Case Studies of the Innovative Local Cottage Industries and Tourism in North and Northeast District in Thailand: Implications from the Local Branding Strategy of Thailand

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Abstract
The government of Thailand has established its unique local development approaches. Those approaches were under the central government in the initial stage. However, political confusions brought a new decentralization and innovations especially in the field of local cottage industry and tourism.

The regional OTOP committee established by the central government initiative played a key role to activate the local initiative. And the central government has established a “Geographical Indications” (GI), which are intended to designate product quality, highlight brand identity, and preserve cultural traditions. The use of geographical indications allows producers to obtain market recognition and often a premium price. The Chiang Mai local government has assigned this brand name “Chiang Mai Brand” as a symbol to represent the high quality of the products. The reason of the usage was the increase of the travelers from Malaysia etc. In order to reach this standard, it has been necessary to focus on creating a new attitude, provincial image under the management of the Chiang Mai Brand Committee. And for food products, they created Halal food brand.

On the contrary, in the Northeast district, they have promoted cottage industries to revitalize the district especially by using One Tombon One Product (OTOP) logo for food products. Recently, the East-West Economic Corridor (EWEC) to Vietnam by using “EWEC brand” is expected to expand the new local trade and tourism.

The economic conditions were completely different. However, there is a clear similarity, which is so called local branding strategy and innovative business environment. This case study presents the policy implication from the studies from these two districts.

JEL Classification : R58
Keywords : Brand Strategy, Innovation, OTOP, Geographical Indications (GI)

1. Introduction

1.1 Research questions
The government of Thailand has established several unique local development approaches. Those approaches were under the central government in the initial stage. But those turned into endogenous movement year by year. The development of Thailand’s tenth five-year plan has been based on the Sufficiency Economy. The plan puts people firmly at the centre of development, and aims for an ambitious review of all the nation’s resources in order to deliver more balanced, sustainable, and equitable growth. The major aims of this paper are three-fold. First, it tries to assess local development policy under the decentralization and

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political confusion process in Thailand. The regional OTOP committee established by the central government initiative played a key role to activate the local initiative. Second, it tries to show the evidence of the stableness of the local development by conducting case studies between the two districts, North and Northeast. Finally, the local branding strategy will be examined. Due to Thailand’s rural enormous market and the growth of wealthier households, the rural area has become the emerging market. Many local brands such as “OTOP”, in northeast district, “Halal brand” and “Chiang Mai Brand” in north district are established in the market today, some with a greater presence, others more limited.

The reason of this selection of the field survey in North and Northeast is both are far away from the Bangkok, the biggest urban in Thailand and have unique development history and culture. The economic conditions were completely different. However, there were some similarities. This paper will present the policy implications from the — studies of these two relatively poor districts.

But in Japan, this decentralization process and regional committees are still unknown. In Thailand, the political stability was steadfast because of the presence of the King. However, the general understanding of the recent political confusions under the aged King brought a bad image toward the political stability in Thailand.

After the several field surveys, the author found out the new political and economic stability in rural Thailand. Accordingly, the author established a hypothesis; the economic stability of the Thailand has been established under the political confusion and innovative business environments with the establishment of the local joint committee and branding strategy of the local community. And how local area like North and Northeast tried to find out their own branding strategy by using their local resources will be discussed. The research objective of this case study is to examine the hypothesis by conducting field survey in North and Northeast district in Thailand.

1.2 Significance and Methodology

This study will contribute to the awareness and knowledge of local development policy in dealing with their concerns on regional resources. Aside from the academic staffs, the local government administrators will also benefit from this study as it can help them improve and create new policies to find better ways to cater to the needs of their local community.

A case study has been used in this research in order to meet the purpose. Since this survey is of a qualitative character, the in-depth interviews have been conducted within three respondent segments in the case organization: management, communication and marketing strategy.

2. Literature review

2.1 Previous researches

There are a number of studies on the local development in Thailand since it was the first clear priority of the central government in developing country. And especially after 2001, it became a model of rural development among developing countries. Some Japanese researchers also conducted field surveys during decentralization process in this decade. However, in any cases, rural branding strategy research, especially for the impact on the poor remote area is still limited.

Takei [8] (2007) and Kaewmanotham [5] (2008) also recognize the notable success of OTOP activities in the villages where they conducted field research. Takei collected 80 interview sheets in a basketry village of the Ang Thong province while Kaewmansothan conducted a similar survey in the Baan Tawai village of the Chiangmai province. Both authors, however, observed an expansion of income differentiation as a result of the OTOP activities between landowners and small peasants in Takei’s village and between newcomers and traditional villagers in Kaewmanotham’s village.

Dunn from University of Oregon has conducted field surveys in Leeled Tambon situated near Ban Don Bay in Phun Phin district of Surrathani (a southern province of Thailand). And she recognized the effectiveness of OTOP for encouraging the local tourism. And many women were benefitted by this strategy. (Dunn [2] 2007)
Engineering and Consulting Firms Association, Japan (ECFA [3] 2003) conducted OTOP case studies in Chiangmai, Nakorn Ratchasima, Petchaburi, Nakhon Sri Thammarat and Bangkok in 2003. These studies were quite useful for local people who were going to start their new local business in terms of describing conditions of the successes. For financial Access, some researches indicted the link between local development policy and financial reform. After OTOP in 2001, BAAC amended their loan regulations and started new loans under OTOP members’ guarantees only. “In the year 2004, the total amount of credit provided was 6,316.85 million baht, of which 87.59% of the beneficiaries are women.” (Sutthawaree [7] 2006)

To have a clear brand image, we need the story of the products. Accordingly, we would like to point out Ikemoto’s study ([4] 1996). He identified four category of Thai cottage industry:

(i) Imported-skill industries: Triangular Pillows, (ii) Traditional industries: Madmee silk, (iii) Tourist industries: Souvenirs such as pottery, umbrellas and fans. (iv) Raw material based-industries: Fish sausages. The story of the product becomes the most important component for adding value. Some OTOP products clearly indicated these four categories.

We examined also how the Thai government was activating local economy by referring modern business management theory. But there is no indication about the modern business management theory on OTOP.

2.2 Organizational Development
2.2.1 Cottage industry promotion

For cottage industry, Ministry of Interior introduced OTOP (One Tambon One Product) movement in 2003. OTOP is initiated by the idea of The One Village One Product (OVOP) movement, which was originally started in Oita Prefecture in Japan. And the central government introduced it with help of Japanese government. Thai government has been promoting the cottage industry through the manufacturing of attractive products based on the native culture, tradition and nature. This campaign is called OTOP because the target area is the administrative unit called Tambon, which is the equivalent of village or town in English.

And the Million Baht Village was established to inject potential funds into 177,000 Thai villages. Each transfer of one million baht was used to form an independent village bank for lending within the village. Every village, whether urban or rural, was eligible. The mechanism was that the money would be a revolving, self-sustaining fund to be used for investments in occupational development, employment creation and income-generating activities. The program was funded by the central government.

2.2.2 Tourism promotion organization

For tourism, Tourism Authority of Thailand (TAT) is responsible for regional development by introducing tourism. And TAT established “Thai Ecotourism and Adventure Travel Association” (TEATA) in December 1997 to promote eco-tourism. It was a new challenge to reduce the economic gaps between urban and rural area with the harmonization between development and environmental protection.

According to the World Travel & Tourism Council (WTTC), the total contribution of Travel & Tourism to GDP, including its wider economic impacts, is forecasted to rise by 7.5% pa from 1,509.6 billion Thai Baht (14.3% of GDP) in 2011 to 3,113.9 billion Thai Baht (18.1%) by 2021. The total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, is forecast to rise by 4.0% pa from 4,523,000 jobs (11.5% of total employment) in 2011 to 6,711,000 jobs (15.5%) by 2021.

2.2.3 Branding committee

A branding strategy would include positioning statements, service standards, corporate relation guidelines, and a marketing strategy.

The North district has established a Geographical Indications, which are intended to designate product quality, highlight brand identity, and preserve cultural traditions. The use of geographical indications allows producers to obtain market recognition and often a premium price. The reason of the usage was the increase of the travelers from Malaysia. Chiang Mai has assigned this brand name “Chiang Mai Brand” as a symbol to represent the high quality of the products. In order to reach this standard, it has been necessary to focus on creating a new attitude, provincial image under the management of the Chiang Mai Brand Committee.
2.2.4 Researches for regional development

The government encouraged local universities to work for local economy. The simple innovation and findings from the traditional cultures and resources became a mainstream of the research activities in both North and Northeast district of Thailand.

The TRF (Thai Research Fund) was established in 1992. The function of TRF is similar to JSPS (Japan Society for the Promotion of Science) in Japan. But TRF is under the strong initiatives of Office of the Prime Minister.

Realizing the importance of research to national development, the Cabinet agreed to create a working board comprising the Minister of the Prime Minister's Office, the Minister of Science, Technology, and Environment, and the Minister of Industry to investigate the overall picture of research in Thailand in order to promote useful research results. And many universities are working with this fund to promote local economy.

The National Innovation Agency (NIA) was created as an autonomous organization under the supervision of the Ministry of Science and Technology, operating under the policy guidance of a National Innovation Board, but outside the normal framework of the civil service. NIA uses academic and financial support mechanisms in conjunction with its principal strategy of knowledge management for innovation development, especially to give support for cluster platform-based innovation. Acting as a match-maker and integrator, NIA weaves together technology and marketing finance to ensure that 'near-market' innovative ideas actually make it to the production line.

The NIA has focused on strategic innovation in three core areas, namely bio-business, energy and environment, and design and branding. NIA has a new financial scheme, called “The Good innovation, Zero interest scheme”. It offers interest support in the form of grants for innovation projects up to US$125,000 Under this scheme, NIA bears the interests for the first three years. The Technology Capitalization scheme can offer grant support up to US$ 125,000 for the first three years of operation. These new scheme encouraged local universities' innovation activities.

2.2.5 Working groups for NSEC and EWEC

The North–South Economic Corridor (NSEC) and the East–West Economic Corridor (EWEC) are expected to expand the local trade and tourism. Under the strong initiative of international donors like Asian Development Bank (ADB), all the stakeholders formulated some working groups. And this idea is increasing its value by year. EWEC stretches 1,450 km across Myanmar, Thailand, Laos and Vietnam, from Mawlamyine in Myanmar to DaNang City in Vietnam. NSEC links the economic hubs of Thailand and southern China via either the Mekhong River or the northern region of Laos. By using EXEC, many Thai visitors visit Vietnam and vice versa. And the working groups are preparing corridor logo to identify them.

3. Case studies from North and Northeast district

3.1 Case studies of local branding strategies

3.1.1 Baan Tawai: OTOP Tourism Village (North district)

Baan Tawai is only 20 Km away from Chiang Mai city. It has 282 house holds and 839 people in 2007. More than 50 years ago, three villagers studied wood curving in Bangkok and returned to the village and spread their technique to the villagers. The villagers started their product promotion by conducting a “parade” to Chiang Mai in 1990. This was a good start to be famous. Almost 100% villagers participated the parade. OTOP recognized its value and presented 5 stars and started OTOP Tourism Village project in 2004. The new beautification engineering works and expansion of the tourism village site were conducted and the landscape of the village becomes very attractive. Local universities conducted much training such as marketing for foreigners and designing. Accordingly, new villagers dramatically increased. The population between Old and New residents become at three–seven ratio. Kaewmanotham observed income differentiation, economic gaps as a result of the OTOP activities between new comers and traditional villagers. (Kaewmanotham [5] 2006) Many events are conducted by the special event company, now.
decreased. They have got many tourists, but most of them visit the shops by bus and the parking is close to new villagers’ area. This is one of the present conflicts between new residents and old residents. And another big problem of the villagers was the fake products. For a long time the village became the center for various kinds of handicrafts and the largest handicraft village of Thailand. Baan-Tawai has also earned world-wide reputation from its skills and craftsmanship for decades. However, copy and faked products were increased among the new comers. Geographical Indications (GI) are intended to designate product quality, highlight brand identity, and preserve cultural traditions. The use of geographical indications allows producers to obtain market recognition and often a premium price. With the increased internationalization of food and product markets, geographical indications have become a key source of niche marketing. To protect the original value, the municipal office of Chiang Mai has assigned this brand name “Chiang Mai Brand” as a symbol to represent the high quality of the products, which have reached international standards. In order to reach this standard, it has been necessary to focus on creating a New Attitude, Corporate Image and Provincial Image under the management of the Chiang Mai Brand Committee. (*Retrieved on 12 February 2012 http://www.geographicindications.com)

3.1.2 OTOP village of Triangular Pillows (Northeast District)

The Triangular Pillows are one of the most famous Thai traditional handicrafts. The villages in Ya Sothon province demonstrated good example for scale up of the production by division of labor and sub-contract among villagers. We conducted interview surveys to the managers of the producers in Ya Sothon in 2010. They did not use any brand logo but OTOP. However, they had faked products problems, too. To protect the brand value of the triangular pillows, the core villagers made a united effort to have “Kinship Links”. The core technique to formulate triangular is quite unique. Without special trainings of the skilled teacher, no one can produce real Triangular Pillows, they said. OTOP is very familiar to people in Thailand, especially in Northeast district. It is a symbol of good quality products. This branding strategy was introduced to other products and now, many local products are full of logos including certificates from government agencies and Geographical Indications. However, this case demonstrated the real branding value of the product.

3.1.3 Sweet Sticky Candy (Kalamae) OTOP group (North district)

This is the typical small OTOP group, which produce traditional sweet sticky candy, so called Kalamae in Thai. The products are traditional home made sweets, not difficult to produce. But in the local market, there are outstanding reputations. According to the leader of the group, the management of the group is completely under the “kinship”. The secrets of the flavor are family treasure; no one outside family can inherit it. The local government identified the excellence of the group and guided to get Halal logo to expand the market toward the visitors from Muslim country such as Malaysia.

3.2 Stable business development for retired foreign people (North district)

Even after the political confusion in 2006, according to Japanese consul at Chiang Mai, Japanese resi-

| Table 1. Japanese Residents in the Main Cities in North and Northeast in Thailand |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                 | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  |
| Chaing Mai      | 1,074 | 1,234 | 1,543 | 1,761 | 1,997 | 2,150 | 2,442 | 2,651 |
| Chiang Rai      | 148   | 175   | 207   | 234   | 281   | 300   | 327   | 355   |
| Nakhon Ratchasima | 253   | 279   | 301   | 357   | 370   | 384   | 401   | 442   |
| Kohn Kaen       | n.a.  | n.a.  | 119   | 124   | 130   | 131   | 145   | 107   |
| Bangkok         | 21,728| 24,260| 26,991| 29,919| 31,616| 32,283| 33,152| 33,967|
| All Thailand    | 28,776| 32,442| 36,327| 40,249| 42,736| 44,114| 45,805| 47,251|
dents in North district were increased. And more than half the Japanese residents are elderly people; more than 50 years old. And the number is constantly increasing. (Table 1) According to the Chiang Mai Long Stay Life (CLL) Club, the number of the Japanese member is increasing from only 20 in 2002 to 160 in 2007 and 198 in 2009. CLL club is an informal gathering for retired people. This increase indicated the growth of retired Japanese residents. And the growth rate of the number in Bangkok is decreasing, but the rate of the local cities is much higher than Bangkok. (Figure 3) Why retired Japanese are increasing in local area of Thailand like Chiang Mai? This is not only limited to Japanese but also other foreign retired people are increasing as well. According to the Chiang Mai Chamber of Commerce the area is popular with long-stay foreigners. They expect the number of long-stayers from Japan to increase from about 3,000 in 2011 to at least 10,000 in the next few years.

The Chamber has prepared additional accommodations for elderly long-stay residents; there are now about 2,000 available. Thai government provided financial assistances for a retirement school offering classes such as Thai cooking, massage, and vegetable planting.

4. Discussions

4.1 Local Economic Vitalization from the Business Management Theory

After the interview survey, we examined once again how the Thai government was activating local economy by referring business management theory. According to Taylor’s\(^1\) “Scientific Management”, Man is a rational economic animal concerned with maximizing his economic gain. But, for the community empowerment, this assumption is not enough; Mayo\(^2\) believed that workers are not just concerned with money but could be better motivated by having their social needs met whilst at work. For Thai OTOP, we can identify their motivations by using Peter Drucker’s Seven Sources of Innovation (Draucker \([1]\) 1985) as follows;

(i) The unexpected: Failure of Cooperative, Financial crisis, Military coups, Floods etc. Without the failure of cooperative in terms of women’s participation, OTOP could not have many women’s participants. This failure comes from the non-understandings of the female capability. For instance, “The role and status of the female weaver group of Ban Tai is strong and well accepted with equality not different from men.” (Siriwong [6] 2008)

(ii) Incongruities: Expanded economic gap between urban and rural. This brought strong motivations toward community leaders.

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1 Frederick Winslow Taylor (1856-1917)  
2 Elton Mayo (1880-1949)
(iii) Process needs: Complicated bureaucratic procedures, Political advantages etc.

The local government provided many supporting programs, but they had no collaboration. Local government realized the importance of the coordination needs.

(iv) Industry market and structures: Rapid globalization and industrialization. The market structure changed dramatically with the appearance of the super market, direct sales etc.

(v) Demographic changes: Aging society, Expatriates, Migrant workers, retired foreign people. In addition to migrant workers, they had many expatriates from western countries and had many elder people in the community.

(vi) Changes in public perception: New perspectives influenced by Japan (GNS (Gross National Satisfaction)) and King ( Sufficiency Economy). The new value of younger generation backed them to the rural area.

(vii) New technology and scientific findings: ICT, Web based marketing, Food packaging technology, extended life time of the food products etc.

The success of OTOP was brought up in those innovative business environments. We found the following important facts. Firstly, there were plenty of success stories in the field of rural development. Secondly, the remarkable organizational developments were identified in local governments. Thirdly, the branding strategies were identified such as local OTOP brand, GI like Chiang Mai Brand. In addition to the certification of the brand value, there are also to keep the essential technique within the kinship. The Corridor projects are expected to expand the local trade and tourism. And the committees are trying to create new branding value by formulating international alliance. And finally, emerging new local business was the essence of the local economic stability. Coordination of government supporting programs was guided by the local government initiative. Reevaluation of local resources by local university network was changed local government’s attitude. The local government upgraded OTOP initiatives by introducing many new schemes for community development such as NIA and TRF funds. The local branding issues around North and Northeast district can be described as above (Figure 4). The significant change of the economic flow is local to local link and the strong needs to identify their originality in this linked global market. The local branding strategy and innovative nosiness environment can be essential factor of the local economy.

5. Conclusion and policy implications

A conclusion drawn from this research is the importance of local initiative. When it comes to the formulation and implementation of brand strategies, identification of the local resources are essential. Factors influencing the decision of local brand strategy can be; the possibility to find out niche market aimed at satisfying specific market needs. Factors influencing the decision of a local adaptation strategy of the brand can
be; cultural differences, history and heritage, better knowledge of the local market. Traditional local economic assistance was within the link between urban and rural. But, recent local economy should be evaluated by their local resources and local initiatives. In this paper, we have examined emerging new local businesses, which urban can not create. The central government should encourage the local initiatives.

References