

TRADE DEVELOPMENT FACILITY 2 – CASE STUDIES

Lao Idea owner improves his techniques and design after a field trip in Thailand thanks to a BAF grant

Trade has an impact on incomes – an increase in the volume of trade of 10 per cent can raise per capita income by over 5 per cent. Due to the important positive benefits of trade on economic growth and poverty reduction, the Australian Government has set an aid for trade target that represents 20 per cent of the total aid budget by 2020. In Laos, the Australian aid for trade objective is to build a stronger trade regime and more competitive private sector. Support to the micro, small and medium-sized enterprise sector aims at improving their competitiveness and ability to export, with a particular focus on women entrepreneurs.

This case study looks at how Mr Suvanhny from the T-shirt company Lao Idea received a BAF grant to study T-shirt printing in Thailand and as a result improved the quality of his T-shirt designs.

THE SECOND TRADE DEVELOPMENT FACILITY (TDF-2)

TDF-2 is a multi-donor project funded by Australia, the European Union, Germany, Ireland, the United States and the World Bank and implemented by the Ministry of Industry and Commerce focused on improving trade and private sector development in Lao PDR.

The TDF-2 includes the Business Assistance Facility and the Garment Skills Development Centre.

THE BUSINESS ASSISTANCE FACILITY (BAF)

The Business Assistance Facility is part of the “diversification and competitiveness” sub-component of TDF-2. BAF is designed to support individual firms build their skills and experience so that they can grow and become more competitive internationally. This is achieved through two main activities: (i) direct consulting services to individual firms regarding their business growth plans; and (ii) matching grants to assist individual firms to purchase specialized business development services in support of their growth plans. BAF commenced operations on 1st October 2013 and is scheduled to conclude on 31st March 2017.

LAO IDEA

Mr Suvanhny started his business five years ago, selling T-shirts at the night market in Vientiane where he would sell about 10 – 20 T-shirts per night. Then he opened a shop near the cultural centre, three stalls at the night market and a shop and production workshop near That Luang temple. Lao Idea specialises in 100% cotton T-shirts with printed logos related to Laos and Vientiane. The T-shirts are different from the other ones sold at markets in Laos which are imported from Thailand and China and made from poly-cotton blends. Mr Suvanhny employs 15 people to sew and print the designs on the T-shirts and work in his different retail outlets.

The customers of Lao Idea are 90% Lao and 10% foreigners. The biggest sales period is the Boat Festival, late October when crowds gather along the Mekong River to watch teams racing traditional

boats and many stalls are set up in the surrounding area. It is not unusual for him to sell up to 400 T-shirts per day during that week.



Lao Idea shop in That Luang.
The workshop is upstairs



THE BAF GRANT



Mr Suvanhny with some of his latest designs

Mr Suvanhny heard about the grant when a World Bank representative informed him about the BAF while interviewing him on another matter. He applied to the BAF for a grant to study printing techniques at a T-shirt dye maker and printing facility in Thailand. Having taught himself to print the T-shirts and having never received any formal training he wanted to improve his skills and upgrade his designs. He did research on garment factories, dying and printing houses and identified an appropriate facility. BAF paid for 50% of the cost of the training (travel, accommodation costs etc.). The amount of his grant was USD 300.

WHAT CHANGED?

Mr Suvanhny was very pleased to receive a grant. Based on his past experience he did not think he would ever receive outside support for his business. He thought the government and financial sector were only interested in large businesses. He had never been able to access a loan from a bank because, being from a poor village, didn't have enough collateral behind him.

Mr Suvanhny also benefitted from the skills and knowledge he gained from attending the course. He improved his designs as he learned to do more sophisticated motifs. He also learned how to use and source better quality dyes and cloth.

WHAT'S NEXT?

The study tour to Thailand was only five days so Mr Suvanhny didn't learn everything he wanted to learn. As he can't afford to return on his own, he may apply for another grant.

However, in the immediate future, he has other pressing priorities. He needs to spend money on his printing machines and improve his marketing strategy. He faces big competition from imports produced in Thailand, Vietnam and China, exacerbated by what he sees as Lao customers' lack of faith in the quality of products from their own country. He has faced big challenges in marketing. This includes the difficulty in being able to find and afford a shop in a prime location. Shops in the centre of town cost USD 15,000 a year to rent and usually are filled 3 days after becoming vacant. He is also trying to work out how to cost effectively market his products outside Vientiane. Another challenge is how to prevent his designs from being copied which tends to happen when he sells from a booth at a festival. He plans to register his designs for copyright.

The Lao Idea company gained a great deal from a small investment due to a grant from the BAF. However as a small local company without an extensive business network Mr Suvanhny still faces many challenges to grow his business.

Before



After



Mr Suvanhny improved his T-shirt logos designs after the BAF supported field trip to Thailand