UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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# ENHANCING BACKWARD LINKAGES BETWEEN TOURISM AND OTHER SECTORS IN LAO PEOPLE'S DEMOCRATIC REPUBLIC

UNITED NATIONS

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This publication has been edited externally.

## Acknowledgements

This report is a product of UNCTAD, prepared as part of the project on “Enhancing sustainable tourism, clean production and export capacity in Lao People’s Democratic Republic”, funded by the Swiss State Secretariat for Economic Affairs (SECO), under the framework of the UN Inter-Agency Cluster on Trade and Productive Capacity.

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**UNCTAD/DITC/TED/2014/4**
UNITED NATIONS PUBLICATION

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# Acronyms

| | |
|---|---|
| ADS | approved destination status |
| ASEAN | Association of Southeast Asian Nations |
| B2B | business-to-business |
| CCC | Cambodian Craft Cooperation |
| CPEC | Caribbean Programme for Economic Competitiveness |
| CSR | corporate social responsibility |
| EMS | environmental management systems |
| EPRP | Export-led Poverty Reduction Progamme |
| FIT | fully independent traveller |
| FTI | full travel innovation |
| GDP | gross domestic product |
| GMS | Greater Mekong Subregion |
| GRI | Global Reporting Initiative (United Nations) |
| GTM | Green Travel Market |
| ITC | International Trade Centre |
| JAS | Jamaican Agricultural Society |
| JMA | Jamaica Manufacturers' Association |
| LNTA | Lao National Tourism Administration |
| MICE | meetings, incentives, conferences, exhibitions |
| MOU | memorandum of understanding |
| NGO | non-governmental organization |
| OAS | Organization of American States |
| TCCI | Tata Council for Community Initiatives |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| USAID | United States Agency for International Development |
| VISIT | Voluntary Initiative for Sustainability in Tourism (European Union) |
| WN | Woodlands Network (Sri Lanka) |
| WTTC | World Travel and Tourism Council |

# KEY RECOMMENDATIONS

In Lao People's Democratic Republic, as in other parts of the world, tourism development is frequently promoted as it promises high potential for intersectoral linkages with attendant multiple development impact. However, this report reveals that in Lao People's Democratic Republic these intersectoral linkages have not been well developed, with particularly weak linkages to the domestic economy. There are especially weak links between tourism and agriculture, with rural economies often receiving very few economic benefits. Rather than creating synergies between different sectors, tourism tends to generate increased food imports, which both undermines local agriculture and drains foreign exchange earnings. It is recognized, however, that there is always a trade-off between different sectors and while tourism may increase the cost of production, labourers and landowners also benefit from increased wages, resource values and infrastructure improvements.

The sourcing of goods locally, particularly from the agricultural sector, is seen as a key potential beneficial impact that the tourism sector can have in developing countries. In fact, many national tourism development plans are drawn up based on the assumption that the economic benefits of tourism will stimulate other sectors of the economy, in particular, agriculture.

This report highlights that in order to make the most of tourism and maximize the benefits to the Lao economy, there is a need to try and encourage tourists to stay in the country for longer and for Lao People's Democratic Republic to become a destination in itself rather than simply a transit destination. Focusing on increasing the demand for tourism products, there is a need for an improved ability to cater for both the emerging Asian market as well as backpackers, while targeting groups specifically and improving the quality of service and experience. Quality and service are aspects of high importance to the emerging Asian market while an exciting experience and value for money are high on the list of expectations of backpackers. The age range of tourists is also changing and needs to be taken into account when targeting specific groups. Improved use of technology and social media are of ever growing importance as tourists are increasingly connected and information can be updated more rapidly than via traditional channels. With increased arrivals, there is a need to maintain the charm of tourist sights, for example, Luang Prabang. If this is lost, a major resource for attracting the tourists will be gone, decreasing the value of the destination.

As for the supply side of tourism products, higher standards and greater amenities will be critical to the success of diversifying the tourism market away from the low-end backpacker market, and thus increasing the value of tourism to the Lao economy. The number of tour operators has more than doubled since 2006, but they are all competiting for a relatively small market, offering the same products and mainly competing on price, often ignoring quality issues. An increased focus is needed on supplying higher quality products and services in order to attract higher spending by tourists in Lao People's Democratic Republic. Excursions focus mainly on nature and adventure. The offer in cultural excursions, however, is minimal. This cultural aspect has a much higher potential to increase spending and involve local people in the tourist value chain.

Transport infrastructure is improving, with flights into Lao People's Democratic Republic's main international airport in Vientiane increasing and internal transportation improving, but air access and internal transport need expansion to meet growth objectives. Lao People's Democratic Republic has traditionally attracted a significant number of backpackers. However, it wants to attract more high-yield visitors and thus needs to build capacity, especially in the accommodation sector, which is still transitioning from the budget market and has a majority of rooms in guesthouses. Establishing international standards in the hotel industry must also be addressed. Tourism is still concentrated in the cities of Vientiane and Luang Prabang and its benefits have been slow in reaching rural populations. The excursion products are often of low quality and unimaginative. Better training of local staff and understanding of tourists' expectations would help to improve experiences and thus promote activities as well as spending around excursion options.

The handicraft sector suffers from high levels of sales of imported goods, reducing the captured value in Lao People's Democratic Republic itself, as well as the authenticity of the product for the buyer. There is also a limited product range that might appeal to tourists and tourism businesses due to a lack of innovation and new designs. This, along with poor product quality, limited knowledge of tourists' expectations and difficulty to compete on price with imported products, in particular when the clientele is price conscious (e.g. backpackers), results in lower sales to tourists and thus a missed opportunity to create local jobs and to increase levels of income. The sector also suffers from poorly developed market linkages with retail shops in the main tourist locations and low integration in holiday packages of tour operators and hotel resorts, resulting in yet more missed opportunities. Most hotels use relatively few locally produced products, although most managers of the high-end hotels stated that they were generally interested in procuring locally but that the quality of produce and reliability of sellers made it at times difficult.

In order to support the procurement of local inputs and to maintain sustainable linkages between tourism and other domestic sectors, the demand, supply and marketing and intermediary related factors as well as government policy have to be taken into account. A frequent problem in increasing intersectoral linkages is often the mismatch between supply and demand and the lack of intermediary support structures that enable buyers and suppliers to come together. A key issue is the lack of communication between sectors and consequently the lack of awareness of needs and objectives that often make it impossible to cooperate. Frequently highlighted problems are inadequate quality, reliability and volume of produce, exacerbated by poor transport, storage and communication facilities. Addressing these needs in national tourism development programmes' linkages with the development plans of other sectors, including the agriculture (especially organic) sector, remains a challenge for Lao People's Democratic Republic and its development cooperation partners.

# I. INTRODUCTION

In the Lao People's Democratic Republic, as in other parts of the world, tourism development is frequently promoted as a growth sector with promises of high potential for intersectoral linkages and thus as tourism grows, theoretically it also lifts up the other interconnected sectors – having a multifacetted development impact. However, this report shows that in Lao People's Democratic Republic the linkages are not well developed, with particularly weak linkages to the domestic economy. There are especially weak links between tourism and agriculture, with the rural economy often receiving very little economic benefit. Rather than creating synergies between different sectors, an alternative scenario often emerges in which tourism generates increased food imports, which both damages local agriculture and drains foreign exchange earnings. There is always a trade-off between different sectors and while tourism may increase the cost of production, labourers and landowners also benefit from increased wages, resource values and infrastructure improvements.

In order to support the procurement of local inputs and to maintain sustainable linkages between tourism and other domestic sectors, the demand, supply and marketing and intermediary related factors as well as government policy need to be taken into account. A frequent problem in increasing intersectoral linkages is often the mismatch between supply and demand and the lack of intermediary support structures that enable buyers and suppliers to come together. A key issue is the poor communication between sectors and consequently the lack of awareness of needs and objectives that often make it impossible to cooperate. Frequently highlighted problems are inadequate quality, reliability and volume of produce, exacerbated by poor transport, storage and communication facilities. The report looks at these issues for Lao People's Democratic Republic alongside experiences from other countries and regions of how to address them and make tourism an effective motor for growth and development which also builds up other sectors; exploring recommendations to enhance linkages.

## A. Tourism in Lao People's Democratic Republic and Luang Prabang

Despite being one of the poorest countries in Asia, Lao People's Democratic Republic's wealth of natural and cultural heritage resources and "off-the-beaten track" appeal has fuelled growth in international tourist arrivals. With 20 national protected areas, strong cultural traditions and history, Lao People's Democratic Republic has benefited from tourists' desire for more "authentic" experiences while also offering a relatively inexpensive tourism product. Political and economic reforms and the government's prioritization of tourism in 1995, upgrades in tourism infrastructure, reduced investment restrictions, the opening of the country to international agencies and non-governmental organizations (NGOs), intraregional travel, marketing partnerships with neighbours and increased media coverage have all driven up tourist arrivals.

Today, tourism is Lao People's Democratic Republic's main source of foreign exchange. The World Travel and Tourism Council (WTTC, 2013) forecasts that by 2019, Lao People's Democratic Republic's travel and tourism economy (directly and indirectly) will generate US$1.4 billion in activity and account for 205 000 jobs (one in every 13.5 or 7.4% of total employment). In 2012 the direct contribution of travel and tourism to gross domestic product (GDP) was LAK 3 679.6 billion (5.3% of total GDP), and it is forecast to rise by 5.3% per annum, from 2013–2023, to LAK 6 631.2 billion in 2023. In 2012, the total contribution of travel and tourism to GDP was LAK 11 544.8 billion (16.7% of GDP), and this is forecast to rise by 5.9% per annum to LAK 22 366.8 billion in 2023. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists.

In 2012 travel and tourism directly supported 134 000 jobs (4.5% of total employment). This is expected to rise by 1.2% per annum to 154 000 jobs (4.3% of total employment) in 2023. Visitor exports generated LAK 3 463.4 billion (20.0% of total exports) in 2012. This is forecast to grow by 5.1% annually, from 2013–2023, to LAK 6 246.4 billion in 2023 (16.4% of total). Travel and tourism investment in 2012 was LAK 2 464.7 billion, or 8.9% of total investment. It should rise by 6.3% per annum over the next 10 years to LAK 5 007.8 billion in 2023 (8.6% of total).

## B. Tourism and intersectoral linkages

Tourism development is frequently promoted as it seems to promise high potential for intersectoral linkages. However, several studies have also noted the failure of intersectoral linkages to develop. Taylor *et al.* (1991) argue that linkages between the tourism and the agricultural sector in the Caribbean are weak and that import substitution could lead to approximately 25% more local inputs being used. Similarly, Mbaiwa (2000) states that tourism has minimal economic impact on rural development in the Okavango Delta in Botswana mainly because it has weak linkages to the domestic economy, with tourism only contributing 0.5% to agricultural purchases locally. Freitag (1994), discussing the Dominican Republic, argues that the lack of cohesion between the tourism industry and traditional economic sectors, in particular agriculture, has led to tourism not fulfilling its expectations.

Rather than creating synergies between different sectors, an alternative scenario is often revealed in which tourism generates increased food imports, which both damages local agriculture and drains foreign exchange earnings (e.g. Belisle, 1984a, 1984b; Hermans, 1981; Long, 1992). Bryden found that tourism grows in competition with other sectors, "principally export and domestic agriculture" (1973: 214). Similarly, Weaver claims that the demise of agriculture can be "attributed largely to the emergence of tourism as a viable alternative to a chronically unstable agricultural sector, promoting the lateral transfer of investment capital by local and expatriate plantation interests from agriculture to tourism" (Weaver, 1988: 324).

On the other hand, Latimer (1985) states that tourism development sites are often chosen precisely because of their poor agricultural potential. Bowen *et al.* (1991) contend that there is always a trade-off between different sectors and while tourism may increase the cost of production, labourers and landowners also benefit from increased wages, resource values and infrastructure improvements. Citing examples from Hawaii, they argue that tourism did encourage the production of high-value, non-traditional agricultural products. Similarly, Hermans cites a Spanish example where "indirectly tourism has been the motor for development of agriculture" (1981: 471).

The sourcing of goods locally, particularly from the agricultural sector, is seen as a key potentially beneficial impact that the tourism sector can have in developing countries. In fact, many national tourism development plans are drawn up based on the assumption that the economic benefits of tourism will stimulate other sectors of the economy, notably agriculture.

In order to support the procurement of local inputs and to maintain sustainable linkages between tourism and agriculture, the demand, supply and marketing and intermediary related factors as well as government policy need to be taken into account. A frequent problem in increasing intersectoral linkages is often the mismatch between supply and demand and the lack of intermediary support structures that enable buyers and suppliers to come together. A key issue is the poor communication between sectors and consequently the lack of awareness of needs and objectives that often make it impossible to cooperate. Frequently highlighted problems are inadequate quality, reliability and volume of produce, exacerbated by poor transport, storage and communication facilities.

An example of cooperation between the tourism and agricultural sectors is the *Eat Jamaican* campaign launched in 2003 by several Jamaican associations and businesses, including the Jamaica Agricultural Society (JAS) and the Jamaica Manufacturers' Association (JMA), to promote locally produced goods to residents, visitors and exporters. Since its launch the JAS reported growth of the agricultural sector, which is strongly linked to the support provided by one of the leading all-inclusive tourism resorts: *SuperClubs*. In addition to buying fresh fruit and vegetables from JAS, and promoting the *Eat Jamaican* campaign in their resorts, *SuperClubs* is said to be working with JAS to provide incentives for local farmers and it assists with designing technical assistance programmes for JAS members. The company also provides the Jamaican Government with policy guidelines for initiatives that aim to benefit both the agriculture and tourism industries (*Caribbean News*, 2004). While much of this could be attributed to public relations initiatives and marketing, a key reason for *SuperClubs*' engagement in the scheme is said to be the need for the supply of high quality goods from local sources.

## C. Overview of the study

This study examines the context in Lao People's Democratic Republic with the view of enhancing backward linkages with other sectors especially craft producers, but also agriculture, assessing the products available and the current and potential buyers and sellers from the tourism industry. In Lao People's Democratic Republic, as in other parts of the world, tourism development is frequently promoted as it seems to promise high potential for intersectoral linkages. However, this report reveals that in Lao People's

Democratic Republic these linkages have not been well developed, with particularly weak linkages to the domestic economy. There are especially weak links between tourism and handicrafts and agriculture, with rural economies often receiving very little economic benefit. Rather than creating synergies between different sectors, an alternative scenario often emerges in which tourism generates increased food imports, which both competes with local agriculture and drains foreign exchange earnings. It is recognized, however, that there is always a trade-off between different sectors and while tourism may increase the cost of production, labourers and landowners also benefit from increased wages, resource values and infrastructure improvements.

In order to support the procurement of local inputs and to maintain sustainable linkages between tourism and other domestic sectors, the demand, supply and marketing and intermediary related factors as well as government policy are taken into account in the report. A frequent problem in increasing intersectoral linkages is often the mismatch between supply and demand and the lack of intermediary support structures that enable buyers and suppliers to come together. Another key issue is the poor communication between sectors and consequently the lack of awareness of needs and objectives that make it often impossible to cooperate. Frequently highlighted problems are inadequate quality, reliability and volume of organic produce, exacerbated by poor transport, storage and communication facilities. Lessons are also drawn from around the world, where similar connections between agriculture and tourism have been developed, providing ideas on ways and means of addressing the inadequacies in intersectoral linkages between tourism and other sectors, including organic agriculture, in Lao People's Democratic Republic.

# II. DEMAND

Backpackers form a major proportion of visitors to Lao People's Democratic Republic, partly due to the limited capital available to develop infrastructure for more upmarket tourism. Hence, small tourism operators predominate and many make a virtue of necessity by promoting enterprises at sites that lack formal infrastructure by offering opportunities for visitors to get close to nature. As a result, tourism in Lao People's Democratic Republic generally has increasingly come to be equated with adventure tourism and ecotourism, albeit that the standards of client safety and environmental performance may not meet the expectations implicit in the use of such terms internationally.

Table 2.1 shows the basic tourism statistics for Lao People's Democratic Republic as a whole and Luang Prabang and Vientiane, specifically.

International tourist arrivals to Lao People's Democratic Republic have grown dramatically, from 14 000 in 1990 to a peak of 2.7 million in 2011. Between 1995 and 2011 the average annual growth rate of international tourist arrivals was just over 20%. This is very considerable given that the annual growth rate globally has been around the 4–5% mark.

**Table 2.2: Number of international arrivals to Lao People's Democratic Republic**

| Year | Number of arrivals | Revenue (US$) |
|---|---|---|
| 1990 | 14 400 | n.a. |
| 1995 | 346 460 | 24 738 480 |
| 2000 | 737 208 | 113 898 285 |
| 2005 | 1 095 315 | 146 770 074 |
| 2010 | 2 513 028 | 381 669 031 |
| 2011 | 2 723 564 | 406 184 338 |

*Source:* Tourism Development Department, 2011.

**Table 2.1: Tourism statistics for 2011**

| Indicators | Lao People's Democratic Republic | Vientiane (capital) | Luang Prabang |
|---|---|---|---|
| Arrivals | 2 723 564 | 1 154 501 | 294 213 |
| Revenue | 408 184 338 | n.a. | 110 329 875 |
| Main market | Asia and Pacific 90.5%<br>Europe 6.7%<br>Americas 2.6%<br>Middle East and Africa 0.3% | n.a. | Asia and Pacific 42.3%<br>Europe 43.0%<br>Americas 13.4%<br>Middle East and Africa 1.3% |
| Length of stay | 7 | n.a. | 5 |
| Expenditure per day | 72 | | 70 |
| Travel arrangement | n.a | n.a. | FIT 58.4%<br>Package 38.0%<br>Other 3.2% |
| Activities/interests | Nature<br>Culture<br>Minority people<br>Food<br>Shopping<br>Business | Culture<br>Shopping<br>Business<br>VFR | Trekking 24.8%<br>Kayaking/rafting 10.8%<br>Camping 2.8%<br>Ethnic villages 29.6%<br>Mountain biking 5.2%<br>Wildlife/safari 10.8%<br>Other 23.2% |
| Accommodation providers | 435 hotels<br>1 491 guest houses<br>(total beds: 43 274) | 195 hotels<br>197 guest houses<br>(total beds: 13 568) | 54 hotels<br>225 guest houses<br>(total beds: 4 878) |
| Occupancy rates | 57% | 63% | 68% |

*Notes:* FIT – fully independent traveller; VFR – (visiting friends and relatives).

*Source:* Tourism Development Department, 2011.

**Table 2.3: International arrivals by region of origin**

| Year | Asia and Pacific | Europe | Americas | Middle East and Africa | Total |
|---|---|---|---|---|---|
| 1990 | n.a | n.a | n.a | n.a. | 14 400 |
| 1995 | 314 470 | 20 635 | 11 019 | 336 | 346 460 |
| 2000 | 604 254 | 86 462 | 42 111 | 4 381 | 737 208 |
| 2005 | 899 273 | 131 326 | 60 061 | 4 655 | 1 095 315 |
| 2010 | 2 260 026 | 178 140 | 67 291 | 7 571 | 2 513 028 |
| 2011 | 2 464 651 | 181 539 | 69 990 | 7 384 | 2 723 564 |
| Growth rate | 19.8% | 20.9% | 21.6% | 30.3% | |

*Source:* Tourism Development Department, 2011.

Visitors from neighbouring Association of Southeast Asian Nations (ASEAN) countries represent by far the largest number of tourists in 2011 (2 191 224 or 80% of total arrivals). Thailand leads in arrivals (1 579 941) followed by a significant margin by Viet Nam (561 586) and China (150 791). Visitors from China have increased in recent years due to many new Chinese business ventures and joint government projects. Lao People's Democratic Republic's approved destination status (ADS) with China and economic development have driven growth of Chinese leisure travellers. The autonomous region of Guangxi Zhuang is closely linked to Lao People's Democratic Republic by a new highway, which will help to boost arrivals. Despite slowdowns due to the recession, arrivals from China are expected to increase as its middle class grows and as the business relationship between the two countries expands.

**Table 2.4: Length of stay in Lao People's Democratic Republic**

| Year | Length of stay (days) for all tourists | Length of stay regional | Length of stay international |
|---|---|---|---|
| 1990 | n.a. | n.a. | n.a. |
| 1995 | n.a. | n.a. | 4.3 |
| 2000 | 4 | 2.4 | 5.5 |
| 2005 | 4.5 | 2 | 7 |
| 2010 | 4.5 | 2 | 7 |
| 2011 | 4.5 | 2 | 7 |

*Source:* Tourism Development Department, 2011.

The European market is relatively small (181 539 arrivals in 2011) – it is, however, an attractive market of high spenders (e.g. tourists from France, Germany and the United Kingdom). One-day excursions to Lao People's Democratic Republic are preferred by the majority of regional visitors, especially those from Thailand, who, as a group, make up 69% of arrivals. Thai numbers are strong, but daily expenditure is low.

The average length of stay is seven days. This is rather short for long-haul visitors from Europe and reflects the country's status as an add-on destination to Thailand, Cambodia and Viet Nam. Fortunately, Lao People's Democratic Republic's top markets include Australia, Japan, the United Kingdom and the United States of America, which are among the highest spending markets.

With transportation, accommodation and other infrastructure improvements and a stronger and more diversified tourism product, length of stay is expected to increase. The Lao National Tourism Administration (LNTA) aims to achieve a length of stay of 8.9 days by 2015.

The majority of inbound leisure travellers arrive to visit historic and cultural sites, taking cruises on the Mekong River and partaking in ecotourism activities. Business travel has increased markedly due to international and regional economic cooperation among ASEAN countries. A very high percentage of regional visitors are actually day trippers from Thailand (737 913 in 2011) crossing over to Vientiane via Mitthaphab Bridge II.

The average expenditure in Luang Prabang is US$70 per day. This is slightly lower than the overall average for Lao People's Democratic Republic but it must be taken into account that a high amount of cross-border day tripping to Lao People's Democratic Republic is focused on shopping – especially among Thai visitors. Thus, while Thai visitors spend less on accommodation due to their relatively short average length of stay, they had relatively higher expenses on food and beverages and retail trade. It seems that Lao People's Democratic Republic is seen very much as a shopping destination, especially for day trippers from Thailand given to the price differences between the two countries. Both Thailand and Viet Nam show very high arrival numbers but their actual spending was extremely low (27% of total receipts).

Visitors from the Greater Mekong Subregion (GMS) countries spent more on "entertainment and recreational" activities whereas visitors from Europe, North America and other South East Asian countries spent more on sightseeing and transportation.

## A. Luang Prabang

The situation in Luang Prabang is very different. Luang Prabang receives roughly 10% of all visitors to Lao People's Democratic Republic. The majority of visitors are European followed closely by Asian and Pacific visitors, including Australia and New Zealand. Approximately 60% of visitors to Luang Prabang are from Western countries, and the majority are backpackers. Package tours are taken by the more upmarket tourists, particularly Thai tourists (38% of all visitors to Luang Prabang are package tourists). Thus there are two main categories of visitors. First, a very high number of backpackers trying to live as cheaply as possible, and second, a high-end package tour clientele, dominated by the Asian market but also including increasing numbers of European and North American visitors. There are few a visitors falling into a middle ground category between the budget backpackers and luxury package tour visitors.

Ashley (2006) estimates that budget tourists in Luang Prabang will spend around US$4–6 each on crafts and transport/excursions per day, while high-end tourists will spend US$50 each per day.

A European high-end tour operator commented:

> *"Lao People's Democratic Republic is part of one of our South East Asia tours which covers Thailand, Lao People's Democratic Republic and Cambodia [the trip lasts for 17 days and retails at around £2 500]. We travel by slow boat from Thailand and stay two nights in Luang Prabang before moving on to Vientiane for a day. Around seven years ago, we added Lao People's Democratic Republic to our programme for its tranquil qualities – something new and untouched ... We now have better hotels and the service seems to have improved a little – but Luang Prabang still seems a bit lost – too many backpackers".*

It is estimated that approximately 60% of arrivals fly into Luang Prabang airport while the rest arrive by land or river. Rather different to visitors to Vientiane, virtually all tourists (over 90%) are leisure tourists, The meetings, incentives, conferences, exhibitions (MICE) segment is, however, increasing as many upmarket hotels have been developed in the past 10 years which cater for the conference market.

The main incentive for visiting Luang Prabang (the province) is nature and adventure activity related. Luang Prabang (the town) acts as a stop-off point to soak up an "exotic atmosphere".

Some backpackers commented:

> *"Luang Prabang was suggested to me as an ideal spot to refresh. Good guesthouses at an okayish price… and dipping your fresh croissant into an excellent cup of coffee while watching the monks – what a perfect mix. I am not so much interested in all the cultural stuff but I like the atmosphere. It is also great to swap notes – there are so many backpackers here and it is just simply an opportunity to decide where to go next".*
>
> *"I like it because it is European within an Asian setting – it's refreshing to tuck into home comforts while being so far away from home – it's a rest from travelling".*

The average length of stay in Luang Prabang is five days. Upmarket package tourists generally stay shorter (two nights) while many backpackers stay longer – even up to a couple of weeks. Given that the average length of stay in Lao People's Democratic Republic is seven nights the stay of five nights in Luang Prabang is quite considerable – it seems to be the major tourism attraction for "Western" tourists.

Backpackers and budget travellers have historically been the majority of arrivals to Lao People's Democratic Republic, accounting for 70% of all non-regional arrivals. Most stay in Vientiane and Luang Prabang; segments of the backpacker group stay longer and explore more remote sections of the country. The dominance of this market has created an image of Lao People's Democratic Republic as a cheap destination and it is usually combined with Cambodia and Viet Nam in package tour itineraries.

Backpackers interviewed for this study commented:

> *"Yes, we have come from Thailand and are on*

*our way to Cambodia. Lao People's Democratic Republic is on the way. And we were told that this is a great place, full of fun but still affordable. I don't think we would have come here otherwise".*

*"I have come from Viet Nam and thought it would be a lot cheaper – I am actually surprised how touristy and 'expensive' Luang Prabang is. I am hoping Vientiane is a bit cheaper".*

A mid-market package tourist commented:

*"Lao People's Democratic Republic is part of our South East Asia trip. It is very enjoyable after busy and polluted Bangkok. I never really knew anything about Lao People's Democratic Republic and it would never have crossed my mind to come here – but it is fascinating. However, now I am really looking forward to the main reason for coming on this trip: Cambodia and Angkor Wat".*

Inclusion in the GMS tourism strategy marketing may reinforce Lao People's Democratic Republic as an add-on destination and counter its desire to capture the fully independent traveller (FIT) market.

## B. Two important inbound markets: Backpackers and Asian luxury travellers

### 1. Backpackers

Kiernan (2013) argues that long gone are the days when the notion of a backpacker traveller usually implied an adventurer seeking truly indigenous experience, or perhaps a devotee of an outdoor activity such as hiking or mountaineering. The backpacker of today is more likely to be a young person following a rite of passage that involves an "overseas experience", unleashed from the behavioural norms of the home environment in which they have been raised, and too often having scant regard for the feelings, sensitivities and traditions of those local people whose home they are visiting.

Their aspirations often include the adrenalin rush of so-called adventure experiences. The behaviour of many reveals no real interest in the natural environment in which their chosen form of entertainment occurs, nor any apparent interest in acquiring the requisite knowledge or experience that would facilitate their treading softly in the destination country.

One of Lao People's Democratic Republic's key backpacking centres, Vang Vieng, located en route from Vientiane to Luang Prabang, exhibits this extremely hedonistic backpacker behaviour par excellence. Vang Vieng has been transformed to such an extent that it draws admonition from even the backpackers' "bible", the Lonely Planet guidebook, which decries the rapid growth of concrete guesthouses that are entirely out of character with the original town; the all-penetrating noise of numerous "TV bars" blaring continuous re-runs of American soap operas; and noisy riverbank bars serving visitors who float down the river on vehicle tyre inner tubes ("tubing").

A backpacker who visited Vang Vieng in 2011 states:

*"It was ace – the best ever during my three months in Asia. It was another world. I am still in contact with friends I made there – we still Skype … out of this world".*

Rather than seeking to understand countries and cultures visited, much of backpacking now involves firmly fixed rites-of-passage points at which backpackers bond with other backpackers; Vang Vieng is one of them.

Backpacking as a travel genre was born in South East Asia – Alex Garland's book *The Beach* was the unofficial invitation ticket. Currently, after the United States of America, Thailand was the United Kingdom's most popular long-haul destination, and spending in the country increased by 17% during 2013 to £451 million. Under 35s can be considered a key demographic for the long-haul market, and the most likely to be interested in non-traditional products such as home swaps and private rentals. The decision-making process of under 35s is heavily geared towards saving money, and they are willing to experiment with non-traditional holidays in order to get a better deal.

The Sustainable Tourism Cooperative Research Centre (2009) defined the traditional backpacker market as follows:

- Use of budget accommodation;
- Involved in longer rather than very brief holidays;
- Predominantly under 40 years of age;
- Flexibility in their itineraries; and
- A willingness to be involved in social and participatory holiday activities.

Backpackers have historically favoured overland travel due to lower costs and a perceived greater opportunity to engage with local people. However, Asia's low-cost airlines have revolutionized travel and 13 of the region's full-service airlines have established, or are planning, their own low-cost carrier. New routes and frequencies have mushroomed, with faster access to previously hard-to-reach locations including Lao People's Democratic Republic.

While in the 1980s and 1990s taking a gap year or a round-the-world trip was linked to young adults wanting to explore/experience the world before settling down, this has since changed drastically. While gappers still pride themselves on their spirit of independence and adventure, an increasingly structured industry has developed to support them, both before and during their travels (e.g. specialist travel-booking firms and tour agents; working and volunteering placement organizations and gap-year study providers, tailored gap-year travel and medical insurance products; banking and financial services; and gap-year accessories and apparel retailers).

One past backpacker states:

> *"My mum told me about her backpacking in the 1980s and I just could not do this. She just left with a few friends to travel to India overland – nothing booked and no time schedule, no communication, no knowledge of where to go and what to do. Her stories fascinated me from when I was little. That's why I went. But today is different. I knew exactly where I was going and when. I met up with friends in Bangkok and Sydney, and thus I was in constant communication with them. I also arranged a volunteering opportunity at a wildlife sanctuary in Borneo before I left. It was adventurous but structured – I loved it. Over the summer I will be working at a school on the outskirts of Nairobi – again all arranged in advance, I just don't want to lose precious time – I think I got the travel bug".*

**Changing age groups:** Over the past decade backpacking has been a rapidly growing but increasingly diverse segment. Industry experts interviewed for this study concluded that participants range from the standard school/university leavers (18–24 years – around 75%) but now also include "career breakers" in their mid-20s to their late 30s (20%), and "later-life gappers" (5%) who are typically more than 50 years old. The United Kingdom's population is ageing and the newly retired and "third-age" groups are emerging as wealthier versions of their predecessors. There is a growing number of confident, healthy and adventurous third-agers with high levels of disposable income that are showing potential for this type of trip.

Those aged 25–34 favour independent round-the-world/backpacking trips whereas organized itineraries are popular with the 35–44 age group, with the majority falling in the higher socioeconomic bands. The pre-/no family group shows the highest propensity for having taken a round-the-world or backpacking trip, as well as expressing the strongest desire to do so in the future. If consumers can be converted at a young age, misconceptions, family ties and age will recede as inhibiting factors in later life.

One "later life" gapper argues:

> *"Last year my youngest son left to study in Leeds. I always wanted to see more than just a boring Spanish beach for a couple of weeks. One of my daughters took a gap year adventure two years ago and she asked if I wanted to join her for this STA presentation they were doing here at the university. It felt a bit odd at first but then I met up with Jayne. We were in the same position; same age; kids left for uni, husbands long gone – and we both wanted some excitement, some adventure. I took unpaid leave, which was a bit complicated but well worth it – and we left for Thailand. After two months travelling all around Asia we ended up in Brisbane – stayed with friends for a while and then returned home. It was fantastic, really well organized by the company we used. While travelling we started a blog to report our adventures – and this has really taken off. I have just been invited by a South African company to do a bit of travel writing or them. I can only recommend it – it changed my life".*

**Changing routes:** For decades the typical travel route for United Kingdom gappers had, frequently had an end focus on Australia and/or New Zealand with stopovers on the way.

An industry expert comments:

> *"Countries in South East Asia are extremely popular at the moment, and our data suggest it may not be long before Thailand takes over the USA as the number one destination to visit on a gap year. When faced with high prices in Australia and New Zealand, people seem set on saving their hard-earned cash by travelling around the cheaper countries of South East Asia. Also, with increased accessibility and exposure due to social media, people's understanding of these countries has increased, and so has their willingness to visit them".*

There is also a strong emergence of "snap years" (or abbreviated gap years):

> *"Yes, it is something that we're noticing ... If there's one thing that has remained constant it's that once people have travelled they want to keep on travelling.*

*However, people often go straight into education or work upon returning from their gap year and find it hard to get another extended period of time off. With the emergence of low-cost airlines and an increase in social awareness of what's possible in a short amount of time, people are willing to do as much as they can in a short gap to recapture the spirit of their gap year".*

**Different nationalities of gappers:** While gapping was in the past pretty much a British domain, this is changing fast. The emerging Chinese market has become particularly important.

*"In 2010 and 2011, the United Kingdom accounted for 62% of our overall traffic. The globalization of the gap year over the last two years has meant that the United Kingdom now only accounts for 43% of traffic. Compared with two years ago, we receive 258% more traffic from China, 148% more traffic from France, 80% more traffic from the United States of America, 68% more traffic from India, 32% more traffic from Australia, 32% more traffic from Germany and 25% more traffic from Canada".*

Chinese leisure travellers are becoming younger in age and more highly educated. Youth travel is motivated by many factors, including the desire to experience other cultures, build life experience, and benefit from formal and informal learning opportunities from other countries. Since 2008, the gap year concept has spread among Chinese young adults. Forums on renren.com and douban.com allow the further sharing and dissemination of the gap year concept, and are places where consumers discuss travelling places, accommodation, budget planning, volunteering work and working holidays.

A Chinese women studying in the United Kingdom mentioned during the focus group:

*"I never considered travelling as an option. For me travel was always organized by others. Since I have been in the United Kingdom I have been to Paris, Italy, Switzerland and over Easter I am going to Spain. I love it. I learned so much – and it is actually so easy. At the moment I am applying for a voluntary placement at a school in northern Thailand – I am hoping to travel to neighbouring countries then".*

**Technology and social media:** Gappers today are also highly linked up via smartphones, notebooks or laptops and stay in touch often on a daily basis not just with friends and family at home but with new acquaintances encountered en route via media such as Facebook, Tripadvisor, Pinterest, YouTube, Skype, Twitter, Flickr, Instagram, Dropbox, iCloud and the proliferation of online travel blogs.

The backpacker grapevine is considered by many the most important source of information as to where to go, what to see and what to do. While in the past this was mainly based on word-of-mouth information, in the last few years it has gone viral. Launched in July 2009 by British backpacker Nikki Scott, "South East Asia Backpacker" (southeastasiabackpacker.com) is published six times per year and is a breezy mix of backpacking articles, tips, photos and information about Thailand, Lao People's Democratic Republic, Viet Nam, Cambodia, Singapore, Malaysia, the Philippines and Myanmar. The only dedicated backpacker magazine in the region, it is based in Chiang Mai, Thailand, and is distributed free through hostels across South East Asia. It can also be downloaded and read online via the issuu.com website. The magazine's editor also writes a blog on the popular hostelbookers.com backpacker accommodation booking website.

Similarly, Travelfish.org began as an attempt by two travellers to collate and share their hard-earned travel secrets from journeying around South East Asia. Today, it produces some of the most eye-catching and practical free app guides to Asia Pacific destinations including Bali, Vientiane, Koh Phi Phi and Angkor Wat. The guides can be downloaded via iTunes.com. Travelfish also publishes regular travel blogs written by travel correspondents stationed in eight South East Asian locations.

The obvious advantage with online information is that it can be updated more easily and frequently, whereas hard-copy travel guides are researched at least several months before a backpacker uses the information on the street or in the field. In addition, as a large proportion of backpackers now tend to carry at least a smartphone and often a tablet or laptop – and hostels and cafes frequently offer Wi-Fi access – connectivity to electronic information is 24/7.

**Support structure:** The scope of the Asia Pacific region's "backpacker economy" extends beyond the destinations themselves. Specialist equipment manufacturers, insurance providers and retailers of items including backpacks, waterproof clothing, hiking footwear, digital cameras, mosquito netting, sleeping bags and reef sandals, plus pharmaceutical firms supplying anti-malarial drugs, insect repellents and rehydration salts, have tapped into this competitive backpacker niche market. Ironically, many of these manufacturers take advantage of low wage rates in the Asia Pacific region to produce the items for sale to backpackers around the world. Counterfeit producers have also entered the fray. Street markets in several Asia Pacific destinations that attract backpackers sell high-quality fake products at compellingly low prices.

**Growing affluence, currency appreciation and inflation:** Currency exchange rates are carefully monitored by backpackers, as they usually travel on defined and restricted budgets. The growing strength and affluence of many Asia Pacific economies in recent years, led by the rise of China and India, have resulted in both a strengthening of key currencies and rises in inflation – elevating the cost of travelling to these destinations. These cost rises tend to affect backpackers more than mid-range or upscale travellers, as marginal cost increases or currency fluctuations account for a higher proportion of their available spend.

**Thailand as entry hub:** A report by CAPA Centre for Aviation (CAPA 2011) states that 75% of total flight seats between South East Asia and Europe originate/terminate in either Bangkok or Singapore, confirming their status as the region's primary hubs. Bangkok now services 79 airlines, bettered only by London Heathrow (86) for the total number of carriers. The advantage of Bangkok for backpackers is both budget and interest-based. The cost of living is significantly lower in the Thai capital than in Singapore. In many ways, Thailand is Asia Pacific's "Backpacker Central" offering great weather, stunning scenery, hundreds of islands, exotic food, diverse culture, Buddhist temples, good transport, plentiful accommodation – and everything a backpacker needs from tattoo parlours and full-moon beach parties to dedicated budget travel bars and Wi-Fi cafes. From here, backpackers disperse across this large country, and further into the region, including Lao People's Demcratic Republic.

One backpacker commented:

> *"I initially wanted to avoid Thailand. It just seemed too touristy for my liking. I really wanted to visit Myanmar and Viet Nam. But flights to Bangkok were just dead cheap. I am glad I did it now … the connections to other countries were excellent. I did not stay long in Thailand … and I actually liked it quite a lot".*

Thailand's tourism strategy is increasingly focused on a younger, social media using demographic. To appeal to youthful, tech-savvy travellers, it posts video documentaries on YouTube and has published e-books, e-brochures and an iThai application. It focuses on Asian markets by promoting the country as a shopping destination and by highlighting Thailand's numerous top-class golf courses and golf packages.

**Lao People's Democratic Republic on the backpacker trail:** As mass tourism encroaches on backpacker enclaves across the Asia Pacific region, favoured emerging destinations include northern and south-eastern Myanmar, northern Sri Lanka, and the outer reaches of the Philippines. Other emerging loops embrace the islands off the coast of Cambodia and the hinterlands of southern Lao People's Democratic Republic also lure adventurous travellers.

Luang Prabang is the country's most cherished tourism gem, and attracts all types of tourists from backpackers to boutique travellers. The capital Vientiane, which is separated from the Thai border by the Mekong River, is also a backpacker base. Trekking in the north is superb, and the rock climbing, caving and cycling around Vang Vieng lure young travellers. In the south, the Wat Phu Khmer temple ruins at Champasak, the Boloven Plateau, the Xe Pian National Biodiversity Conservation Area and the Four Thousand Islands region, including the spectacular waterfalls on the Cambodian border, are increasingly visited by backpackers.

A backpacker in Lao People's Democratic Republic states:

> *"Of course I had to visit Lao People's Democratic Republic. I came here [Luang Prabang] by slow boat. It was exhausting but absolutely worth it. It is just so very different to Thailand – it feels real, like real South East Asia. And it is so close to Thailand, I would have been foolish not to come".*

Another critical factor is that Asia Pacific governments now view their tourism industry as an integral part of future economic growth. In many countries, significant investment is being channelled into corporate travel and resort infrastructure to attract affluent Asian travellers, not budget Western backpackers. These new resorts and hotels are likely to be located adjacent to, and sometimes even on, former backpacker enclaves, as well as on sites of natural and coastal beauty and historic or archaeological interest region wide. This can create tension between the two very different segments. In the case of Luang Prabang it has already led to price increases over recent years for basic products, services and accommodation.

Many backpackers interviewed for this study commented on the costs of staying in Luang Prabang:

*"It's great here but expensive – I just had lunch and paid double of what I would have paid in Vientiane".*
*"I did not think that accommodation would be so dear here".*
*"Lovely place – but I can't afford it".*

Mid- to upmarket package tour visitors, on the other hand, did not seem concerned with costs but rather with service quality and the products on offer for them.

*"It is all really sloppy here, really laid back … too laid back. I don't like it. When I order lunch, I expect cutlery as well – it's not my job to remind the waiter to bring a spoon".*
*"It was our 'free day' today and we tried to get on a sightseeing tour out of town. The wife and I are in our 50s and we are not that interested in hopping on a tuk-tuk with a bunch of screaming teenagers".*

While backpackers have traditionally been extremely important to Lao People's Democratic Republic and Luang Prabang this seems to be slowly changing. Although the luxury Asian market can become an important target for Luang Prabang and new upmarket hotels and resorts are opening, the existing tourism infrastructure is still predominately geared towards the low paying backpacker market.

### 2. Luxury Asian/Chinese travellers

The emergence of the new affluent Chinese middle class, combined with the alleviation of some of the travel restrictions by the Chinese Government, has fuelled the travel boom in the country. The range and number of high-end accommodation options in Asia is mushrooming, with five-star hotel chains, plush suite hotels, lavish serviced apartments, boutique hotels, deluxe tented safari lodges (e.g. Sandat Glamping Tents in Bali) and exclusive eco-lodges (e.g. Muang La Resort in Lao People's Democratic Republic).

Today, top-end tourists in Asia expect quality in every aspect of their accommodation from the room design and in-room amenities through to leisure and business facilities, as well as service and food. Many guests place considerable stock in a hotel's brand and/or reputation and increasingly expect value for money – this does not mean that they want a hotel to be cheap, but rather they need to believe that the price that they are paying is justified.

Greater competition within Asia's luxury travel industry is helping raise standards, driving the development of increasingly sophisticated traveller expectations and seeing a demand for added value. Top-end tourism consumption in Asia is also becoming increasingly experience driven. Tourism providers can add value to their products by adding, for example, unique and quirky features like bedrooms with glass floors or open-air bathrooms. Anecdotal evidence suggests that guests also highly value information about the hotel and local area in their native languages, staff who can speak the guests' native language, and home comforts (for example kitchens and refrigerators that guests can really use). The demand for luxurious, self-catering accommodation in Asia is also growing, as is luxurious time-share ownership.

A Mintel study of the Chinese market (Mintel 2012) highlights the following:

- Natural scenery is the most important deciding factor when choosing a holiday destination.
- Public security is the second most critical factor influencing holiday destination decisions; this is especially the case for those who travel alone.
- A clean environment is also an important influence on the holiday destination decision-making process, as recent air pollution incidents in the media are impacting on domestic tourism choices.
- The demand for natural scenery, however, does not necessarily imply that Asian visitors are pursuing activity holidays based in nature. It is more likely that they value a pleasant environment to look at and enjoy.

Chinese focus group participants observe:

*"Yes, beautiful nature is very important. My home is Shanghai and I love the feeling to be in nature when I get the chance. I like to rest in it and enjoy the views of beautiful mountains or rivers. It is very important for me to relax in nature".*
*"I agree. I do not like to interfere with nature but I like to adore it and take beautiful photographs".*
*"Yes, I would love to go to Lao People's Democratic Republic – I am told it is very beautiful and safe".*

Mintel (2012) divides the Chinese travellers into four groups:

***2.1. Unwinders:*** These represent the largest group, accounting for 27% of consumers surveyed. They are likely to be women in their 40s who are earning a high income. They like relaxing and have a preference for luxury resort or hotel-style accommodation that is clean and comfortable. Unwinders take breaks as and when they need them and they frequently travel with their older children. It is suggested that tourism businesses should emphasize their travel product or services with "relax", "unwind", "comfort", or "indulgence" connotations. Unwinders seem to be more concerned with the holiday experience rather than the holiday destination.

A focus group participant states:

*"This is very true for my family. We always stay in quite luxury resorts when we holiday at home or in the region. We spend days not even leaving the resort but instead just relax with plenty of pampering and spa days. It's a bubble of comfort and being with other family members. It is very different to when I travel in Europe. There I have to be active and see things, you know, tick the boxes. But not here".*

***2.2. Active travellers:*** The second largest group, the active travellers, are high-income earners, experienced travellers, like to socialize during their holiday and are flexible in their travel arrangements. Active travellers are not bound to particular accommodation and transportation types. Nature may not be one of their key interests but they will visit a natural attraction if it involves an element of fun and active interaction with others. They are interested in social group holidays such as foodie/photography/adventure/scuba diving and even shopping trips. They also enjoy eating and drinking out during holidays. They are experienced travellers and very interested in travel abroad. They are also tech savvy, with high levels of internet usage. To target this group, strong online offering, such as dedicated web portals, competitions or viral elements, are essential. Operators (such as overseas or domestic tourism boards) should ensure their products or services can be conveniently found online so that this group of consumers can book directly or through third parties.

One of the most recent trends in Asia has been the development of day visits to semi-urban farms or fruit orchards located in the vicinity of major urban centres such as Bangkok, Beijing and Shanghai. These orchards are becoming important visitor activity and learning centres while also providing a sales outlet for their produce to urban visitors. Rather different to individually organized vineyard tours in Europe, these are highly structured excursions.

A Thai participant in the focus groups states:

*"We actually do this quite often. It is normally organized by the clubs I belong to, like my sports club. Around 20 of us hire a bus and then drive down to the orchard for a day. We learn about the various fruits and taste them – and also buy them to take home. It is a really nice day out for all of us and we normally have a meal there and some learning activity. Yes, I would like to spend more than just a day – and I really would like to maybe spend a weekend in an orchard to improve my cooking".*

***2.3. Budget travellers:*** Very different to the past, traditional Chinese travellers no longer make up most of the budget traveller group, today they account for just 25% of the category. Budget travellers are mostly students, unemployed or have just started working. These travellers have a limited travel budget and limited days for holidays. Hence they are more likely to thoroughly research travel products and services. They are also unlikely to make last-minute travel bookings as this will mean higher prices. Travel organizations or agencies (especially online) that can provide comprehensive information and one-stop booking centres are likely to win their loyalty. Many of these travellers have become aware that travel to neighbouring destinations can be cheaper than travelling domestically.

Holiday tickets on group buying websites and discount vouchers are good ways to target these budget travellers. Budget travel products and services such as budget accommodation and transportation, however, is often a requirement to attract this market. As this group is more biased to young women in their 20s, travel products or services that emphasize security or women-friendly services may appeal to them.

***2.4. Amateurs:*** This is the smallest group. They are inexperienced travellers and they mostly travel with group tours. They have limited personal/annual leave and thus are most likely to travel on public holidays. They are likely to travel on a budget when the need arises (e.g. honeymoon, concert, visiting friends and relatives). As they are earning slightly higher incomes compared with budget travellers, although still lower than active travellers and unwinders, they probably still can afford group tours even though the price of group tours has increased due to new tourism rules. The improved quality of group tours, as a result of the new tourism rules to raise the quality of group tours, is likely to trigger greater interest in such holidays among this group. These consumers will probably evolve into active travellers if their average disposable income continues increasing. Operators should look to better understand the interests or hobbies of this group, and social group holidays (holidays that are based on travellers who have similar interests) such as motoring, photography etc., may represent another way to approach them. Short breaks or just weekend trips are also more appealing to them as they cannot afford to have longer personal holidays. Nearby weekend getaway holiday products will be attractive to these consumers.

**Types of holidays chosen by the Chinese market:** Rural/countryside sightseeing holidays and city breaks are the most popular types of holidays for travelling both domestically and overseas. Urban Chinese consumers like to visit scenic places and get away from the city in which they live to escape their hectic working lives. Visiting family during traditional holidays such as the spring festival is highly important to Chinese consumers, and many will return home for family reunions during this festive season.

In terms of domestic holidays, consumers who are married with kids are more likely to take their children on rural/countryside sightseeing holidays (70%) than those without kids (65%). Family holidays with children are focused mostly on the children's experience, so most parents will focus on education, nature exploration and bonding with their children. Those who are married without children are likely to go on outdoor/adventure holidays (30%) and honeymoons (19%) in domestic destinations, while those who can afford to go on overseas destinations prefer seaside/beach/island holidays (44%), honeymoons (25%) and well-being breaks (15%). Singletons are likely to go on city breaks (61%), outdoor/adventure holidays (32%, e.g. mountaineering, skiing, scuba diving and hiking) and for personal interest (30%, e.g. wine tasting, tea tasting, photography, gourmet). However, singletons are generally less interested in overseas holidays because they are more likely to be aged 20–29, and earning a low monthly personal income of less than RMB5 000 (US$800).

**Places Chinese holidaymakers wish to visit in the next 12 months:** Around 38% of Chinese consumers plan to visit Hong Kong (China), Macao (China) or Taiwan, Province of China in the coming year. The Individual Visit Scheme (IVS) has been the main catalyst behind the continued growth and boom in Chinese mainlanders' visits to the former two territories. Similarly, Hainan Island (China) is popular. All these destinations are easily accessible by ferry or plane.

South East Asian countries are the most popular overseas destinations that Chinese travellers are planning to visit (29%), thanks to the exemption of deposits for most South East Asian countries, together with lower currency exchange rates and low living costs.

Well-known seaside/beach/island holidays are the second most popular destinations (28%) in terms of the overseas holidays that Chinese consumers are planning to take. Chinese consumers' hectic working lifestyles and also the polluted Chinese city environments mean that Chinese travellers prefer beach/seaside/island holidays to relax.

Chinese consumers like to shop online and research their products online, this is also the case for holiday and leisure products. Destinations or holiday operators need to ensure that they have more comprehensive information available on their web portals to appeal to Chinese travellers.

Increasingly, Chinese consumers prefer to use their own personal/annual leave to travel, rather than using public holidays. As they travel more, their demands on holiday products and services are growing as well. Therefore it is important for holiday operators to improve their products and services as and when they receive feedback from their customers. Holiday activities are also becoming more important as Chinese travellers are now looking for more diverse holiday experiences: a far cry from the days when Chinese consumers mostly travelled in group tours.

Chinese consumers have become familiar with Western holiday trends, and consequently there are more independent holidays, working holidays and gap year options emerging in the Chinese holiday and tourism market. Many of the domestic destinations and holiday operators are yet to improve on their products and services in order to match travellers' demands. Furthermore, as the country's infrastructure improves, it continues to stimulate Chinese travel by road, rail, air and water. This also represents new opportunities that holiday operators have yet to capitalize on.

## C. Summary: Demand

In line with Cohen's (1979) observation of some 30 years ago, Luang Prabang constitutes an arena for a diversity of tourist profiles, from European backpackers, Thai day-trippers, luxury Asian tourists, expatriates living in Bangkok, Lao living abroad or in different provinces, and British couples on honeymoon (Caton and Almeida Santos, 2007) Some young travellers, mostly Western backpackers, stop in Luang Prabang to "chill out" following a trip "into the jungle".

Berliner (2011) maintains that many tourists continue to see Luang Prabang as a charming small town set amongst the mountains with its “amusing” French influence and Buddhist mystique. Most Westerners fall for the Indochinese spirit of Luang Prabang, which plunges them into an idealized past world reminiscent of Marguerite Duras’s novel *L’Amant (The Lover)*.

Whilst many Westerners seem to be concerned about the town’s vanishing atmosphere, Thai tourists throng to Luang Prabang to see “how Thailand was 50 or 100 years ago”. As an inexpensive destination, it represents for many Thai an assortment of fun (rafting speedboats on the Mekong), nostalgic curiosity, exoticism (observing so-called “Lao backwardness” and eating French baguettes), and religion. Asian tourists view Luang Prabang as simply a picturesque old town preserved from the craze of urban modernity.

Local discourses tend to emphasize an aspiration towards modernity, with an expressed desire to see “even more tourists and planes flying to Luang Prabang”. In this context, worldwide heritage recognition is associated with rapid change rather than with continuity. Local attitudes towards preservation are seen as a step into, rather than a retreat from, modernity. This contrasts with the Luang Prabang as imagined by visiting experts and foreign travellers.

The appetite of tourists for nostalgic consumption is also highly transformative as it inspires locals to offer Indochinese nostalgia. Simultaneously, since its recognition on the global heritage trail, the town centre is being bought by members of the “cosmopolitan class”, and people with money from Singapore, Thailand, France or Australia, who open “Indochine styled” restaurants and hotels. Such nostalgia fuelled gentrification largely emanates from foreigners who see Luang Prabang as a charming place to live and a profitable place in which to invest.

There has been very strong growth in arrivals to Lao People’s Democratic Republic, from 14 000 in 1990 to 2.7 million in 2011, with visitors from neighbouring ASEAN countries representing by far the largest number of tourists in 2011 (2 191 224 or 80% of total arrivals). Thailand leads in arrivals (1 579 941). One-day excursions are preferred by the majority of regional visitors, especially those from Thailand, who as a group make up 69% of arrivals, while visitors to Luang Prabang are different with European and Asia Pacific visitors each making up around 43% of arrivals. The length of stay in Lao People’s Democratic Republic is seven nights with five nights for Luang Prabang – making it a key attraction for overseas, Western tourists, although Lao People’s Democratic Republic still remains an add-on destination to Thailand, Cambodia and Viet Nam.

The majority of inbound leisure travellers to Lao People’s Democratic Republic are there to visit historic and cultural sites, with the majority of visitors to Luang Prabang being backpackers followed by package tourists (38%). Thus, the two main segments are low-spending backpackers and high-end Asian visitors with little inbetween. The backpacker market is becoming more organized and offering package solutions, attracting older customers and those who stay for shorter periods (snap-packers), while the high-end Asian visitors look for experience driven products. Based on the interviews undertaken, the intense working lifestyles of Chinese customers increase demand for nature-related activities, such as beaches, seaside and island holidays for relaxation.

Budget tourists in Luang Prabang spend around US$4–6 each on crafts and transport/excursions per day, while high-end tourists will spend in average US$50 per day each. Roughly 60% of arrivals to the city fly into Luang Prabang airport.

# III. SUPPLY

The majority of tourism related businesses in Lao People's Democratic Republic are made up of a multitude of relatively small, family-run, local businesses. These include guesthouses, excursion providers (domestic tour operators), transport providers, catering establishments and ancillary services such as shops, market stalls, internet cafes and massage parlours. This chapter looks at this supply – mainly in Luang Prabang.

The country's tourism growth has been stymied by low air connectivity to the target markets of Europe, Australia, United States of America. Most flights to Lao People's Democratic Republic have to go through Thailand or Viet Nam. The lack of direct air access reinforces the view that Lao People's Democratic Republic is an add-on, not a destination in itself. This stifles full travel innovation (FTI) quite considerably and many visitors to the country rely on inclusive packages that cover several Mekong countries.

Road transport is the means of entry for the majority of visitors to Lao People's Democratic Republic (60%). It is also a cheap and popular form of travel for backpackers. Trips along the Mekong River are a growing tourism attraction and often link to local communities. However, many of the country's 21 river ports along the Mekong are in need of an upgrade. Bad weather and low water levels in the dry season impede travel. There are numerous ferries travelling the river: the main routes are Vientiane-Luang Prabang and Luang Prabang-Huay Xa, as well as across the Mekong from Chiang Khong, Thailand to Huay Xai.

In 2012 the majority of international visitors to Luang Prabang arrived by air (60%), while 20% arrived by bus, 14% by boat, and 6% used private transport. There have been considerable changes since 2008. Air transport arrivals increased by over 70% while private transport doubled; at the same time arrivals by bus stagnated while arrivals by boat decreased by over 20%. This might be an indication of changing visitor segments and travel behaviour, and also, of course, points to the importance of the new international airport in Luang Prabang and the increasing proliferation of low-cost airlines in the region. Of interest is the strong increase in private transport when seen in conjunction with the great increase in numbers of Thai visitors.

## A. Accommodation

Lao People's Democratic Republic has seen a large increase in accommodation establishments over the past decade. There has also been a shift away from low-cost backpacker accommodation to an increasing number of establishments catering for the high-end market, in particular in tourism hotspots such as Luang Prabang.

Between 2005 and 2011 the number of accommodation establishments increased from 1 088 to 2 473; the

**Table 3.1: Accommodation facilities in Luang Prabang (2006–2012)**

| | 2006 | | 2008 | | 2010 | | 2012 | |
|---|---|---|---|---|---|---|---|---|
| | Hotel | Guesthouse | Hotel | Guesthouse | Hotel | Guesthouse | Hotel | Guesthouse |
| Luang Prabang (town) | 18 | 108 | 34 | 186 | 42 | 209 | 53 | 232 |
| Luang Probang (province) | - | 47 | 2 | 50 | 2 | 51 | 4 | 76 |
| Total | 18 | 155 | 36 | 236 | 44 | 260 | 57 | 308 |

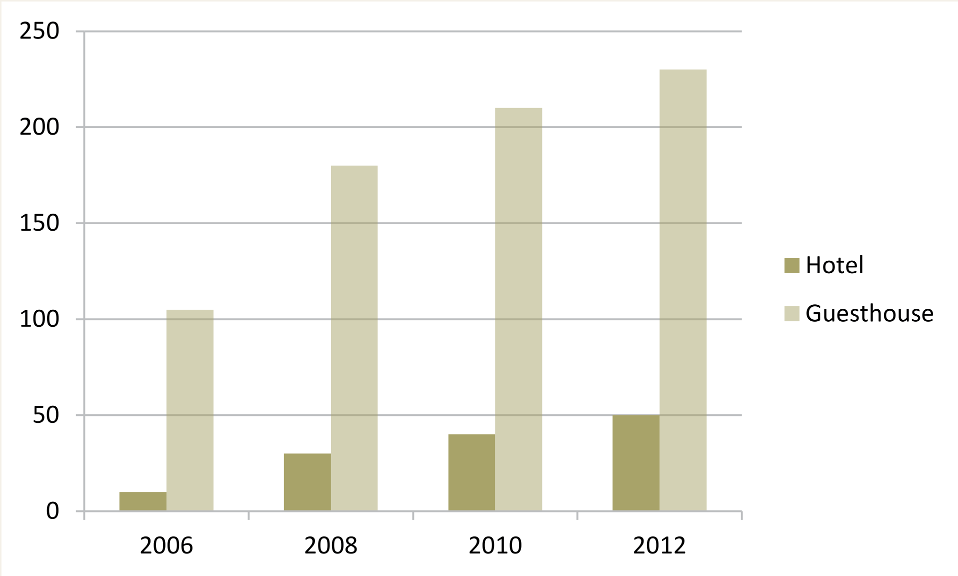
*Source:* National Tourism Authority of Lao People's Democratic Republic, 2013.

**Table 3.2: Changes to room numbers (2006–2012)**

| | 2006 | | 2008 | | 2010 | | 2012 | |
|---|---|---|---|---|---|---|---|---|
| Rooms | Hotel | Guesthouse | Hotel | Guesthouse | Hotel | Guesthouse | Hotel | Guesthouse |
| Total | 569 | 1 243 | 924 | 1 802 | 1 171 | 2 089 | 1 477 | 2 464 |

*Source:* National Tourism Authority of Lao People's Democratic Republic, 2013.

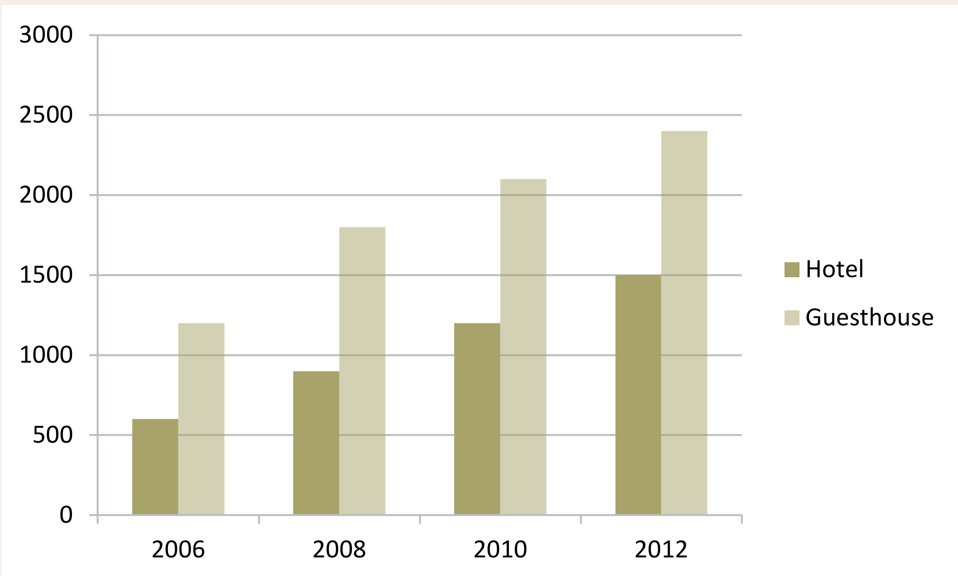
**Figure 3.1: Changes to number of hotels and guest houses in Luang Prabang town (2006–2012)**




*Source:* National Tourism Authority of Lao People's Democratic Republic, 2013.

number of rooms increased from 15 828 to 38 001. The majority of establishments are in Luang Prabang, Vientiane and Champassak. However, there is still a deficit of mid-range accommodation providers, and, at the same time, occupancy rates are modest (57% on average). Not surprisingly, the highest occupancy rates are found in Luang Prabang and Champassak (both 68% in 2011). The majority of establishments in Luang Prabang are guesthouses (aimed at the back-packer market), while the majority of establishments in Vientiane are classified as hotels aimed at the regional traveller (budget hotels).

**Figure 3.2: Increase in rooms (2006–2012)**




*Source:* National Tourism Authority of Lao People's Democratic Republic, 2013.

As the Lao Government tries to position tourism to higher yield markets, higher standards and greater amenities will be critical to the success of diversifying the tourism market away from the low-end backpacker market. In an effort to meet economic goals and develop the tourism sector, the Lao Government now allows hotels to be 100% owned by foreign investors; this has resulted in considerable growth of high-end foreign-owned establishments in particular in Luang Prabang.

The top ten countries of origin for tourist arrivals to Luang Prabang in 2012 were as follows:

- Thailand (50 636 visitors; 17.2% share)
- France (26 436 visitors; 9% share)
- United Kingdom (22 584 visitors; 7.9% share)
- United States of America (22 415 visitors; 7.6% share)
- China (19 894 visitors; 6.8% share)
- Germany (19 594 visitors; 6.7% share)
- Australia (13 780 visitors; 4.7% share)
- Japan (12 716 visitors; 4.3% share)
- Republic of Korea (11 732 visitors; 4% share)
- Canada (11 673 visitors; 4% share)

Between 2005 and 2012 the biggest changes have been the increase in arrivals by Thai, Chinese and Republic of Korea visitors while the European market share has stagnated. This indicates a very fast changing profile of visitors to Luang Prabang, which is also reflected in the changing structure of accommodation providers.

As can be seen by table 3.2, by far the biggest increase has been in rooms provided by newly built hotels and resorts.

While in the past many of the hotels in Luang Prabang were rather small scale and family owned, there has been a marked shift towards foreign investment, in particular Asian ownership, and more upmarket hotels. Examples of these upmarket foreign owned hotels are shown in figure 3.3.

Guesthouses are generally small scale (averaging eight to ten rooms), and the majority are family-run local businesses. They do not generally offer restaurant facilities, apart from possibly a low-key breakfast bar, and thus visitors are reliant on corner cafes and local eateries.

Typical examples of guesthouses advertised on Tripadvisor are shown in figure 3.4.

Luang Prabang fulfils most of the criteria of an interna-

**Figure 3.3: Upmarket hotels in Luang Prabang (Hotel de la Paix, La Sen Boutique Hotel, and Amantaka)**

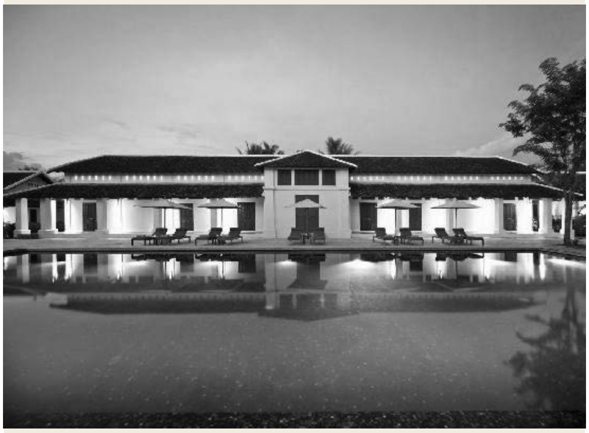


**Figure 3.4: A selection of guesthouses in Luang Prabang (Villa Champa, Aham Corner Guesthouse, Alounsavath Guesthouse)**

tional resort except in terms of accommodation. Most of the hotels and guesthouses are small and developments in this sector are to some extent constrained by government's complicated and arduous conservation policy related to the city's status as a UNESCO World Heritage Site.

The accommodation sector in Luang Prabang is divided into two main categories: low-cost guesthouses and upmarket accommodation. The few establishments that are in the middle are generally very outdated and in desperate need of modernization. Examples of mid-ranre accomodation in need of renovation are shown in figure 3.5.

European tour-operators commented:

*"Luang is one of our main selling points but the accommodation available just does not do justice to the town's cultural attractions. We have budget restrictions but at the same time want to provide a certain standard. It is at times difficult to package a product where tourists visit the most fantastic wat (temple) but then have to stay in totally outdated and tacky establishments. Last year we actually included for the first time a backpacker guesthouse as all the mid-range hotels are just falling apart. This was met with very mixed results".*

*"It is often very difficult to secure suitable accommodation in Luang Prabang. It is either low-cost backpacker heaven and not really suitable for our clientele; or it is high-end Asian luxury – which we can't budget for. Some really good mid-range hotels would immediately improve our offer".*

## B. Attractions and excursions

Famous for its 34 Buddhist monasteries and orange-robed monks as well as for its colonial architecture, Luang Prabang was a royal town and a transnational centre of Buddhist learning (Stuart-Fox 1997). With 50 000 inhabitants, it is located on the peninsula formed by the Mekong and Namkhan rivers in the mountainous region of northern Lao Peoples' Democratic Republic.

Luang Prabang's attractions are centred on the UNESCO World Heritage Site of Buddhist temples and colonial French architecture, complemented by the relaxed atmosphere and pace of life. Morimoto (2005) argues that the old capital is probably the best preserved city in South East Asia. Aas, Fletcher and Ladkin (2005) discuss the cultural attractions of the city and the more than often non-symbiotic relationship between heritage preservation and tourism development. Conflict arises because the heritage approach is mainly to protect and preserve, while tourism generally aims for creating profitable businesses.

The key attractions of Luang Prabang are both cultural and natural. As indicated earlier, it seems that many backpackers visit Luang Prabang to soak up the atmosphere; however Luang Prabang is also used as a hub for excursions.

The backpacker focused website Travelfish, for example, lists the following ten most popular sites in Luang Prabang (based on what Travelfish visitors have been reading on the website[1]):

- Kuang Si Waterfall and Bear Rescue Centre;
- Pak Ou Caves;
- Tad Sae Waterfall;
- Tak Bat;
- The temples of Luang Prabang;
- Wat Xieng Thong;
- Across the river, Chompet District;
- Boat rides;
- Massage and spas; and
- Volunteer!

The majority of excursions offered by tour operators in Luang Prabang are half-day or day trips to natural sights. All also offer guided soft adventure trips for kayaking, rafting, cycling or rock climbing.

A domestic tour operator in Luang Prabang argues:

> *"We take our customers mainly on day excursions. Here we are able to combine the cultural attractions in town with the natural wonders in the area. Very often it is actually the boat trip to these attractions that our customers like most – rather than the cave or waterfall themselves. Thus we try to combine this as much as possible".*

Some tour operators combine these tours with stop-offs in villages that offer "ethical" village tours or specialize in craft production (e.g. textiles, paper or whisky).

While many backpackers arrange their own excursions or hire informal travel agents, a minority also use registered domestic tour operators. Visitors on a package tour generally take part in pre-arranged excursions that are part of their holiday package. The foreign tour operators then use local tour operators to facilitate this. A small minority of trips involve an overnight stay in a rural village.

Apart from the officially registered tour operators many

**Figure 3.5: Mid-range accommodation in Luang Prabang in need of renovation**

**Figure 3.6: Numerous unregistered tour operators and guides can be found in Luang Prabang**


unofficial guides and drivers exist. While they can offer inexpensive transport to some of the sights, they rarely offer any guidance or interpretation. These tour operators seem to be suitable for visitors with a general awareness of Lao People's Democratic Republic and the Luang Prabang area, but they can also become a trap for novice visitors.

Some tourists commented:

*"For us it was good and cheap – we knew where we were going, how long it would take and what to expect".*

*"Never again. We took the boat and then they just left us in this village – with nowhere to go. We were trapped – then suddenly a tuk-tuk appeared out of nowhere, offering to take us back at a horrendous price. We discussed it later with other tourists and they all heard of something like this. We just had no choice. Terrible day".*

In 2012 there were 58 official tour operators registered in Luang Prabang of which just under half had their head office located outside (mainly in Vientiane). The number of tour operators has more than doubled since 2006. The increase in travel agents fighting for a relatively small market has raised concerns among tour operators.

One local tour operator mentions:

*"The competition has become extremely intense – and we are suffering. We were one of the first tour operators here and we spent years developing our excellent tours. Then these new people come in and they just copy our tours and undercut us in price. Many of they have no real legal set-up, let alone insurance and safety procedures. But tourists don't know. It would be fine if they were actually developing something new, but they just copy us".*

Registered tour operators charge between US$25 and US$50 per day depending on the trip and group size. Tours generally include a guide, transport, local supplies of food and water (brought with them from Luang Prabang rather than bought on site) and sometimes a village or entrance fee (depending on tour).

A decade ago, Morimoto (2005) interviewed tourists in the area, identifying the most popular attractions as Pak Ou Caves and Sae Falls, but found that potential new attractions, such as visits to artisan villages and trekking, were not valued more than the existing resources.

This is confirmed by local tour operators who state:

*"We don't really sell craft villages – there simply is no demand. It might be that there are plenty of opportunities that we, and our guests, don't know about – but at the moment our customers just want soft adventure".*

*"The product is simply not there. Unless we see demand we are not wasting our time on product development".*

## C. Summary: Supply

Luang Prabang seems to be at a crossroads. Tourism demand is increasing and there seems to be a welcome shift towards more high spending visitors. Others are more concerned and argue that:

*"Luang Prabang is under lots of pressure now. The whole town is being used by tourists only. Even the monks are leaving the town. We are losing the spirit of the place". (Berliner, 2013).*

*"The town has changed a lot over the last ten years. Soon the town centre will be emptied of its inhabitants. Locals are selling their houses and going to*

*the suburbs ... Here it is like Disneyland now. It's a disaster!"*

Local people move out for a number of reasons, including environmental degradation brought about by development and increases in property prices due to foreign investor speculation. On the other hand, conservation regulations contribute to out-migration as property owners cannot afford to maintain heritage structures to the standards set by the Heritage House – the UNESCO sponsored organization managing the heritage status of buildings in Luang Prabang.

A 2008 study found that fewer than 50% of hotels in Luang Prabang were locally owned and government records showed 100% local ownership of guesthouses in the town. However, in reality many in the name of a local person were actually foreign owned. Many of the workers in the tourism industry are non-local migrants (Ackhavong, 2008) . Lao tend to predominate as owners of guesthouses, restaurants and other more modest scale enterprises, while large hotels outside the preservation zone tend to be developed with foreign capital (Wittayapak, 2010).

Rules requiring a minimum contribution of US$100 000 by a foreign investor in a project but blocking land ownership by foreigners has created a niche for Lao to partner in tourism enterprises, even with little capital to contribute (Gujadhur and Rogers, 2008).

Gujadhur and Rogers (2008) remark that local people in Luang Prabang tend to perceive heritage conservation as a burden put on them for the benefit of others, and that the only perceived benefits are the employment and capital brought by tourism, rather than the intrinsic value of heritage.

The town begins to correspond increasingly with Sorkin's (1992). description of the "theme park" nature of contemporary built spaces, in which overarching control and seductive experience-oriented artificial environments are mobilized to optimize efficiency and encourage consumption. Tensions can arise between the way of life of local people, the requirements of heritage preservation and tourism development.

The majority of tourism related businesses in Lao People's Democratic Republic are a multitude of relatively small, family-run, local businesses. Most flights into the country go through Thailand or Viet Nam – reinforcing the view that Lao People's Democratic Republic is an add-on, not a destination in itself. In 2012 the overall majority of international visitors to Luang Prabang arrived by air (60%). Between 2005 and 2011 the number of accommodation establishments in the country increased from 1 088 to 2 473; and the number of rooms from 15 828 to 38 001. Despite this increase there remains a deficit of mid-range accommodation providers and occupancy rates are modest (57% on average). Higher standards and greater amenities will be critical to the success of diversifying the tourism market away from the low-end backpacker market. While in the past many of the hotels in Luang Prabang were rather small scale and family owned, there has been a marked shift towards foreign investment, in particular Asian ownership, and a move towards more upmarket hotels.

The key attractions of Luang Prabang are both cultural and natural, and the town also acts as a hub for excursions. In line with this fact the number of tour operators has more than doubled since 2006, but they are all fighting for a relatively small market, offering the same products and mainly competing on price, often ignoring quality issues. Also, excursions focus on nature and adventure, while the cultural excursion programme is minimal.

Some of the other key issues are:

- **Transport:** Although flights have increased into the main international airport in Vientiane, and internal transportation is improving, air access and internal transport need expansion to meet growth objectives.
- **Accommodation:** In the accommodation sector, standards must be improved and variety increased. Lao People's Democratic Republic has attracted a significant number of backpackers. However, it wants to attract more high-yield visitors and thus needs to build capacity, especially in the accommodation sector, which is still transitioning from the budget market and has a majority of rooms in guesthouses. Establishing international standards in the hotel industry must also be addressed.
- **Excursions:** Tourism is still concentrated in the cities of Vientiane and Luang Prabang and its benefits have been slow in reaching rural populations. The excursion products are often of low quality and unimaginative.
- **Human resources:** Human resource development and training in the industry are a weakness.

# IV. HANDICRAFT PRODUCERS AND BUYERS

Handicraft production, based on traditional skills and with low investment requirements, is one of the few relatively easily accessible opportunities for the poor to participate in the tourism value chain. It can allow subsistence farmers to gain additional income and, for the urban poor, the production of handicrafts is an alternative means of income in an environment where employment opportunities are limited. For example, ITC (2010) claims that in Viet Nam handicraft producers generate an income that is on average 60% higher than average rural incomes.

The tourism industry offers many opportunities for poor people to sell handicrafts, as international tourists, in particular, spend significant amounts of money on souvenirs and other craft products.

Strengthening the handicraft sector ensures that tourists choose to buy more locally produced handicraft items rather than imported products. It can also help to diversify the tourism product to include homestays and cultural experiences. The local production of high quality and value added products enables tourism enterprises to source more products locally. Souvenir shops can improve their image and increase sales based on social responsibility as a sales argument.

Ashley's (2006) study of the pro-poor-impact of tourism in Luang Prabang estimates that a total of US$ 4.4 million of curios and craft articles are sold to tourists annually. Around 40% of this amount, US$ 1.8 million, provides income for semi-skilled and unskilled people, who are considered to belong to the poorer sector of the population. Out of the four main tourism sub-chains: accommodation, food and drink, handicrafts and excursions, crafts rank second with regard to pro-poor impact. Ashley (2006) estimated the average handicraft purchases per international tourist to be as high as US$ 33 per person, even under the assumption that young backpackers only spend about one third of what the more affluent upmarket tourist spends on handicrafts. A large part of handicraft producers and sellers are women and many are from deprived ethnic minorities. An estimated 40% of the pro-poor income generated from crafts goes to poor raw material suppliers like sericulture farmers raising silkworms or bark collectors.

While local handicraft production in Lao People's Democratic Republic can provide ample opportunities for poor people to be integrated into the tourism value chain, the reality is that shops and markets in Luang Prabang are heavily reliant on imported products.

Craft sales are hampered by supply and distribution issues, including:

- Limited product range of appeal to tourists and tourism businesses due to a lack of innovation and new designs;
- Poor product quality;
- Limited knowledge of tourists' expectations;
- Difficulty in competing on price with imported products, in particular when the clientele is price conscious (e.g. backpackers);
- Poorly developed market linkages with retail shops in the main tourist locations; and
- Low integration in holiday packages of tour operators and hotel resorts.

As will be shown below, the traditional customers in Luang Prabang (i.e. backpackers) are interested in useful items rather than traditional souvenirs. However, Asian tourists from neighbouring countries are becoming increasingly important. They have very different tastes when it comes to buying crafts compared with Western tourists from North America and Europe. It is thus important for craft producers and shops to identify the kind of craft item that different tourist groups prefer and to adapt the product collections accordingly.

Equally important are the sales outlets for these crafts. In Luang Prabang this includes the markets (day and night markets), traders in craft villages, shops in town, hotel shops, airport shops, and, to a limited extent, street vendors. As in all destinations, tour operators and guides can direct tourists to certain areas and shops – usually for a commission. Tourism businesses (e.g. hotels, restaurants, tour operators, conference organizers) are important buyers of craft items as well. The craft items used for decoration and utensils in hotels might entice tourists to purchase them as souvenirs and mementos of their holiday. If they are well connected to the tourism industry, producer outlets enabling direct sales to tourists can be a powerful tool in generating pro-poor income.

Sales outlets can also be developed directly at production workshops. This enables tourists to see how the handicrafts are produced when they buy a product. Cultural tourism, community-based tourism and ecotourism all offer possibilities for the direct marketing of craft products. Excursions to craft villages are interesting for both handicraft producers and tour operators or holiday resorts that can offer their guests an interesting day visit, experiencing local culture, tradition and village atmosphere.

A 2010 report from the International Trade Centre (ITC) was optimistic about community-based tourism, finding that it is popular in the Lao People's Democratic Republic, with a number of tour operators offering overnight stays of a few days to a week in villages in different parts of the country. Tourists live in traditional wooden houses, experience the tropical nature, participate in the daily life of the community or learn handicraft techniques such as how to make ceramics or how to weave a silk scarf. Other tour operators visit handicraft-producing villages as day trips. The local craftsmen produce handicrafts in front of their houses. If there are no visitors around, they will just concentrate on weaving or other production activities. If tourists are around, they interrupt their production and try to sell products. Prices are lower than in town, but the craft producers earn more compared with when they sell to intermediary traders. Tourists attach a higher value to the products bought directly in the village, as they can appreciate the effort and the living conditions under which they are produced and can see for themselves the extent to which their purchase will directly increase the household income in a poor community. Handicraft tradition and skills are preserved and young people are trained in handicraft techniques, which might otherwise be lost.

Ashley's 2006 report includes consideration of how to promote the pro-poor crafts industry further in Luang Prabang and is slightly more cautious in its findings. "It is clear that crafts are already a very important economic opportunity for local households. The total amount of tourism expenditure is high, at around a fifth of all tourist expenditure, and of that a high proportion – around two fifths – accrues to semi-skilled and unskilled people. Thus, any further expansion of craft sales would be valuable to semi-skilled and unskilled people, but simply expanding existing supply is not necessarily the priority. If craft supply increased and diversified would tourists spend more? Would it be at the expense of shopping expenditure elsewhere on their trip? Shopping opportunities are already plentiful for the majority of tourists. Rather than expansion of craft supply, it is probably more useful to consider diversification and upgrading opportunities for existing producers, plus ways to bring more the Lao People's Democratic Republic producers into the chain. For example: options (…) for increasing semi-skilled and unskilled income include:

- Expansion of raw silk production in the Lao People's Democratic Republic and exploration of feasibility of the country's cotton supply.
- Geographical diversification of tourist sites outside the town, and parallel support to local producers/vendors at rural tourism sites, so that weavers in other villages can sell directly to tourists.
- Assistance to producers to upgrade into new tailor-made products with higher value added: for example, textile and paper products (bags, purses, notebooks) that are tailor-made for workshops by adding the name of the event and sold via the hotel as part of the package.
- Processed food products with English labelling and travel-friendly packaging; expansion of local speciality food product ranges for Asian tourists; textiles and paper products that include explanation of product origins, with how they were made and by whom.
- Assistance to producers and shops to secure export orders which would secure their business in the event of tourism down-turn and iron out seasonality."

Many tourists no longer search for cheap souvenir articles, but rather prefer some innovative higher value products. Many tourists prefer products the design of which fits into both worlds, the country they have visited as well as their home country. They prefer products to be both a nice souvenir and a useful item. Tourists particularly look for items that can be comfortably packed in a suitcase. Therefore, items should neither be too bulky, heavy or fragile. To meet tourists' requirements, producers need to be creative and experiment with new designs.

**Figure 4.1: Craft producers and consumers**

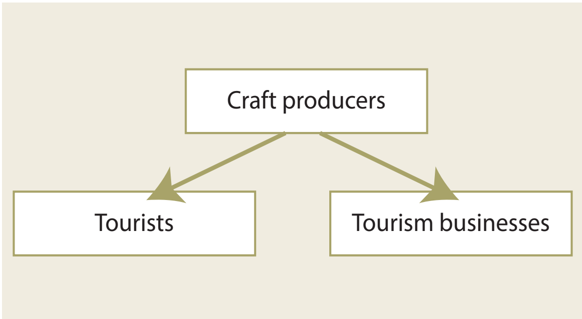


Figure 4.2: Silk production and retail

As this study primarily focuses on intersectoral linkages between craft producers and the tourism sector, it will now aim to assess the products available and the current and potential buyers. The aim is to highlight challenges and opportunities. Figure 4.1 illustrates the structure of this section.

## A. Producers

Although Lao People's Democratic Republic has a successful handwoven silk textiles sector that reflects the strong tradition of weaving, it is estimated that 80–90% of silk yarn in Lao textiles is sourced from China, Thailand or Viet Nam. While international demand for Lao textiles is strong, the bulk of production focuses on the lower end of the market due to an inadequate supply of local, high quality silk yarn at affordable prices. The lack of locally produced silk yarn makes it increasingly difficult for weavers to market their products as "Lao" when the raw material is imported.

Although silk represents a tiny percentage of the global textile fibre market, it is a premium agricultural commodity with a unit price roughly 20 times that of raw cotton. Currently, the domestic production of silk in Lao People's Democratic Republic is estimated to be around 30 tons per annum – this is tiny when compared with a total volume of 1 550 tons in Thailand and 12 000 tons in Viet Nam.

Lao women practise sericulture by raising silkworms and then reeling the silk off the cocoons. These women are the primary producers of textiles in Lao People's Democratic Republic and girls begin to weave at an early age. Traditionally, silk textiles were reserved for special occasions such as weddings, religious festivals, and as a display of status and wealth. Silk and other textiles have long been traded with other ethnic groups living in Lao People's Democratic Republic and regionally. Chinese silk thread and cloth continues to be imported into Lao People's Democratic Republic.

Demand for Lao silk comes from the Lao population, Lao expatriates, foreign expatriates and, of course, visitors. As the demand for textiles has increased over the years, weaving has become a full-time occupation for many women. However, local sericulture production has not been able to keep up with demand, and silk imports from China, Thailand, Viet Nam and also Italy have increased. Today, imported silk is used along with Lao silk to meet demand but efforts are being made to increase the production of Lao silk. To capitalize on this demand, the Lao Government aims to double silk yarn production by boosting investment in sericulture. Through the Ministry of Industry and Commerce's Trade and Product Promotion Department (TPPD), an innovative Sustainable Silk Production Partnership project (SSPP) aiming to link rural communities to markets has been established.

Lao silk differs from its more refined Indian, European and Chinese counterparts as it is predominately wild silk, defined by its exclusively handmade method of manufacture. In Lao People's Democratic Republic, sericulture is organized in production units where the reeling, colouring and spinning is all done by hand, and often by women. Each region produces an individual silk, according to their particular method of reeling and forming, so obtaining mat or lustrous silks. To make a long, traditional stole, it would sometimes take more than a month's work. As a consequence it is argued that the numbers of traditional sericulture farmers, production and exports have all fallen dramatically during the past two decades. The relatively

**Box 4.1: Thai silk industry developments**

For an example of how silk products and production have been upgraded it might be worth looking at developments in Thailand. Over the past decade Thai silk companies have upgraded the quality of raw material input, technology and specialized human capital to strengthen the competitiveness of their products. More crucially, they have decided to change their strategies from using technology mainly for cutting costs to developing new expertise for redesigning and updating their products. Emphasis has been placed on retaining traditional methods of silk production to differentiate Thai silk and attract customers with premium products. As an example, the famous Jim Thompson business has promoted traditional, handmade fabrics in its premium market and hired new designers to continuously update its fashion items. The company also researches and develops new technologies to create innovative products, primarily by blending yellow silk with other fibres. This technique, that became standard practice around 2007, has allowed the development of silk features and finishes which facilitate easier use and more up-to-date designs.

As the importance of the export market grew, Thai silk businesses were compelled to modify their products to better suit the tastes of their buyers in Europe, Japan and the United States of America. Some midstream companies substituted the knotty, rough-textured yellow silk with industrial white silk. Downstream companies diversified their product lines to include more contemporary items such as neckties, bags, scarves, underwear and t-shirts. However, while the responsiveness to market demand and the growth in product variety were encouraging, these modifications also created the risk that Thai silk would lose its unique cultural identity. As a consequence some upstream companies, such as Chul Thai Silk, started mixing traditional silk yarns with cotton or synthetic fibres to achieve desirable features such as crease resistance for more comfortable use. Thong Seng, a midstream weaving company, switched from using industrial white silk to native yellow silk to differentiate its products in the premium market. Satisfying modern market demands need not compromise the product's traditional identity, and companies like HM Factory incorporated the use of safe dyes and chemicals from certified suppliers to create products for environmentally conscious customers. Downstream companies used different strategies in response to modern market demands. The T Shinawatra Company, for example, continues to preserve its line of traditional silk products made from Thai native yellow silk; while Jim Thompson, has modernized its merchandise by mixing local silk and imported silk to create new designs. The new products are more colourful and with enhanced functional designs encouraging everyday wear.

Tourism represents an important supporting industry for Asian silk as the fabric first became known to the world through word-of-mouth by foreign tourists. Thai silk firms have responded to the growing success of the tourism industry by expanding their distribution networks to more modern and convenient locations. Both T Shinawatra and Jim Thompson, in addition to having their own retail shops, have opened new outlets in airports, hotels, shopping centres and department stores. However, the rapid increase in the share of sales through modern distribution networks raises the question of how Thai silk can maintain its unique selling proposition, which was often linked to tourists buying directly from local producers, often with the opportunity to directly observe the craft production.

An innovative marketing tool that has been introduced is the Royal Peacock logo. With support from the Queen Sirikit Department of Sericulture, premium silk fabric and products can now display this logo as a certification of quality. The emblem contains four categories – gold, silver, blue and green – representing the following four fabric categories – royal Thai silk, classical Thai silk, regular Thai silk and blended Thai silk. It is argued that this quality sign evokes a sense of the fabric's origin in the customers' minds, even when the purchase is made at a modern store. It also elegantly underscores the special status of handmade silk.

Silk producers, particularly in the cottage silk industry, used to craft their products independently. The households in each community produced and sold their products at home. In 2002, the Thai Government launched the OTOP (One Tambon One Product) project to promote village products and to encourage producers to work in clusters (Ruengdet and Wongsurawat, 2010). As an example, the Chonnabot Silk Cluster in the northeastern province of Khon Kaen was established in 2006 for villagers to harness the power of specialization. The cluster has a dedicated quality control group and has diversified its distribution channel. In addition to selling their products at home, the villagers also supply silk products to factories, wholesalers and retailers from outside of the community. The linkages have allowed closer collaboration with relevant government and private sectors to support and strengthen the network of silk producers. For example, the Queen Sirikit Department of Sericulture under the Ministry of Agriculture and Cooperatives provides technical assistance to raw silk producers to ensure quality; the Department of Industrial Promotion under the Ministry of Industry has a project to improve the midstream silk companies, particularly in regard to product design, and then collaborates with the Department of Export Promotion under the Ministry of Commerce to access new markets. This strategy entails networking of all producers along the value chain and presents a clear break from the fierce competition that raged between Thai silk producers in the past. The network of producers also facilitates the preservation of the traditional identity of the fabric and creates a differentiation advantage. It is argued that the Thai silk industry has managed to balance efficiency with old customs in production; introduce new innovative products while preserving unique traditional features; develop modern marketing and distribution techniques with a cultural flare, and build linkages and clusters.

high tariffs on raw silk (20%) compared with woven fabrics (0–5%) distort incentives for midstream companies who import fabrics instead of developing their own weaving technologies.

## B. Buyers

### 1. Tourists

While silk continues to be popular among foreign tourists, other types of handicrafts (e.g. cotton, ceramics, paper, porcelain, lacquerware, etc.) are increasingly becoming close substitutes of silk in the souvenir market. Researching the silk trade in Thailand, Haggblade and Ritchie (1992) claim that the shift to tourist and export markets has required silk producers to substantially upgrade their quality and improve technology at all levels. Simsiri and Sahachaisaree (2010) found that the development of traditional products needs careful consideration of consumer discernment and aesthetic perceptions, which are crucial factors determining the success of a design. Lao silk producers also encounter direct competition from cheaper silk yarns and fabrics from China and India. Their customers, tourists and tourism businesses, do not seem to be very discerning. Tourists mentioned:

> *"Ohh, I like all the silk stuff. I bought a lovely scarf at the night market and it was only about US$5. I do not know if it was produced in Lao… I don't really care – it is just a nice scarf".*
>
> *" I just loved the colour of this scarf. I really do not know where it is from. Does it matter if it is from Lao or Viet Nam or China?"*

The majority of tourists "interviewed" in informal conversations in Luang Prabang and during focus groups in the United Kingdom were not necessarily concerned if the product they bought was made in Luang Prabang or even Lao People's Democratic Republic. Table 4.1 presents a short summary of the survey results.

As illustrated previously, Luang Prabang, unlike other rural adventure and ecotourism destinations in Lao People's Democratic Republic, is an urban location where tourists come to soak up the cultural atmosphere. As tourists stay quite long (five days on average) it can offer extensive opportunities for shopping but also for involvement in local craft production. As shown above, however, opportunities for active engagement with craft producers and craft production are extremely limited. The one major exemption is Ock Pop Tok.

Ock Pop Tok (meaning "East meets West") is a social enterprise working primarily in the field of textiles, handicrafts and design. It is in contact with a diverse selection of people both in Lao People's Democratic Republic and abroad. Nationally, it works with women artisans, rural producer groups and Lao students who fund studying with part-time or full-time jobs in its shops. All of these people contribute to Ock Pop Tok's success and the company is committed to the well-being of all those involved and offers opportunities for professional and social development.

In 2005 it opened its Living Crafts Centre, a weaving and dyeing studio, craft school and exhibition space. Set in a tropical Mekong garden it serves as a resource centre for learning about textiles, crafts and culture. On site there is also a café, shop and small

**Table 4.1: Summary of customer buying behaviour survey**

| Item/question | Current tourists in Lao People's Democratic Republic, December 2013 (n=35) | Past visitors to Lao People's Democratic Republic (n=13) |
|---|---|---|
| Have you bought souvenir items in Luang Prabang? | 100% | 100% |
| What have you bought? | Bracelet (51%)<br>Ornamental bag (29%)<br>T-shirt (26%)<br>Silk scarf/head dress (23%)<br>Flip flops (20%)<br>Unexploded ordnance metal item (17%) | Ornamental bag (46%)<br>Bracelet (46%)<br>Silk scarf/head dress (38%)<br>T-shirt (31%)<br>Unexploded ordnance metal item (15%) |
| Did you know if these products were made in Luang Prabang? | No (86%) | No (77%) |
| Does it matter to you that the products you bought were made in Luang Prabang? | No (83%) | No (77%) |
| How important was the following? | Price (86%)<br>Usefulness (71%)<br>Ease of transporting (60%)<br>Fun (60%)<br>Uniqueness (37%)<br>Connection with trip and other travellers (29%)<br>Made locally (14%)<br>Other (14%) | Usefulness (77%)<br>Ease of transporting (77%)<br>Price (69%)<br>Fun ( 54%)<br>Uniqueness (38%)<br>Connection with trip and other travellers (38%)<br>Made locally (15%)<br>Other (15%) |
| When compared with other destinations you visited, would you recommend buying souvenirs in Luang Prabang or Laos? | No (60%) | No (54%) |
| Why? (Three main reasons) | Not special/unique<br>Expensive<br>No connection | Expensive<br>Not special/unique<br>Already bought similar items elsewhere |

guesthouse. In town, it manages two Fairtrade shops selling the items made from the weaving studio and Village Weaver Projects.

**Village Weaver Projects – rural communities development:** Working in conjunction with LNTA, development agencies and the Lao Women's Union, Ock Pop Tok trains artisans from remote areas in refresher natural dyeing and weaving skills, product design and business related skills. Craftsmanship and tradition are combined with artistic creativity and market knowledge. Village based production is found to have significant benefits as a whole.

**Fibre2Fabric – a non-profit foundation:** Fibre2Fabric is a non-profit gallery that focuses on handcrafted textiles as a way to explore and explain Lao culture. The free entry gallery is dedicated to documenting, exhibiting and upholding the social role and tradition of textiles in the Lao People's Democratic Republic. All exhibitions are bilingual Lao and English.

**Fairtrade:** As one of the founding members of the Lao Fairtrade Group, Ock Pop Tok practises Fairtrade in all areas of business operations. It also has a commitment to minimizing its impact on the environment.

For tourists, Ock Pop Tok offers the opportunity to learn the craft, buy the product, lunch and even to stay overnight – all in an enchanting location overlooking the Mekong. This makes it an all-day visit attraction. Below are examples of what Ock Pop Tok offers:

**Half-day courses on natural dyes:** An introduction

Figure 4.3: Ock Pop Tok's Living Craft Centre overlooking the Mekong


to silkworms and silk types. In this class, students (maximum ten) have a hands-on experience with natural dye preparation and complete three-colour dyes. At the end of the class students take home three-coloured dyed silk skeins. Many of the natural dyes used are grown in the Ock Pop Tok garden.

**Half-day classes in weaving:** An introduction to weaving on a loom. Each student is assigned a loom and has a guide and a weaver to help them learn the art of weaving. Students will select two colours and will create a placemat-sized piece with a Lao motif.

**Hmong batik classes:** An introduction to Hmong culture. Each student creates a wax resist, Hmong style design on hand-loomed hemp. Due to time constraints it is not possible to complete the dye portion of the process. The natural hemp renders a beautiful finished piece. This class can be extended to a full day, including lunch.

**Natural dyes and weaving classes – one-, two- and three-day courses:** All of these classes begin with a morning natural dyes course and include lunch.

- **One-day course:** after lunch there is an introduction to the loom and winding. Students learn the skill of continuous supplementary weaving *kit*. They weave a placemat with a Lao motif and take home the result.
- **Two-day course:** after lunch there is an introduction to the loom, winding and both types of supplementary weave. Students learn the skills of *kit* and *chok*. The second day is a full day's weaving and they take home a finished scarf.
- **Three-day course:** this is an in-depth focus on the *ikat* technique. The first day is the natural dyes class and introduction to the loom. On the second and third days students learn to wrap, tie, dye, reel yarns and weave their own *ikat* scarf.

Some recent comments from visitors (Tripadvisor):

*"Great place"* Reviewed 30 April 2014

*"Myself and my friend popped in here to have a look and it is great. Very educational and everyone was really friendly. Would love to do a day course but we leave tomorrow. The whole place had a good vibe and I love that they are trying to keep the Lao tradition in textiles alive. We had a tour of the studio, then a tuk-tuk to the 'factory' and had a guided tour. All of this was free and very worthwhile. It is a must see!"*

"Good experience" Reviewed 28 April 2014

*"We did a basket weaving session in the morning and a weaving session in the afternoon. Lovely to make something for yourself using traditional tech-*

Figure 4.4: Students at Ock Pop Tok

**Figure 4.5: Stages in silk dyeing process**

*niques. The women were all from the local villages. We were well looked after throughout the day!"*

*"Fun morning bamboo weaving"* Reviewed 24 April 2014

*"We did the morning bamboo weaving class and had a lot of fun learning the techniques and about the centre with our own teacher (for two people) in a scenic setting along the Mekong. Something different that's not offered in other parts of SE Asia".*

*"Silky experience"* Reviewed 25 March 2014

*"We stopped here as part of a group tour, and to my surprise, I found the experience very interesting and engaging. I have had no prior exposure to sericulture or textile production, but the presentation and demonstration piqued my interest and I found myself learning a lot about the industry and about the different types of silk fabrics. One of the members of our group even got to dye a piece of silk as part of a hands-on demonstration.*

*The cafe was also excellent. I had one of the best cups of coffee I had had during that entire trip and the food that was served for lunch was also excellent. Even though we generally avoid shopping during 'factory tours', we ended up buying many silk scarves and other items for presents from their collection.*

*This is not an obvious stop when you are visiting Luang Prabang, but it is definitely worth the time to go there and learn a bit about sustainable indigenous crafts, or just get an awesome cup of coffee and an excellent lunch in a lush and serene setting with an amazing view of the Mekong".*

*"Highly recommended"* Reviewed 13 March 2014

*"Highly recommended for anyone who appreciates handmade products. Makes one appreciate what that really means. Lots of coordination, patience, creativity and backache ... Learnt something new – a different experience".*

***"A great experience"*** Reviewed 11 March 2014

*"The full-day dyeing and weaving class was more expensive than some of the other things I was looking at it, but it was a lot of fun and I learned a lot. I'm a guy and I did it alone, so I got a few chuckles when I was booking the class and when I showed up, but after six days in Luang Prabang, I wanted to do something that didn't involve a temple or a waterfall or a cave, and this class fit the bill. Everyone was really friendly and super helpful. I enjoyed the dyeing part more. I learned a lot, and crushing plants and*

*splitting bark was more active and less repitive than weaving. The weaving part was good, and I came home with a nice souvenir, but it was tiring doing both in one day, so if you had to choose, I would go with dyeing. The best part about doing the full day is the food. Really good stuff".*

Other, maybe less successful examples are the craft villages of Ban Xang Khong and Ban Phanom. The craft village of Ban Xang Khong and the weaving village of Ban Phanom are located just a few miles outside Luang Prabang and as such can be included in day excursions. There are a number of homes to visit where one can see weaving and dyeing but the largest and most interesting is the Lao Silk Handcrafts Weaving, Dyeing and Silk Centre. A variety of natural dyes and the colours obtained are on display, as are all the steps, from feeding the silkworms through reeling the silk thread from the cocoons, cleaning, degumming, spinning and finally weaving. A selection of woven items are on display and can be bought. In order to expand their business and cater for foreign tourists more contemporary designs have been added to the range. Tourists can also visit a small papermaking facility where handmade paper is produced and turned into carrier bags and gift boxes.

However, very different to Ock Pop Tok, the activities offered to tourists to participate in are rather limited. While these craft villages can offer the benefits of product clusters, i.e. the proximity of similar producers can lead to an upgrading of the products due to competition; this only seems to be evident to a limited extent in this case. Written interpretation (posters/signs etc.) of the processes and products are rarely provided and the artisans speak little English. Lunch or even a coffee break options are very limited. Tourists either seem to take their own supplies from their hotel or the tour operator carries bottled water and packed lunches. The village product is simply walking around a village, which tourists do for free. There is nothing to watch, visit, participate in or learn about that involves a fee.

One tourist commented:

*"It is interesting here but I do not feel welcomed. We are simply asked to buy – there is no hospitality that Lao People's Democratic Republic is so famous for. I would like to be guided, some explanation at least, and I really would like to sit down for a nice cup of coffee. You can't even buy a bottle of water here. It is not inviting at all".*

Much can be done here to induce tourists to stay longer and make this a more enjoyable experience. This would in turn also be likely to increase spending. Both sights feel rather touristy, very different to Ock Pop Tok. They seem to be geared at mainly selling without offering any experience, which is rather unfortunate. The products sold can be bought more cheaply at the night market. Overall, the opportunity to engage with tourists is lost.

**Figure 4.6: Market with traditional textile offerings**

### 2. Shopping

**Markets:** Luang Prabang is an urban location and, as such, does offer considerable potential to not only see the sights but also to engage in shopping. Luang Prabang has a well-established night market with more than 400 stalls and this is the place where many tourists congregate in the evening. Offers include tourist tat (from beer logo t-shirts to keyring bottle openers), imported clothes and flip flops, jewellery and ornaments, but also a large number of stalls selling Hmong embroidery, woven silk and cotton products and mulberry paper products. According to conversations with stall holders – the majority of products is imported. The day market is smaller and specializes in food stuffs but they both ensure that there are plenty of opportunities for tourists to spend.

The night market in Luang Prabang has an international reputation (over 400 000 Google results). The type of product sold is well attuned to the backpacker market. Much is light, small and inexpensive. However, the variety of products on offer is slightly limited and could benefit from diversification and upgrading, especially as buyers' profiles have changed over the past few years. In particular, upgrading to higher value-added products should be considered. The lack of diversity among products leads to high competition among sellers which in turn forces many to focus on selling cheaper, inferior imported products. This is appreciated by the cost conscious tourists visiting the night market.

Several tourists commented:

*"Yes, I bought a scarf. I just wanted to take something home. The seller told me that it was made in her village. I don't know – but it was cheap and cheerful".*

*"This one? Yes, I bought it yesterday – much cheaper here than in the shops".*

*"I felt that I had to buy something – why else would one visit a market? It was cheap … no, I do not know where it is from or what the material is – silk, I assume. But it is nice, no?"*

**Permanent shops:** The main tourist area in town also offers a reasonably large number of high quality sou-

**Figure 4.7: Various shops in Luang Prabang**

**Figure 4.8: Ma Té Sai shop**


venir shops. For high-end Asian tourists, especially Thai, silver/gold/jewellery shops are dotted around town. Ashley (2006) argues that tourists spend about US$ 4.2 million per year on crafts and souvenirs and that a high proportion (38%) of this accrues to local producers and small scale vendors. This is slightly doubtful, or rather, it might accrue to vendors selling imported goods but possibly not local producers. Ashley (2006) also seems to assume that 50% of silk is from Lao People's Democratic Republic. The majority of Lao silk comes from Huaphan and Xieng Kuang provinces, according to a textile shop owner. Around 100% of cotton and around 50% of silk is imported. Non-textile products include mulberry paper, silver, pottery and wood products. Raw material for silverware is supplied by Hmong families who are selling off old French coins. It is estimated that there are around 100 shops in town itself with another 25 in surrounding villages. They mainly sell textile, paper products, silver, jewellery, pottery and wood carvings. Quite a number of these shops, such as Ma Té Sai, are clearly aimed at high-spending tourists and offer "ethically" sourced produce.

An interview with a shop manager revealed:

> *"We sell Fairtrade produce from all over Lao. Thus we specialize in local products to support the local economy. We do not use the handmade in Luang Prabang labelled products as we believe that the benefits from tourism already concentrate too much on Luang Prabang and our aim is to spread this to other provinces. A lot of what we sell comes from further up north and the far south".*

Only a very small number of shops have developed into activity-cum-shopping attractions like Ock Pop Tok. One of these is Garden of Eden, a jewellery shop that offers tourists the opportunity to participate in the design and crafting of their own jewellery.

Recent comments on Tripadvisor include the following:

***"A memorable morning in a lovely spot"*** Reviewed 25 December 2013

> *"My nine-year old daughter and I enjoyed a lovely few hour making gorgeous bracelets with Nik – peaceful, fun, and just a truly lovely couple! My hubby spent the time chatting to Lan and even helped him to put up some of the new thatching on their patio. They both shared their stories, Lao culture and hospitality making it one of the highlights of our trip. The bamboo bridge across the river to their place had been washed away but it was easy to get a boat ride across. If you'd like to go home with a lovely memory (and special keepsake) from Luang Prabang, then don't miss Nik and Lan at their Garden of Eden. We all loved it!!"*

***"Jewelery class"*** Reviewed 21 March 2014

> *"We crossed the bridge after we saw a small sign about the shop and we wanted to see what is about. there we met Nik, a young and friendly girl with excellent English. She told us that the class is free and we have to pay only for the materials. It took a while till we decided what we want to make but Nik was there to guide us through. we started working and each of us got Nik's full attention and creative input that helped us reach the desired outcome. It was really*

*satisfying to create something of our own (whether it was of our own idea or based on something in Nik's shop) in a reasonable price, and of course accompanied by the wonderful Nik!"*

***"A hidden gem, literally, an afternoon of delight"***
Reviewed 16 March 2014

*"I stumbled upon this place when a tuk-tuk driver dropped me off by Dyen Sabia. I was wanting to visit somewhere 'authentic' and was thinking of walking 2km to the weaving village on the east side of town, south side of the river.*
*But the sign for jewelery making classes caught my eye and I also liked how this place was sort of carved out of the scenery. We looked around and spoke to the husband who was staffing the store. He called his wife, Nik, who had been out doing errands. When she arrived she took us on the back balcony and we had already selected what pieces we wanted to make. It took longer than we envisioned, as I had a hard time getting the hang of crocheting, but she was very patient. We were there for probably 2 hours and got to meet their friends.*
*I ended up buying the piece I liked, and making a donation for the piece I made (she had invested quite a bit of time into helping us). Nik speaks excellent English, and even with a US accent when she does so, which was helpful as we don't speak Lao. She told us a bit about how her and her husband got the store started and how they live underneath (the store being the top floor).*
*When we left, we commented that we felt like we got to enter the home and life of a typical citizen in LP and how wonderful it was. This place is a bit hidden (across the bridge) and so it probably doesn't get as much foot traffic as it deserves. So you will need to make a point of going in their, but if you enjoy crafts and supporting the local artists, it is more than worth your time. This store and people deserve your support".*

Far more could be done in Luang Prabang to offer activity-cum-shopping attractions.

Ashley (2006) estimated that upmarket tourists spend about three times as much as backpackers on crafts. It also seems likely that Asian tourists spend even more, though more research is needed on this. Lao People's Democratic Republic tourists, and probably Asian tourists, apparently spend significant amounts on local food specialities.

Past research indicates that international visitors to Luang Prabang are primarily interested in nature and culture; less than a third cited food and shopping as main interests. Most of the portfolio of attractions lies in the cultural and natural categories. Of the contemporary attractions, shopping is linked to artisans. However, it is not deemed an "associated attraction" because shops could exist by retailing goods from other parts of the country and the information is not available to quantify how much shopping is for locally produced goods and services.

While silk remains the standard take-home souvenir from Lao People's Democratic Republic (and South East Asia, in general) many tourists, in particular backpackers, seem to prefer cotton products or items made of mixed materials.

One tourist comments:

*"While I love silk, I find it difficult to use. The scarves are absolutely lovely but I do not really know what to do with them. They are too heavy – and too fragile. I bought this instead [a cotton scarf], I live out of my backpack and I can just throw it in there and do not need to worry. Also, I need something that is durable and can be washed easily. But, I have bought a silk scarf to bring back to my mum".*
*"The silk is nice but it is all very girly. Cotton is much better for me".*

Many of the shops are now following this trend and sell mixed material or pure cotton items. It seems that the buyers prefer chic utilitarian items, rather than more decorative silk items.

A shop owner states:

*"We sell both the traditional silk scarves and sinhs (skirt), and cotton. But we find that tourists here, in particular the younger ones prefer cotton. They seem to buy something that they can use while travelling in this part of the world. This is different for our slightly older and more affluent customers. They are only here for a short visit and seem to be happy to buy the more expensive silk items. Many ask us to wrap them as presents, thus they clearly take them home as souvenirs rather than wanting to use them here and now".*

Hmong embroidery items, in particular bags, seem to be on the shopping list for many backpackers. They are preferred for their "authenticity" and provide a practical as well as decorative item to use on a daily basis. While they might be embroidered locally, the basic materials are often imported.

### 3. Tourism businesses

In many destinations it has become apparent that the business-to-business (B2B) market is probably equally, if not more, important than the souvenir market aimed at tourists. Hotels wanting to provide a unique and "authentic" atmosphere are reliant on local craft producers to create this Lao ambience. This generally seems to be even more important for more upmarket hotels. In Zanzibar (United Republic of Tanzania), for example, the more successful local craft producers focused their attention largely on supplying hotels with anything from furnishings and fittings, decorative items, crockery and tableware, locally produced soap and toiletry items, and staff uniforms. This seems to provide a relatively steady and sustainable income through bulk or customized sales.

In Lao People's Democratic Republic 19 hotels (15 in Luang Prabang and 4 in Vientiane) were visited to understand their procurement of local craft producers. As this was a short-term exploratory study, the results are merely indicative.

The visited hotels in Luang Prabang can be roughly grouped into the following three categories: a) backpacker hostels/hotels; b) mid-range; and c) upmarket. A description of the general findings regarding local craft purchasing follows.

**Backpacker hostels/hotels:** This is by far the largest category of accommodation providers found in Luang Prabang. Their clientele are mainly Western cost-conscious backpackers for whom the country (and Luang Prabang) is just one destination on their South East Asian travel trail.

All businesses use silk as decorative items, in particular scarves as wall hangings or bed throws. None deliberately bought "made in Luang Prabang" items as they were "too expensive" (several stated this). The silk items were generally bought cheaply at the night market or directly from "contacts". It is impossible to estimate how many of these were produced locally.

The majority also used local paper products somewhere in their business, e.g. lampshades. Again, these were mainly bought at the night market but interviewees confirmed that they were locally produced. Toiletries are not locally produced but consisted simply of small, plastic wrapped soap pieces produced in China. No information material on shopping for local goods is available in bedrooms – although a few displayed the "made in Luang Prabang" leaflet in the reception area. Furniture is apparently locally produced.

Managers commented:

*"We like to have silk decorations … it is part of Lao and a traditional welcoming – we buy them from the night market".*

*"We use them as wall hangings and bed decorations – it's traditional".*

**Mid-range:** There are a relatively small number of mid-range (lower end) accommodation providers in Luang Prabang. Many of these are locally owned and seem to have been established with government support some time ago. They cater mainly for international package tourists and cost-conscious Asian visitors. Visitors stay on average for two nights only. The ones visited were extremely run down. They seem to want to aspire to some kind of international standard while ignoring the potential that local inputs could provide; a very sad affair. All used some kind of Lao symbols and decorative items in the more public areas of the hotel e.g. reception, dining room, bar. Use of local craft produce in the bedrooms was extremely sparse. If silk products were used they were bought cheaply at the night market – and fixed firmly to the wall. Local paper lamp shades were used in public areas of most hotels. No locally produced toiletries were used. The furniture is said to be local.

One manager commented:

*"We do not use any items that visitors can take. They just take them – we can't afford that".*

Overall, the mid-range category is possibly the most disappointing. This is mirrored by comments about these hotels on Tripadvisor:

*"Overpriced [name withheld]"*

*"The exterior says this hotel once was a jewel but not much has been done to keep it in shape. Interior of the room was shabby. Mattress a disaster. Door to the bathroom was so damaged that it could not be closed. The mornings were very cold but breakfast was served only outdoors".*

*"Experience déplorable"*

*"Comme un grand nombre [name withheld], d'extérieur il est très beau. Il y a du charme mais quand l'on arrive dans les chambres c'est la débâcle. L'entretien est a revoir. Nous avions réservé une chambre DELUXE, nous ures une chambre standard car les il n'avait plus de DELUXE.*

*Le personnel de nuit ne parle pas anglais et le gérant traîne dans les couloirs sans se soucier des ses cli-*

*ent mécontent.*
*Et pour finir les douche étant moisi et un cafard traînait dans notre chambre".*
*"Eine bessere Herberge ...ziemlich heruntergekommen..!"*
*"Unser Veranstalter DERTOUR hatte uns dieses Hotel im Rahmen einer Laosrundreise gebucht ...Zimmer eine Katastrophe ...schmutzige Kissen ...offenen Elektrokabel an den Nachttischlampen, vergammelter Duschvorhang, Kühlschrank voller Schmutzwasser, modrige Hand- und Badetücher, verdreckte Klimaanlage, Frühstück ...eine Schale Bananen für alles Gäste , eine Platte Obst ...für alle ...aber nie wieder ...den die Anlage ist toll nur komplett runtergekommen…".*

Some of these mid-range hotels clearly seem to fight for their survival – and buying cheap inputs (or no inputs at all) seems to be the way forward for them.

**Upmarket:** The more upmarket hotels visited were a totally mixed bag. Generally these hotels cater for individual visitors (many Asian) and more upmarket organized tour visitors (Asian and Western e.g. European and North American). Individual visitors stay slightly longer than organized tour visitors. Some were very keen on promoting and supporting the local Lao economy, while several others (some of the most expensive establishments) had no link to Lao People's Democratic Republic whatsoever.

**Figure 4.9: Shopping bag promoting buying local Lao products**


The more supportive establishments focusing on procuring Lao products have been long established in Luang Prabang and were often linked to official governmental support systems (in one way or other). They seem to be very keen to "buy locally" and the premises are packed with local (or not so local) artefacts. One hotel was also very keen in guiding tourists to buy locally by providing a shopping bag and instructions on where to buy.

Others, mostly foreign owned hotels (e.g. Thai, Indonesian, Russian, Indian) were built to offer a private resort type experience.

Interviewees commented:

*"This is a refuge for our Thai customers. Lao resembles what Thailand has lost. This hotel offers everything our clientele wants. It was built by Thai architects and furnished by Thai crafts people. Our food is French-Thai, and we offer the best Thai spa and massage anywhere outside Thailand. Our visitors come here because we offer them home comfort while they are also able to explore beautiful Luang Prabang".*
*"This is essentially a private retreat. Privacy is what our customers want. All accommodation is designed around that principle. The location in LP is fantastic but our guests actually stay here for most of the time – they come here not because of the location but because they know what they can expect from the company. We provide everything and give them privacy. Most of our inputs come from our parent company. Our toiletries are exquisite – they are produced in Indonesia. The design of the rooms is totally East Asian … I know this as I worked for [company name withheld] in Siem Reap before – we have the same design".*

All of these upmarket hotels used silk decorations and paper shades extensively and exhibited extreme attention to detail in their furnishings and decoration – as would be expected. Foreign-owned hotels imported a large quantity through their existing networks from other parts of South East Asia while domestically owned hotels seem to have a slightly greater input of Lao produced material. The "made in Luang Prabang" label was not explicitly visible.

One surprising aspect in all of these hotels (and all hotels visited) was that none of the toiletries such as soap, shampoo, shower gel or body lotion were produced locally. Managers of the high-end hotels stated that they were generally interested in procuring locally but that the quality of produce and reliability of sellers made it difficult. Managers were particularly interested in supplies of cotton products (e.g. bed linen, towels and curtains) rather than silk items.

### C. Summary: Craft producers and buyers

There are high levels of sales of imported goods, in large part due to a limited product range that might appeal to tourists and tourism businesses due to a lack of innovation and new designs, poor product quality, limited knowledge of tourist expectations and difficulty to compete on price with imported products, in particular when the clientele is price conscious (e.g. backpackers). There are also poorly developed market linkages with retail shops in the main tourist locations and low integration in holiday packages of tour operators and hotel resorts. The lack of locally produced silk yarn makes it increasingly difficult for weavers to market their products as “Lao” when the raw material is imported. Lao silk differs from its more refined Chinese, European and Indian counterparts as it is predominately wild silk, defined by its exclusively handmade method of manufacture. Opportunities in Luang Prabang for active engagement with craft producers and craft production is extremely limited, with the craft “village” experience being extremely disappointing as no attempt is made to welcome the tourists and entice them to stay longer, and crucially, to spend. Also, interpretation and guidance is extremely limited and participation non-existent. These “attractions” are, in essence, simple sales outlets, as the same items can be bought more cheaply at the night market.

The variety of products on offer at the night market is slightly limited and could benefit from diversification and upgrading, particularly considering that buyers’ profiles have changed over the past few years. Only a very small number of permanent shops have developed into activity-cum-shopping attractions such as Ock Pop Tok. This is surprising as this seems to be valued highly by customers. Far more could be done in Luang Prabang to offer such activity-cum-shopping attractions.

While silk remains the standard take-home souvenir from Lao People’s Democratic Republic many tourists, in particular backpackers, seem to prefer cotton products or items made of mixed materials. Buyers prefer chic utilitarian items, to the more decorative, traditional silk items. All accommodation providers use silk as decorative items, in particular scarves as wall hangings or bed throws, however the origin of these items seems rather irrelevant to most tourists. Mid-range hotels used relatively few locally produced items, while upmarket hotels varied considerably – some made use of an extensive array of locally produced items (including shopping guidance and bags) while many of the foreign-owned hotels (Thai and Indonesian) created a home-away-from-home for their customers (including imported decorative items and toiletries). Something very surprising was that none of the hotels used local toiletries, i.e. locally produced soap, shampoos, lotions. Managers of the high-end hotels stated that they were generally interested in procuring locally but that the quality of produce and reliability of sellers made it at times difficult. They were, however, particularly interested in supplies of cotton products (e.g. bed linen, towels and curtains) rather than silk items.

# V. BEST PRACTICE EXAMPLES FROM AROUND THE WORLD

## A. Encouraging intersectoral linkages with agriculture and crafts: Brazil, the Caribbean and United States of America

A consistent theme among many tourism and agriculture stakeholders involves the need to strengthen tourism and agricultural linkages and develop a strong local and regional market for agricultural products serving the tourism sector.

### *Brazil*

A good example of a community-based initiative can be found in the northeastern Brazilian region of Bahia, once an area totally reliant on agriculture for jobs and income. Capitalizing on its rich heritage and natural landscapes, the region developed a thriving tourism industry. When the International Trade Centre's Export-led Poverty Reduction Progamme (EPRP) Berimbau project started, there was already a large tourist resort in place, the Costa do Sauípe resort. The aim was to get poor communities in the area more involved in the tourism activities around this resort for employment and income generation.

The main lesson drawn from the EPRP Berimbau project is that local communities must be at the centre of any technical assistance programme to make it successful. It is vital that the momentum for change comes from the people who are to be impacted by the project, especially in the decision-making process, as the results will remain with them when the programme is finished.

The Berimbau project took the following steps:

- Identification of community associations, whether functioning or not;
- Identification community leaders: who they were, what they were doing, level of representation, life history;
- Invited community associations and leaders to local events;
- Organized several meetings with small groups of community leaders to explain, simply, what and how Berimbau intended to do without creating false expectations; and
- Expanded the group of leaders.

The relationship with the communities was based on the following principles:

- Transparency and sincerity: not promising more than could be feasibly achieved;
- Action: fewer speeches and more action, quickly taking up real interest and discouraging self-centred requests;
- Awareness: championing Berimbau's raison d'être to be in the interests of the whole population – the improvement of living conditions and integrated and sustainable local development; and
- Capacity building: activities for the local population.

The benefits experienced by the over 7 000 people (including 3 500 were women) in eight communities were substantial. These benefits came about not only thanks to the EPRP project, but also to the wider Berimbau programme, which included improvements in local infrastructure, education, cultural heritage, job creation and living standards, including:

- Establishment of a rural producer cooperative (fruits, vegetables and crafts) with direct sales to the Costa do Sauípe resort;
- Construction of a handicrafts shop in Costa do Sauípe;
- Raised average monthly income of artisans (mostly women) from US$40 to US$250; and
- Setting up of an organic waste recycling plant.

### *United States of America*

Hawaii initiated an economic diversification policy based on the concept of "one job/one room" in 1990. This policy dictates that hotel developers create one non-tourism job in the economy in order to obtain state permission to build one hotel room in resort developments that involve the reclassification of land from agricultural, rural or conservation categories to urban land. The developer is allowed, alternatively, to make a payment of US$25 000 per proposed hotel room for the financing of job training, business loans or other incentive programmes to promote economic diversification. This policy is seen as a method of extracting rents form "largely non-resident hotel developers" to finance other projects which the state desires" (Telfer and Wall 1996).

## B. Improving standards in the accommodation sector: Jamaica

It is generally acknowledged that larger hotel properties are making headway in the competitive global environment. However, of particular concern to most

Caribbean countries, including Jamaica, is the difficulty local entrepreneurs face in achieving viable participation in the tourism sector. It is particularly evident in the small hotels sector (defined as 75 rooms or fewer) and the attractions and services sector. For Jamaica, this is a significant sector accounting for 10 000 to 12 000 rooms (estimate from Caribbean Tourism Organization statistics).

Viability is typically compromised by product quality and can have a generally negative impact on the destination's competitiveness. For example, the difficulty of small hotels in achieving occupancy rates beyond the current 35%–45% average precludes any serious product quality upgrading and training. Attempts made in the past to assist small hotels have largely been unsuccessful and have included debt financing through local development banks; staff training programmes (usually short term); and marketing and cooperative marketing programmes. The difficulties encountered in these approaches relate to two general issues: the absence of any serious commitment by property owners, generally, to the upgrading process; and the lack of proper property positioning in a competitive environment.

Part of the positioning issue relates to the size of many of the destinations. With a very few high-end exceptions, small hotels in the Caribbean generally, and in Jamaica, are marketed as "small hotels", guesthouses or apartment hotels. The problem with this positioning is that the small hotels are neither identified in terms of the experience they offer (heritage accommodation, plantation inn, sport fishing lodges, bed and breakfast) nor marketed in sufficient numbers based on specific positioning. Market research shows that regional marketing of a Caribbean "bed and breakfast" brand would hold far more appeal than the current destination marketing by individual countries of "small hotels" offering a bed and breakfast experience.

The typical guest profile for a viable small hotel is one who is more interested in, and more likely to explore, the destination, spending money at tourism attractions, local restaurants and cultural facilities. Increased viability for this sector will therefore have significant spin-off benefits throughout the destination and, indeed, contribute significantly to the destination's competitiveness.

Consumer legislation in Europe, which regulates the travel and tour industry and holds agents to specific standards, is beginning to have a negative impact on small hotel performance. Increasingly, tour operators are disinclined to promote or book a destination if there is any risk of customer dissatisfaction.

In 1999 Jamaica joined the OAS Caribbean Small Hotels Assistance Project. By engaging input and co-operation from various donors and key players in the region, the OAS project aims to strengthen the viability of the sector through activities in areas ranging from product upgrading to human resource development and marketing. This project may present opportunities for intervention by the Caribbean Programme for Economic Competitiveness (CPEC).

Throughout the consultations tourism was widely acknowledged for its current prominence in the Jamaican economy and also as a sector with vast potential for improved competitiveness. Although it was often observed that the sector is well resourced through the attentions of the Government of Jamaica, international donors and local and foreign investors, it was still strongly felt that tourism should be a priority sector in CPEC.

The following areas were recommended for CPEC attention:

- Partnerships with existing projects which show good feasibility indicators, investor confidence and established community rapport, e.g. heritage tourism sites such as Port Royal, Seville, Falmouth, Spanish Town;
- Management training (local and overseas) for owners and managers of small and medium properties, including business plan and project proposal development;
- Emergency health and safety training;
- Strengthening feeder industries and support services to tourism by building linkages, improving awareness of and responsiveness to market expectations and standards, e.g., processed foods, restaurants, garments; and
- Enabling community participation in tourism, through community attractions, awareness programmes and the development of support services, e.g. community-based entertainment; and addressing relevant areas of need that arise from the ongoing Inter-American Development Bank/ Jamaica Hotel and Tourist Association tourism skills audit.

## C. Excursions and homestays: Ghana and the United Republic of Tanzania

### *Ghana*

A different way of getting tourists to interact with local cultures and generate income for locals can be seen at the Kasapa Centre. This is a holiday village situated at the periphery of the small fishing town of Nyanyano, about 40 km west of Accra, Ghana. Six thatched round mud houses (accommodating a total of 24 guests) are situated on the 2.5-hectare Kasapa property. The centre's garden is leased to an employee who supplies the produce to the centre at market prices and whatever is surplus is sold at the market, thus providing additional income. The centre specializes in drumming, dancing and xylophone workshops which are tailor-made for guests.

Furthermore, the centre offers several four- to five-day excursions into the interior of the country as well as excursions to the surrounding area, e.g. Accra (market, handicrafts, popular cinemas, music events). The prices, excluding airfares, for workshops vary, depending on length of stay (£500–£700 for two-, three- and four-week stays); the excursion programmes cost £650 (two weeks) and £900 (four weeks).

From its inception it was made clear that the Kasapa Centre was not intended to be an isolated tourist ghetto but part of the village. Due to the good relationship with the local community and its residents, Kasapa is not fenced and or protected. During the construction of the centre local labourers were employed whenever possible, and the building style and the building materials emphasize local traditions.

The Kasapa Centre has achieved a number of impacts:

- The huge earth works necessary for the construction of the reed sewage treatment plant were not carried out with construction machinery but by using manpower, which meant that a lot of residents of Nyanyano were able to earn an income;
- The particularly demanding carpentry and masonry works, which took a year to finish, were assigned to a group of skilled labourers from the village;
- A specially skilled women's group was commissioned to stamp the mud floors;
- Care is taken that the necessary services are rendered by local or regional small entrepreneurs; and
- The centre markets its offers on the European travel market without involving travel agencies.

### *United Republic of Tanzania*

A similar concept, but with a different take on getting tourists involved in local activities, is that of the Zanzibar Spice Tours. These tours illustrate the history of the spice trade in the 19th century, and the links it created between the Zanzibaris and other peoples of the Indian Ocean. Historically, the spice industry was a great source of wealth, trade and economic growth in the region. Currently, individual farmers own small spice plots on Zanzibar; previously, however, there were large plantations worked by slaves (Rove Africa, 2008). Typically a four-hour tour would cost US$70, including transport, guide and lunch. During the tour tourists would see how people cultivate cinnamon, nutmeg, cloves, vanilla, chillies, pepper and many other spices and also see fruits such as jackfruit, breadfruit, pineapple, bananas and coconuts (Beyond Reach Africa, 2008). The tours also offer opportunities for selling spices, food and drink produced by local producers.

Another interesting initiative in the United Republic of Tanzania, called the Cultural Tourism Programme, has been in operation since 1996. It is a network of local communities and providers operating quite independently, offering individually developed tour packages in different locations. The guest pays a travel agent who contacts service providers through a coordinator. Service providers are guides, guest families, hotels and women's groups in charge of catering. All those involved are paid according to their performance. In addition, a compulsory village development fee is levied. About 10% of the total is put into a fund which subsidises or finances communal endeavours.

The concept for this initiative was developed and implemented in close cooperation with the national Tanzanian Tourist Board (TTB). The development partner SNV (Dutch development organization) supports the coordination office, provides start-up credit, controls expenditure and makes sure that the budget provided is strictly used for the earmarked purposes. SNV also organizes training for the guides and coordinates all organizational tasks in connection with the arrival of the tourists.

The programme promotes partnership between the local population and the enterprises in the established mainstream tourism industry. About 25% of Tanzanian travel agencies have included the Cultural Tourism Programme in their own programmes. Hotel owners have realized that they can profit from involvement in the programme because the stay of "only-safari" guests can be extended. Those agencies or entrepreneurs wanting to join the programme are asked to sign a memorandum of understanding (MOU) recognizing the principles of the programme.

One of the appealing features of the programme is the introduction of a compulsory fee for communal development measures (US$1.5–7.5 per day) which helps agencies to sell the programme because customers feel good if they know that part of the amount they pay for the tour goes to local people for community projects. Many visitor do, in fact, book the Cultural Toursim Programme for this very reason.

## D. Volunteering: The Caribbean and India

### *The Caribbean*

The OAS Caribbean Innkeeper Project has in the past provided training in electronic marketing via the OAS's NetCorps programme. The latter essentially functions as a "Peace Corps for computer specialists" whereby computer experts volunteer for six-week stints in the Caribbean, providing training to small entrepreneurs.

### *India*

Another form of volunteering is work done by companies as part of their corporate social responsibility (CSR) programmes. The Taj group of hotels in India has, among its core values, CSR and "concern for people", and these have been translated into action through the programme "Taj in the community". This is a social development initiative, which encourages employees to voluntarily share their skills with the underprivileged in their local community. Initiatives include education, vocational training, health and hygiene and water management. Hotel employees have trained community groups in housekeeping skills and cleanliness, baking and food processing, and in-house training programmes have been developed for underprivileged youth. The objective is to impart skills that will ensure local economic independence, and issues pertaining to women and children are of particular importance.

Taj hotels' commitment is part of a wider commitment of its parent company, the Tata Group, to social welfare. The Tata Group is one of India's largest private sector conglomerates and has been practising social responsibility for decades. Each Tata company has a mandate to conduct its own community development programme using charitable trust funds. The Tata Council for Community Initiatives (TCCI) conducts regular assessments of what employees have learned from their involvement (which typically involves three to four hours' voluntary service a week), and how this affects the organization. In 2004 the Tata Group will produce (or produced)? its first triple bottom line report as part of the United Nations Global Reporting Initiative (GRI). Tata is also currently developing an index measuring "human excellence" which is similar to the Human Development Index of the United Nations Development Programme, and will be the first corporation in the world to apply such principles to a business process. The TCCI has helped communities to become strong and self-reliant. Its contribution towards creating a better society reflects the group's interest in community welfare activities. As Ratan N Tata, former Chairman, Tata Sons Ltd, once said, "We are not doing this for propaganda or visibility. We are doing it for the satisfaction of knowing that we have really achieved and given something to the community in which we are working. We are doing it because we really wish to do it by choice."

## E. Craft production/food merchandise: Examples from several countries

Aiming for two goals simultaneously was the objective of the Norwegian Lutheran Mission's project in Mongolia: to increase the income of Mongolian shepherds by opening up a new marketing channel for wool, and to generate income for unemployed deprived urban poor by producing felt articles (shoes, clothes, cushion covers, bags, souvenir articles etc.) using Mongolian wool. The main market opportunity was viewed as the large number of foreign tourists visiting the capital Ulaanbaatar following the fall of the Soviet Union. In 2008, about 440 000 tourists visited Mongolia. A retail store, Tsagaan Alt Wool Shop, was opened in the city centre by the Cooperative Union. Producers belonging to cooperatives were trained and new product collections were developed with support from ITC's Export-led Poverty Reduction Programme. In 2009, just one year later, the shop's turnover reached an average of US$ 15 000 a month. Around 300 members of the producer cooperatives benefit from stable market access.

Key success factors were the innovation in product design and strict quality management. In the beginning, the shop sold all kinds of individual felt products, mostly souvenir articles, produced and supplied by the craftsmen according to what they thought would be interesting for tourists. But then the producers were trained to supply well-designed collections according to specified colour codes, specifications and Western tastes. A superior sales outlet and a focus on useful products (such as shoes) instead of purely decorative gift articles (such as stuffed animals) helped to push sales. In fact, shoes and fashion accessories are Tsagaan Alt's best-selling articles – the modern designs and well-balanced mix between old and new offer intriguing products.

With local production boosted by local sales in the tourist market, the Cooperative Union also started a successful export business with support from ITC. Felt shoes and other products are now exported to China, Germany, the Netherlands, Norway and Japan. Other Mongolian companies decided to replicate the Cooperative Union's success, opened their own shops and approached the well-trained craftsmen to supply to them as well. The local raw material supply of fine wool is reported to have become scarce, forcing the Cooperative Union to invest in their own livestock. And the Tsagaan Alt Wool Store has now become a tourist attraction in Ulaanbaatar.

Craft production can become more profitable when individuals group together in cooperatives, such as is the case with the Cambodian Craft Cooperation (CCC). The association has a number of producer groups working with silk, ceramics, silver and wickerware. Trained CCC staff and producers try out new designs, new colour combinations and styles. The programme draws on the knowledge of international designers and initiatives of the producers themselves, with the aim of creating a mix of new styles. Creativity and design workshops are held and local designers trained. Most of CCC's collections are developed based on the combined inputs of local weavers and designers. In Phnom Penh, CCC sells to a number of retail shops. "Your designs are somehow different, one does not see similar products elsewhere in town", was a frequent quote made by retail shop owners. The focus has been on encouraging the design innovation skills of CCC and its producer groups, so that they could be independent from external assistance. Today, a young Cambodian in-house designer regularly develops new designs and weavers continue to experiment with new designs on their own. Innovation is needed continually, as copies of scarf designs appear on the market after a time.

Another way of making craft production more profitable is to give tourists an insight into the production process itself. An example of this is batik, which is a special technique of dyeing patterned cloth and is considered an art form in Indonesia. Batik is an artisanal product and producing it is a lengthy process. The batik artisans in the Indonesian city of Yogyakarta decided to give tourists an insight into how this art product is produced. Interested tourists, individuals or groups, can get a tour through the plant with a guide who explains the production process. As artisans work on different stages of the production, the whole process is always visible to the tourists. They can experience how the cloth is selected and prepared, how the patterns are designed and how the cloth is waxed and dyed over and over again until the cloth is transformed into a colourful batik. The guide explains extensively what the artisans are doing and what the next important step of the production process will be. After the tour, tourists have the chance to buy batik cloth or clothing such as shirts and sarongs in the shop next to the workplace. Since batik is not only an art, but also a clothing style in Indonesia, this contributes to the tourists' attraction to buy items. The people of Yogyakarta buy their cloth there as well. Additionally, batik is used as a decorative material by the hospitality industry. (Source: www.expat.or.id/info/batik.html.)

Alcohol is an important part of tourist merchandise, most notably wine. Wine tourism is most significant in California's Napa Valley, which receives 5 million tourists annually (Skinner, 2002). Wine tourism is also a major activity in California's Sonoma Valley, the Finger Lakes region of New York State, in France, Germany, Australia and South Africa. Large and small wineries offer tours, followed by wine tasting, with bottles of the product available for retail sale to visitors. The same is true of whisky in Scotland, rum in the Caribbean, tequila in Mexico, and madeira wine in Maderia.

## F. Conservation: Kenya

Conservation has many aspects, one of which is forestry. Deforestation poses one of the greatest threats to Kenya's overall environmental health. The country has lost half of its forest since the 1970s. In the Maasai Mara Reserve – one of Kenya's main tourist destinations – tree loss is critical and local Maasai women may have to travel every two days to collect the 30–40 kg of fuelwood used daily by a family of five. Population pressures around the reserve, the change in lifestyle of the Maasai people who were once nomadic but are now sedentary, and the growth of tourism have all contributed to the loss of trees in the region. About a quarter of tourist camps and lodges in the Mara use fuelwood for cooking and to heat water. Lodges are estimated to use up to 540 tons of wood each year, and since they collect fuelwood from as far away as 30 km, their effects cover large areas.

Friends of Conservation (FOC) are addressing this problem in a number of ways. One of these has been to set up forestry training units from which around 15 Maasai (male and female) "graduate" each year. They are trained in raising seedlings and producing firewood, and are provided with help in marketing the wood to tourist establishments. All who have passed through the FOC training have found local jobs in forestry and some have set up their own businesses to sell wood to camps and lodges. FOC's staff aim to produce around 70 000 seedlings a year, for re-afforestation projects and to set up new enterprises, and the organization has created a seed bank of indigenous species and buys seeds collected by local people. FOC also organizes the sale and free distribution of seeds to schools for seedling production, while raising particularly difficult seedlings itself at its nurseries at each of its three centres, providing seedlings for free distribution to community projects or public institutions. The seedlings are also available for sale to private enterprises such as lodges or tented camps. FOC has supported private individuals to develop "woodlots" to grow sustainable supplies of wood for use in construction of houses, lodges and fences, and to provide fuelwood for cooking, heating and light and other commercial purposes.

Recently FOC has started to work on reducing demand for fuelwood – for example, FOC's women's officer is currently training women and young girls to produce fuel-efficient mud stoves. FOC has also developed waste briquettes which can be used as fuel in mobile camps and small lodges/tented camps, which are currently testing them. During 2001–2002, FOC encouraged various tourism outlets to switch their fuel source from wood and charcoal, to other forms, such as gas, paraffin, chardust briquettes or solar energy. As a result, a number of tourist facilities have moved away from using wood and charcoal as fuels.

An example of a more general conservation initiative can be found in the form of a USAID funded programme, on the Sinai Peninsula and Red Sea Coast, to support Egypt's Tourism Development Authority to plan and manage sustainably for tourism growth. The focus of the Red Sea Sustainable Tourism Initiative is to highlight best practice and raise sustainable tourism awareness and, in particular, to train and implement environmental impact assessment and monitoring and environmental management systems (EMS). Within this programme eight resorts implemented a resort-wide EMS, which resulted in significant savings, as well as the development of local examples for other resorts to follow. The EMS programme covers a range of issues such as energy and water efficiency, solid waste management, landscape design and planting. To support the implementation of an EMS, the programme includes training courses for hotel senior management leading to a recognized certificate, the development of practical manuals and awareness campaigns, the preparation of self-auditing checklists and the potential to access independent certification of the properties through the Green Globe global certification for sustainable tourism. The Steigenberger Golf Resort and the Oberoi Sahl Hasheesh received this certificate by amongst other actions conserving energy and water, and reducing their solid waste through separation and recycling.

## G. Marketing/standards/organization: Australia and Sri Lanka

### *Australia*

Promoting green suppliers is important and the Green Travel Market (GTM) is a B2B service launched in 2003 to help European and North American tour operators become more aware of sustainable products, integrate them into the packages they offer, and reach relevant markets. GTM offers a range of services: a network of over 500 tour operators aiming to promote sustainability amongst their suppliers; and a matchmaking service to support new product development for tour operators and for tourist destination firms to seek new markets, promotion at key European travel fairs, consumer marketing, information know-how and training materials. Central to GTM is a database of tourism suppliers with information and credentials on their sustainability performance. This project benefits from the over 1 000 European accommodation providers certified by one of the eco-labels under the Voluntary Initiative for Sustainability in Tourism (VISIT) Initiative (from the European Union). Information included on the database includes receipt of sustainable or environmental awards, being members of key industry associations with sustainability codes of conduct and a solid track record of implementation, or having undergone a screening process from GTM. The list of suppliers in the GTM database ranges from organic farms in Eastern Europe, to car-free resorts in the Alps, community projects in Costa Rica and incoming tour operators from Latin America.

It cannot be underestimated how important quality of service is to most tourists, and standards are therefore important in promoting and upholding good service. AussiHost is a training system aimed at stimulating better service in business. Supported by the Inbound Tourism Organization of Australia, and sponsored by the Department of Tourism, Qantas and the Australian Tourist Commission, it is a professional training course suitable for operators and staff on farms designed to develop customer-service skills. Its objectives are to help develop better communication skills; enhance confidence; achieve greater job satisfaction; create greater awareness of customer needs and expectations; and provide better customer service.

### *Sri Lanka*

The use of locally produced products has not only environmental and social benefits, but also has significant economic benefits. An example of this can be found in the form of the Woodlands Network (WN) in Bandarawela, Uva Province, Sri Lanka. It is a self-help organization comprising six women (three managers, three secretaries/bookkeepers) who get a monthly salary (slightly above average) from the income earned from the services rendered to tourists and from the sale of tea, spices, herbs and cookery books. WN sees itself as a service enterprise, levying handling charges from the tourists it takes care of, selling local products to tourists and earning income by selling these products through a worldwide marketing network.

WN works as a mediating institution, promoting dialogue between the different actors. As a consequence, apart from the office, WN does not support any other infrastructure, but it uses public transport and existing accommodation possibilities. WN tries to create a favourable climate for the formation of local small enterprises – modern development policies are now far more oriented towards the promotion of local capacity and organization building than they used to be, thus promoting local income earning capacity and local know-how. WN uses its network in order to create direct business links between producers and buyers at home and abroad and by excluding middle men. In addition, WN runs its own shop in which the six women sell local commodities. The income earned forms part of their salaries. According to WN calculations, just about 30% of foreign exchange earned from “normal” package tours remains in Sri Lanka, whereas more than 90% from tourism programmes sponsored by WN does so. The integrated “fairtrade” programme with direct links between producers and buyers all over the world generates income for an increasing number of farmers and it also sharpens their perception and awareness with regard to national and international realities of interdependence.

## H. Private sector initiatives: Dominican Republic and the United Republic of Tanzania

### *Dominican Republic*

When the private sector joins forces with other relevant actors the resulting benefits can be amplified. The Punta Cana Resort and Club, located on the east coast of the Dominican Republic, demonstrates what can be accomplished when private business, the government, educational institutions and the local community collaborate to create a sustainable development that enables local residents to achieve a higher standard of living and preserve local cultural and environmental assets. Despite being an attractive area for tourism development – white sand beaches, coconut groves, coral reefs etc. – no supporting infrastructure was in place. There was little electricity, no waste treatment facilities, not enough potable water to support a growing population, and no local education facilities. The area had no nearby airport and highways didn’t exist. The region had only a marginal economic base consisting of some commercial fishing, subsistence agriculture and charcoal production. Illiteracy rates ran as high as 70% and job opportunities were limited.

The first project undertaken, apart from the construction of eight beach villas, was building a highway from Higuey to Punta Cana. The project presented a unique opportunity for cross-sector collaboration. Colgate-Palmolive, which was required to repatriate export earnings generated by its local entities, became an active partner in the construction. The next major project was building the international airport.

It became immediately evident to Grupo Punta Cana (GPC) that to attract and maintain a staff of qualified personnel, the creation of a liveable environment for employees was essential. Employee housing and a school was built, the company paid the salary of one teacher, while the government paid the other.

Today, Punta Cana is home to the Punta Cana Resort and Club, as well as more than 18 000 guestrooms operated by other international hospitality companies. The Punta Cana International Airport, which handled over one million visitors in 2002, receives up to 30 international charter flights daily. The regional tourism industry employs more than 15 000 Dominican Republic citizens.

GPC employees benefit by being provided with modern housing, including electricity, potable water and sewerage. Healthcare facilities have been built and the local transportation infrastructure improved. Locals occupy almost all positions at GPC.

Located immediately adjacent to the resort is the 2 000-acre Punta Cana Nature Reserve. The Punta Cana Ecological Foundation was established by the resort to oversee the reserve as well as to fund the Punta Cana/Cornell University Biodiversity Laboratory. The foundation's alliance with Cornell, culminating in the creation of the Cornell University Biodiversity Laboratory in Punta Cana, is a notable achievement. The laboratory houses a 5 000-square foot laboratory, a teaching facility and a dormitory used by students and faculty from Cornell, Harvard, Columbia, as well as Dominican universities. It conducts inventories of plants, animals, and marine and microbial organisms that may lead to new medicines one day. There is also ethno-medicine research, which involves collecting information from people in rural villages, who for generations have used natural compounds as "home remedies", and studying those compounds to determine their composition.

### *United Republic of Tanzania*

Private sector initiatives can have a huge impact on communities. One example is Klein's Camp in the United Republic of Tanzania. It is one of Conservation Corporation Africa's (CC Africa) group of small safari lodges and it is committed to CC Africa's core principle "Care of the Land, Care of the Wildlife, Care of the People". Klein's Camp is set against the most breathtaking scenery adjacent to the northern boundary of the Serengeti. Klein's Camp (CC Africa) and the Ololosokwan (Maasai) community have reached a land lease agreement under which the camp can only use 3 000 acres while the remaining 22 000 acres are shared by the camp for safari operations and the locals for their needs. Under this agreement a joint management committee has been established consisting of equal number of members from both the local community and Klein's Camp, and which is responsible for making all land-related decisions. The agreement gives the Maasai unrestricted access to water and the salt licks. Following the land agreement, Klein's Camp and CC Africa have launched a number of initiatives supporting the Ololosokwan community and its environment. Klein's Camp helped the development of the Ololosokwan community clinic and employs a medical assistant who treats staff and community members. Apart from medical facilities, Klein's Camp helped the community to build and fully equip classrooms and provides skills training such as carving, building, weaving and ironmongery that help the locals to improve their lives and livelihoods by selling handicrafts to guests. Klein's Camp supported locals to establish vegetable gardens, and this project proved so successful that the garden workers now supply not only Klein's Camp, but all the Serengeti camps and two local villages. Other initiatives include AIDS education, scholarship sponsorship, employment opportunities in the camp and the re-introduction and re-establishment of endangered wildlife populations. A significant portion of the revenue from Klein's Camp is given to the community and to the local conservation authority in order to care for the local people and wildlife.

# VI. ANNEX: METHODOLOGY

The research was based primarily on interviews with a variety of stakeholders and customers in Lao People's Democratic Republic, conducted in the municipalities of Luang Prabang and Vientiane during December 2013. Interviews with focus groups of existing and potential customers in the United Kingdom were also undertaken, as well as Europe-based tour operators during the months of February and March 2014. Interviews were complemented by extensive secondary data research, website reviews (such as Tripadvisor), and academic and practitioner reports related to best practice examples.

As Figure 6.1 indicates, the aim was to capture the main elements of the tourism value chain. Table 6.1 illustrates in detail the subjects, methodology, aim and discussion topics. Respondents were promised anonymity.

The survey offers a snap shot of producers (producers of tourism services and crafts), consumers (tourists as well as tourism businesses procuring local goods), and policymakers. Due to time and financial restrictions it was impossible to undertake a representative survey thus the data presented should be interpreted as indicative only. Data from these interviews, in particular quotes, have been added to the analysis.

**Figure 6.1: Tourism value chain and research approach**

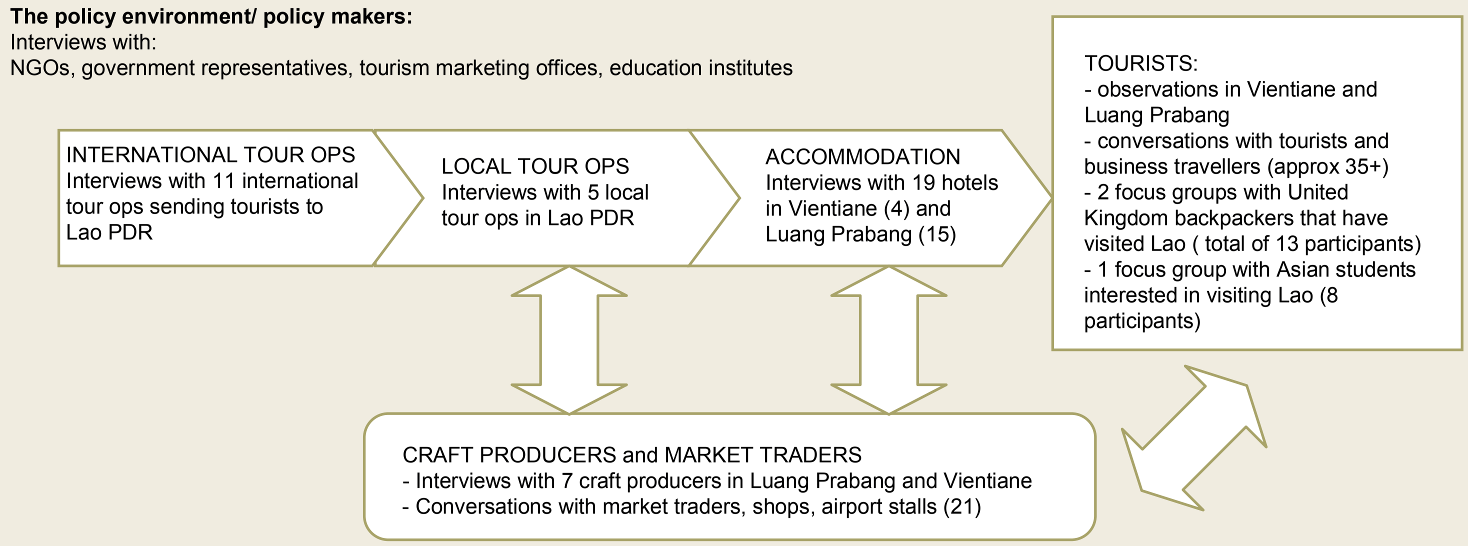


Table 6.1: Research methodology – sampling

| Subject | Numbers | Aims/discussion topics | Methodology |
|---|---|---|---|
| Policymakers, NGOs, government representatives, tourism marketing offices, education institutions | 12 | Policy environment and the general background to tourism development (SWOT); NGO activities (past and present); challenges opportunities; outlook | Face-to-face interviews |
| European tour operators offering trips to Lao People's Democratic Republic | 11 (6 United Kingdom based, 4 German based, 1 Dutch based) | Product they offer; changes over time; customers; challenges and opportunities; outlook | Telephone interviews |
| Local tour operators in Luang Prabang and Vientiane | 5 (3 in Luang Prabang, 2 in Vientiane) | Products they offer; competition and standards; customers; consumer preferences and behaviour; changes over time; cultural/artisanal activities versus adventure or ecotourism activities; challenges and opportunities; outlook | Face-to-face interviews, (participant) observation, |
| Craft producers and market traders | 28 (7 craft producers and 21 traders (markets, shops, airport stalls) | Products produced and sold; organizational set-up; competition; customers buying preferences; customer participation in making crafts; importance of branding/labelling; local versus national/regional/international products; quality and standards; changes over time; challenges opportunities; outlook | Face-to-face interviews, conversations, (participant) observations |
| Accommodation providers | 19 hotels and guesthouses (15 in Luang Prabang, 4 in Vientiane) | Business profile and ownership; products offered; standard; customer profiles; rates; occupancy; competition; changes over time; procurement of local produce; souvenir shops in the hotel; challenges and opportunities; outlook | Face-to-face interviews, (participant) observation, visits to hotel facilities and guest rooms |
| Tourists | 56+ (35+ tourists in Lao People's Democratic Republic, 13 tourists in the United Kingdom that have visited Lao People's Democratic Republic, 8 potential Asian tourists who have not been but plan to visit) | Experience in Lao People's Democratic Republic; motivation for travel to Lao People's Democratic Republic; negatives and positives; craft buying behaviour; interest in ethical purchases and buying locally; length of stay; spending; organization of trip; tourist profiles; return visits | Conversations; focus groups; face-to-face interviews; (participant) observations |
| Total | 131+ | | |

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## Notes

1 Accessed 20 April 2014.