the catalogue. Thirty-two per cent is slightly positive and three per cent slightly negative. Enthusiastic comments were given concerning the quality of the products, the nice looks, the fact it helps generating income for poor people, and the catalogue.

Negative aspects include the insect problem, that fact that people are not aware of a location to buy the products and that they want to know the price of the products.

Fifty-three per cent of the respondents consider the products in the catalogue to be very unique. Forty-one per cent consider them to be slightly unique, four per cent somewhat standard and two per cent not unique at all. Respondents who consider the products as being unique comment their choice is mainly influenced by the weaving pattern. Sixty-eight per cent of the respondents say there is room for improvement. Some of the comments are listed in the textbox below.

*Room for improvement?*

“Even more variety (e.g. chair & hammock).”

“Already beautiful.”

“Yes, should improve on insect prevention.”

“The weaving patterns and use of black and natural colors to make a more contemporary look and more functional designs for Western households.”

“If they had a store or booth with products on display explaining why they are unique/beneficial I would listen.”

“Affordability.”

“Your product is beautiful and your presentation is professional.”

” Product diversification, deliver on time and improve product quality.”

“producer should pay more attention on finishing and should concern with the ancient or original design.”

Seventy-six per cent of the respondents would be interested to purchase products from the Houaphanh catalogue. From the additional comments it appears most respondents are interested in the suitcase, several (waste) baskets and carrying baskets, the alms bowl, lady’s bag and furniture products. Finally, most respondents (82%) state they would use the products at home, followed by a gift to others (47%), use in a hotel or restaurant (21%) and office space (14%). Other locations mentioned by the respondents are their shop to sell the products, the temple, or an exhibition.

Besides the market survey, shop owners selling Houaphanh products are asked a few additional questions. From their answers it becomes clear they are pleased with the durability of the bamboo but think the price for a Houaphanh product is high. Houaphanh products are more expensive compared to products from other regions. On the other hand, Houaphanh’s bamboo quality is often better in terms of thickness and durability (strength) compared to bamboo from other regions. Sometimes there are problems with insects or the delivery time is not as promised.

### 5.3.1 – A careful look

The above results are extracted from the total dataset. When splitting the data in the three respondent groups (foreign consumers, Lao consumers and shop owners), some obvious differences occur. The results after this split that strongly differ from the complete dataset are presented in this paragraph.

From the 37 people that are familiar with the Houaphanh bamboo products, only two foreigners are included. The other answers were evenly distributed among Lao consumers and shop owners. Next, it seems most shop owners attach symbolic value to the products, for Lao consumers this is more or less a chance of fifty percent while foreign customers most often indicate they do not attach symbolic value to the products. When zooming in on the weaving designs, it appears Lao consumers and shop owners prefer option F, followed by option B and C. For foreign customers, pattern C is ranked best, followed by F and B.

## 5.4 – Government of the Lao PDR

Four interviews with representatives of the government of the Lao PDR have been conducted. These took place with district government officials of Viengxay and Sobbao district and with provincial officials of the Department of Finance (DOF) and the Department of Industry and Commerce (DOIC). Unfortunately, interviews at a national level could not be conducted.

Currently, the different government bodies indicate to support the bamboo handicraft activities in Houaphanh in several ways. This includes a tax exemption (further explained in paragraph 5.6) and awareness raising of the potential bamboo offers villagers. Some negative policy issues are the unclear regulations concerning land allocation and the current low level of cooperation between different stakeholders.

They state they can further promote the bamboo handicraft activities by increasing product promotion to the market and to assist in strengthening producer groups. Besides that, they want to encourage traders to search for new markets and distribution locations in other provinces. Next, cooperation between producer groups, traders and the relevant sector of provincial authorities should be increased. DOIC mentions the role they can play in facilitating enterprise registration for bamboo businesses. Besides that, a study should be conducted to look into the Houaphanh bamboo industry and use this study as a baseline for attracting new traders and investors.

*Unique selling points* are considered to be the durability (strength) of the province's products, the pattern and the one-hundred per cent natural treatment of products. In order to promote products from Houaphanh to the market, they feel product promotion activities, product quantity and quality have to be increased, an association would be helpful, prices need to be fixed,

new markets need to be identified and targeted, quality control should be more common, products should be provided with packaging to increase value and there should be more product diversification.

## 5.5 – Other stakeholders

The other interviewed stakeholders are mainly asked questions on their experiences and knowledge concerning market access for handicraft producers, promotion of handicraft products and certification issues. The interviewees state main constraints they face concerning market access for (bamboo) handicraft products include transport and export issues and costs, producing handicraft as a secondary income activity, product designs, ecological sustainability issues, difficulties during the rainy season, insect problems, lack of business skills by producers and competition between traders and between producers. Some constraints cannot be solved, for other constraints, ideas for solutions are offered. It is important to keep raising awareness in villages for the potential handicraft production has in increasing income and reducing hard physical work. Besides that, more investors and traders should be identified and participate. These need to be people with a vision, who work at and focus on the village level. This can be achieved by help of the government, displaying products at exhibitions and trade fairs, promoting the products, changing the mentality of producers and traders (risk taking) and by looking at examples from Vietnam. A Lao-Vietnamese joint-venture for handicraft products might be an interesting option according to Mr. Ledecq. In the meanwhile, groups need to expand, receive more training and become better organized to be able to meet markets' demands in terms of quantity, quality and design.

A few interviewees have some experience with exporting products. According to Mr. Taliboun (LHA), Japanese investors are interested in natural colors, mainly black from the fire treatment. Besides that, the product should be a mix of modern and traditional design, not too big and meant for the interior of a house. Popular product types among the Japanese are a fruit bowl, and straight in length, round in width shaped baskets. Besides the market demands from the Japanese investors, Mr. Taliboun states some European clients are mainly interested in a grey color. LNCCI claims it can help to promote products abroad (at exhibitions) to attract attention from foreign traders and investors. Mr. Ladpakdy says it is good to focus on small products with a simple design as bamboo already is a nice material and is not in need of 'fancying' it. Bamboo can be promoted as packaging for other products as well.

In terms of marketing, several ideas are raised by the interviewees. They state there should be a strong focus on natural colors, handmade products and unique weaving designs. Besides that it is important to show the 'story' of producers and the production process. Promoted products should

not be too big or too complicated in terms of design when offered to foreign consumers. Important marketing tools are the use of a catalogue and website. Furthermore, a shop location where the products are sold, where a representative of the products can tell the stories of the producers and explain about the production techniques would be beneficial. This can be intensified by bringing producers to the shop to show the true origin of the products.

As far as certification of products concerned, whether it is *Fair Trade*, *COC* (chain of custody) or *FSC*, the Lao PDR has just begun piloting. Certification is still at a beginning phase due to high costs and standards at the one hand and low quantities of production and language difficulties on the other hand. In order to overcome such issues, Fair Trade Laos was founded. Companies can identify with Fair Trade values without paying the high costs and going through complicated application procedures. Fair Trade Laos provides companies with customized standards and will help them to reach the international Fair Trade standards more easily in the future. WWF is piloting with FSC & COC certification of rattan. At the time of interviewing, WWF was in the middle of the application so no further details or lessons learned could be shared yet.

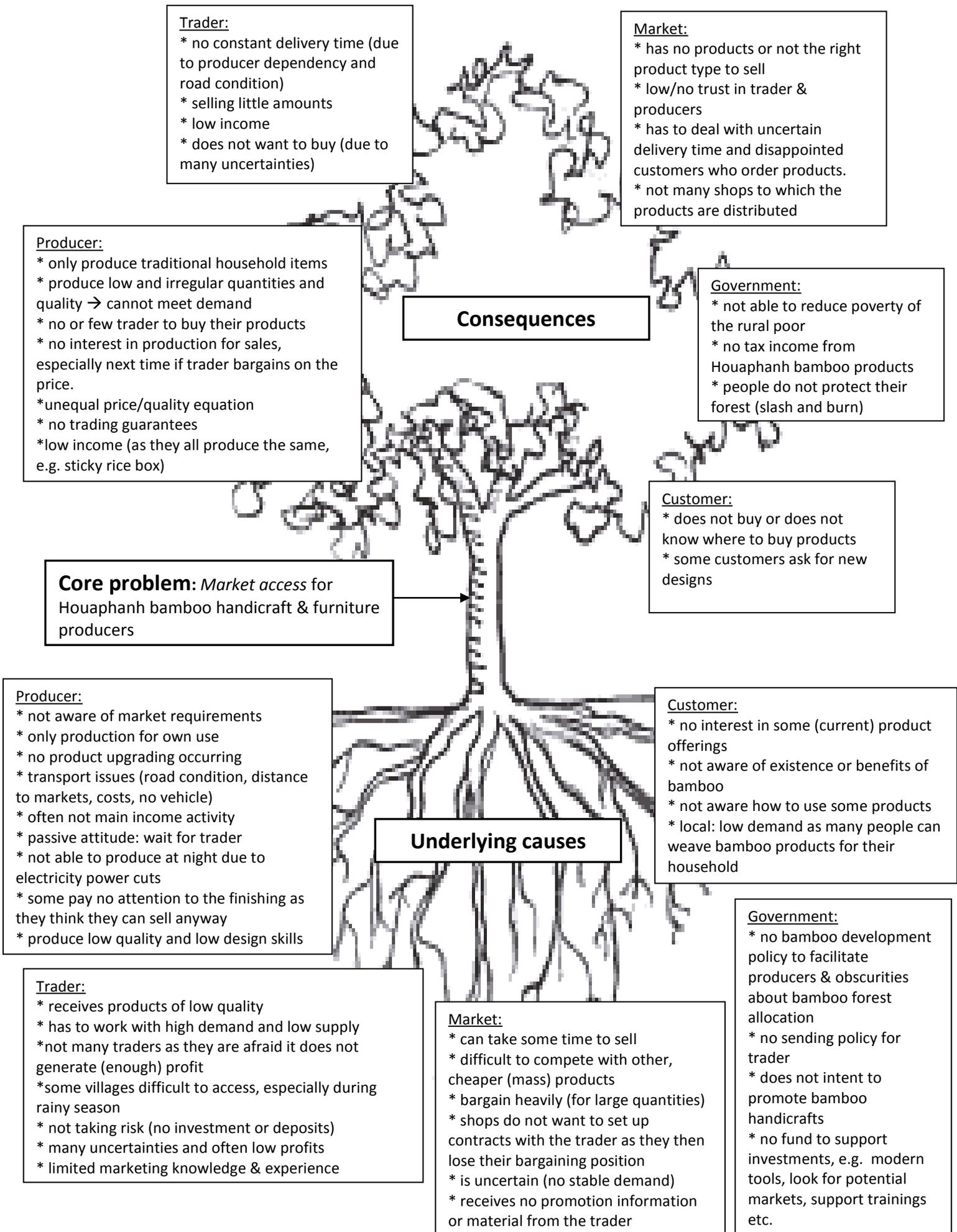
## 5.6 – Problem & Solution tree

As an additional element to the interviews and questionnaires, a problem and solution tree have been conducted with several stakeholders. The results from all different stakeholders are merged into a single problem and solution tree. These are depicted on the following pages. This research method is undertaken with two producer groups (Tad and Done), two groups of district government officials (Viengxay and Sobbao district), officials of the department of industry and commerce of Houaphanh province and a trader (Mr. Khamleck).

Some entries in the problem and solution tree are clear, others might need some further clarification. Mr. Khamleck (trader) notes that some improvement concerning market access from a government perspective has occurred. In the past he sometimes had difficulties concerning tax at checkpoints. Now he carries a letter from the government stating no taxes have to be paid when selling Houaphanh bamboo products. This arrangement will be in place until the program is more successful. Once the villagers earn a sustainable income, taxes do need to be paid. As one of the solutions, better transport facilities are mentioned. This refers to a decrease in transport prices by bus. The trader opts that a supporting role by the government would be helpful here. Besides that, loaded trucks drive to Houaphanh but often drive back without any load to Vientiane. According to the trader, the government could facilitate by talking to transport companies. These in turn, should inform the trader when they are driving an empty truck so the trader can send his products along at a cheap price.

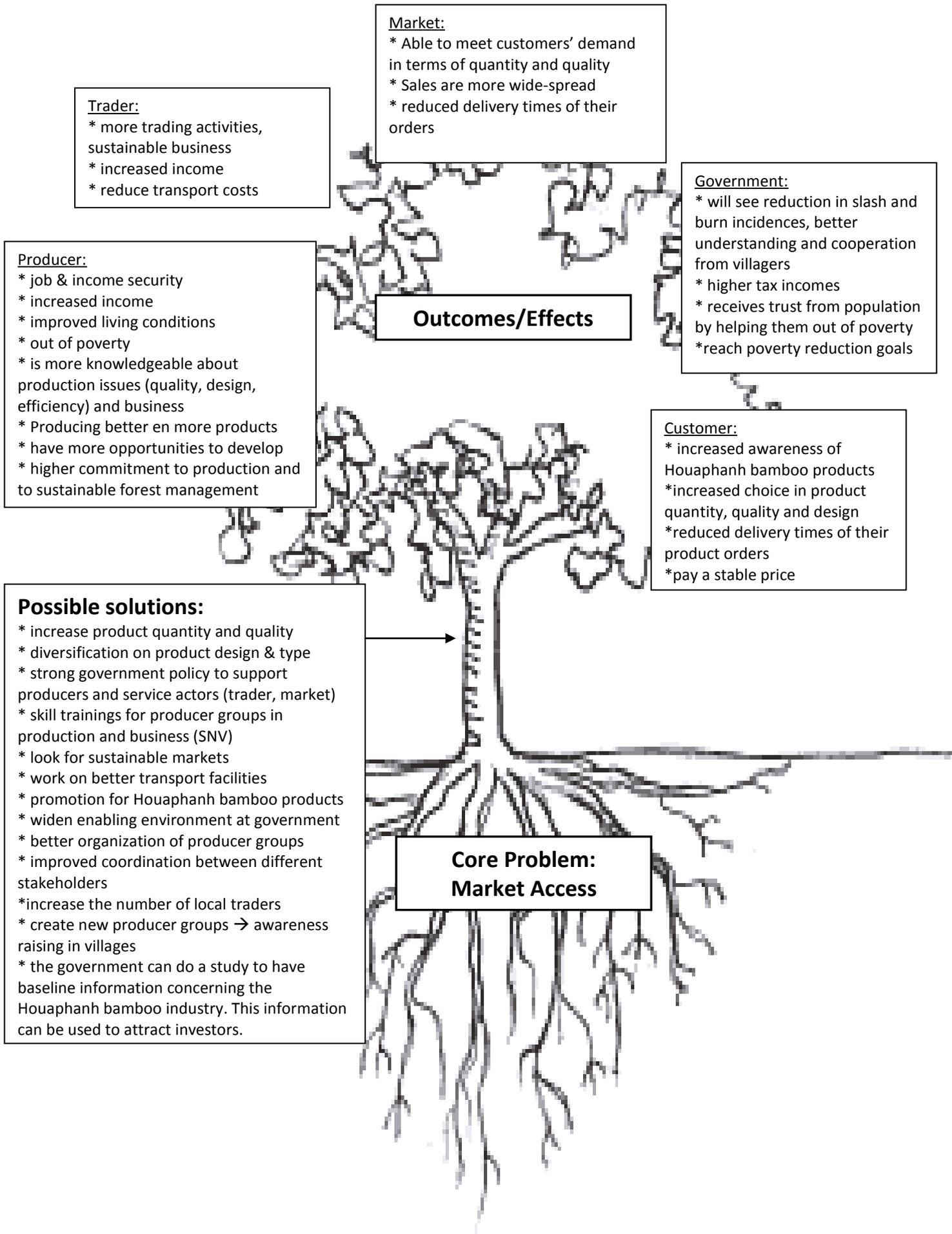
Figure 16 – Problem tree

# PROBLEM TREE



## SOLUTION TREE

Figure 17 – Solution tree



## Chapter 6 – Data analysis and discussion

To be able to analyse the data and answer the research questions, a detailed understanding of the value chain is required. Once this is achieved, it can be investigated what specific products and requirements markets are looking for and have a real opportunity for success. This can be discussed by combining the results of the market survey (what are the market requirements?) with those of the interviews with producer groups and a trader (to what extent can market requirements be met?). The final step is to transform this information into practical considerations concerning market linkages and marketing opportunities. Once these topics are covered, an answer to the problem statement can be provided in chapter 7.

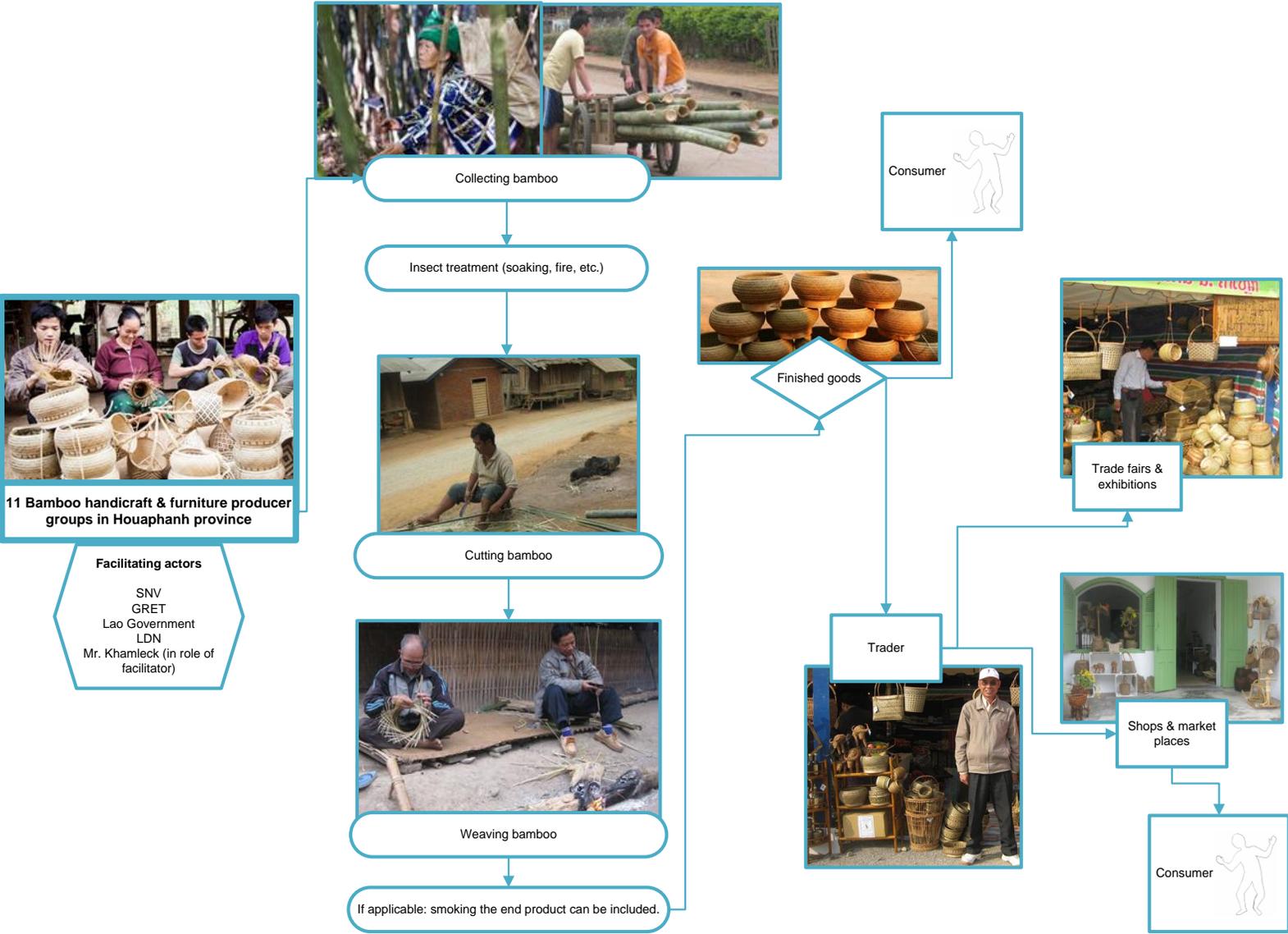
### 6.1 – The value chain

Traditionally, Houaphanh is known for its high quality bamboo and skilled handicrafts. Products include household products such as sticky rice boxes, rice cleaning trays and fences. Such products were often produced for people's own use in the household or sold/exchanged to neighbours. In 2009 SNV initiated its bamboo program in Houaphanh province in order to increase the value of existing value chains. This way, the handicrafts can become a secure income source and contribute to pro-poor economic growth (Voelksen & Phutphong 2010: p.6). In order to get the bamboo handicrafts and furniture to the final consumer, many processes, locations and actors are involved. This paragraph provides a detailed understanding of the Houaphanh handicrafts and furniture value chain which is linked to the SNV bamboo program. The value chain is graphically depicted on the next page. Square items indicate actors involved, ellips items shows the different production processes. Diamond shaped items indicate the finished product.

#### *Core processes & product flows*

The activities in the value chain start with someone who cuts and collects bamboo canes. How much time this takes depends on the method of transportation, the number of people involved, the distance of the bamboo forest and finally, accessibility of the area (e.g. during rainy season). Once the canes arrive in the village, people start pre-processing the canes by providing them with an insect treatment. This can consist of smoking the canes in a fire or soaking the stems in a basin. Once the canes are ready to be processed, group members start cutting the bamboo in smaller strips of the desired length and thickness. Next, producers can assembly the strips by weaving them in a particular pattern. The pattern, size and design depend on the intended product type. Product designs can be developed by the producers, SNV or a trader. Finished products are stored in the homes of the producer until they are sold. In certain instances, the completed product is smoked

Figure 18 – Value chain of the Houaphanh bamboo handicraft and furniture products.



above a fire once more in order to eliminate any insects. All the above mentioned processes are performed by what is referred to as *producer group*. At this point, the producers either sell the products themselves at a market, sell them to a trader or to consumers who pass by the village. Traders can sell the products to shops or marketplaces. At the time of initiating the fieldwork, only a few trader links were present. This includes a shop in Xieng Khouang province and the Xam Neua market. During the fieldwork it becomes clear that more traders are interested and become involved as well as more locations for distribution become available. This includes a newly opened shop in Luang Prabang whose owner is distributing the products to other locations in Luang Prabang as well. This business is in practice for about two months at the time of writing which means its future is still quite uncertain. However, it is good to see, market linkages are slowly extending. Currently, the products are not exported to other countries. In the near future, the main trader (Mr. Khamleck) aims to investigate the opportunities of selling the products in nearby Vietnam. In conclusion, six production processes are needed before the products reach the final consumer. These include: collecting bamboo canes, insect treatment, cutting, weaving and assembling, collecting products from the producers and finally, retailing.

### *Main actors & linkages*

Several individuals and groups of people are involved in the value chain. Of most importance are the producers who make sure there actually is a product to sell. Currently, eleven producer groups are involved, each consisting of eight up to sixty members. The groups are organized according to village. For example, group Tad refers to the group whose members live and produce in the village called Tad. Men and women are involved although more men are a group member. This has to do with some heavy tasks such as the collection of bamboo canes as well as silk weaving as main income activity for women. Women are also the ones taking care of the family.

One trader is involved in the SNV program; Mr. Khamleck. As the bamboo business started from scratch in 2009, profits were low and investments needed to be made. Investments imply taking risk and being in need of money, two issues which were hard to find among Lao people. Hence, Mr. Khamleck is hired by SNV as a facilitator and coordinator of the groups, next to being a trader. Now business is starting to take off, producer groups notice an increase in traders. Most of them are not visiting regularly yet, but contacts are increasing. During the last few months, four or five new traders showed their interest in working with the Houaphanh bamboo products. More personal information on these starting traders is not available unfortunately. This development was occurring at the time of the interviews. The two shops involved at the beginning of the fieldwork were both supplied by Mr. Khamleck. The shops are the link between the trader and the final consumer. In certain

instances, this link is avoided. This occurs when producers sell directly to consumers or when traders sell at trade fairs.

The remaining actors are no direct actors in the value chain but are facilitating organizations or persons. The first one of such facilitating actors in the value chain is the Government of the Lao PDR and in specific the district and provincial government. The Department of Planning and Investment (DPI) coordinates interventions concerning socio-economic strategies and national poverty eradication plans. For instance, they can support producers and traders by implementing policies benefiting pro-poor development. To be more specific, Mr. Khamleck received a letter from the provincial government stating no taxes have to be paid when selling Houaphanh bamboo products within the country. Next, Provincial Agriculture and Forestry Offices (PAFO) and District Agriculture and Forestry Offices (DAFO) are responsible for management of the forestry sector. Consequences for producer can be specific quotas on cutting bamboo canes for instance. Third, the Department of Industry and Commerce (DOIC) supports Small and Medium Enterprises (SMEs) as well as export market development (Greijmans, Oudomvilay & Banzon 2007: p.21). Finally, the Lao National Chamber of Commerce and Industry is the intermediary between producers and the government and tries to synchronise and look after the interest of both groups.

Next, SNV takes part in the value chain at the moment by fulfilling an enabling role. An example is the producer groups who receive trainings on various topics from SNV. Topics range from specific bamboo designs to entrepreneurial skills. Once SNV is confident the actors can manage on their own, its role will fade-out. SNV cooperates with other facilitating actors. These include GRET, LDN and Phoxai (Mr. Khamleck). GRET works on the natural resource perspective of the producer groups. SNV and GRET are currently trying to merge the villages they are both targeting with the goal of combining value chain development with natural resources management. Second, LDN and Phoxai are hired by SNV to provide trainings on building business-skills, doing research and facilitating group work.

### *Relationships and linkages between value chain actors (governance)*

Taking a step back to theory discussed in chapter 3, governance within the value chain is another important aspect to discuss. The eleven producer groups belong to the same program, receive similar trainings and some of the products they produce are the same. However, at the moment the groups are not merged into one organization or anything alike. This implies each group sells its own products and is not directly related to the wellbeing of the other groups. Most groups currently have a link with one trader, Mr. Khamleck. However, also here, not all groups are involved, some groups see him occasionally while others made agreements with him. Mr. Khamleck on his turn does not cooperate with other traders and sends or brings the products to two shops regularly. Other sales locations vary

heavily in terms of frequency of delivery (e.g. a trade fair). The same applies to other traders the producers come along. Expressed in Gereffi, Humphrey and Sturgeon's (2005) terms, this low level of coordination indicates a sort of a mix of arm's length and modular market relations within the value chain. For producers that have no ties with a trader, arm's length relations are in place which implies there is no governance within the chain but with the producer (Humphrey & Schmitz 2008: p.263). The producer decides what, how and how much is produced based on his own estimates of market requirements. On the other hand, some characteristics of relational governance are present in the value chain. Specific knowledge concerning techniques for bamboo cutting and weaving belong to specific ethnic groups in the North of the Lao PDR. Exchange related skills are much lower on the other hand so for these actions, producers are much more reliant on other value chain actors. As is also discussed on the following page, shops seem to have most power in the chain ones producers are linked to a trader. The shops make different demands and put prices down while the trader is happy when he can sell his products.

### *Knowledge and flows of information*

Information is exchanged two-directional through the value chain. Producers inform the trader of their capacity, price levels and delivery times, the trader provides the shops with this information. The other way around, shop owners inform the trader about products that sell particularly well, products that do not sell, any problems they occur etcetera. The trader then communicates this information to the responsible producer group and even to the particular producer (products are coded) to adjust production to specific requirements. Knowledge exchange on the other hand, mainly occurs top down. Producers receive knowledge and skill trainings from SNV as well as traders on doing business and designing new products. Knowledge is not provided the other way around.

### *The value at different levels of the value chain*

As is stated before, it seems producers have no specific system in place to determine the price they ask for their products. On what parameters prices are currently based is uncertain. This is investigated by SNV at the moment. Prices range from 25.000 Lao Kip for a basket to 800.000 kip for a sofa set. Mr. Khamleck receives whatever the shop owner is willing to pay for the products. This is where price levels become even more vague and no specific data is available. Prices in shops can vary heavily, depending on the target group they focus on. The newly opened shop in Luang Prabang mainly focuses on tourists and ask much higher prices for its products compared to the market in Xam Neua.

## *Competition*

Competition in the province is low as it merely includes traditional Lao household products of bamboo. Besides that, access to most areas of the province makes handicraft business a difficult practice. During the first fieldtrip, potential new producer groups were visited. During these visits it became apparent people are skilled in producing bamboo handicrafts but have no idea they can produce other products as well in which people are actually interested to purchase. As cattle herding and paddy fields often provide the main income opportunities, households do not consider bamboo as a successful opportunity to make money. They merely produce the items they need or other villagers might need.

In cities such as Vientiane and Luang Prabang, numerous handicraft shops can be found. Traditional Lao handicraft and souvenir shops consists mainly of silk scarfs, coffee, tea, bags etcetera. Some shops focus on bamboo handicrafts. Most of them focus on the traditional household products. Some of them are direct competition to the Houaphanh products, though designs are different. Most of these shops have an advantage as they can sell products for a (slightly) lower price as the products come from less far which decreases transport costs. The major souvenir evening market in Luang Prabang, does not offer bamboo handicrafts. This might be an interesting opportunity to look into as Houaphanh products are already transported to this city.

Zooming out to a more regional scope, competition is heavy. China and Vietnam have much more developed industries compared to the Lao PDR. Products are further developed in terms of quality and design and are often cheaper. Besides that, both countries have sea access as well as more international air traffic. These are developments which increase the potential for exporting products.

## **6.2 – Market requirements**

As discussed in chapter 3, it is important to get insight into consumers' product associations. The results of the questionnaire can be translated to Keller's (1993) model on brand images and is discussed below. The main findings are displayed model-wise in figure 20. These findings give some directions for SNV as well as the producers to focus on certain aspects of future product development.

### *Product attributes*

Product related attributes are tested in questions 4, 8 and 9. If we look at the results of these questions it can be seen that respondents regard the finishing and quality of a product its most important characteristics. This directs us the weaving design, colors and other aesthetical aspects as well as robustness of a product. There are no striking differences found here between foreign

consumers, Lao consumers and shop owners. New product options are appreciated mainly if they contain new weaving patterns. Lao consumers and shop owners also value personal images or text incorporated in the design of the product. Foreign consumers on the other hand are not positive about this type of product innovation. Bamboo products combined with silk could work out for all parties. Besides that, products with a traditional pattern, like the two displayed left in figure 19, as well as the simple refined pattern on the right are appreciated most by all three groups of respondents. The simplicity of the right pattern is a product characteristic which is also suggested by Mr. Ladpakdy who believes bamboo products are naturally beautiful.

Figure 19 – Top 3 bamboo weaving patterns.



Non-product related attributes consist of four aspects: price, packaging and display, user imagery and usage imagery. Consumers believe the price of a product is quite important. More detailed information on prices is not available unfortunately. Correct price levels will be tested in practice as this aspect proved to be too complicated to include in a questionnaire. Furthermore, shop owners state it is important that prices are not too high. As discussed in paragraph 4.1.1, several questions arise concerning the current determination of prices. This issue has already been communicated to SNV. During the upcoming months, SNV will execute a study to analyze production costs, consumers' willingness to pay and other related factors. This can help to develop a standard for product costing. As a result, it can be calculated what products producers can earn money from and besides that, the study can help to maximize producers' income from the bamboo products.

Product display, i.e. the way in which it is presented in the store or marketplace, was ranked as less important. Consumers value the above-mentioned product related aspects (e.g. aesthetics and quality) higher.

Usage imagery informs us about the where and how of product usage. It seems consumers mainly use the products in their home. Besides that, they would like to buy them as a gift to others. What exactly the consumers intend to use the products for is not sure. However, most products can be used to store goods or serve as decoration. Lao people also use the products for offerings in the temple and to store rice.

User imagery tells us something about the personal characteristics of a consumer. To be more specific, it informs us about the items and characteristics of a product people relate to

themselves. The Houaphanh product catalogue includes a brief story about the producers and the different products. The story about the producers focuses on the benefit for poor people, women and ethnic minorities. From the market survey it appears consumers value poverty reduction and ecological sustainability highest. Currently the catalogue states a wish to preserve Houaphanh's unique cultural heritage. Its abundant natural resources remain unmentioned. As respondents value ecological sustainability, it might be good to consider telling the consumer about the prevention of *slash and burn* or how the project wishes to be ecologically sustainable. It could also be interesting to expand the story about the producers by showing pictures or including stories from the producers concerning the benefits they derive from the project. Besides that, some information on the villages, Houaphanh and its surroundings, or a map showing the different production locations (the villages) could be options to consider. Similar ideas in line with the results might do as well.

### *Product benefits*

Keller (1993) divides the benefits consumers derive from a product into three distinct categories; functional, experiential and symbolic benefits. These tell us something about what the consumers believe bamboo handicraft and furniture products can do for them. Functional and experiential benefits often relate to product related attributes. While functional benefits mainly refer to more practical reasons for the use of a product, experiential benefits link to the feelings a consumer has when using the product (Keller 1993: p.4). As appears from question 5 of the questionnaire, the benefits respondents associate with bamboo products can be distinguished into several categories. Relating to Keller's (ibid.) functional benefits, respondents mention issues as the durability/robustness of the products and its light weight. Furthermore, sixty-one out of one hundred and eighteen respondents believe the products are practical to use in the household or for daily activities. Other benefits mentioned are the use as a gift or souvenir and the processing of bamboo products into other products for selling (i.e. usage as packaging).

Listed experiential benefits include the aesthetics of the product. While this characteristic is mentioned by many respondents, it seems to be more important for foreign consumers (twenty-one related statements versus eight by Lao consumers and five by shop owners). Bamboo is an environment-friendly product which can also help people to make a living. These factors are two other experiential benefits which are mentioned often. Finally, to a lesser extent, people valued the products for its traditional value and its handmade design.

Symbolic benefits "relate to underlying needs for social approval or personal expression (Keller ibid.)". The results from the questionnaire show three categories for personal expression. The first one is a 'back to nature' feeling. Respondents attach importance to nature and bamboo products bring them closer to it. Second, by purchasing the products, respondents express their wish

to preserve and promote ethnic handicrafts. Finally, respondents regard bamboo products as an image of tradition and unique cultural heritage. This heritage includes unique patterns which can diverse from region to region as well as skilled handicraft labor. By buying the products, people support this unique heritage and are remembered of it. In addition, it becomes clear that Lao consumers and shop owners attach a slightly higher level of symbolic meaning to bamboo handicrafts and furniture than foreign consumers. Highlighting these benefits in promotion activities might help to increase consumers' willingness to buy the products.

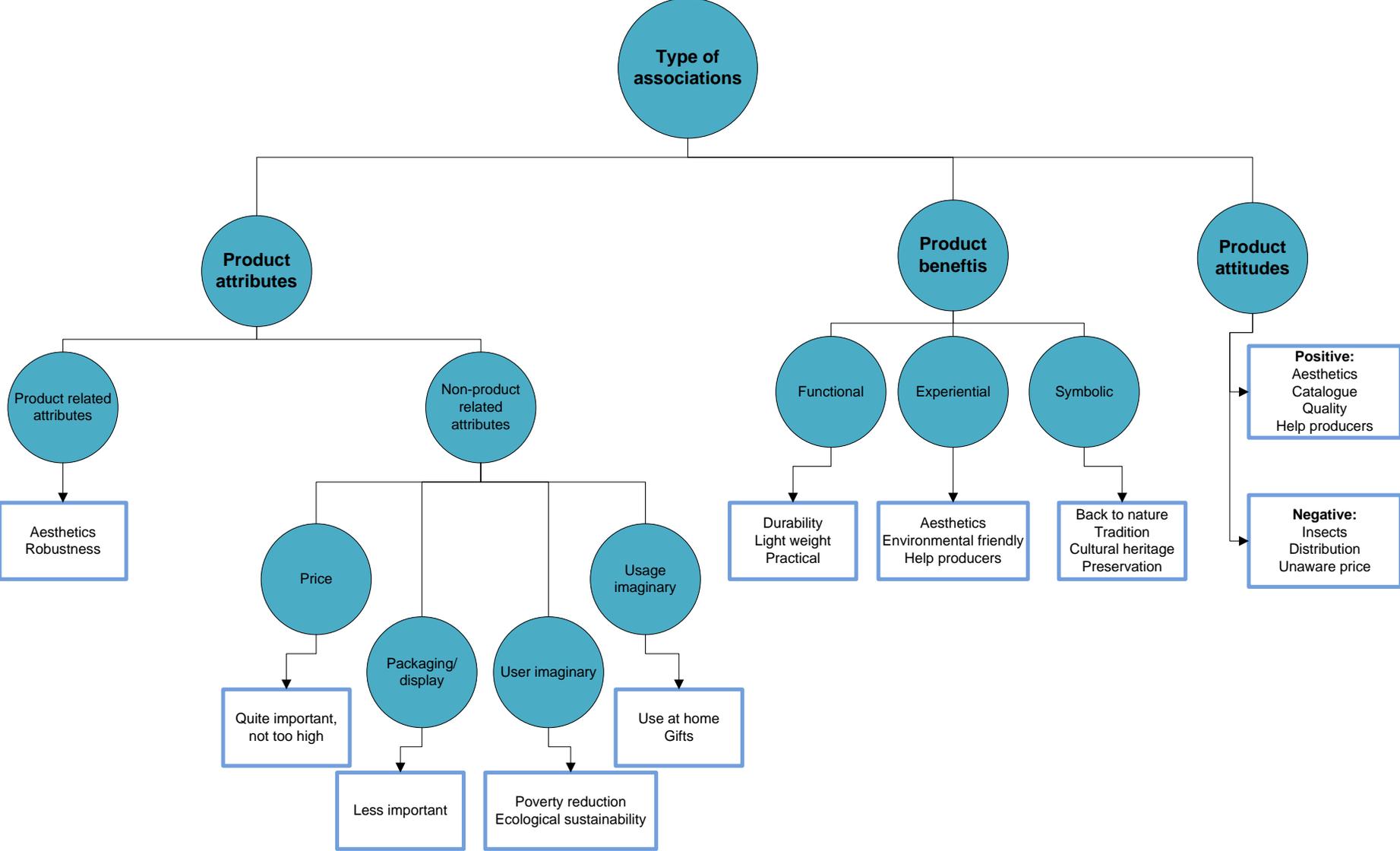
### *Product attitudes*

Almost all respondents have a positive overall attitude with regard to the Houaphanh bamboo products (divided in positive and very positive). Positive aspects include quality, aesthetics, the product catalogue and the idea they can help to generate income for poor people. Quality and aesthetics were ranked highest in the list of factors which are important when purchasing bamboo products. Likewise, they also appear to be reasons why respondents evaluate the Houaphanh products positively. This means there is a match between consumers' expectations and evaluations of the products. Furthermore, the reason many respondents consider the products as (slightly) unique is the specific Houaphanh weaving pattern, an aspect which also refers to the aesthetics of a product. Hence, quality and aesthetics are two areas that should better not be comprised on, even better would be to keep improving and innovating in these areas in order to trigger a positive consumer response and to remain unique. The catalogue is currently printed as a first edition and in modest quantities. It could be worthwhile to consider publishing an updated catalogue in higher quantities so consumers are able to take a copy home. This however includes costs which the producers are not able to make at the moment. On the other hand, it could be one of the areas for SNV or investors to intervene in order to generate a more sustainable income for the producers. On the long term, this could be an opportunity to make sure the producers are more independent, since products become more common and available in more locations. Besides that, respondents are interested in buying the suitcase, alms bowl, baskets and furniture products. New product types might target use in the house or garden. This is also suggested by Mr. Taliboun of the Lao Handicraft Association. The owner of Ma Té Sai handicraft shop mentioned certain *product lines* would be interesting to consider. An example she thinks would do well is a product line comprised of items you use in the bathroom. Based on her sales experience, she believes bamboo hats would sell well also. As new products options of bamboo with Lao silk or cotton are valued positively, it might be interesting to consider such options. This however, is more complicated as producers have to learn new skills or need to link with other silk/cotton producer groups. Hence, this might be an idea to develop in the future further ahead. An example of a product type could be the bamboo sofa,

accompanied by silk or cotton cushions. Besides these recommendations, the results seem to suggest more variety, natural colors, affordability and product finishing (aesthetics) as key focus points.

Negative factors include the insect problem. This is an issue that mainly costs money and efforts from the producers to solve. As money is scarce at the moment, this problem is not likely to be solved within in short time span. It is a potential area investors and SNV could help. Other negative comments concern the fact that consumers are not aware about sales locations as well as price levels. These are problems which can be solved by increasing awareness. Marketing activities can help in this respect and will be discussed in paragraph 6.4.

Figure 20 – Highlights of the questionnaire depicted in Keller’s (1993) model on brand image.

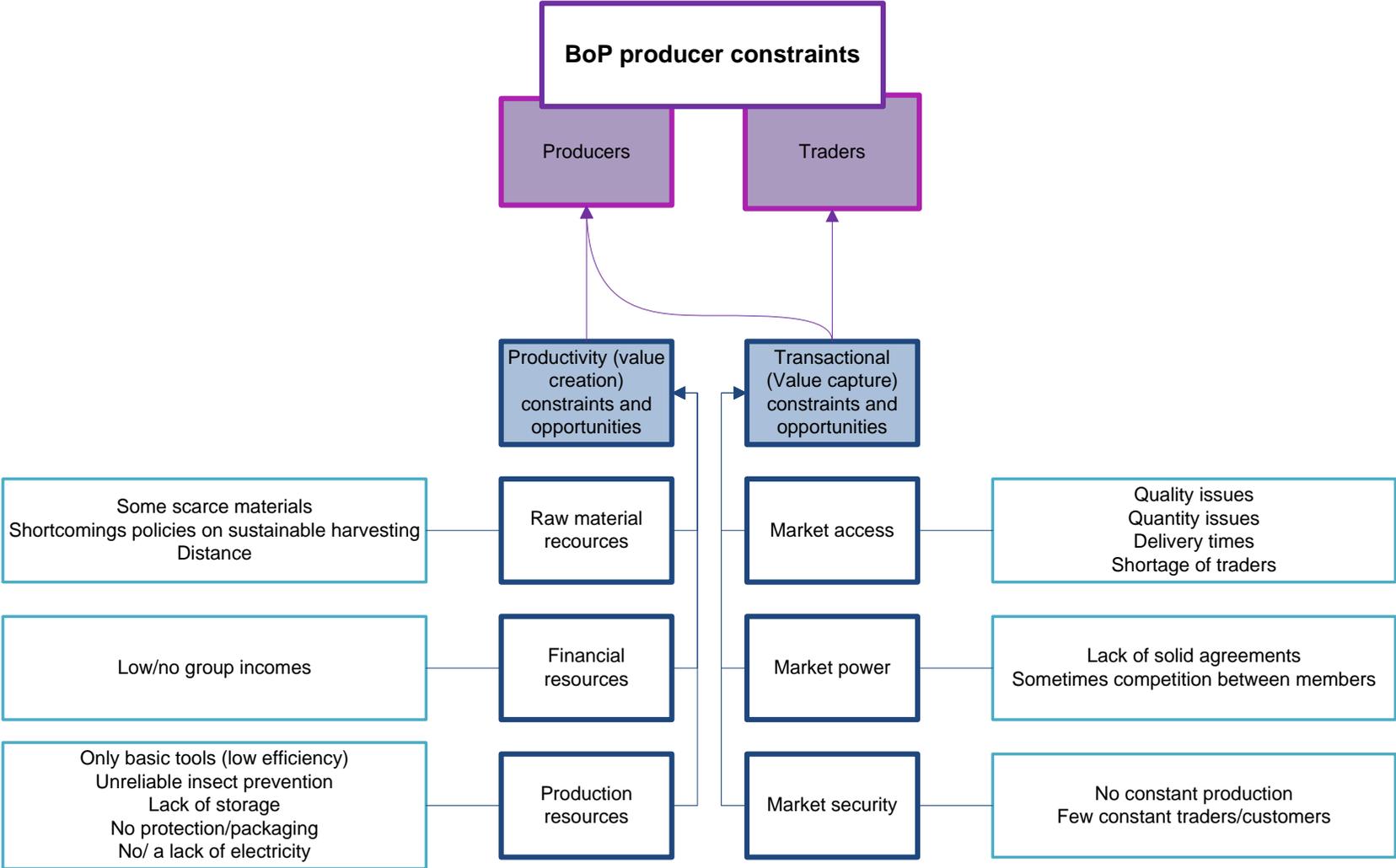


### 6.3 – Producers’ capabilities

The next question is whether the above product requirements can be met by producers. An overview of the constraints the producers face at the moment are displayed on the following page. The problems producers are facing at the moment seem to be their unawareness of market requirements and the lack of product upgrading activities. This can be solved by providing new design trainings that match consumers' demand. As already stated, in terms of weaving design, Houaphanh producers seem to adhere to quite a number of consumers' demands. When diversifying, more simple designs could be interesting to expand their product range with. As many producer groups are still in the starting phase, new members are continuously coming and investments are low, quality and quantity issues will probably remain for a while. This has to do with experience and skills but also with efficiency of production. Currently, most tools are hand tools. Furthermore, some villages deal with a lack of a (reliable) electricity network. In order to increase efficiency, and thereby reduce production costs, it would be helpful to have a certain fund available for simple electric tools such as a drilling or sawing machine in villages which have access to the grid. Different options might be group incomes from a yearly fee and other incomes from trainings, Government support, investments by traders or funders and finally, micro credits. This is a list of ideas without having any further information on the feasibility of this list.

Furthermore, traders and producers often lack to take risks or to take any additional actions (e.g. producers wait for traders to come to the village). If producers and traders are trained to be more pro-active in this respect, it could perhaps help them in certain instances. An example is the transport of products which now goes by small car or by bus. Investing in a truck brings along a certain risk which could turn out to be beneficial. Another example is related to the way the trader (Mr. Khamleck) deals with problems. During the interview he often refers to actions the government should take to solve problems. Of course, the government can play a facilitating and supporting role. Besides that, the trader might be stimulated to solve problems more pro-actively and build on his business mind-setting. He is talking to shops and market places to sell his products and he can convince new producer groups to become involved with the project. These commercial skills can be used to approach exhibitions, other traders (to build a stronger network), or to talk to transport companies himself.

Figure 21 –Overview of the constraints producer groups currently face, depicted in London et al.'s (2010) BoP producer constraints model.



## 6.4 – Making the switch

With the above information concerning the organization of the value chain, market requirements for bamboo handicrafts and furniture and producers' abilities to reach these requirements, new beneficial opportunities can be considered. This research specifically looks into opportunities for developing market linkages and marketing opportunities.

### 6.4.1 – Market linkages

#### *Shops*

The research focuses on the establishment of market linkages and which and how currently non-identified actors should be identified and/or involved. Based on visits to many bamboo handicraft and furniture shops and interviews with the shop owners, a ranking can be made. This ranking indicates a preference or expected success for cooperation with shops and markets. First of all, cooperating with Ma Té Sai which is located in Luang Prabang, seems to be an option which can lead to further development of the value chain. The shop is conveniently located along a main touristic street and has a nice way of displaying the products (selling them as sets). The owner indicates to be really interested in the bamboo products from Houaphanh and has some experience with the SNV bamboo program in Sangthong district. She is interested in the story of the producers, their origin and in developing new products together. Hence, linking with this organization might be interesting not only for boosting current sales but also for the future ahead. As SNV will no longer be involved in the program at a certain point in time, Ma Té Sai could be an interesting partner to develop products together with the producers. Besides that, they are directly in touch with the end consumers and therefore receive continuous market feedback. Finally, she is really keen on showing her consumers the origin of the products which is an aspect valued by consumers and also important for the producers.

A second shop seemingly interesting to cooperate with is Saoban, located in Vientiane. The shop recently re-opened and sells a range of fabrics and bamboo handicrafts. The shop works directly with quite a number of producer groups and seems to have a business origin similar to Houaphanh's. As Saoban has grown extensively over the past few years, this could be an interesting shop to learn lessons from. Besides that, it can be interesting to approach them concerning their interest in selling Houaphanh products. The owner thinks many of the designs are too complicated but was interested in some of the baskets regardless. Besides that, he has some clients abroad with whom he is currently starting to test export possibilities. Humphrey and Schmitz (2008: p.273) argue that developing country producers need access to the lead firms of their chains in order to participate in exporting their products to the US and Europe. Hence, collaborating with Saoban could offer interesting leads for the future ahead. It can also prove helpful to talk to Mr. Ledecq (WWF) in

this respect. He is working with IKEA on a pilot project for export of certified rattan products. Even though this project operates on a much larger scale, Mr. Ledecq might be able to share some of WWF's experiences in this respect when needed.

Third, a newly opened shop in Luang Prabang might be promising. At the time of interviewing, this shop was only open for two weeks. Hence, it is not certain yet whether it will be successful or not. The shop owner has a direct link with Mr. Khamleck and seventy per cent of the products in her store are Houaphanh bamboo handicrafts. Besides that, the shop is located convenient and looks appealing. This option is more risky compared to the previous two as experience of the owner is still low.

Figure 22 – Three recommended shop locations in the Lao PDR.



Other visited shops are mainly located in market places which primarily attracts Lao consumers. Often, their product range is less wide and prices are lower. Owners are interested at the sight of the Houaphanh product catalogue so a follow-up visit could be beneficial. However, these shops seem to sell less products compared to the more touristic shops discussed above. Besides that, no attention is being paid to the story of product origin. It is merely about selling product types that can be beneficial in people's household.

### *Producers*

The eleven Houaphanh producer groups do not directly cooperate as explained earlier in this chapter. Besides that, they started production in 2008 and are expanding slowly. Currently, the groups seem to be standing on the verge of adopting bamboo handicraft activities as a permanent source of income or leaving it as an additional income activity. In terms of income they are often convinced but time-wise, more attention is paid to other income activities. This means a tremendous drop in bamboo handicraft activities can be observed during the rainy season. Nevertheless, shops will probably not remain as understanding as they are now and will want to rely on promised delivery times and quality of the products. Besides that, the majority of the groups indicates to be interested in new designs and techniques and to expand production. In order to have a stronger say in the value chain and to allow possible future improvements as well as expansion, Devaux et al. (2009) suggest collective action is undertaken by the groups. The data shows a lack of finances (from internal and

external sources), a lack of possibilities to produce more efficiently (i.e. tools and storage) and limited knowledge of what happens in the chain once they have sold the products to a trader. Devaux et al. (ibid.) point at the limited access to psychical (production & material) and financial resources which leads to lower bargaining power. The bargaining power for producer groups is low as transaction costs<sup>5</sup> are high. The groups and their production capacity are small, efficiency is low and there is a lack of financial resources. Due to these factors, transaction costs for the Houaphanh products are high when compared to more developed firms in China and Vietnam for instance. Kruijssen et al. (2009) add that this in turn leads to several constraints for marketing your products.

In order to increase the bargaining power of the eleven Houaphanh producer groups, *collective action* might be an idea to consider. Collective action refers to “voluntary action taken by a group to pursue common interests or achieve common objectives” Devaux et al. (2009: p.32). Kumar (2011) argues collective action is most likely to thrive among small and homogeneous groups. In an article written by Vollan and Ostrom (2010), a research concerning common forest resources conducted by Rustagi et al. is reviewed. Vollan and Ostrom (ibid.) conclude by arguing the following: *“If enough individuals initially cooperate, they slowly obtain benefits from the forest, and levels of cooperation grow. Alternatively, initial cooperation rates can be low, and then can continue to decline over time”*, referring to the problem of free riding (Vollan & Ostrom 2010: p.924). In case of a high initial level of cooperation by the Houaphanh producer groups concerning the pooling of resources and the collective selling of products, the originally high transaction costs can perhaps be reduced. Once these transaction costs are reduced, most problems can be tackled more easily according to Bosc et al. (2002). They indicate that once transaction costs are reduced, access to resources (natural, financial and production resources) can improve which increases producers’ bargaining power. This all sounds ideally and seems to tackle a large bunch of problems the Houaphanh producers are currently facing. But how is collective action translated into practice? For the functioning of collective action, I refer to the recommendations presented in the following chapter. To take this one step further, collective action including other stakeholders or external parties can be thought of. As was touched upon by Mr. Ledecq during the interview, it might be beneficial to cooperate with external investors or specialists in bamboo handicrafts. One of his suggestions included a joint venture between the producer groups and a Vietnamese firm which has more experience. This link, might be beneficial for the Houaphanh bamboo handicraft value chain and its producers as transaction costs are lowered and bargaining power increased on the one hand. On the

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<sup>5</sup> Transactions involve any “exchange between parties, from simple exchanges of goods and services for money, to other transactions involving the promise of action of value by one party in exchange for money, goods, services, or other valued resources, or for the promise of reciprocal action of economic or other value” (Alexander 2001: p.755)

other hand, this can be a risky venture when falling into one of the traps of collective action; unequal power levels. This might lead to a situation in which the external firm is exploiting Houaphanh's producers while reaping the benefits themselves. Such issues need to be seriously considered before engaging in collective action. Once more, we refer to the recommendations in the following chapter.

#### **6.4.2 – Marketing opportunities**

From the previous paragraph another lesson can be drawn. Kruijssen et al. (2009) argued that the high transaction costs faced by small producer groups like the ones in Houaphanh place certain constraints for developing and executing marketing activities. As collective action might offer a solution to high transaction costs, marketing might consequently also be benefited by collective action. When transaction costs are lower, it is possible to establish a product brand name for instance. Hence, one story as well as constant prices can be communicated to be consistent and informative. Another result can be the start of a 'marketing team' which focuses on specific marketing issues.

Currently, the Houaphanh products have not been promoted in many occasions as the focus was still on primary concerns of starting up decent interactions within the value chain, involving producer groups and increasing quantity as well as quality of the products. A product catalogue and participating in national trade fairs have been the first steps to make Lao people and people visiting the country familiar with the Houaphanh products. In order to take marketing a step further, it is important to discuss a few issues. Who exactly do we want to target? What are their needs? What is the message that we want to spread? When and why do they need it? How much money can we spend? What is the most appropriate activity to reach potential consumers? What are competitors doing? Etcetera. Before being able to formulate a marketing strategy, a positioning decision has to be made for the Houaphanh bamboo handicraft and furniture products. As Aaker and Shansby (1982: p.56) mention, "the position decision is often the crucial strategic decision for a company or brand because the position can be central to consumers' perception and choice decisions". It is important to consider several alternatives and think about the outcomes it might have. For the specific case of the Houaphanh bamboo handicrafts it is important to consider whether the focus should be on Lao or foreign consumers or both. Some of their needs differ, as appeared from the questionnaire which means different marketing activities are probably needed to attract them. A thorough analysis of constraints and opportunities concerning the producer groups but also the rest of the value chain can help in formulating a marketing strategy. This report and several earlier publications by SNV Lao PDR can offer support in this respect. Besides that, once is clear what the message should be, more focused data can be gathered. Once a strategy is developed, specific marketing activities can be

devised. Consequently, it can always be checked whether activities reflect the guidelines in the marketing strategy and emanate the right message.

But how and where to start? Brush, Ceru and Blackburn (2009: p.489) argue that for smaller firms, “close personal relationships, word-of-mouth referrals, repeat business, and niche marketing efforts” are much more practical, cost effective and successful than enormous marketing campaigns. At the same time, such activities are also much more feasible for Houaphanh producer groups. Boomsma and Arnoldus (2008) conducted a study to investigate the effects of branding and marketing activities that work for development. When targeting local markets, several conditions will help producers to benefit from marketing activities. One of them includes market diversification in order to spread risk. Therefore, it might be good to think about targeting both Lao and foreign target groups as both groups are interested in the Houaphanh bamboo products. Boomsma and Arnoldus (ibid.) also discuss three different branding types; a producer brand, a regional/place brand and a distributor, retailer or manufacturer brand. Since the producer groups are located in Houaphanh province, the products emanate specific regional designs and tell the story of the local people and nature, a regional brand highlighting these issues might be most appropriate. This *origin-based marketing* is a tool to market local products of good quality. It strengthens consumer-producer market linkages, adds value and offers a way to capture local knowledge and culture (Sylvander et al. 2000). Such an origin-based strategy can be applied when registering a brand but also provide the base for the entire marketing strategy. For some more specific activities, the results from the market questionnaire presented in paragraphs 5.3 and 6.2 can be consulted. These results can guide in selecting the right product types, designs and marketing messages.

In chapter 3, the term *relational marketing* came to the front. Morgan and Hunt (1994: p.22) argued that all value chain actors needed to be included in order to maintain successful relational exchanges. This is supported by Boomsma and Arnoldus (2008) who add that it is important that all actors benefit from the added value of such marketing activities. In the case of Houaphanh producers this means the producers, traders, market places, consumers as well as facilitators (enabling and constraining linkages), or as Morgan and Hunt (ibid.) refer to it: *lateral partnerships*. The latter currently include SNV, GRET, LDN and Mr. Khamleck (both hired by SNV) and several government bodies. This might be extended to Oxfam Hong Kong (SNV is currently negotiating with them) and/or investors for instance. For more detailed descriptions on these partners I refer to page 6.

## 6.5 – Group performance

Finally, this chapter looks into differences between producer groups and whether these differences have an effect on their performance or wellbeing. First of all, it is important to note that groups are

mainly characterized by similarities. They are all located in close proximity of an asphalted road in Houaphanh province, have similar income activities and participate in the bamboo program for maximum three years which means none of them are really experienced. However, differences can be identified between the latest newcomers and the first groups. Older groups have higher incomes and can provide trainings to newcomers. Besides that, older groups seem to be more organized and have better links with the Mr. Khamleck (trader). Also internally, older groups seem to be better organized in terms of bookkeeping. These groups record what to make, who will make it, when it needs to be finished, what is earned per month etcetera. Pounakhaow, Piengbane and Xiengman groups indicated to face competition between the producers of their own group but did not consider this as a problem (chapter 5). From the remaining data it appears these three groups have a relatively low income compared to the other groups. Of course, this is no solid evidence to claim that internal competition has a negative effect on producers' wellbeing. However, it might be an area to look into more closely. There does not seem to be a direct link between wellbeing and the number of producers, the time producers spent on the handicrafts or the number of fixed clients they have.

From the results it also seems some factors for success can be identified. These include experience, the production of furniture items, the use of solid agreements and group cohesiveness. These factors can be kept in mind when expanding the program to new groups in the region. Another factor is of what importance the handicrafts are for producer groups. Nayom and Tad both produce in their spare time only. Nayom has a relatively low income when compared to other groups, Tad does not even have a record of their incomes from bamboo. Hence it seems producing in spare time does provide a possibility to diversify your income but also sets you apart from more serious groups. When thinking of collective action, it might therefore be wise to consider whether to include groups like Tad and Nayom as they differ in terms of income and future prospects from groups who want to make bamboo their main income source. Including both type of groups might lead to conflicts due to strong differences of opinion and fluctuating levels of commitment.

## 6.6 – Overview

Results are analyzed by combining field data and relevant academic literature. The structure of the chapter follows the logic of the research questions. First, the organization of the value chain is discussed, followed by market requirements and producers' ability to meet these requirements. Based on these results, chapter 7 aims to answer the problem statement and offer several recommendations.

## Chapter 7 – Conclusions & recommendations

The goal of this thesis is to investigate performances within the Houaphanh bamboo handicraft and furniture value chain which is linked to SNV's bamboo programme. The focus is on market linkages and marketing opportunities in particular. Several methods are adopted in order to execute this research. The data related to the research questions which are discussed in the previous chapter help to develop an answer to the problem statement. Finally, academic and practical recommendations are presented.

### 7.1 – Conclusions

Data was collected in order to provide an answer to the following problem statement:

*To what extent are market linkages and marketing opportunities developed and how can they enhance bamboo industry operations and the wellbeing of bamboo handicraft and furniture producers located in Houaphanh province of the Lao PDR?*

From the results it appears the Houaphanh bamboo handicrafts and furniture value chain linked to SNV's bamboo program is still in its initial stages of development. Hence, market linkages only include basic connections at the moment. For instance, the person cutting the bamboo in smaller strips can be the same person collecting the bamboo canes from the forest and weaving the strips into a product. Only a limited number of traders is involved of which only one visits most producers regularly. At the time of interviewing, two shops were selling the products and producers did not have any knowledge concerning these shops or for what price the products are sold there. During the few months of collecting data, developments concerning market linkages were visible. Producers indicated that recently, more traders have shown interests and some new shops started to sell the products or are considering to do so. Market linkages can be developed by undertaking new relationships with other shops, traders and facilitating actors such as investors and community organizations. As indicated by the district and provincial government, support from their side and collaboration between the different actors can be improved as well. This is in line with another conclusion, namely the role collective action can possibly play in developing market linkages.

Currently, marketing activities are small-scaled and not frequent due to the same reasons that explain the current basic system of market linkages. A product catalogue has been developed and products are shown and sold at trade fairs where several prizes have been earned. Besides that, the quality of the Houaphanh bamboo is widespread among Lao people which probably is a result of word-of-mouth referrals. In order to reach a wider target audience, it is wise to develop a marketing

strategy. Such a strategy offers guidelines for new marketing activities concerning target groups, messages, type of activities etcetera. In chapter 5 and 6, more detailed information on these issues is provided which can be adopted in new marketing activities. Developing and managing a website can be helpful as well. However, it is important to make sure quantity and quality are up to a certain standard and are constant first. Finally, collective action can help in developing marketing activities as this can likely decrease transaction costs and specific knowledge can be concentrated.

But how can development in market linkages and marketing enhance the wellbeing of bamboo handicraft and furniture producers? As presented in chapter 3, wellbeing is a complex and comprehensive concept with parameters varying from economic indicators to subjective social indicators. As table 3 in chapter 5 shows, incomes of producer groups can be much higher than those of other villagers. Besides that, producer group leaders indicated during the interviews that their wellbeing has either remained stable or improved since their involvement in the bamboo handicraft program. Several consequences include that more time is available and that due to a (higher) income, producers were able to take better care of their family. Furthermore, it was stated women now need to spend less time on making silk handicrafts to make a living. This means they have more time available to take care of the family or spend on other activities. It is unclear however if empowerment of women, the extent to which they can make their own decisions, is increased. Hence, it seems reasonable to assume that activities that can improve the functioning of the value chain such as a better network of linkages and increased awareness of the product range and sales locations among (potential) consumers can enhance (perceived) levels of producer wellbeing. These developments should be monitored closely as a trap might occur. If producers are able to meet demand and produce higher quantities, less time is available for their other income activities. How does this affect their other income activities? Income diversification is one of the goals of the SNV project in order to decrease vulnerability of the producers in time of crop failures and situations alike. What happens if the bamboo activities fail to work? A scenario which is currently still possible as a lot is dependent on the will of the producers and the efforts of one trader. Nevertheless, some positive developments are going on in the value chain at this moment and the outcomes of this thesis provide some leads in how to continue improving the functioning of the value chain as well as producers' wellbeing.

## **7.2 - Recommendations**

To conclude this thesis, several recommendations are offered. First, recommendations for future research will come to the front, followed by more practical recommendations. These can guide SNV Lao PDR in how to proceed its bamboo program.

### 7.2.1 - Future research

The questionnaire aimed at identifying what aspects consumers are looking for when buying bamboo handicraft and furniture products. As there is no real firm or brand established at this moment and most consumers are not familiar with the products, it might be interesting to do a follow-up research in some time to keep consumer and consuming knowledge up to date. Besides that, the results of the questionnaire indicate what product types, product aspects and stories consumers are interested in. In order to investigate these issues more thoroughly and to narrow things down, interviews could be held with several shop owners or consumers.

Next, it would be interesting to investigate investors' willingness to collaborate in the Houaphanh bamboo program. Who is interested? Why? What can they get out of it? Where do they come from? How would the governance structure within the value chain change if investors participate? In other words, what does an investor profile look like?

Third, the aspect of income and income diversification is discussed earlier in this chapter. Income not only includes money, but non-monetary resources as well such as land, labor, skills and capital (Bolwig et al. 2010: p.179). Of course, producers' traditional income activities are of value as well (e.g. their paddy field). Investigating other sources of income do not belong to the scope of this thesis. It might be interesting to compare the results of this thesis to (studies on) other income sources to see whether upscaling bamboo practices really increases producers' wellbeing.

Finally, it might be interesting to take this thesis a step further and look into opportunities for export once quantity and quality of production meet certain standards and are constant. The study Mr. Khamleck is planning to execute during this year concerning the potential of the neighboring Vietnamese market can be helpful in this respect. Besides that, LNCCI might be able to make a contribution here. Next, it is important to see whether export even is a realistic prospect for the Houaphanh bamboo products. The products are currently valued for their unique regional designs, good bamboo quality and the fact they are handmade. These are characteristics which give the products a certain emotional value for people visiting the country or region (Boomsma & Arnoldus 2008). This value is not as relevant when exporting the products. Development in the producer groups composition will affect the future prospects of the value chain. When aiming for inclusive approaches by incorporating all actors, export will be a difficult goal to reach as regional competition is very high and production more advanced. By filtering groups for competitiveness and focusing on the handicraft niche market, export can be more realistic. However, the focus at this moment should be on strengthening and refining the internal market opportunities.

## 7.2.2 - Practical recommendations

Based on the results, several practical recommendations directed to the bamboo program of SNV Lao PDR can be made. The program actors can decide which results and in what way they are relevant. Earlier results of this thesis already lead to the start of a study in cost/price determination within the chain. The results of these two studies can complement each other in taking pro-poor value chain development a step further.

Two types of recommendations concerning market linkages have been discussed in the previous chapter. These include 1) a ranking of suitable sales locations and 2) collective action. The activities with the shop owners can be proceeded by engaging in more detailed conversations. Several SNV employees who participated in this research are aware of the specific locations and might be able to conduct further research if preferred. Collective action is discussed in a wide range of books and articles filled with latest theories and more practical considerations. Only the tip of the ice berg has been highlighted in this research in order to pose it as a recommendation. A list of recommended readings is presented here in case it will be decided to build on these recommendations. Related topics such as social capital, social learning and free-riding are covered in this literature.

- 1) Devaux et al. (2009) pose two complementary approaches for achieving pro-poor market innovation in:

Devaux, A., D. Horton, C. Velasco, G. Thiele, G. López, T. Bernet, I. Reinoso & M. Ordinola (2009), Collective action for market chain innovation in the Andes. *Food Policy* 34, pp. 31-38.

- 2) Kruijssen et al. (2009) pose a comprehensive conceptual framework concerning the adaptation of collective action in daily processes in:

Kruijssen, F., M. Keizer, A. Giuliani (2009), Collective action for small-scale producers of agricultural biodiversity products. *Food Policy* 34, pp. 46-52.

Issues to consider are whether it is wise to set up an organization, an issue which is suggested by the district and provincial governments during the interviews (initial costs might be high, later benefits as well), which actors should be involved and if public or private support is required? Besides that, when working towards an association or collective action, governance is an important aspect to consider. Currently, a mix of arm's length and relational interactions seems present within the value chain (chapter 6). This results in a mix of approaches including the decision to *make-to-order* or *make-to-to forecast* for instance. Bundling producers abilities and choosing one approach or a mixed approach might be beneficial for efficiency.

Finally, marketing opportunities were discussed. Also in this respect, collective action seems beneficial as discussed in the previous chapter. Besides that, it seems wise to decide on a positioning

strategy and consequently develop a marketing strategy. Again, several helpful articles are added to support the implementation process.

- 1) Boomsma, M. and M. Arnoldus (2008), *Branding for Development*. KIT Working Papers Series C2. Amsterdam: KIT.
- 2) Peppelenbos, L. (2008) *Pro-poor market development: an approach and quick-scan screening tool for pro-poor business propositions*. KIT Working Papers Series C1. Amsterdam: KIT
- 3) Kop, P. van de, D. Sautier & A. Gerz (eds.) (2006), *Bulletin 372- Origin-based products. Lessons for pro-poor market development*. Amsterdam: KIT Publishers. A joint publication of Cirad and KIT.
- 4) Sylvander, B., D. Barjolle, and F. Arfini (eds.) (2000), *The socio-economics of origin labelled products in agri-food supply chains: Spatial, institutional and co-ordination aspects*. *Proceedings from Le Mans Colloquium*. Paris, INRA, *Economie et Sociologie Rurales, Actes et Communications* 17 (2).



Thank you



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|---|--|
| 8. <i>Is the village facing any major health problems?</i>  |  |
| 9. <i>What is the average number of children per couple?</i>  |  |
| 10. <i>How do villagers collect water? Water quality?</i>   |  |
| 11. <i>What is the distance to the closest water source?</i>  |  |
| 12. <i>Is there sufficient water supply throughout the year?</i>                                    |  |
| 13. <i>Is there sufficient food throughout the year?</i>  |  |
| 14. <i>Where does the food come from? Distance?</i>   |  |
| 15. <i>Is there a school in the village? What type?</i>   |  |
| 16. <i>What is the age of children going to school? What is the number of school aged children?</i> |  |
| 17. <i>What percentage of the school-aged children goes to school?</i>                              |  |
| 18. <i>What percentage of the school-aged children finishes school</i>                              |  |

**Preferably ask this set of questions to the head of the producer group**

| <b>Producer group information:</b> |  |   |
|------------------------------------|--|---|
| Interview with:                    |  |   |
| <b>General information</b>         | 1. How many villagers belong to the bamboo handicraft producer group?  | Total:<br>Male:<br>Female:<br>Children: |
|                                    | 2. Did the members produce handicrafts before forming the producer group?  |   |
|                                    | 3. How many hours a day does a member on average spent on making bamboo handicrafts?   | Dry season:<br>Cultivation season:      |
|                                    | 4. What are the main income activities of the group members?   |   |
|                                    | 5. What is the average monthly income of a member?   |   |
|                                    | 6. Did the average income of the members increase since they joined the producer group?  |   |
|                                    | 7. Do people feel their quality of life has changed since they belong to the producer group? If yes, how?  |   |
|                                    | 8. Is there a specific role division within the group? (e.g. women/men)  |   |
|                                    | 9. Who and how are decisions within the group made? Do you think everyone understands the rules and decisions? Why/why not? Are the rules informal/verbal/written? |   |
|                                    | 10. Do group members work separately or together? How often? Share knowledge? Jointly define problems, search for solutions and implement solutions?               |   |
|                                    | 11. How would you describe the level of trust between group members? Why?  |   |
|                                    | 12. What is the product range of the producer group?   |   |
| Type                               | Price  | Time                                    |

|                                      |                               |  |  |
|--------------------------------------|-------------------------------|--|--|
| <b>Productivity (Value creation)</b> | <b>Raw material resources</b> | 1. <i>Types of bamboo?</i>   |  |
|                                      |                               | 2. <i>How far?</i>   |  |
|                                      |                               | 3. <i>Transport? Difference DS/CS?</i>   |  |
|                                      |                               | 4. <i>Scarce?</i>  |  |
|                                      |                               | 5. <i>Regulations?</i>   |  |
|                                      | <b>Financial resources</b>    | 1. <i>Entrance or yearly fee? (membership)</i>   |  |
|                                      |                               | 2. <i>Access to credit?<br/>If no, have an interest in/need for this? Why or why not?</i>                |  |
|                                      |                               | 3. <i>Other group incomes?<br/>If yes, how do you manage and spent it?<br/>If no, why no group fund?</i> |  |
|                                      |                               | 4. <i>Any investments or insurance for the producer group?</i>   |  |
|                                      |                               | 5. <i>Satisfied about the amount and allocation of financial resources? Why/why not?</i>                 |  |

|                                      |                             |  |  |
|--------------------------------------|-----------------------------|--|--|
|                                      | <b>Production resources</b> | 1. <i>What technology?</i><br>- <i>Primary (tools)</i><br>- <i>Processing (treatment)</i><br>- <i>Transport</i><br>- <i>Packaging/Labeling</i> |  |
|                                      |                             | 2. <i>Initial cost? Who paid?</i>  |  |
|                                      |                             | 3. <i>Satisfied about tools? In need of other tools? If yes, what type?</i>  |  |
|                                      |                             | 4. <i>Storage: where, how, protected?</i>  |  |
| <b>Transactional (value capture)</b> | <b>Market access</b>        | 1. <i>Distance to market(s)? How many markets?</i>   |  |
|                                      |                             | 2. <i>Road access?</i>   |  |
|                                      |                             | 3. <i>How sell? (trader, to market, at home, factory)</i>  |  |
|                                      |                             | 4. <i>Transport (by who, how, quality/cost issues?)</i>  |  |
|                                      |                             | 5. <i>Did the number of clients increased over time? If yes, benefit from this?</i>  |  |
|                                      |                             | 6. <i>Able to meet quantity and quality of demand?</i>   |  |

|  |                        |  |  |
|--|------------------------|--|--|
|  | <b>Market power</b>    | 1. <i>Competition, neutral or cooperation between villagers and between producer groups?</i>   |  |
|  |                        | 2. <i>Agreement with clients?<br/>If yes, about what? (quantity, quality, size, delivery time, cost (guaranteed price), sanctions, incentives, inspection (by who, how frequent, for what)</i> |  |
|  |                        | 3. <i>Any other rules in place?</i>  |  |
|  | <b>Market security</b> | 1. <i>constant quantity of production?</i>   |  |
|  |                        | 2. <i>Constant number of clients?</i>  |  |
|  |                        | 3. <i>Regular clients?</i>   |  |
|  |                        | 4. <i>Interested in other markets? Why?<br/>What needed?</i>   |  |
|  |                        | 5. <i>Able to change prices?</i>   |  |

|   |   |  |
|---|---|--|
| <b>Market Requirements</b>  | <i>1. What products do you like best to make? Top 3 and why?</i>  |  |
|   | <i>2. Interest in new designs? Why (not)?</i>   |  |
|   | <i>3. Interest in new techniques? Why (not)?</i>  |  |
|   | <i>4. Do you know where your products go to? Who are the end consumers?</i>                                   |  |
|   | <i>5. Do you have info on shop prices? For what price do shop owners sell your product to their consumer?</i> |  |
|   | <i>6. What are USPs (unique selling points) of your products?</i>   |  |
|   | <i>7. Ideas on marketing (product type, brand, color, quality, finishing, internet, brochure etc.)</i>        |  |
| <i>Any remarks, questions, suggestions or additional information?</i> |   |  |



## **Appendix II – Market survey**

*<separate document as it has a different layout>*







### Appendix III – Overview Houaphanh fieldwork activities

| Date       | District     | Location  | Type of data                       | People involved                            | Duration    | Translation | Comments   |
|------------|--------------|-----------|------------------------------------|--|-------------|-------------|--|
| 22-02-2011 | Viengxay     | Phounsane | Structured interview               | Head of bamboo producer group              | 1 h 30 min. | Bounxou     | 1 <sup>st</sup> interview (test)   |
| 23-02-2011 | Viengxay     | Viengxay  | Semi-str. interview                | Trader (Mr. Khamleck)                      | 1 h 45 min. | Touk        |  |
| 25-02-2011 | Viengxay     | Viengxay  | Str. Int & problem + solution tree | Members of Viengxay district government    | 1 h 30 min. | Touk & Deth |  |
| 26-02-2011 | Sobbao       | Nayom     | Structured interview               | Head of bamboo producer group              | 1 h 15 min. | Touk        |  |
| 27-02-2011 | Sobbao       | Tad       | Structured interview               | Head of village and head of producer group | 2 h         | Bounxou     |  |
| 27-02-2011 | Sobbao       | Tad       | Problem & sol. tree                | 10 producer group members                  | 30 min.     | Touk        | Only able to fill in producer side   |
| 27-02-2011 | Sobbao       | Tad       | Problem & sol. tree                | Trader (Mr. Khamleck)                      | 20 min.     | Deth        |  |
| 02-03-2011 | Sobbao       | Sobbao    | Problem & sol. tree                | Members of Viengxay district government    | 30 min.     | Touk & Deth | I was not able to conduct the same short interview (4 questions) as with the Viengxay district due to time constraints of the participants |
| 05-03-2011 | Xien Khouang | Phonsavan | Problem & sol. Tree                | Trader (Mr. Khamleck)                      | 40 min.     | Bounxou     | Follow-up after 27-02-2011   |

| Date       | District | Location    | Type of data                                   | People involved   | Duration    | Translation | Comments  |
|------------|----------|-------------|--|---|-------------|-------------|---|
| 25-04-2011 | Viengxay | Done        | Structured interview & problem + solution tree | Head of bamboo producer group, head of village and deputy head of bamboo producer group       | 1 h 55 min. | Touk        |   |
| 26-04-2011 | Viengxay | Houakhang   | Structured interview                           | Head of bamboo producer group   | 1 h 45 min. | Touk        | We left the question for the head of the village as he was not present and collected the complete form later that week.         |
| 27-04-2011 | Viengxay | Viengphane  | Structured interview                           | Head of bamboo producer group & head of village   | 1 h 20 min. | Touk        |   |
| 27-04-2011 | Viengxay | Nathaen     | Structured interview                           | Deputy head of bamboo producer group & producer group member                                  | 1 h 10 min. | Touk        | Some questions concerning the village information were not answered. We can call the head of the village later for the answers. |
| 27-04-2011 | Viengxay | Pougnakhaow | Structured interview                           | Head of bamboo producer group, head of village and first deputy head of bamboo producer group | 1 h 45 min. | Touk        |   |
| 28-04-2011 | Viengxay | Xiengman    | Structured interview                           | Head of bamboo producer group (trainer) & head of village                                     | 1 h 40 min. | Touk        |   |
| 28-04-2011 | Viengxay | Khang Muang | Structured interview                           | Head of bamboo producer group & head of village   | 1 h 25 min. | Touk        |   |
| 28-04-2011 | Viengxay | Sobbao      | Structured interview                           | Deputy head of bamboo producer group & head of village  | 1 h 45 min. | Touk        |   |

## Appendix IV – Overview other stakeholders

| Date       | Organization           | Person          | Duration | Translation | Comments                              |
|------------|------------------------|-----------------|----------|-------------|---------------------------------------|
| 04-04-2011 | LHA                    | Mr. Taliboun    | 110 min. | Anousone    |                                       |
| 05-04-2011 | Kongkham factory       | Mrs. Kongkham   | 80 min.  | Anousone    |                                       |
| 06-04-2011 | EDC                    | Ms. Phimmavong  | 70 min.  | -           |                                       |
| 07-04-2011 | WWF                    | Mr. Ledecq      | 50 min.  | -           | Anousone joined but did not translate |
| 05-05-2011 | Fair Trade Laos        | Ms. Phimmachanh | 45 min.  | -           |                                       |
| 09-05-2011 | Saoban handicraft shop | Mr. Ladpakdy    | 60 min.  | -           |                                       |
| 13-05-2011 | LNCCI                  | Mr. Vilasack    | 40 min.  | -           |                                       |

## Appendix V – Houaphanh product brochure



Lao PDR (Laos) has extensive forest areas which are home to abundant bamboo resources. One of the main regions rich of bamboo resources is the province of Houaphanh. Houaphanh is one of Laos' poorest provinces in the Northeast of the country, a 13 hour drive from the capital city of Vientiane. The region is famous for its diverse nature, culture and ethnic groups.

Bamboo products from this province are characterized by good quality, natural colors and region-specific weaving designs which are passed on from generation to generation. The enclosed brochure provides some examples of the Houaphanh bamboo products. All products are handmade, so each item is 100% unique from another.

The producers of the Houaphanh bamboo products involve poor people, mainly of disadvantaged communities (UXO victims) and ethnic minorities.



## **Appendix VI – Houaphanh bamboo catalogue**





























