

TRADE DEVELOPMENT FACILITY 2 – CASE STUDIES

Phaipayouk Handicraft improves quality and productivity after attending GSDC training

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 focuses on how Mr Son from Phaipayouk Handicraft, a maker of bags and other products made from bamboo, attended the Industry Engineering course at the Garment Skills Development Centre (GSDC) and went on to produce new tools which increased the company's efficiency, quality and turnover.

THE SECOND TRADE DEVELOPMENT FACILITY (TDF-2)

TDF-2 is a multi-donor project funded by Australia, the European Union, Germany, Ireland, the US 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 GARMENT SKILLS DEVELOPMENT CENTRE (GSDC)

The Garment Skills Development Centre was established by TDF-1 in 2011 and has continued support from TDF-2 since 2013. Prior to this, although garment factories commenced operations in Laos in 1990 there was no centre established specifically for training in the industry. The Centre provides courses including Sewing Operator (18 days, LAK 400,000), Supervisor (17 days), (technical and soft skill/management), Pattern Making (LAK 3.5 million, 35 days), Quality Control, Industry Engineer, Quality Assurance and Human Resource Management. Students include members of the public, factory workers who want to start their own business, factory workers sent by companies to improve their skills, small business owners, managers and specialists including foreigners.

PHAIPAYOUK HANDICRAFT, A GROWING FAMILY BUSINESS PRODUCING TRADITIONAL LAO PRODUCTS

Phaipayouk Handicraft was created in 1999 and is managed by Ms Khankeo and her brother Mr Son. Their business produces bags, wallets and covers for notebooks made from bamboo and traditional Lao weaving. The company produces more than 100 different items with exclusive designs created by Ms Khankeo. They average 1,000 pieces per month. Their buyers are mainly shops in Talat Sao Mall as well as the famous Saoban fair trade handicraft shop in Vientiane.

The company employs 10 people and 10 subcontractors who work from home. Almost all the employees are women.



Bags made of bamboo and traditional embroidery



THE INDUSTRY ENGINEERING COURSE AT THE GSDC

Mr Son, Deputy Manager of the company, attended a five day Industry Engineering course at the GSDC in July 2015. Mr Son learned to make stainless steel tools that attach to the sewing machine to enable mechanization of operations formally undertaken by hand such as the production of handles for bags and embroidered or woven edging. The GSDC provided the raw material to create the tools during the course and some extra material so that the students could create more tools in their business after the training was finished.

The cost of the course was LAK 700,000 which was paid by Phaipayouk Handicraft.

WHAT CHANGED?

Based on the skills that he learned at the training, Mr Son went on to create modified tools designed specifically to make the Phaipayouk Handicraft products. He stated: *"I am very happy I learned to produce tools. It is very good because now I can adapt the tools to all our needs. I can produce bigger or smaller tools."*



Mr Son in the workshop supervising the production of new folder covers

Completing the training allowed Phaipayouk to mechanise many operations which improved productivity. Whereas sewing a border took 10 minutes before Mr Son had his new tools it now takes only 6 minutes. On average it now takes 30% less time to make a bag than before. At the time of the interview, the company had received a big order of for notebooks (900 pieces). Before it would have

taken 60 days but now that they have the new tools their order will be delivered in 40 days.

The new tools also led to an improvement in quality and a reduction in the number of customers returning products which in turn led to productivity improvements. The staff now work faster because they have more confidence they can do the job right the first time.



This tool was created to mechanically glue the border of the cover

WHAT'S NEXT?

Mr Son and his sister, Ms Khankeo, managing director and owner, have other ideas to grow the business which they are starting to implement. Mr Son would like to attend another course to make more complicated tools as he only learned to make basic tools in the initial course. The owner, Ms Khankeo, plans for the company to start producing women's clothes. In August 2015 she attended the 35 day course on Pattern Making for Female Clothes at the GSDC. They also plan to set up a shopfront in the traditional Lao 70 year old house where they live in the tourist area to retail their own products.

Phaipayouk Handicraft has increased their productivity and turnover because of their access to new technology and their investment in Mr Son's attendance at the GSDC course in industry engineering. The company is now striving to use innovation to grow the business. This case study shows how good quality skills training provided locally can have a positive effect on the growth of a small business.