



Business Assistance Facility BAF II

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Newsletter

Special issue, August 2021.

Don't miss the train !

How can your
business benefit from
the opening of the
'Lao-China railway' ?
Now is the time to
start planning.



Trade
for **D**evelopment
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Ministry of Industry and Commerce-Lao PDR

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All aboard !

This special issue of the BAF II newsletter focuses exclusively on the impending opening of the Lao-China railway, and what it will mean for businesses in Laos.

While details of the railway service have yet to be released, it is widely expected that the first train will run in early December; just three months from now. One should assume that regular passenger and freight services should start shortly after that.

So, how can your business start preparing for this important event, and position itself to benefit from the opportunities the railway may provide ? We look at the issues from two angles: i) in-bound train traffic; and ii) out-bound train traffic.



The train arriving on platform 1 ...

In-bound trains coming from China and arriving in Laos will bring both passengers and freight. There will be numerous stops along the line, in addition to the final destination of Vientiane Capital, including Luangnamtha, Luang Prabang and Vang Vieng. Even though the railway line goes no further south than Vientiane, it can be expected to have an impact on towns and provinces across all of Laos, including the south.

Freight

The railway provides an opportunity for cargo to be transported into Laos from China, other than by road. Firms sourcing inputs from China should be able to rely on more frequent and reliable cargo supplies. We may also see more Chinese-made products entering Laos for distribution and retail sales.

Passengers

But it is probably in-bound passenger traffic that will provide the greatest opportunities for Lao businesses. The opening of regular passenger services should make it easier and cheaper for tourists from China to visit Laos. For destinations along the railway line, this probably heralds a major increase in tourist numbers, although where precisely passengers choose to disembark the train will almost certainly depend on what nearby services are on offer.

Lao companies engaged in hospitality, handicrafts, entertainment and dining need to start thinking, right now, about what they should be doing to prepare for this additional traffic from China. It could be limited to the use of Chinese language on signs, menus, websites, brochures and price tags, etc. Or have some customer-facing staff taking basic Chinese language courses. But it could extend to more extensive and innovative ways of attracting the attention of Chinese tourists, appealing to their tastes, and offerings ways for them to part with their holiday money. Does your payment system allow people to pay in Yuan ?

But marketing efforts need not be limited to activities in Laos itself, but also extend to initiatives in China. For example, establishing collaborative arrangements with travel agents and tour operators in China that are likely to offer holiday packages. Researching where tourists from China are likely to go for information and insights about Laos, ahead of their visit, and where they make on-line bookings, could be time well spent. Try and influence their spending behaviour before the even get on the train for Laos.

With the post-pandemic recovery in tourists from Western countries likely to take a few years, the potential of significantly larger tourists from China will come as welcome news. But for that to translate into increased revenues for your business, it will be important to research and prepare, and be able to provide products and service offerings that will attract Chinese tourists to your door, and not to your competitors' doors.

The train departing from platform 2 ...

Out-bound passenger trains from Laos to China will take Chinese tourists home, but can also take freight to one of the world's largest markets. While the trains will terminate in Yunnan's provincial capital of Kunming, they should link with other trains that span the rest of China, and even rail services that extend across Russia to Western Europe.

For Lao companies that aspire to export products, the opening of the railway is an epochal event. No longer will you necessarily have to rely solely on road-based cargo to neighbouring countries, and their sea ports if shipping to further destinations.

If you have perishable items, we imagine there will be the potential for refrigerated goods shipments on the railway, as well as speedier and more reliable delivery to customers.

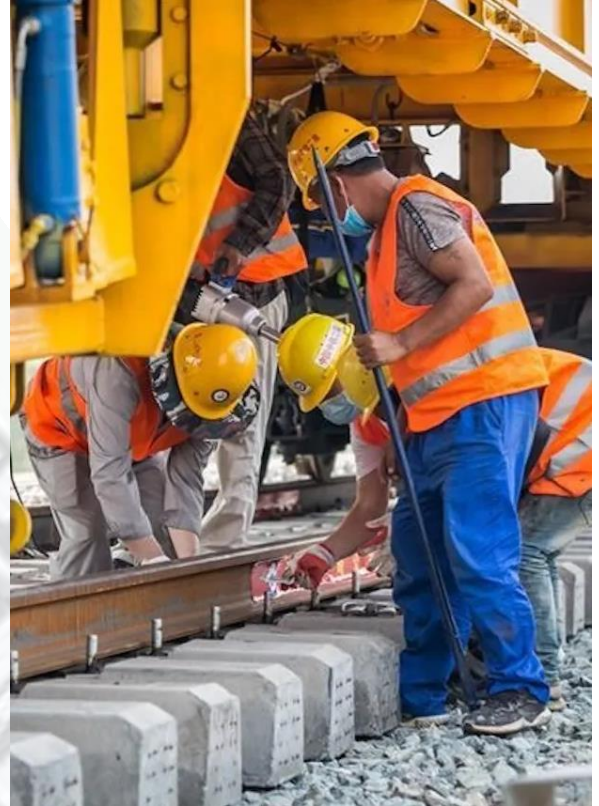
Given the economies of scale that Chinese businesses have over Lao companies, it is extremely unlikely that locally made products can compete on price in the China market. But that has never been the appeal of Lao products in foreign markets; rather, Lao companies' competitive edge has tended to be around niche products for which customers are willing to pay a price premium.

Even so, the scale of the Chinese market is substantial, even for potential niche products, and distributors in China may only be interested in sourcing large volumes. Do some research into this, and if necessary, invest in increasing production volumes.

If you are planning to sell your products in China it will be critical to ensure that they meet the appropriate standards and quality certifications. The requirements of Chinese regulators and the preferences of Chinese customers may vary from other foreign markets that you already serve. So do your homework, and if necessary, get the right certifications in place.

One major challenge at present is the lack of information on what precisely the railway service will entail. For example: what will be the frequency of trains, both freight and passenger? Will the trains stop at all stations on the line? Will there be support for refrigerated goods? The list goes on. So we would strongly recommend establishing lines of communication with logistics

companies (for freight), and look out for information releases by relevant agencies. Don't be shy about asking people, and politely push for concrete answers when appropriate.



In summary

As discussed above, we see the railway's opening bringing about new business opportunities for Lao businesses. On the whole, in-bound passengers from China should deliver the most opportunities for service companies in Laos, along with some tourism-related products, such as handicrafts.

As for Lao companies that focus on production and manufacturing, as well as various forms of agribusiness, the out-bound transportation of freight to China on the railway probably offers the greatest potential for new sales.

Either way, there is a need to conduct research on what those market opportunities are, and how best to position your company to harvest the potential gains to be derived from the railway's opening. Develop a strategy, adjust your business plan, and decide on specific actions to take. China is the world's largest consumer market, and 'Lao Inc.' is about to get direct railway line access to that market. Don't waste this opportunity. Don't miss the train!

Some railway-related ideas

- Can your business accept payments in Yuan and/or process payments made on Chinese credit and debit cards? If not, there are potentially lots of FinTech solutions to look into.
- Does the look of your consumer products appeal to the aesthetic tastes of Chinese tourists, and/or does your packaging have some basic explanation in Chinese language?
- If you plan to export your products to China, do they meet the right standards and quality requirements? If not, or you are unsure, get expert guidance.
- Don't hesitate to experiment and be innovative!

Looking beyond the COVID-19 tunnel

BAF II is particularly keen to apply its free advisory and matching grant offerings to support Lao companies that are seeking to recover from the impact of the pandemic. If your company has been adversely impacted by COVID-19, and you are looking at ways to re-position your business in the context of the post-pandemic economic recovery, then we may be able to assist you in these efforts.

Even when the pandemic has passed, hopefully sometime soon, some of the consequences of COVID-19 are here to stay. For example, patterns of consumer/client behavior have changed, and companies will need to adjust to these changes in the market. Also, the pandemic has accelerated some new consumer trends, such as the shift towards e-commerce, and increased interest in various health and wellness services and products.

Part of BAF II's job is to help companies in Laos pivot their business models to take advantage of these trends and to thrive in the post-pandemic world. In this context, we see the impending railway opening as an opportunity, and so if you think you may need to retain the services of an expert to help you prepare, then let's talk!



Remind me: How does BAF II work?

As the manager or owner of a business, you almost certainly know your company better than anyone. You know its strengths and its weaknesses, and you may have a good idea about where the greatest threats and opportunities lie.

But sometimes it can be difficult to develop a strategy for building on the strengths and seizing the opportunities, as well as reducing the weaknesses and mitigating the threats. Sometimes it is useful to get some expert assistance on where and how to prioritize your efforts. This is where the BAF II's business advisors can be of help, as a free service offering.

Having conducted a diagnostic analysis of your company, you may decide that you need outside ('third party') technical assistance to make changes that will strengthen and grow your business. These may relate to production and operations, or marketing and sales, or some other field where you need to improve.

This is where BAF II comes in, again. Our team of business advisors can also help guide you towards the right 'business development service' (BDS) experts. And if your company decides to retain the services of a BDS provider to help you grow your business, then you can apply for a matching grant from BAF II to help defray 50% of the costs.

Any private company operating anywhere in Laos, and employing Lao citizens, is eligible to register with BAF II. (The only business sectors where we do not operate are: mining and extraction, telecommunications, and banking and finance, and state-owned enterprises.)

Interested to learn more? Just register on our website (www.baflaos.com) for free, and with no obligation, so that we can start a discussion. We look forward to hearing from you.

Contact us

If you want to learn more about BAF II, please visit our website at: www.baflaos.com. You can also email us at: info@baflaos.com. Or call us at: 020 55542658. Our office is located in the Lao National Chamber of Commerce and Industry in Vientiane. Feel free to pop in for a cup of tea and a chat.

