

**Small and Medium Entrepreneurship  
Development National Center of Armenia  
(SMEDNC)**

**PROJECT ON DEVELOPMENT OF  
LOCAL PRODUCTION AND  
PROMOTION OF LOCAL BRANDS  
IN THE REPUBLIC OF ARMENIA**

**FINAL REPORT**

February 2016

**Japan International Cooperation Agency (JICA)**

Kaihatsu Management Consulting, Inc.  
UNICO International Corporation

<b>UZ</b>
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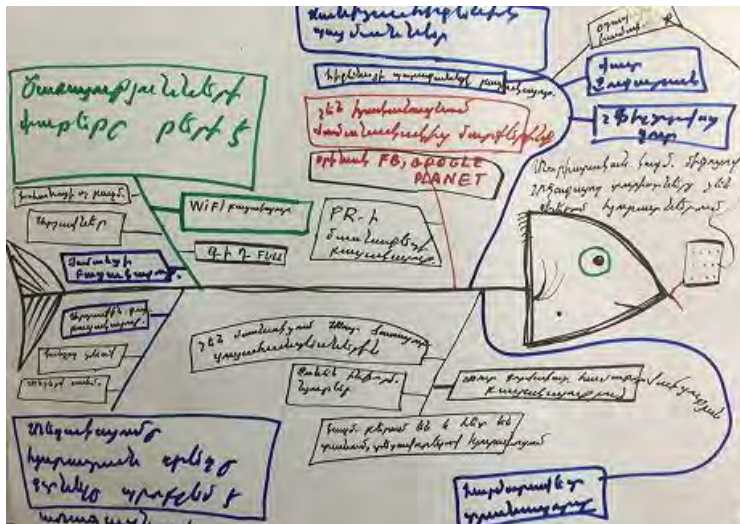
Pictures related to the Project activities



Ijevan Art Festival as a marketing platform  
(Oct. 2013)



Training on cheese production with ex-JICA trainees  
(Feb. 2014)



Practices on the quality management tools and exhibition in the second ToT on OVOP  
(Nov. 2014)



Training for cheese producers (Jan. 2015)



Newly developed olive products (Mar. 2015)



Visit of Armenian trainees to a Japanese winery (Jun. 2015)



Presentation of Armenian dried fruits to a Japanese importer (Jun. 2015)



Meeting on marketing at a winery in Areni village (Jun. 2015)



Lecture on branding based on the Armenian OVOP method in Garni, Kotayk region (Jun. 2015)



'Mini-antenna shop' (Sep. 2015)



Areni Wine Festival (Oct. 2015)



Dried fruits production in Vedi town (Oct. 2015)



Business plan being elaborated by an entrepreneur in Garni (Oct. 2015)

## Abbreviations

AMD	Armenian Dram(s)
B&B	Bed and Breakfast (Small accommodation business)
CARD	Center for Agribusiness and Rural Development
CBI	Centre for the Promotion of Imports from developing countries
CEFE	Competency based Economies through Formation of Enterprise
EEN	Enterprise Europe Network
GIZ	German Agency for International Cooperation
H7	Seven tools for idea generation
Ha (ha)	Hectare
JCC	Joint Coordination Committee
JICA	Japan International Cooperation Agency
KAIZEN	Continuous improvement (in Japanese word)
N7	New seven tools for quality management
NGO	Non -governmental organizations
OVOP	One Village One Product
P7	Seven tools for product planning
PACA	Participatory Appraisal of Competitive Advantages
PDM	Project Design Matrix
PRP	Partnership for Rural Prosperity
PUM	Netherlands senior experts
Q7	Seven tools for quality management
RA	Republic of Armenia
RSS	Roadside station
R&D	Research and Development
SME	Small and Medium Enterprise
SMEDNC	Small and Medium Entrepreneurship Development National Center of Armenia
ToT	Training of Trainers
TQM	Total Quality Management
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
5S	Sorting, Setting in Order, Systematic Cleaning, Standardize and Sustain

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**Exchange rate:**

1 AMD = 0.24 Yen (Jan 12, 2016)

Source : OANDA

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# 1. Summary

## (1) Project's main contents

The Project titled 'development of local production and promotion of local brands' (hereinafter referred to as 'the Project') has been implemented for three years (March 2013 – February 2016), as a Japanese technical cooperation project with the Small and Medium Entrepreneurship Development National Center of Armenia (SMEDNC), so that the Center can apply the One Village One Product (OVOP) concept for their local economic development activities, for improving the local businesses' marketing activities.

The Project covers the following four (4) main areas, as illustrated below.

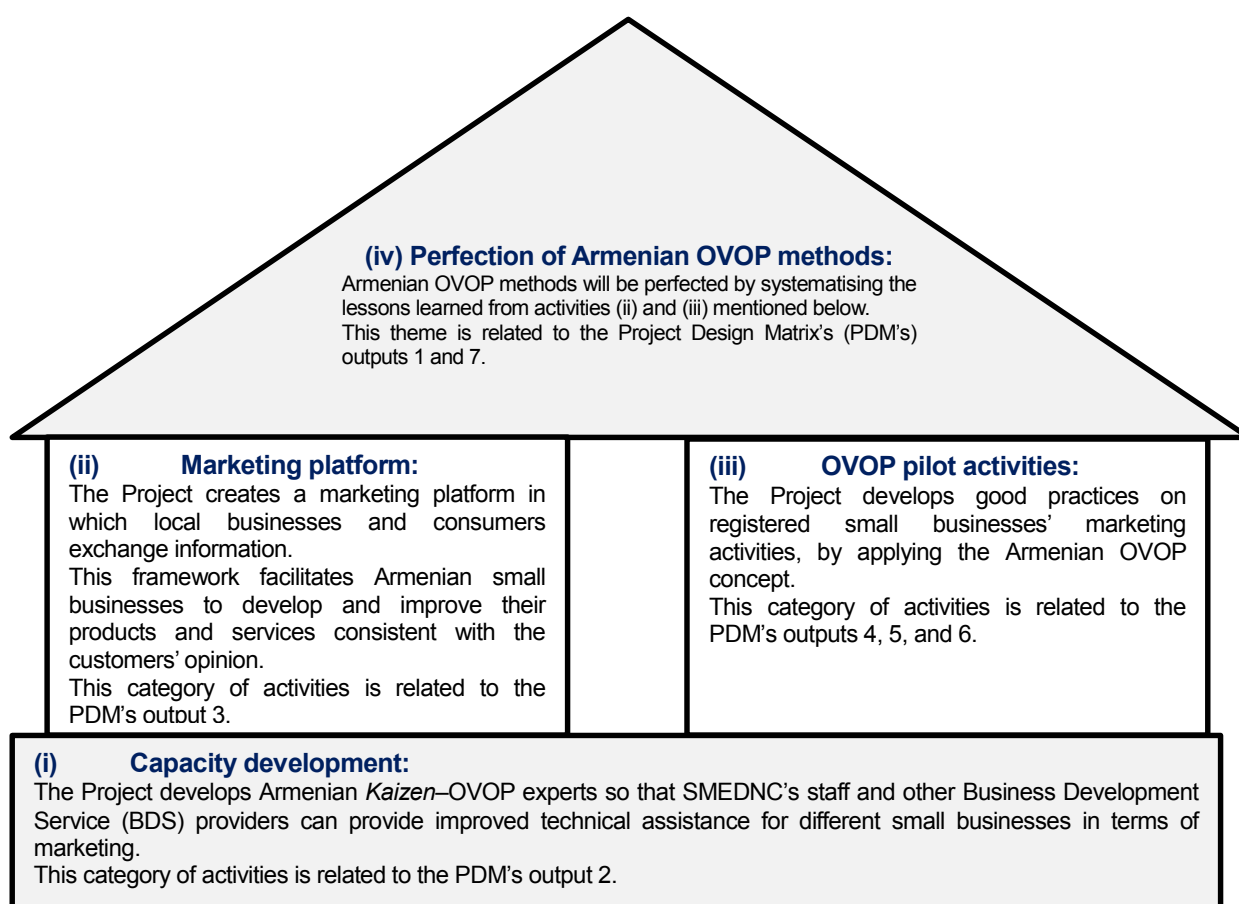


Figure 1-1 Structure of the Project's contents

This figure shows that the Project has two (2) important pillars: marketing platform and OVOP pilot activities. Capacity development has been the Project's basic component to facilitate the different activities. The Project has aimed at perfecting Armenian OVOP methods for reinforcing SMEDNC's marketing assistance for regional and local small businesses.

The areas participating in the OVOP movement are depicted in Figure 1-2.

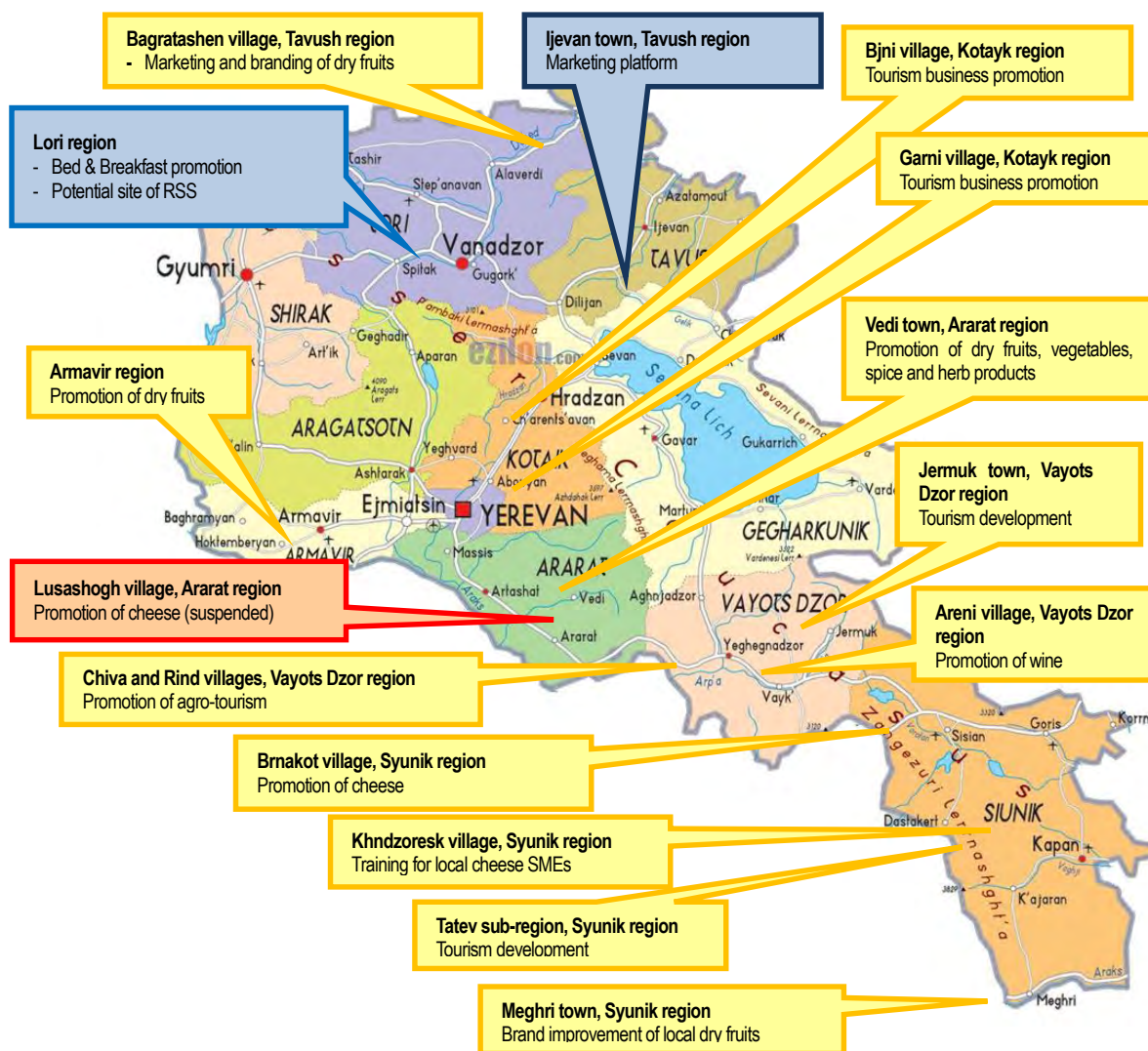


Figure 1-2 Pilot areas participating in the Armenian OVOP movement<sup>1</sup>

## (2) Project's main outputs

The terminal evaluation conducted in October 2015 evaluated positively the Project progress. The Project objective has been already achieved successfully.

The results of the Project are presented in Table 1-1. The main points are as follows:

- The Project has developed a marketing platform, which is a mechanism to gather market information efficiently to facilitate the improvement and development of Armenian local products.
- Many Armenian local companies, which participate in Armenian OVOP pilot activities, have generated positive results, including an increase in the clients, development of new brands, etc.
- The local economic development has been promoted by collaborations among the local businesses participating in the Armenian OVOP movement.

<sup>1</sup> In this figure, the yellow boxes represent ongoing pilot activities. The blue boxes represent preparative activities, which did not lead to pilot activities. The red box represents a suspended activity.

**Table 1-1 List of the positive results created by the Project**

Improved small and medium enterprise (SME) support	Capacity building	<p><b>(1) Training courses on OVOP and <i>Kaizen</i> in Armenia</b></p> <ul style="list-style-type: none"> <li>- Total 49 persons, including SMEDNC staff and BDS (Business development service) providers had participated in the training courses in 2013.</li> <li>- Total 39 persons had participated in the training courses in 2014.</li> <li>- Total 21 persons participated in the 3<sup>rd</sup> training for trainers (ToT) on Armenian OVOP methods organised on November 3 and 4, 2015.</li> <li>- The participants in these courses are diffusing Armenian OVOP methods.</li> </ul> <p><b>(2) Training course on marketing based on OVOP in Japan</b></p> <ul style="list-style-type: none"> <li>- Total 24 persons, including the Executive Director and staff of SMEDNC, NGO representatives, and private company representatives have participated in the courses in Japan, in these three years (2013-2015).</li> </ul>
	SME support Strategy	<ul style="list-style-type: none"> <li>- SMEDNC has incorporated organisationally the OVOP concept in the start-up training programme since June 2015.</li> <li>- The OVOP concept is mentioned in the state SME annual development programme 2015.</li> </ul>
Improved local products and services	Cheese	<p><b>(1) Cheese at Khndzoresk village, Syunik region</b></p> <ul style="list-style-type: none"> <li>- Participation of 14 local cheese producers in the OVOP movement has improved the efficiency of the use of raw milk.</li> <li>- 10 local producers use new ingredients for improving the quality of the product.</li> <li>- Six (6) local producers apply 5S for improving their production.</li> <li>- 16 local producers have increased the cheese yield.</li> <li>- Most employees of local cheese factories wear special gumboots.</li> </ul> <p><b>(2) Cheese at Brnakot village, Syunik region</b></p> <ul style="list-style-type: none"> <li>- Seiran Arakelyan cheese factory has made an agreement with SMEDNC for operating as a training center.</li> </ul> <p><b>(3) Cheese at Lusashogh village, Ararat region</b></p> <ul style="list-style-type: none"> <li>- Newly branded cheese products have been developed by a local cheese factory called ‘LenHov, LLC’ established in 2014.</li> <li>- However, the company was closed because of the working capital shortage caused by the middleman’s non-payment.</li> </ul>
	Olive products	<p><b>(1) Olive products at Bagratashen village, Tavush region</b></p> <ul style="list-style-type: none"> <li>- Bottled olive products have been newly developed and commercialised in the market.</li> </ul>
	Dried fruits	<p><b>(1) Dried fruits at Bagratashen village, Tavush region</b></p> <ul style="list-style-type: none"> <li>- New brands of dried fruits at Bagratashen village have been developed. Their production volume reached four tons in 2015.</li> </ul> <p><b>(2) Dried fruits at Meghri town, Syunik region</b></p> <ul style="list-style-type: none"> <li>- 20 local producers have increased their unit sales price.</li> <li>- 13 of them have increased their production volume.</li> </ul> <p><b>(3) Dried fruits in Armavir region</b></p> <ul style="list-style-type: none"> <li>- 10 local producers have learnt a new production technology.</li> <li>- A new brand named ‘Nairyan Dried Fruits’ has been introduced in the market, operated by a young woman entrepreneur awarded by the Government for her work. An entrepreneur has established partnerships with three international hotels in Yerevan—Hyatt Place, Best Western Congress Hotel, and Paris Hotel. Their production has increased by 150% in 2015, compared with that in 2014.</li> </ul>

	Tourism	<p><b>(1) Bed &amp; Breakfast (B&amp;B) in Tatev sub region, Syunik region</b></p> <ul style="list-style-type: none"> <li>- 11 local B&amp;B have been opened as formal businesses.</li> <li>- Quality of local hospitality services has improved significantly.</li> <li>- Local accommodation capacity has been increased so that more tourists can reside.</li> </ul> <p><b>(2) Tourism development in Lori region</b></p> <ul style="list-style-type: none"> <li>- Two (2) tourism booklets have been published for tourism promotion.</li> <li>- The sales of B&amp;B have increased. For instance, B&amp;B Sergo Davtyan has increased its sales by 40%, thanks to their application of the Armenian OVOP concept.</li> </ul> <p><b>(3) Agro-tourism at Chiva and Rind villages, Vayots Dzor region</b></p> <ul style="list-style-type: none"> <li>- The first local agro-tourism event has been implemented.</li> </ul> <p><b>(4) Tourism business development in Garni village, Kotayk region</b></p> <ul style="list-style-type: none"> <li>- Eight (8) local tourism businesses have been newly opened.</li> <li>- Number of accommodation businesses has increased in the village.</li> </ul> <p><b>(5) Tourism business development in Bjni village, Kotayk region</b></p> <ul style="list-style-type: none"> <li>- 12 local entrepreneurs have elaborated their business plan, and are expected to commence their businesses soon.</li> <li>- Several tourism agencies in Yerevan designed the tour programmes for Bjni.</li> </ul> <p><b>(6) Tourism business development in Jermuk town, Kotayk region</b></p> <ul style="list-style-type: none"> <li>- 12 local entrepreneurs have elaborated their business plans, and are expected to commence their business soon.</li> </ul>
	Wine	<p><b>(1) Wine at Areni village, Vayots Dzor region</b></p> <ul style="list-style-type: none"> <li>- Areni wine factory, a model winery participating in the Armenian OVOP movement, has increased its sales. (Recently, their sales have been reduced because of the decrease in Russian tourists.)</li> <li>- The friendship between Armenia and Japan has been reinforced through their wines. The Japanese Koshu wine was presented to the Armenian people during the Areni Wine Festival 2015 organised by the Areni Festival Organization.</li> </ul>
	Spices & herbs	<p><b>(1) Spice and herb products at Vedi town, Ararat region</b></p> <ul style="list-style-type: none"> <li>- A local leading enterprise, Fruiteria LLC., functions as a training centre for local producers.</li> </ul>
Generated marketing platforms	Event-type	<ul style="list-style-type: none"> <li>- Three (3) events (Ijevan Art Festival 2013, Rural Product Festival 2014, and Areni Wine Festival 2015) had been organised, by applying the Armenian OVOP concept, for providing local SMEs with opportunities to sell their products in a trial manner and gather potential consumers' opinions.</li> <li>- Two participants in the Rural Product Festival obtained agreement for the sales of their products with large companies.</li> </ul>
	Monitor-type	<ul style="list-style-type: none"> <li>- The Armenian OVOP Facebook page has been developed, and the number of its followers reached 3,000 in December 2014.</li> <li>- Consumers' preference on the consumption of dried fruits, meat products, olives, cheese, wine, tourism services, and spices and herbs has been analysed and reported to the local companies participating in the OVOP movement.</li> </ul>

The Project has developed marketing platforms and OVOP pilot activities in a coordinated manner. The participants in the OVOP pilot activities develop and improve their products by using the information on targeted consumers' needs identified by the marketing platform. It is important to mention that Armenian OVOP activities contribute to not only the development of individual enterprises but also the territorial (regional and local) economic development through collaborations between them.

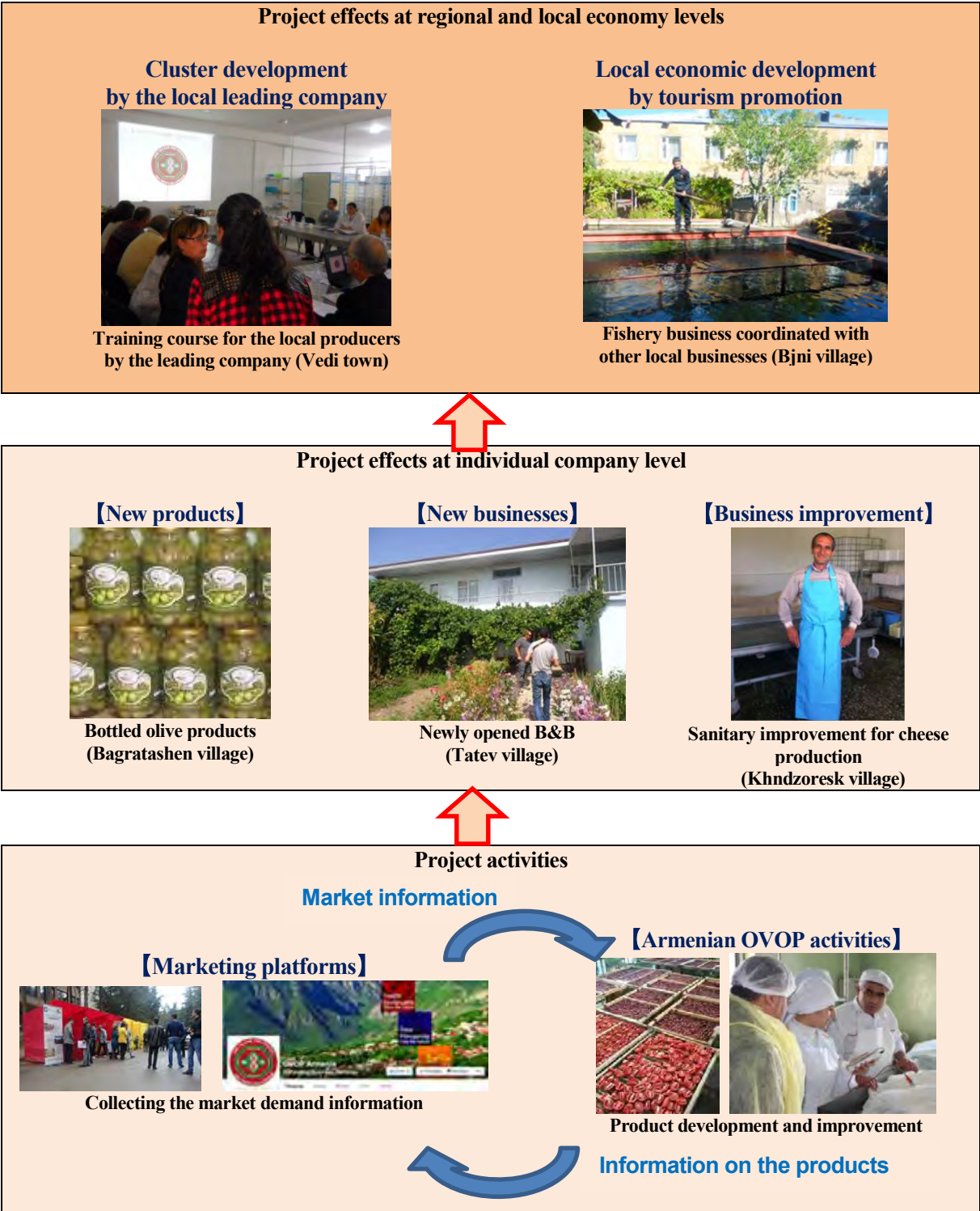


Figure 1-3 Project activities and effects

It is important to say that *Kaizen*, or continuous improvement, which is applied by the Japanese and other countries' enterprises, has also been applied in the Armenian OVOP movement in the sense that the participants have collected consumers' opinions and applied them for the continuous improvement of their products and services. Therefore, *Kaizen* is one of the important aspects for the development of Armenian OVOP.

### **(3) Recommendations and lessons learned**

The important lessons learned from the Project implementation are as follows:

- The quality of Armenian local products and services can be improved by (a) using local resources, (b) promoting the collaboration among different local enterprises, and (c) synchronising territorial and private brands. This is supported by the Armenian OVOP concept, defined as an integral effort to develop the local economy, enterprises, and products consistently.
- The Japanese business administration methods related to *Kaizen*, including 5S, the seven tools for Quality Management (Q7), the seven tools for product planning (P7), and so forth are useful for improving Armenian SMEs' business administration and marketing activities.
- The Armenian OVOP movement works efficiently, because it is closely linked to the country's SME development policy through SMEDNC's regular programmes. OVOP can be developed successfully, when it is followed by both private companies and public policy.

### **(4) Contents of this report**

The report is divided into five (5) chapters. This first chapter presents the important highlights of the report. The second chapter summarises the background information on the Project and SMEDNC. The third chapter explains the Project input, process, and structure. The fourth chapter describes the progress and achievements, as summarised in Table 1-1. The fifth chapter mentions the lessons learned from the Project activities.

The summary of this report is presented in Armenian language as Annex 4.



## 2. Project background

The Project implementation agency in Armenia is the SMEDNC, which implements the Armenian policy for SME development. The center can be characterised by (i) offering both technical and financial assistance to the SMEs, (ii) having the regional office in each region, and (iii) promoting the start-up's new formal businesses. The Project has been realised according to these features of the center.

This chapter presents the background information on the Project implementation.

### 2.1 Project background information

#### (1) Basic information about Armenia

The basic information is presented in Table 2-1.

**Table 2-1. Basic information about Armenia**

Area	29,743 km <sup>2</sup>
Population	3.06 million (2014 World Bank) One-third of the population resides in the capital, Yerevan
Ethnicity, language, and religion	<ul style="list-style-type: none"> <li>● Ethnicity : 97.9% Armenian</li> <li>● Language : Armenian. Russian is also used</li> <li>● Religion : Christianity, Armenian Apostolic Church</li> </ul>
Economy	GDP per capita USD3,873.50 (2014: World Bank)
Industry	Armenia's main industries are: Agriculture, machinery production, jewellery processing (diamond), cotton cultivation, grapes cultivation, vegetables, flourishes in agriculture, and wheat and barley as grain production. Wine production has a long history and their brandy is called Armenian cognac, which is renowned worldwide. Export items are: food processing products, alcoholic and non-alcoholic beverages, sulphur, iron ore, and fuel. Import items are cereals, animal and vegetable oils, tobacco, pharmaceutical goods, cosmetics, and daily necessities.
Culture and tourism	Armenia is the first state in the world that accepted Christianity as a state religion. Armenia has three world heritage sites related to Christianity. Due to these historical and cultural tourism resources, several tourists visit from Western Europe, except in winter. In addition, more than 10 million diaspora, living outside Armenia, also have become a major market for Armenian tourism.
Rural government	Armenia is constituted by the capital Yerevan and 10 regions called Marz. The Governor is appointed by the central government and the local administration system is centralised. The central government cannot plan and implement the deployment of the rural region and industry but rather supervise its management and adjustment. Armenia includes 915 communities (both in the cities and villages), of which 49 are considered city and 866 rural. Yerevan has a special administrative status as the capital and the mayor is selected by election every four years. Yerevan has 12 semi-autonomous districts.

Armenia moved rapidly to market economy after its independence from the Soviet Union in 1991, by implementing land privatisation, for instance, as the first state among the Commonwealth of Independent States (CIS) countries. As a result, the country achieved steady economic growth since 2000 up to the global financial crisis of recent years. The private sector has also developed steadily in Yerevan, and this may cause the economic disparity between the capital city and other regions.

## **(2) Basic information on Armenian policy for SME development and SMEDNC**

The SME sphere is considered one of the priority directions for the development of the Armenian economy. The Government continues stepping towards developing the SME sphere, particularly for creating the state support system for SME.

The SME development policy aims at full value utilisation of the potential of the SME sphere in the context of economic, social, and political development of the Republic of Armenia and enhancement of its role as well. One of the basic documents for this policy is the ‘Concept for SME Development Policy and Strategy in Armenia’ adopted by the Government in August 2000. In this document, the economic, social, and political objectives of the SME development policy, as well as the main directions for their realisation are introduced. The above-mentioned document provides preconditions for adopting the law ‘On State Support of Small and Medium Entrepreneurship’, which defined for the first time the criteria for SME units in the Republic of Armenia as noted in Table 2-2, as well as the basic directions for state support of SME.

**Table 2-2 Definition of SMEs in Armenia**

	<b>Number of workers</b>	<b>Sales amount</b>	<b>Total asset value</b>
Microenterprises	Under 10	Under AMD 100 million	Under AMD 100 million
Small enterprises	Under 50	Under AMD 500 million	Under AMD 500 million
Medium enterprises	Under 250	Under AMD 1 billion	Under AMD 1.5 billion

(Source: National Strategy of Small and Medium Entrepreneurship Development)

Since 2001, annual programmes for state support of SME are being elaborated and implemented. These programmes aimed at determining the main directions for state support of the SME sphere fixed by the Law. The Ministry of Trade and Economic Development of the Republic of Armenia is authorised to elaborate the SME development policy and strategy in Armenia. The Ministry is also responsible for elaborating the programmes for development and state support of the SME sphere in Armenia.

SMEDNC is authorised to provide state support to SMEs in the country. The support is provided by implementing annual SME State Support Programs with resources allocated from the state budget. Since 2002, thousands of SMEs benefited from various support programmes, which were designed for start-up and operation of companies.

SMEDNC’s Technical and Financial Assistance Programmes include: i) provision of information and consultancy on all the aspects of doing business in Armenia; ii) promotion and branding of local products; iii) sales promotion; iv) export promotion; v) start-up support; vi) support to realise new technology/innovation; vii) provision of loan guarantees; and so on.

More than 1.6 billion AMD has been allocated from the state budget for implementation of the state support programmes from 2002 to 2008. About 20,000 start-up and operating SMEs have received support. Budget allocations were increasing year by year until 2009 (20 million AMD in 2002, 250 million in 2003,

234 million in 2004, 300 million in 2005, 350 million in 2006, 400 million in 2007, 450 million in 2008, 573.5 million in 2009, 150 million in 2010, 150 million in 2012, and 150 million in 2013).

The six departments of the SMEDNC headquarters are listed below along with their respective responsibilities.

- Local Economic Development Department: Analysing the economic potential of villages
- Business Internationalization Department: Export promotion, foreign contacts establishment and cooperation, improvement, and commercialisation of innovative initiatives of SMEs on the international scene, etc.
- Information and Analysis Programs Department: Providing companies with information on legislative amendments, application of innovations and new technologies, business contacts, attraction and management of financial resources, licensing, standardisation, etc.
- Consulting Support Programs Department: Providing companies with consultancy
- Training Department: Training for trainers and enterprises
- Financial Support Department: Loan Guarantees Provision Program

The organigram of SMEDNC is shown below:

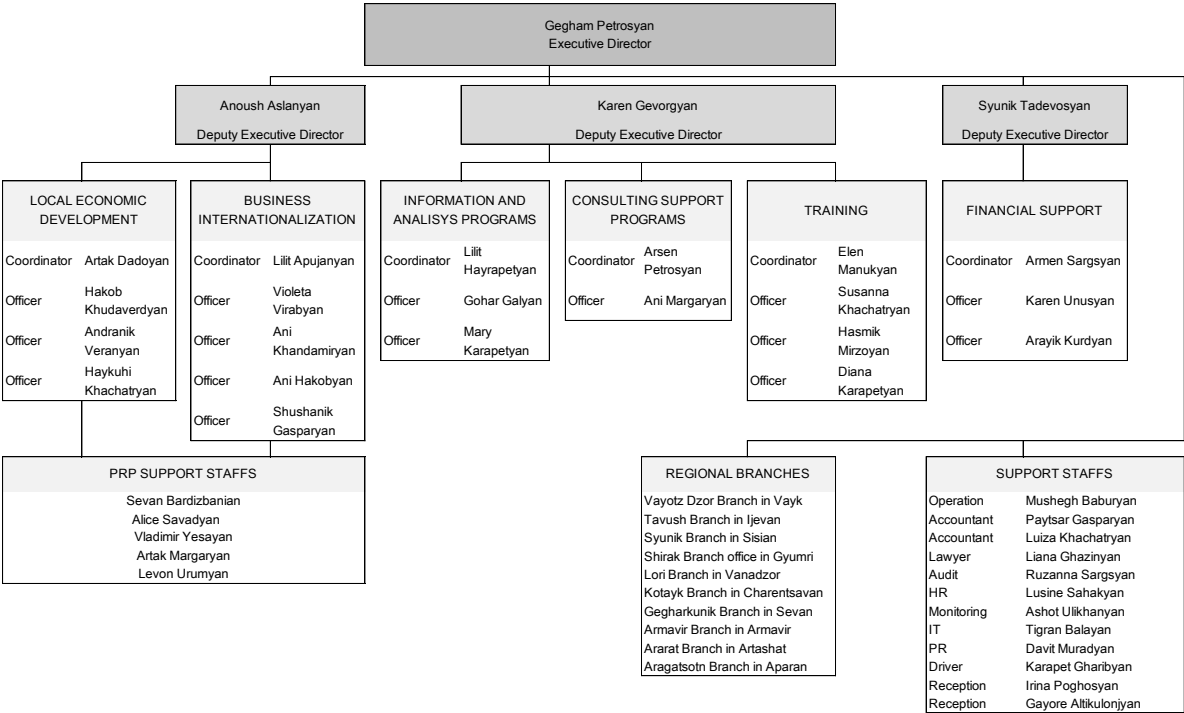
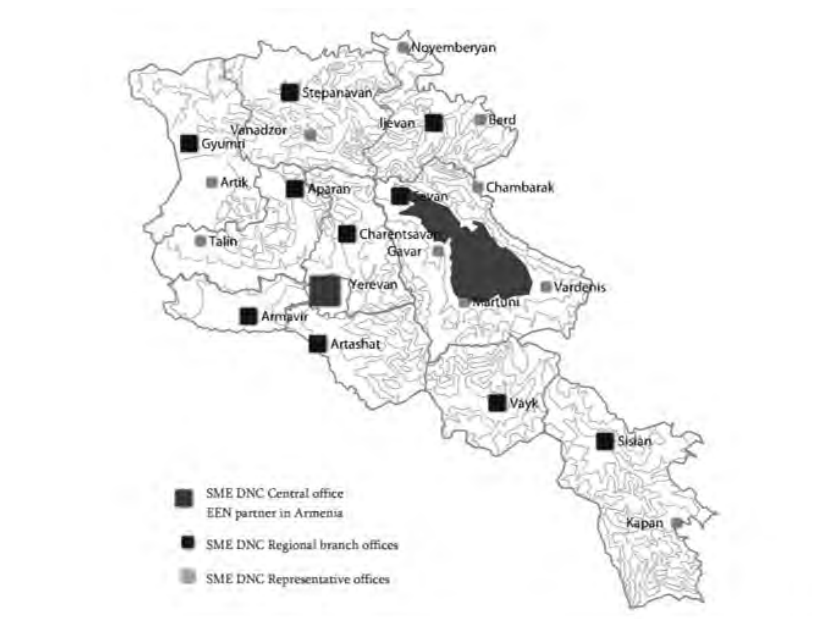


Figure 2-1 Organigram of SMEDNC (Jan. 2016)

Source: Elaborated by the Project team, based on the information provided by SMEDNC

Besides the headquarter office mentioned above, SMEDNC has regional offices as illustrated below.

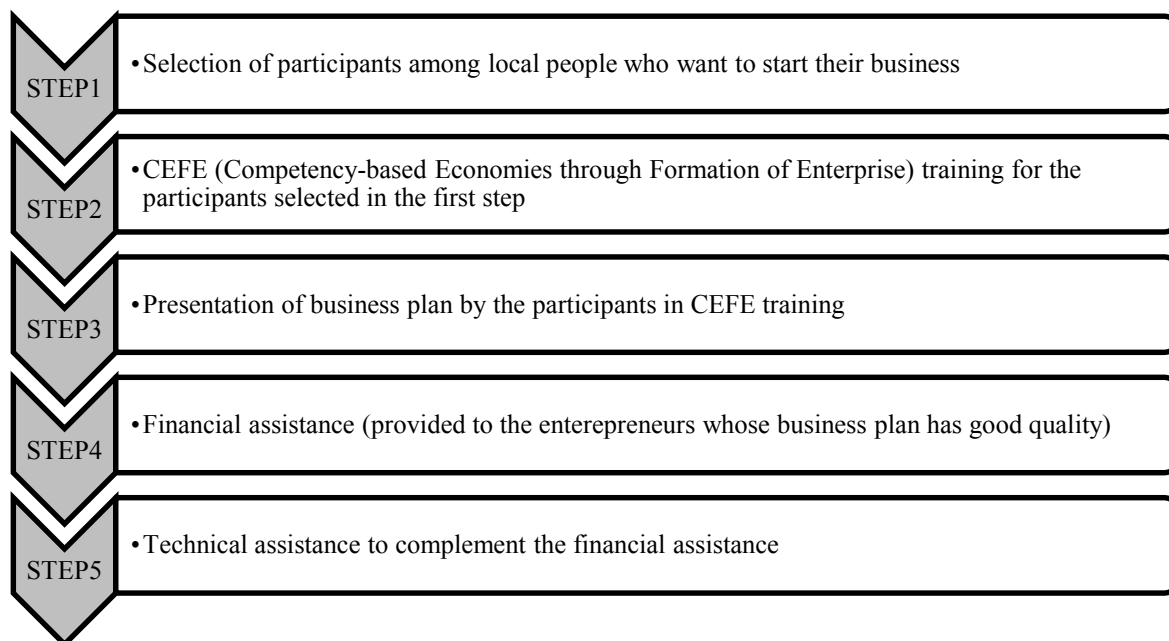


**Figure 2-2 SMEDNC’s offices**

Source: SMEDNC website

Among different SMEDNC programmes, the ‘Start-up Programme’ is one of the most important ones. It is developed in different sites of the country, in order to facilitate new business development. The programme is very important to reinforce the country’s economic structure, since it promotes formalisation of informal small businesses (non-registered enterprises).

The programme is summarised as follows:



**Figure 2-3 Steps in a successful start-up programme**

Source: Elaborated by the Project team, based on the information provided by SMEDNC

As illustrated above, this programme has the following important features:

- It comprises (i) technical assistance (trainings) and (ii) financial assistance. This may increase the programme's positive effects.
- CEFE training is an important component of the Start-up Programme.

The participants elaborate their business plan by applying the CEFE training course components, and SMEDNC provides a loan guarantee if the business plan is well elaborated. The loan is provided only for formally registered businesses in this framework, and it could motivate formalisation of informal businesses.

## **2.2 Project background and fundamental structure**

The Government of the Republic of Armenia has followed the SME State Support Strategy developed in 2000 for over a decade. The SME support programmes have been elaborated and implemented every year based on this Strategy. One of the important issues in recent years is to reinforce regional and local SMEs for increasing income and employment in rural areas.

The Government requested for Japanese technical cooperation in order to introduce and apply the OVOP approach efficiently. Therefore, the Project was initiated by the SMEDNC with the technical assistance of Japan International Cooperation Agency (JICA) as of March 2013 for three years. The Project goal is the development of marketing methods to support local small businesses. The basic structure of the Project, which was defined by the Project Design Matrix (PDM), is as follows:

### **(1) Overall Goal**

Improved local products or businesses supported by SMEDNC contribute to the economic development of the target communities.

### **(2) Project Purpose**

‘Method of market-oriented local products or services development and branding’ is developed as a supporting tool for local SMEs based on the OVOP movement at SMEDNC in Armenia.

### **(3) Expected Outputs**

- 1) Armenian unique OVOP concept of ‘Market-oriented local products or services development and branding in Armenia’ is developed based on the OVOP experiences in Japan and other countries. (Target group: SMEDNC)
- 2) SMEDNC experts are trained by ToT (Training of OVOP experts). (Target group: SMEDNC)
- 3) Platforms are created for product development and technical transfer. (Target group: SMEDNC)
- 4) Plans of the pilot projects (sub-projects) are developed considering SMEDNC’s other current initiatives on local economic development. (Target groups: SMEDNC and local people)
- 5) Necessary support is provided to develop market-oriented products or services through the pilot projects. (Target group: Participants of pilot projects)
- 6) Monitoring results are recorded by participating parties, the local government, and compiled by SMEDNC. (Target group: SMEDNC and local governments)
- 7) The Armenian OVOP method is finalised with compiled experiences. (Target group: SMEDNC)

### **(4) Activities**

- 1.1 Introduce the OVOP concept and practices of Japan to SMEDNC
- 1.2 Develop the concept of OVOP in Armenia based on OVOP experiences in Japan and other

countries, experiences of SMEDNC and other agencies in Armenia including the brand concept (e.g. image, naming, explanation, logo designing, etc.)

- 1.3 Hold kick-off workshop with the participation of relevant stakeholders.
- 2.1 Japanese experts and SMEDNC experts formulate the ‘Method of OVOP implementation’ based on the adopted Armenian OVOP concept.
- 2.2 Prepare training programme and materials for ToT.
- 2.3 Japanese experts provide ToT to SMEDNC experts.
- 3.1 Discuss the necessary platforms (e.g. Onpaku) for facilitating product planning and development and planning for its realisation.
- 3.2 Create platforms according to the plans.
- 3.3 Prepare manual of the platform.
- 4.1 Select the target communities based on the Participatory Appraisal for Competitive Advantages (PACA) results.
- 4.2 Develop intervention plans to support SMEs/initiatives in the above areas, products/services.
- 5.1 Conduct seminars to introduce the OVOP concept and intervention plan to the target communities.
- 5.2 Select potential businesses to support.
- 5.3 Provide necessary training and consulting (e.g. CEFE).
- 5.4 Prepare support plans based on the business plans developed in step 5-3. (e.g. financial support, technical training, support for procurement of equipment, support for product planning/development, and support for promotion and sales.)
- 5.5 Provide support to businesses according to the support plans.
- 6.1 Plan a monitoring system to collect monitoring results from each pilot project.
- 6.2 Carry out periodical monitoring by the pilot project implementers.
- 6.3 Conduct ‘Monitoring results sharing meeting’ by the pilot project implementers.
- 6.4 Summarise monitoring results periodically by SMEDNC.
- 7.1 Analyse the summarised experiences and the lessons learned.
- 7.2 Refine the Armenian OVOP concept and method.
- 7.3 Conduct a seminar for sharing the ‘Armenian OVOP method’.

The following table depicts that these activities have been developed as programmed.

**Table 2-3 Plan of operations of the Project**

Activities		1st year (2013 MAR-2014 MAR)				2nd year (2014 APR-2015 MAR)				3rd year (2015 APR-2016 FEB)			
		1st Q	2nd Q	3rd Q	4th Q	1st Q	2nd Q	3rd Q	4th Q	1st Q	2nd Q	3rd Q	4th Q
<b>Output 1: Armenian unique OVOP Concept of "Market-oriented local products or services development and branding in Armenian" is developed based on the Japan and other countries OVOP</b>													
1-1.Introduce OVOP concept and practices of Japan to SMEDNC.	Plan												
	Actual												
1-2.Develop the concept of OVOP in Armenia based on OVOP experiences of Japan and other countries, experiences of SMEDNC	Plan												
	Actual												
1-3.Hold kick-off workshop with participation of relevant stakeholders.	Plan												
	Actual												
<b>Output 2: SMEDNC experts are trained by TOT</b>													
2-1.Japanese experts and SMEDNC experts formulate the "Method of OVOP implementation" based on the adopted Armenian OVOP	Plan												
	Actual												
2-2.Prepare training program and materials for TOT.	Plan												
	Actual												
2-3.Japanese experts provide TOT to SMEDNC experts.	Plan												
	Actual												
<b>Output 3: "Platforms" are created for product development and technical transfer.</b>													
3-1.Discuss necessary platforms (e.g. ONPAKU) for facilitating product planning and development and make plans for the realization.	Plan												
	Actual												
3-2.Create platforms according to the plans.	Plan												
	Actual												
3-3.Prepare manual of the platform.	Plan												
	Actual												
<b>Output 4: Plans of the pilot projects (sub-project) are developed with consideration of SMEDNC's other current initiatives on LED.</b>													
4-1.Select areas to support based on the PACA results.	Plan												
	Actual												
4-2.Develop intervention plan to support SMEs/initiatives in the above areas, products/services.	Plan												
	Actual												
<b>Output 5: Necessary support is provided to develop market-oriented products or services through the Pilot Projects.</b>													
5-1.Hold seminars to introduce OVOP concept and intervention plan to the target communities.	Plan												
	Actual												
5-2.Select potential businesses to support.	Plan												
	Actual												
5-3.Provide necessary training and consulting (e.g. CEFE).	Plan												
	Actual												
5-4.Prepare support plans based on the business plans developed in 5-3. (e.g. financing support, technical training, support for procurement of equipment, support for product planning / development and support for promotion and sales.)	Plan												
	Actual												
5-5. Provide support to businesses according to the support plans.	Plan												
	Actual												
<b>Output 6 : Monitoring results are recorded by participating parties, local government and compiled by SMEDNC.</b>													
6-1. Plan the monitoring system to collect monitoring results from each pilot project.	Plan												
	Actual												
6-2. Carry out periodical monitoring by the pilot project implementers.	Plan												
	Actual												
6-3. Hold "Monitoring results sharing meeting" by the pilot project implementers.	Plan												
	Actual												
6-4. Compile monitoring results periodically by SMEDNC.	Plan												
	Actual												
<b>Output 7: Armenia OVOP Method is finalized with compiled experiences.</b>													
7-1. Analyze compiled experiences and lessons learnt.	Plan												
	Actual												
7-2. Refine Armenian OVOP concept and method.	Plan												
	Actual												
7-3. Hold a seminar for sharing the Armenian OVOP method	Plan												
	Actual												



## **2.3 Information on programmes and projects of other international cooperation agencies**

This part summarises the activities of other international agencies in Armenia, which relate to the support and policies to the small and medium entrepreneurs.

### **(1) Partnership for Rural Prosperity (PRP) being implemented by the United States Agency for International Development (USAID)**

The PRP programme promotes rural economic development in Armenia. PRP aims to help rural communities identify local economic growth opportunities, expand employment prospects for women, youth, and vulnerable groups, facilitate infrastructure upgrades, and improve access to finance and markets. The programme will launch a nationwide local economic development initiative to introduce a new approach to community development that engages both private and public actors and community members. The programme comprises the following two components:

- Community development, which includes analytical studies on the villages' economic potential and training for local entrepreneurs, and so on.
- Reconstruction of local infrastructure, which aims at local economic development.

### **(2) United Nations Development Programme (UNDP)**

UNDP assists the efforts of the government to improve the quality of life and the well-being of Armenian people. As the support to SMEs, UNDP has been implementing a project with SMEDNC since 2004. The project has the following components:

- Facilitating the implementation of the national SME support programme
- Improving the programmes for supporting regional and local businesses
- Generating opportunities for exporting Armenian products
- Provision of information, consulting, and promotional services to the SMEs at central and regional levels

### **(3) German Federal Enterprise for International Cooperation (GIZ)**

GIZ supports Armenian SMEs in the framework of the technical assistance project. This project has three components: (i) advice for the Armenian public sector on policymaking, (ii) planning for improving the business environment, and (iii) advice for promoting international trading.

It is important to note that several technical tools being applied by the SMEDNC, including PACA and CEFE, come from originally German technical assistance.

### **(4) Netherlands senior experts (PUM)**

PUM supports entrepreneurs in developing countries and emerging markets by dispatching senior experts from the Netherlands, each of whom has at least 30 years of experience. Their senior experts voluntarily

devote their knowledge to the execution of short-term, solid consultancy projects at the work floor.

The cooperation of PUM with Armenia started in 2009 and expanded the ties with Center for Agribusiness and Rural Development (CARD) and FCA (Farm Credit Armenia<sup>2</sup>). The appointed experts were 45 in 2011, 47 in 2012, and 49 in 2013 (details of sectors and numbers are depicted in Table 2-4). In October 2013, as the cooperative programme with SMEDNC, a wine marketing expert was appointed to Areni village to develop the wine industry. The other range of areas of experts are Horticulture, Information technology, Marketing, Metal processing, Tourism, etc. In addition, since 2012, the PUM’s representative in Armenia is Mr. Suren Khudaveryan who is also responsible for the SMEDNC Syunik brunch office.

**Table 2-4 Sectors and number of appointed experts from PUM 2014**

<b>Areas</b>	<b>Total</b>
Agriculture & Horticulture	8
Building & Construction Trade	1
Business Support & Management	5
Energy & Water & Environment	1
Food & Beverages Production	8
Healthcare	1
Stockbreeding & Fisheries	9
Tourism & Hotels & Catering	15
Grand Total	48

Resource : PUM

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<sup>2</sup> <http://www.fca.am/>

### 3. Project inputs and methods

This chapter presents the Project inputs, implementing structure, and the Armenian OVOP concept and method. This concept is defined as an integral effort to develop the local economy, enterprises, and products consistently. *Kaizen* (continuous improvement), is applied as the Armenian OVOP method to realise the concept.

#### 3.1 Project's inputs

##### 3.1.1 Dispatch of Japanese experts and assignment of counterparts

The dispatch of Japanese experts is shown below:

**Table 3-1 Dispatch of Japanese experts**

Name	Field	Assignment duration in Armenia	Affiliation
Mr. Akihiro TSUKAMOTO	Chief advisor	08/4/2013 – 17/5/2013 16/9/2013 – 01/11/2013 13/1/2014 – 14/2/2013 16/4/2014 – 22/5/2014 02/6/2014 – 21/6/2014 18/8/2014 – 20/9/2014 26/10/2014 – 15/11/2014 16/6/2015 – 19/7/2015 28/9/2015 – 08/11/2015 11/1/2016 – 20/1/2016 31/1/2016 – 7/2/2016	Kaihatsu Management Consulting Ltd.
Mr. Hiroyuki TANAKA	Deputy chief advisor	20/5/2013 – 03/7/2013 02/9/2013 – 16/10/2013 25/1/2015 – 23/2/2015 24/8/2015 – 20/9/2015	Kaihatsu Management Consulting Ltd.
Ms. Miwako OIKAWA	Expert on marketing and branding	26/8/2013 – 11/10/2013 19/2/2013 – 13/3/2013 01/9/2014 – 10/10/2014 25/5/2015 – 26/6/2015 19/10/2015 – 14/11/2015	Unico International Ltd.
Ms. Yoshiko HONDA	Expert on product development	25/2/2014 – 14/3/2014	Kaihatsu Management Consulting Ltd.
Mr. Tomoyuki TAJITSU	Project facilitator	08/4/2013 – 27/5/2013 08/9/2013 – 28/11/2013 29/6/2014 – 26/7/2014 28/9/2014 – 20/12/2014 19/4/2015 – 14/6/2015 12/7/2015 – 29/8/2015	Kaihatsu Management Consulting Ltd.
Mr. Motoaki JO	Expert on export	15/9/2015 – 5/10/2015 1/11/2015 – 20/12/2015	Kaihatsu Management Consulting Ltd.
Mr. Ryuji Seno	Expert on roadside stations (RSS)	13/12/2015 – 20/12/2015	Kaihatsu Management Consulting Ltd.

In addition, Ms. Kazuko Shirai worked as coordinator of the training course in Japan in 2015.

SMEDNC has assigned the following persons for the Project implementation.

**Table 3-2 Assignment of Counterparts**

Name, Position	Area of specialty	Assigned period	Name of expert in charge	Employment period in the institution		Remarks:
				From	To	
Mr. Gegham Petrosyan Executive Director	Project director	Jul. 2014 – Present	Akihiro Tsukamoto	Jul. 2014	Present	They worked or work as Project leaders
Mr. Varazdat Karapetyan Former Executive Director	Project director	Mar. 2013 – Jul. 2014	Akihiro Tsukamoto	Jan. 2012	Jul. 2014	
Ms. Lilit Apujanyan International Cooperation Program Coordinator	Project manager	Jul. 2014 – Present	Akihiro Tsukamoto	Sep. 2002	Present	
Ms. Anoush Aslanyan Deputy Executive Director	Project manager	Mar. 2013 – Jul. 2014	Akihiro Tsukamoto	Mar. 2012	Present	
Mr. Syunik Tadevosyan Deputy Executive Director	Leader of ex-trainees	Jul. 2013 – Present	Tomoyuki Tajitsu	Mar. 2006	Present	Works as the leader of ex-trainees who went to Japan
Ms. Elen Manukyan Training program coordinator	Training coordinator	Mar. 2013 – Present	Miwako Oikawa	Dec. 2011	Present	Incorporates the OVOP concept in start-up training.
Mr. Artak Dadoyan Local Economic Development Program Coordinator	Local economic development coordinator	Mar. 2013 – Present	Hiroyuki Tanaka	Mar. 2012	Present	Incorporates the OVOP concept in PACA exercise.
Armen Sargsyan Financial support Program Coordinator	Financial support coordinator	Mar. 2013 – Present	Hiroyuki Tanaka	Nov. 2008	Present	Incorporates the OVOP concept in the financial support programme.
Mr. Mushegh Baburyan	Project operation supporter	Jan. 2015 – Present	Tomoyuki Tajitsu	Jul. 2014	Present	Works for logistics of the Project.
Mr. Davit Muradyan	Public relation expert	Mar. 2013 – Present	Tomoyuki Tajitsu	Sep. 2012	Present	Puts the Project information on the SMEDNC website.

### 3.1.2 Trainees for the courses in Japan

The training courses in Japan were organised in each of these three years in which the Project has been implemented. The participants in these courses in Japan are presented in the following table, and the course contents are mentioned in the next chapter.

**Table 3-3 Counterparts' participation in training courses in Japan**

Name	Position at that time	Current position, Date of turnover	Period of participation	Field/Name of the course/Contents	Implementing institution
Anoush Aslanyan	SMEDNC Deputy Director	SMEDNC Deputy Director	July 14-20, 2013	OVOP Overview of the history and philosophy of the OVOP movement in Japan	JICA, Tokyo Center
Armen Sargsyan	SMEDNC Financial Support Programs Coordinator	SMEDNC Financial Support Programs Coordinator	July 7-20, 2013		
Hrayr Mkrtchan	SMEDNC Local Economic Development Programs Officer	Hyper Space LLC. Director			
Aram Galyan	SMEDNC Ararat Regional Branch Director	SMEDNC Ararat Regional Branch Director			
Arshak Makaryan	SMEDNC Aragatsotn Regional Branch Director	SMEDNC Aragatsotn Regional Branch Director			
Artur Zakaryan	SMEDNC Shirak Regional Branch Director	SMEDNC Shirak Regional Branch Director			
Vilyam Ohanyan	SMEDNC Tavush Regional Branch Director	SMEDNC Tavush Regional Branch Director			
Vigen Gasparyan	SMEDNC Vayots Dzor Regional Branch Director	SMEDNC Vayots Dzor Regional Branch Director			
Vahe Baghmanyanyan	SMEDNC Advisor to the Executive Director	SMEDNC Advisor to the Executive Director			
Syunik Tadevosyan	SMEDNC Deputy Director	SMEDNC Deputy Director	July 29– August 9, 2014	Marketing based on OVOP SME promotion policy, Continuous improvement marketing	JICA, Yokohama Center
Artak Dadoyan	SMEDNC Local Economic Development Programs Coordinator	SMEDNC Local Economic Development Programs Coordinator			
Artyom Grigoryan	Director of Gegharkunik Chamber of Commerce and Industry	Director of Gegharkunik Chamber of Commerce and Industry			
Yervand Karapetyan	President of the Board of Trustees Chkalovka Foundation	President of the Board of Trustees Chkalovka Foundation			
Vigen Hovhannisyan	Director Bagfruit LLC	Director Bagfruit LLC			
Varazdat Karapetyan	Chairman 'Rural Development Foundation'	Chairman 'Rural Development Foundation'			
Garnik Manukyan	Project Coordinator JICA Project Team	Project Coordinator JICA Project Team			
Gegham Petrosyan	SMEDNC Executive Director	SMEDNC Executive Director	May 31-June 7, 2015	Marketing based on Armenian OVOP concept	JICA, Yokohama Center
Mushegh Baburyan	SMEDNC Administrator	SMEDNC Administrator	May 24- June 7, 2015	SME promotion policy, Continuous improvement marketing Japanese market	
Alla Gasparyan	SMEDNC Syunik Regional Branch Officer	SMEDNC Syunik Regional Branch Officer			
Koryun Simonyan	SMEDNC Shirak Regional Branch Officer	SMEDNC Shirak Regional Branch Officer			
Vahram Poghosyan	SMEDNC Armavir Regional Branch Director	SMEDNC Armavir Regional Branch Director			
Arman Mnatsakanyan	'SME Invest' UCO Deputy Director	'SME Invest' UCO Deputy Director			
Mkrtich Ayzvazyan	'Strategic Development Agency' NPO Executive Director	'Strategic Development Agency' NPO Executive Director			
Lusine Khamisyan	'Nairyan Dried Fruits' Director	'Nairyan Dried Fruits' IE Director			

### 3.1.3 Provision of Equipment

The following equipment have been purchased by the Japanese side and transferred to SMEDNC.

**Table 3-4 List of equipment donated for SMEDNC**

N o.	Name of Machinery	Qty	Purpose of Use	Arrival Date	Product No.	Maker	Price/unit	Installation site
1	4WD Vehicle TOYOTA Prado	1	Monitoring/General use	Aug 2013	LC Prado 4.0 Prestige	TOYOTA	AMD20,250,000	SMEDNC central office
2	DESKTOP COMPUTER H61M-S1 Keyboard Genius, Optical mouse Genius, MONITOR LG 19" E1942C LED, UPS Mercury 650VA WITH AVR	10	SMEDNC Capacity Development	29 May 2013	N/A	N/A	\$668	SMEDNC 10 regional branch offices
3	NOTEBOOK Satellite	2			P855-S5102	TOSHIBA	\$1,117	SMEDNC central office
4	ULTRABOOK Satellite	1			U945-S4140	TOSHIBA	\$1,090	SMEDNC central office
5	Tablet Vivo Tab	1			TF600B1-GR	ASUS	\$1,202	SMEDNC central office
6	LASER B/W PRINTER A4	10			LBP 6020	CANON	\$118	SMEDNC 10 regional branches
7	COPY MACHINE, A3	1			BIZUB165	KONICA-MINOLTA	\$1,115	SMEDNC central office
8	PROJECTOR SVGA	7			NP-VE281 DLP	NEC	\$693	SMEDNC 7 regional branches
9	PROJECTOR WXGA	1			NP-V300W DLP	NEC	\$1,417	SMEDNC central office
10	SOFT BOARD (PINBOARD)	10			9294 ANTRACITE	EUROPIN MC	\$907	SMEDNC central office
11	Digital SLR Camera with 18-140mm f/3.5-5.6G ED VR AF-S DX NIKKOR Zoom Lens (Black)	1	SMEDNC and Project PR activities	30 Jun 2014	D5300	NIKON	¥85,069	SMEDNC central office
12	64GB SDXC Ultimate Memory Card	1			Class 10 UHS-1	Transcend	¥4,238	
13	Semi-Soft Case	1			CF-DC2	NIKON	¥2,729	
14	Cheese making vat 500l	1	Cheese Production	14 Mar 2014	N/A	N/A	\$16,000	Seiran A, cheese production SME, Brakot village, Syunik region
15	Drainage vat	1	Training center				\$5,000	
16	Brine vat	1					\$4,500	
17	Cheese mold	15					\$40	
18	Cheese making scoop	1					\$145	
19	Pump	1					\$180	
20	Milk can	5					\$136	
21	Milk measurement bucket	1					\$200	
22	Milk hose	30					\$12	
23	A device for filtration of milk	1					\$75	
24	Filter	10					\$15	
25	Filtration cloth	25					\$4	
26	Plastic mesh for cheese	10					\$19	
27	Drainage cloth	5					\$20	
28	Acidometer	1					\$150	
29	pH-meter	1					\$970	
30	Thermometer	5					\$13	
31	Aerometer for brine	2					\$75	
32	Graduated cylinder	2					\$20	
33	Pipet pump	2					\$15	
34	Pipet holder	1					\$45	
35	Laboratory glassware	1					\$270	
36	Electric dryer 300 kg upload capacity with controlled airflow	4	Red pepper, herb spice and dried fruits production training center	1 Sep 2014	EQ-05SW	DONG HO	\$6,500	Fruteria, LLC. Vedi town, Ararat region
37	Vacuum packaging machine Boxer 42 for bulk storage with gas flush option	1			Boxer 42	HENKELMAN	\$4,600	
38	Grinder (productivity more than 50 kg/per hour)	1			N/A	N/A	\$2,700	
39	Scales floor (till 200 kg)	1			N/A	N/A	\$470	
40	Scales table (till 3 kg)	1			N/A	N/A	\$470	
41	Stainless steel tanks for fermentation of olive V=2sq/m	2	Olive production training center	25 Nov 2014	N/A	N/A	\$2,100	Vivafruit, LLC. Bagratashen village, Tavush region
42	Double covered boiler V=0,12-0,2cub/m	1					\$2,200	
43	Disinfection council for cans and covers	1					\$680	

44	Steam Generator 100 kg/h, P= 400 k	1					\$5,300	
45	Autoclave (canner) V=0,350 - 0,450 cub/m	1					\$3,400	
46	Stainless steel table for works with raw material 2sq/m	1					\$740	
47	Refrigerator RV500G-Pro 1840 x 600 x 635 mm with printed project logos	11	B&B local producers support	4 Aug 2015	RV500G-Pro	BELFROSTOR	\$650	Armen Hakobyan B&B, Tatev Amalya Grigoryan Tasting hall, Halidzor Anoush Hasratyan B&B, Tatev Nikolay Gevorgyan B&B, Tatev Jivan Zorunc B&B, Halidzor Armenuhi Hayrapetyan B&B, Halidzor Robert Mkrtychyan B&B Halidzor Volodya Simonyan, B&B, Tatev Norayr Grigoryan B&B, Tatev Aghunik Parsyan B&B, Tatev Greta Sahakyan B&B, Tatev
48	Vacuum packing machine TURBOVAC 200i	8	Cheese production support	26 Aug 2015	TURBOVAC 200i	Oerlikon Leybold Vacuum	\$4,958	Suren Safyan IE, Khndzoresk village Samvel Maqunts IE, Khndzoresk village Tigran Poghosyan IE, Karbi village, Aragatsotn region Haykush Muradyan IE, Vemashen village, Ararat region Grigor Atoyian IE, Yervandashat village, Armavir region Lusine Khamisyan IE, Hatsik village, Armavir region Armen Papyan IE, Urut village, Lori region Yerevan (Stock to be installed in a potential exporter)
49	Festival booths 3m x 1.8m x 2.2m with tent covers and color printed logos	20	Event type marketing platform	2 July 2015	N/A	MOA, LLC	\$277.5	Areni Wine Festival Foundation

### 3.1.4 Local operational expenses covered by the Japanese side

The local operational costs, including the expenses for purchasing the quipment listed above, covered by the Japanese side, amounted to about 47 million Japanese yen, as noted below.

**Table 3-5 Local operational expenses covered by the Japanese side**

Actual expenditures for the 1st year (Mar. 2013-Mar.2014)	JPY 11,880 thousands
Actual expenditures for the 2nd year (Apr. 2014-Mar.2015)	JPY 14,798 thousands
Contracted amount for expenditures for the 3rd year (Apr. 2015-Feb.2016)	JPY 20,587 thousands
<b>TOTAL</b>	<b>JPY 47,265 thousands</b>

### 3.1.5 Local operational expenses covered by the Armenian side

Not only SMEDNC but also different private companies, which organized the training course for Armenian local businesses, have covered the operational costs, as noted below.

**Table 3-6 Local operational expenses covered by Armenian side**

Year	Disbursement (USD)	Organization
2013	1,700	SMEDNC
2014	1,000	SMEDNC
	7,100	Viva Fruits LLC
2015	2,640	SMEDNC
	8,400	Viva Fruits LLC
	19,000	Fruiteria LLC
	17,000	Seiran Arakelyan LLC

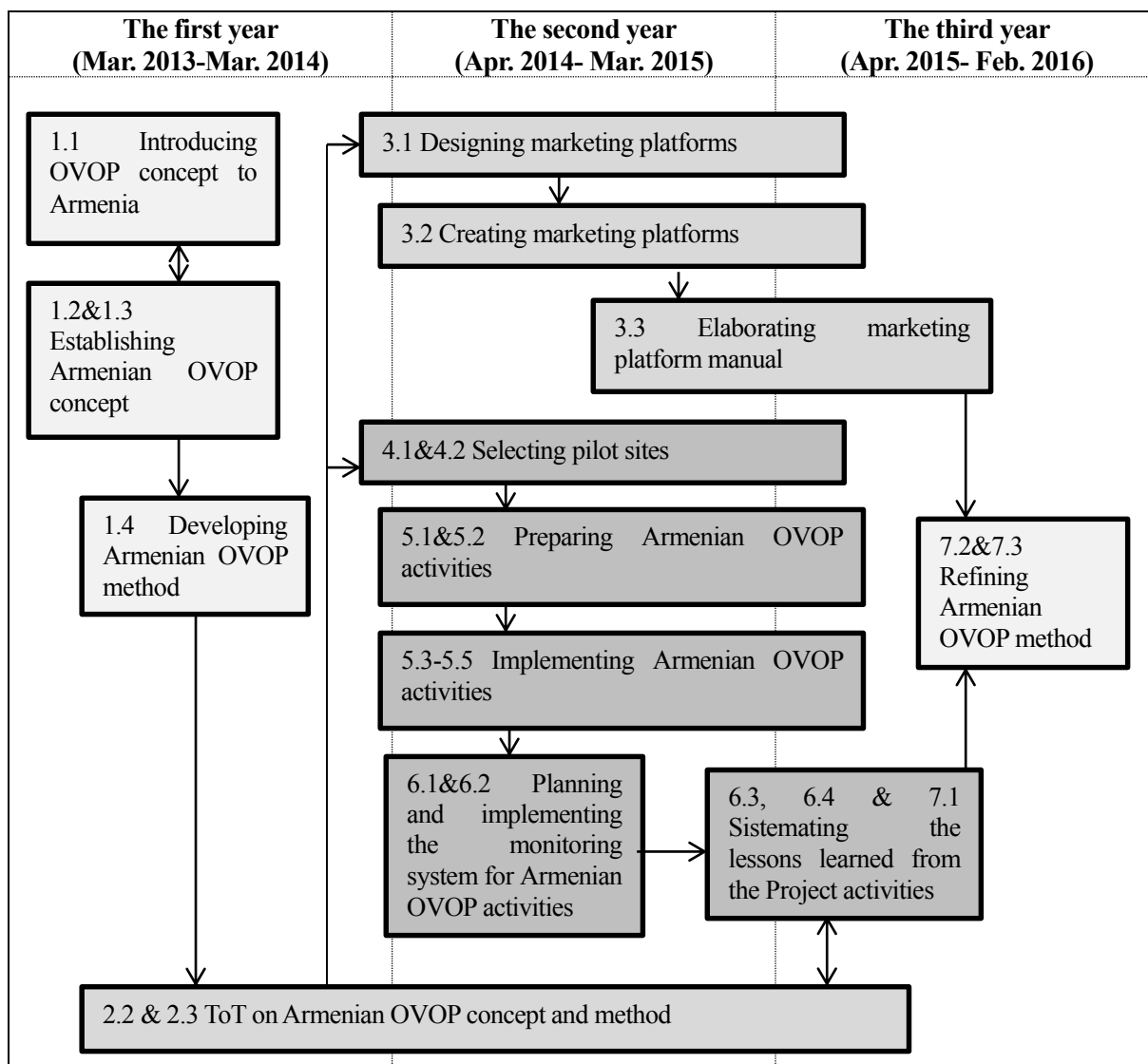
### 3.2 Project implementation process

The Project implementation process undertaken so far can be summarised as follows:

**Table 3-7 Main activities and events in each month since the beginning of the Project period**

Year	Month	Progress of activities, Major events of Project management, etc.	
2013	3	The Project was started.	
	4	JICA experts (Chief Advisor & Project Coordinator) arrived in Yerevan.	
	5	OVOP kick-off workshop was organised.	
	6	Planning of the first training course in Japan was completed.	
	7	The first training course in Japan was organised with nine participants.	
	8	The first draft of the OVOP handbook was prepared.	
	9	The first ToT was organised in Armenia.	
	10	Ijevan Art Festival was organised as the first practice of event-type marketing platform. The OVOP pilot activities for wine promotion were started.	
	11	Armenian OVOP methods were analysed to introduce in SMEDNC's start-up programmes.	
	12	The OVOP pilot activities for cheese promotion (Khndzoresk village, Syunik region) were started.	
	2014	1	The 1 <sup>st</sup> Joint Coordinating Committee (JCC) meeting was held at SMEDNC.
		2	Consumer market survey in Yerevan was started as a monitor-type marketing platform.
3		The first year of the Project operation was closed.	
4		The OVOP pilot activities for dried fruit products promotion were started.	
5		The OVOP pilot activities for cheese promotion (Lusashogh village, Ararat region) were started.	
6		OVOP Armenia Facebook page was established as monitor-type marketing platform.	
7		The Project director and manager in Armenia were changed. The second training course in Japan was started with seven participants.	
8		The OVOP pilot activities for olive products promotion were started.	
9		The OVOP pilot activities for tourism promotion were started.	
10		The festival on rural products in Yerevan was organised as the second practice of event-type marketing platform. The 2 <sup>nd</sup> JCC meeting was held at the Ministry of Economy.	
11		The second ToT (on <i>Kaizen</i> -OVOP) was organised in Armenia.	
12		The number of followers of OVOP Armenia Facebook page reached 3,000.	
2015	1	Additional training for cheese producers was organised.	
	2	The OVOP pilot activities on agrotourism were started.	
	3	The second year of the Project operation was closed.	
	4	Olive products were presented in the capital city's market.	
	5	SMEDNC has formally included Armenian OVOP methods into its start-up programme. The first event to present Japanese wine to Armenian wineries was organised.	
	6	The third training course in Japan was completed, with eight participants. The OVOP pilot activities on tourism promotion (Garni village, Kotayk region) were started.	
	7	The first event on agrotourism at Chiva village (Vayots Dzor region) was organised.	
	8	The OVOP pilot activities on tourism promotion (Bjni) were started.	
	9	Activities for analysing the possibility to export Armenian wine and dried fruits were started.	
	10	The terminal evaluation for the Project progress was started.	
	11	Seminar on refined Armenian OVOP method was organised.	
	12	The roadside station to be set up in Armenia was designed.	
2016	1	The final seminar on the Project was organised.	
	2	The Project has been completed.	





**Figure 3-1 Flowchart of the Project activities**

It is evident from this figure that the main focus of the Project activities in each of these three years are as noted below:

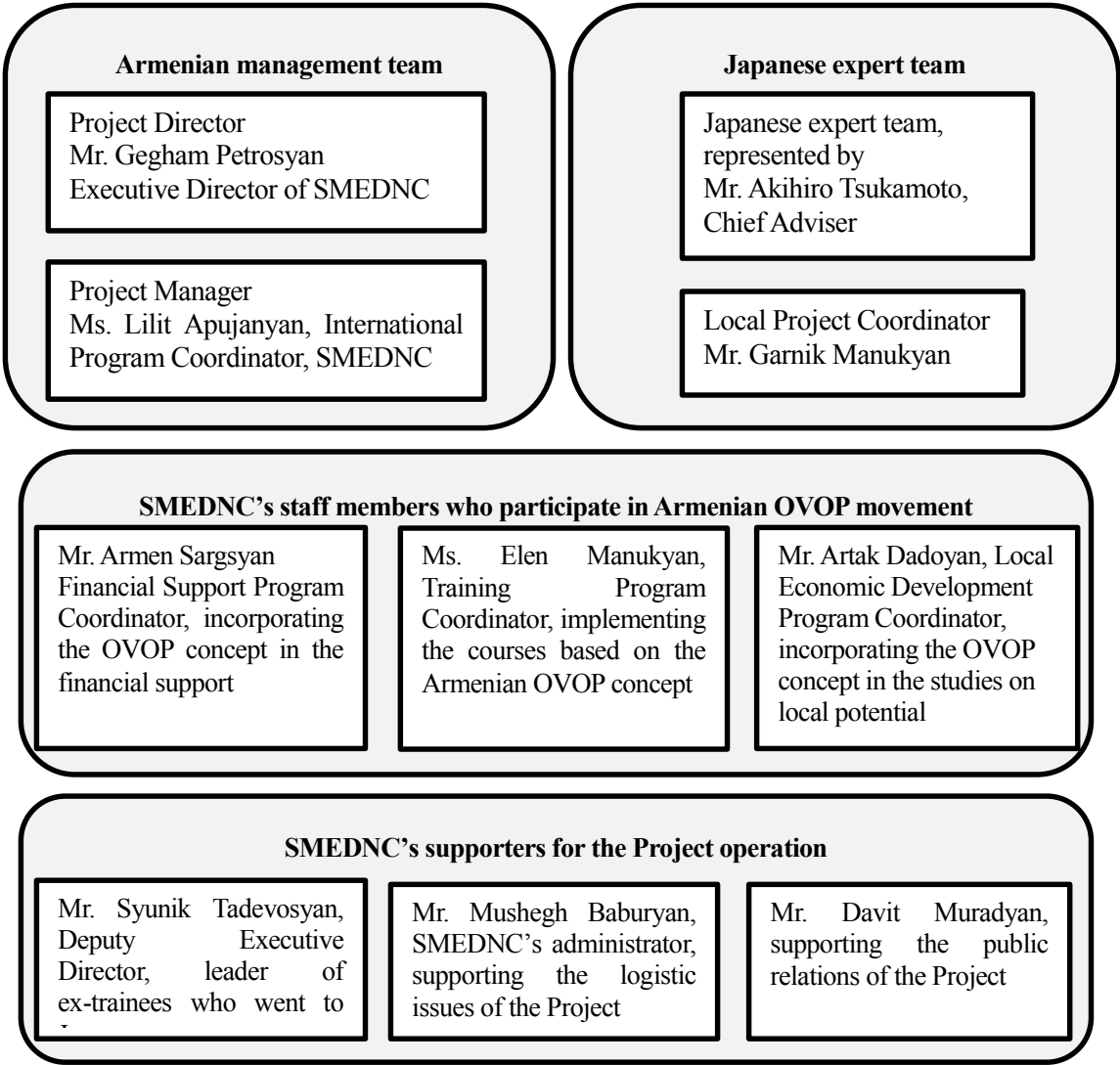
- First year: Starting Armenian OVOP pilot activities by establishing the Armenian OVOP concept
- Second year: Developing Armenian OVOP pilot activities and marketing platforms
- Third year: Refining the Armenian OVOP method by systematising the Project experiences

**3.3 Project operation structure**

The Project activities have been developed by the teams composed by both the Japanese and Armenian sides, under the decisions made by the JCC, as mentioned below.

**3.3.1 Project team**

The Project team, including both Japanese and Armenian members, is shown below.



**Figure 3-2 Project team structure**

**3.3.2 Joint Coordinating Committee (JCC)**

The JCC meetings have been held three times so far, as noted below.

**(1)1st JCC meeting**

The following discussions were realized in the first JCC meeting held on January 22, 2014.

- The progress and the current situation of the Project activities

- Activities to be implemented in 2014 (OVOP pilot activities, including cheese, dried fruits, etc.)

The representatives of the other international cooperation agencies such as USAID and UNDP mentioned the importance of the coordination among them.

The participants in the meeting are presented below.

**Table 3-8 List of attendees (1st JCC meeting)**

<b>N</b>	<b>Name</b>	<b>Position</b>	<b>Organization</b>
1	Karine Minasyan	First Deputy Minister (at that moment)	Ministry of Economy of Armenia
2	Fukumori Daisuke	Representative	JICA Uzbekistan
3	Varazdat Karapetyan	Executive Director (at that moment)	SMEDNC
4	Anoush Aslanyan	Deputy Executive Director	SMEDNC
5	Simon Sargsyan	Adviser, Office of Economic Growth	USAID
6	Babken Babayan	Project coordinator, Community Development Project, Support to SME Development Project	UNDP
7	Cornelia Skokov	Private Sector Development in South Caucasus Project Team Leader	GIZ
8	Ruzan Khojikyán	Representative	JICA Liaison office Armenia
9	Lilit Apujanyan	International Cooperation Programs Coordinator	SMEDNC
10	Artak Dadoyan	LED Programs Coordinator	SMEDNC
11	Hrachya Zakoyan	Sector Specified Support Programs Coordinator	SMEDNC
12	Tsukamoto Akihiro	Project Team Leader	Project
13	Garnik Manukyan	Project local coordinator	Project

## (2) 2<sup>nd</sup> JCC meeting

The second JCC meeting was held on 31 October 2014 at meeting room Ministry of Economy. After confirming the fruitful results of the Project activities for the first half of the Project period, the meeting was successfully concluded with an agreement on the Project plan for the rest of the period. The following points were discussed at the meeting.

- The Project activities should be developed in accordance with the Project Design Matrix (PDM) confirmed on October 15, 2012.
- The important OVOP plot activities should include the promotion of cheese, B&B (small hospitality service), and so on.

The participants in the meeting are noted below.

**Table 3-9 List of attendees (2nd JCC meeting)**

<b>N</b>	<b>Name</b>	<b>Position</b>	<b>Organization</b>
1	Garegin Mekonyan	First Deputy Minister	Ministry of Economy of Armenia
2	Gegham Petrosyan	Executive Director	SMEDNC
3	Syunik Tadevosyan	Deputy Executive Director	SMEDNC
4	Lilit Apujanyan	International Cooperation Programs Coordinator	SMEDNC
5	Simon Sargsyan	Office of Economic Growth	USAID
6	Corneia Skokov	Private Sector Development in South Caucasus Project Team leader	GIZ
7	Aram Babayan	Private Sector Development in South Caucasus Project Senior Expert	GIZ

8	Babken Babayan	Project Coordinator	UNDP
9	Kae Yanagisawa	Vice President	JICA
10	Daisuke Fukumori	Representative of JICA Uzbekistan office	JICA
11	Ruzan Khojikyán	Representative JICA liaison office Armenia	JICA
12	Akihiro Tsukamoto	JICA expert team leader	Project
13	Tomoyuki Tajitsu	JICA expert	Project
14	Garnik Manukyan	Project Coordinator in Armenia	Project

### (3) 3rd JCC meeting

The third JCC meeting was held on 30 October 2015, with the presence of the terminal evaluation team. The main points discussed at the meeting are noted below.

- The terminal evaluation team presented that the project objective would be achieved as programmed.
- Both Japanese and Armenian sides confirmed the evaluation result mentioned above.

The participants in the meeting are noted below.

**Table 3-10 List of attendees (3rd JCC meeting)**

N	Name	Position	Organization
1	Aram Ohanyan,	Head of SME development Department	Ministry of Economy of Armenia
2	Gegham Petrosyan	Executive Director	SMEDNC
3	Karen Gevorgyan	Deputy Executive Director	SMEDNC
4	Lilit Apujanyan	International Cooperation Programs Coordinator	SMEDNC
5	Katsutoshi Fushimi	Chief representative of JICA Uzbekistan	JICA
6	Takafumi Ueda	JICA Senior Adviser	JICA
7	Ruzan Khojikyán	Representative JICA liaison office Armenia	JICA
8	Rika Fujioka	JICA Evaluation Team member	Evaluation team
9	Akihiro Tsukamoto	JICA expert team leader	Project
10	Miwako Oikawa	JICA expert	Project
11	Garnik Manukyan	Project Coordinator in Armenia	Project

### 3.3.3 Management of the equipment

A set of equipment has been purchased by the Japanese side and transferred to SMEDNC, consisting of an automobile, equipment for office use, and equipment for local businesses. This set of equipment has been granted to SMEDNC and is under its management. Concerning the equipment for local businesses, it is lent by SMEDNC to the selected local businesses for an initial period of one year with a possibility of extension on the condition that the local businesses themselves properly manage it.

### 3.3.4 Coordination with the other international cooperation agencies

The project activities have been coordinated with the other international cooperation Projects by SMEDNC. The OVOP pilot activities coordinated with the other agencies include:

- The tourism development at Bjni village (Kotayk region) was planned with UNDP.
- Dried fruits and spices at Vedi town (Ararat region) were promoted in a coordinated manner with USAID.

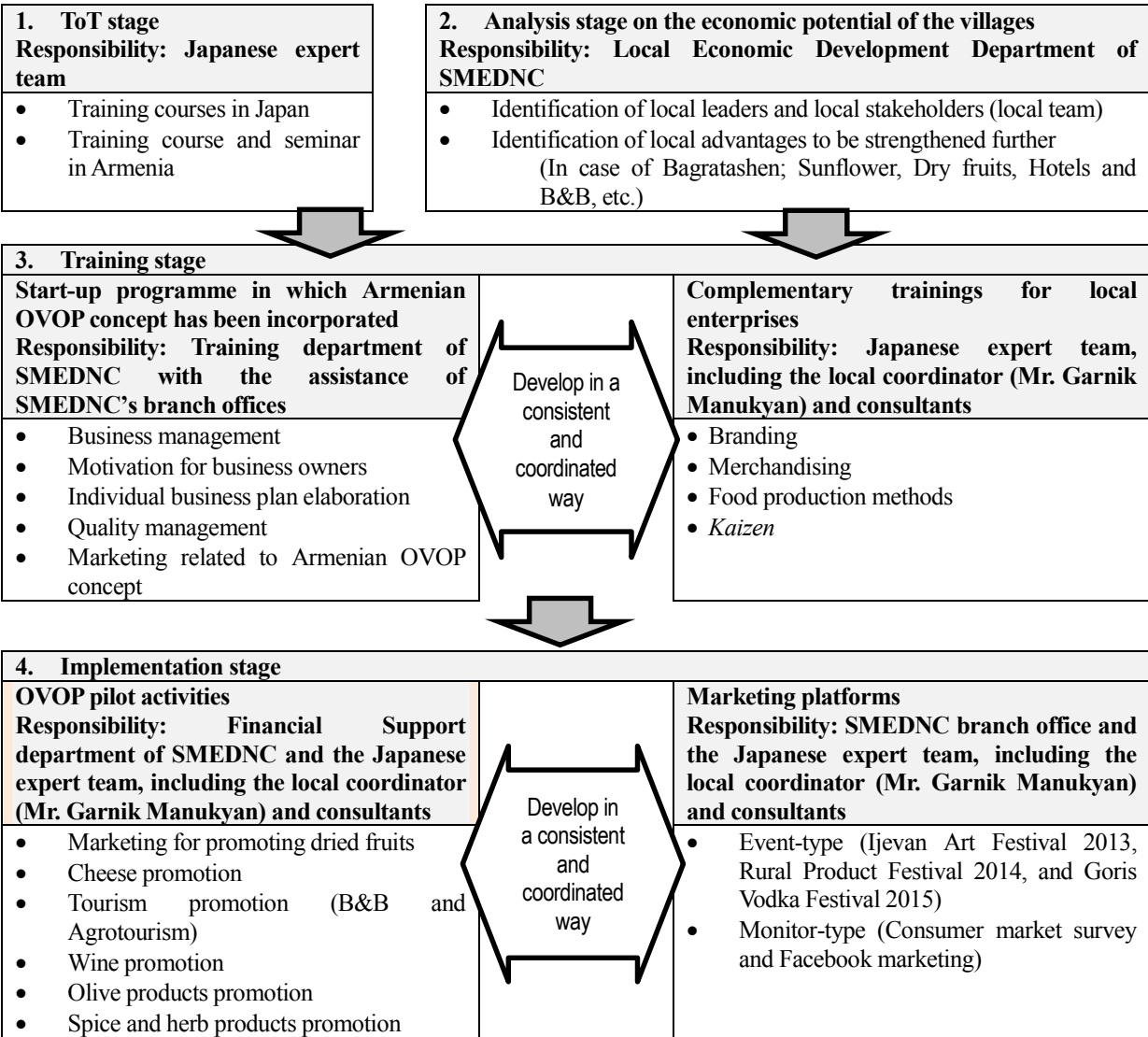
**3.4 Project implementation method**

The following guidelines have been applied for the development of the project activities.

- (1) Aligning the project activities to SMEDNC
- (2) Reinforcing both individual enterprises and regional competitiveness, by applying the Armenian OVOP concept
- (3) Applying *Kaizen*, as the Armenian OVOP method

**3.4.1 Project implementation system**

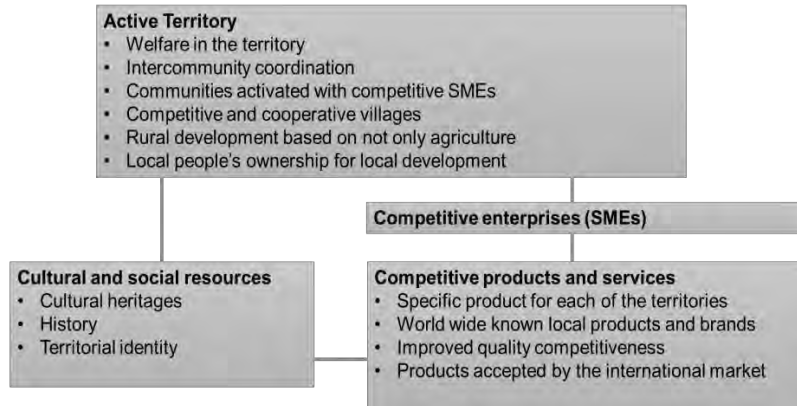
Regarding the guideline (1) mentioned above, the project activities have been implemented in a coordinated manner between the SMEDNC staff and the Japanese expert team, as illustrated below.



**Figure 3-3 Project implementation and operation system**

### 3.4.2 Armenian OVOP concept

The Armenian OVOP concept presents the main focus of the project activities. The concept was defined by SMEDNC in the first year of the project period as ‘the integrated efforts to promote local economy, small enterprises, products, and services in a coordinated manner, by utilising local resources and culture’, as illustrated below.

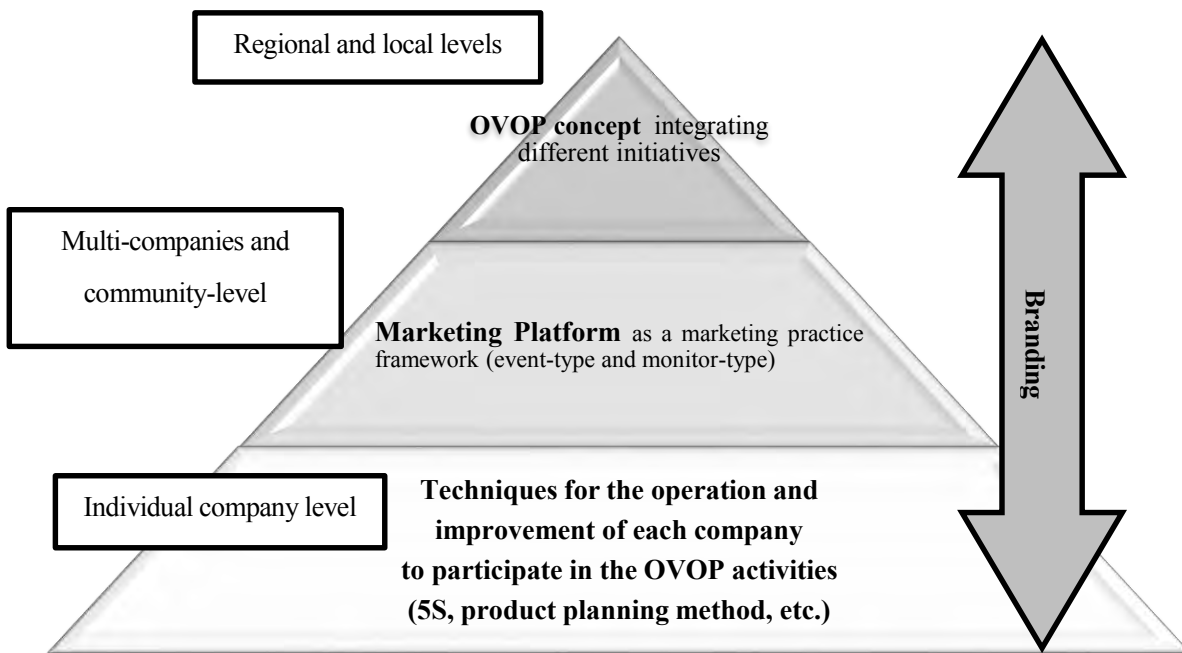


**Figure 3-4 Armenian OVOP concept**

According to this concept, the Armenian OVOP movement has promoted not only the development of individual companies but also the local and regional economic development.

### 3.4.3 Armenian OVOP method

Several technical methods, which are components of the Armenian OVOP method, are applied in the Project. They are related to each other as shown in the following figure.



**Figure 3-5 System diagram of OVOP implementation methods**

As illustrated in the above figure, the OVOP concept can harmonise the different efforts for local economic and business development. The marketing platform can be defined as a framework to provide local enterprises with a place for marketing practice. Furthermore, Armenian OVOP methods include several business operation techniques such as 5S, product planning methods, etc., so that individual companies participating in the Armenian OVOP movement can improve their business and product quality.

The branding, in Armenian OVOP methods, should include not only the brand improvement of individual companies and their products but also ‘territorial branding’. A village’s brand image can be improved by improving the quality of the local enterprises’ products and services. The local enterprises’ brands can be reinforced easily, when the village has a good reputation. Hence, branding is an important theme at different levels: regional, local, and individual enterprise levels.

In conclusion, Armenian OVOP methods comprise the technical components mentioned in Table 3-11. These technical components have been transferred to Armenian OVOP experts and enterprises by the Japanese expert team through training courses in Japan and Armenia.

**Table 3-11 Methods applied in Armenian OVOP activities**

Marketing methods	<ul style="list-style-type: none"> <li>• Merchandising</li> <li>• Branding</li> <li>• Statistical analysis on the consumer market</li> <li>• Group marketing methods, including Onpaku</li> <li>• Facebook marketing</li> </ul>
<i>Kaizen</i> (Continuous Improvement)	<ul style="list-style-type: none"> <li>• 5S</li> <li>• Q7 (Seven tools for quality management)</li> <li>• P7 (Seven tools for product development)</li> </ul>

### 3.4.4 Activities developed by subcontracted agencies

The different Project activities have been facilitated by the local consultants subcontracted by the Project team, as listed below.

**Table 3-12 Activities developed by subcontracted agencies**

Year	Contents	Tasks	Outputs
First	Platform creation, contracted with Mr. Heriknaz Galstyan on 17 Sep., 2013	➤ Organising the Ijevan Art Festival as the Project’s first event-type marketing platform	Ijevan Art Festival was organised as the first implementation of the Project’s marketing platforms
	Cheese training, contracted with CARDAGROSERVICE on 30 Oct., 2013	<ul style="list-style-type: none"> <li>➤ Analysis of cheese processing industries</li> <li>➤ Planning and implementing the training course for cheese producers</li> </ul>	27 producers participated in the courses, and the cheese productivity in Khndzoresk was improved.
Second	Cheese promotion, contracted with Marog on 19 Jun., 2014	➤ Advising cheese promotion in Gegharknik region	Cheese brand for Chkalovka village was developed.

	Olive processing training contracted with Mr. Zhirayr on 16 Jun., 2014	<ul style="list-style-type: none"> <li>➤ Technical advice for establishing the training centre for olive processing</li> <li>➤ Implementing the training for olive producers by applying the Armenian OVOP concept</li> </ul>	15 participants were trained in the course for processing olives.
	Tourism promotion in Tatev sub-region contracted with Apricot Plus on 11 Sep., 2014	<ul style="list-style-type: none"> <li>➤ Training for entrepreneurs in tourism and related industries, by applying the Armenian OVOP concept</li> </ul>	17 participants were trained and 11 elaborated their business plans.
	Cheese training, contracted with CARDAGROSERVICE on 30 Sep., 2014	<ul style="list-style-type: none"> <li>➤ Implementing the training course for cheese producers</li> <li>➤ Monitoring the participants in the training course organised in the previous year</li> </ul>	The hygiene conditions of the cheese producers were improved.
	Tourism promotion in Kotayk and Vayots Dzor regions contracted with Apricot Plus on 12 Dec., 2014	<ul style="list-style-type: none"> <li>➤ Planning tourism promotion with the local people</li> </ul>	The economic potential was identified.
	OVOP products improvement, contracted with CARDAGROSERVICE on 14 Nov., 2014	<ul style="list-style-type: none"> <li>➤ Implementing the training for cheese producers</li> <li>➤ Assistance for pilot wineries</li> <li>➤ Monitoring the progress of the activities being developed by the dried fruits producers</li> </ul>	Five cheese producers in Khndzoresk were trained. Local products were promoted.
Third	Tourism promotion in Kotayk and Vayots Dzor regions contracted with Apricot Plus on 25 May, 2015	<ul style="list-style-type: none"> <li>➤ Training for entrepreneurs in tourism and related industries by applying the Armenian OVOP concept</li> </ul>	18 participants were trained and 8 elaborated their business plans, in Garni village. The first event for local product promotion was organised in Chiva village.
	Tourism promotion in Kotayk region contracted with Apricot Plus on 7 Aug., 2015	<ul style="list-style-type: none"> <li>➤ Training for entrepreneurs in tourism and related industries by applying the Armenian OVOP concept</li> </ul>	Different courses had been developed and 12 participants elaborated their business plans.
	Tourism promotion at Jermuk town contracted with 3R Strategy on 7 Oct., 2015	<ul style="list-style-type: none"> <li>➤ Training for entrepreneurs in tourism and related industries by applying the Armenian OVOP concept</li> </ul>	13 participants were trained and 11 elaborated their business plans.
	Local products promotion in Syunik region contracted with CARDAGROSERVICE on 5 Nov., 2015	<ul style="list-style-type: none"> <li>➤ Technical advice for dried fruits and cheese producers in Syunik region by applying the Armenian OVOP concept</li> </ul>	The issues to be tackled by producers in the Syunik region were identified.



## 4. Project outputs and results

It is concluded by the terminal evaluation conducted in October 2015 that the Project had generated positive results as expected. At the end of the Project period, 12 sites participated in the Armenian OVOP movement, continuing to generate the positive effects.

### 4.1 Achievement of the Project objective

#### 4.1.1 Project objective

The Project objective is considered achieved, as noted below.

**Table 4-1 Achievement of the Project objective**

Project objective	‘Method of market-oriented local products or services development and branding’ is developed as a supporting tool for local SMEs based on the OVOP movement at SMEDNC in Armenia.
Indicators	<ol style="list-style-type: none"> <li>1. At least 15 SMEDNC experts are able to provide support to local SMEs by utilising ‘market-oriented products or service development method’ by the end of the Project.</li> <li>2. The OVOP concept is integrated into the national approach of local economic development and reflected in the SME State Support Annual Programs in Armenia.</li> </ol>
Terminal evaluation	<p>The terminal evaluation concluded that the Project objective would have been achieved before the end of the Project period because of the following reasons:</p> <ul style="list-style-type: none"> <li>● SMEDNC staff has applied the Armenian OVOP concept for local SME development activities.</li> <li>● This concept is applied in SMEDNC’s local economic development approach.</li> </ul>
Situation on the Project objective in February 2015	<p>The Project objective can be considered as successfully achieved because of the following reasons:</p> <ul style="list-style-type: none"> <li>● Considering the terminal evaluation team’s recommendation, the third ToT was organised in November 2015. This ToT complemented the previous trainings, and contributed towards improving SMEDNC staff’s understandings on the Armenian OVOP method.</li> <li>● The Armenian OVOP concept is mentioned in the state SME support programme 2015.</li> </ul>

#### 4.1.2 Deliverables created so far

The Armenian OVOP method guidebook kit comprises the materials whose titles are underlined in the following list, which presents the materials created by the Project for implementing educational activities

and improving marketing activities. The guidebook kit is attached to this report.

**Table 4-2 Materials and manuals elaborated by the Project**

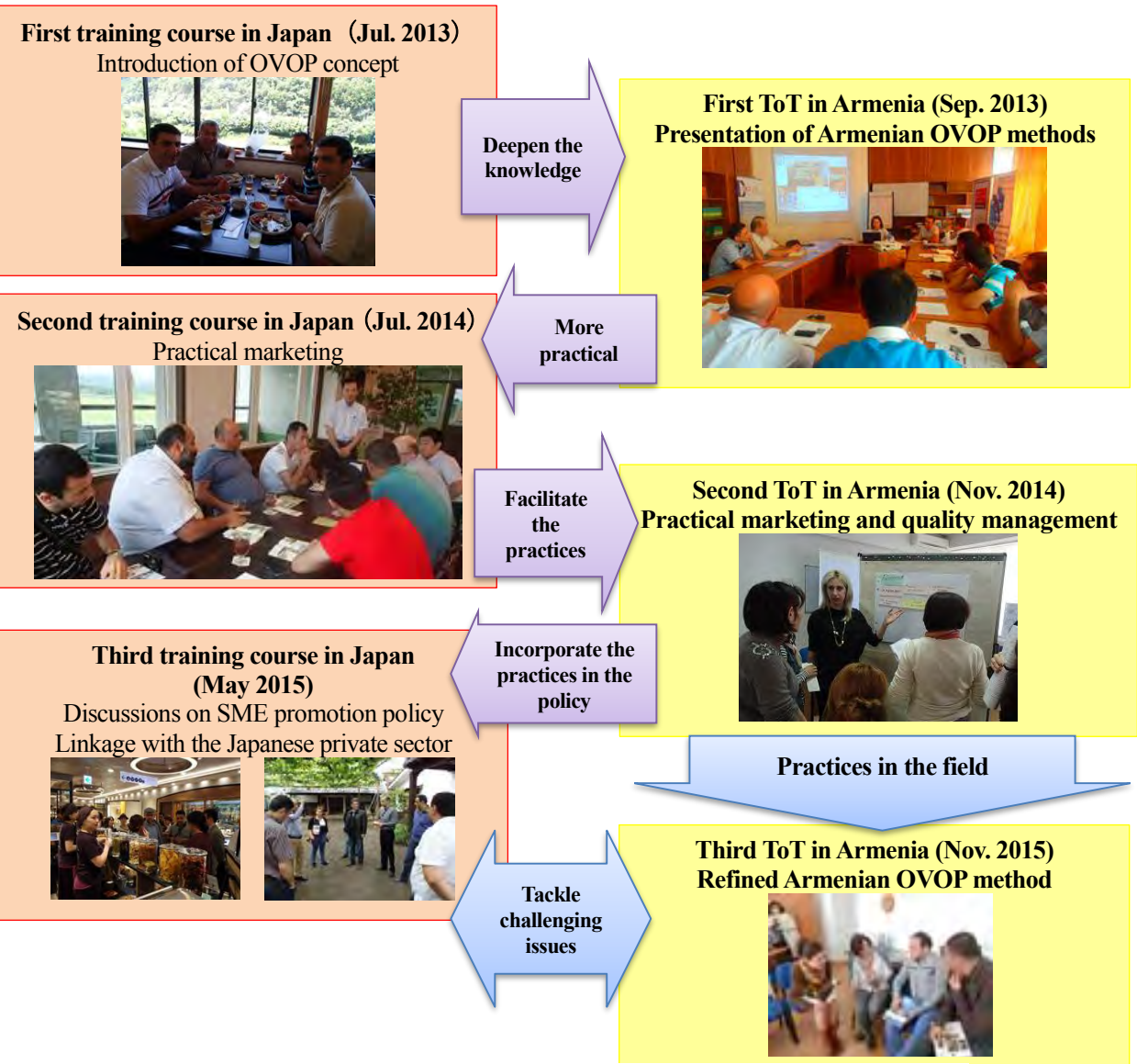
	<p><b>Cheese production in farm economies</b></p> <p>For cheese producers who are at middle and advanced levels. It introduces advanced techniques and machines to produce high quality cheese. Further, some marketing information is included.</p>		<p><b>Let your story sell</b></p> <p>For local producers who want to compete in the existing market by establishing their own brand. Basic idea of branding, planning, examples, and product display methods are included.</p>
	<p><b>Group marketing</b></p> <p>How to strengthen local development by promoting local products. Illustrative examples of successful Japanese cases and planning methods to implement regional marketing by local active groups.</p>		<p><b>5S How to improve product quality</b></p> <p>Japanese originated methods to improve product quality, resource management, and decrease the waste in the production process.</p>
	<p><b>Product planning</b></p> <p>For the local producers who want to create products that reflect the real demand of the consumers. It explains how to use the method to analyse the best type of products.</p>		<p><b>Hospitable Lori</b></p> <p>B&amp;B guidebook in Lori region. Totally, eight hospitable B&amp;Bs are introduced with contact information details and attractive pictures.</p>
	<p><b>Lori World Heritage guidebook</b></p> <p>Newly published guidebook introducing the world heritage of Lori region requested by the Ministry of Economy, Tourism department. The detailed information and history of the UNESCO-registered churches.</p>		<p><b>Educational material on Kaizen</b></p> <p>For SMEDNC staff to obtain the Japanese originated improvement methods from basic knowledge to techniques to consult local producers.</p>
	<p><b>Educational material on branding</b></p> <p>For trainers who implement the training of branding. Based on the book 'Let your story tell', more detailed and useful information about the branding methods for local businesses are included.</p>		<p><b>OVOP concept note</b></p> <p>Brief explanation of the OVOP concept that originated in Japan. Further, the Armenian version of the concept is introduced in this one-pager to explain the general idea of the Project.</p>
	<p><b>Platform manual</b></p> <p>It explains how to implement the three types of marketing platforms: event, monitor, and shop-type for basically the SMEDNC staff. Based on the Project experiences, the methods are adjusted to Armenian situations.</p>		<p><b>OVOP casebook</b></p> <p>Most of the pilot activities implemented by the three years' Project are summarised in this book. It contains the background of producers, activities of the Project, and results. Some interviews with the SMEDNC staff also indicate the points of success.</p>

**4.2 Activities and results of the trainings organised for developing Armenian OVOP experts**

The Project has implemented the training for (a) Armenian OVOP participants (Armenian SMEs), (b) SMEDNC experts, and (c) Business Development Service (BDS) providers. This chapter presents the trainings for (b) and (c), while that for (a) is presented in Chapter 4.4.

**4.2.1 Overview of the training courses in Japan and Armenia for three years**

The trainings and seminars have been developed in both Japan and Armenia, for creating Armenian OVOP experts, because these sessions have facilitated the Project progress stepwise, as illustrated below. Armenian OVOP experts created through these courses are applying the Armenian OVOP method today for local business development activities.



**Figure 4-1 Capacity development in the Project framework**

**4.2.2 Training courses in Japan**

As presented in Figure 4-1, the training courses in Japan changed their focus and purpose in the following manner. Although the courses had been organised for mainly the SMEDNC staff, some private sector representatives also participated to activate the discussions among trainees.

**Table 4-3 Focus and purpose of the trainings in Japan**

	Main focus	Main purpose
Course 2013	OVOP concept	To facilitate starting Armenian OVOP activities
Course 2014	Practical marketing	To promote the practices of Armenian OVOP activities
Course 2015	Policy discussions	To involve the Armenian OVOP practices in the state policy for SME development

The contents and results of the course in each year are presented below.

**(1) Training course in Japan in the first year (2013)**

The training in Japan for the first year was carried out in July 2013 with nine SMEDNC officials for developing their understanding on the OVOP concept. The course had the following contents, which contributed to the elaboration of the Armenian OVOP method:

- Development and strengthening of local brands: Experiences of Ohyama-cho agricultural cooperation, Hibikino-sato, and Tokyo Chamber of Commerce, Ohta branch.
- Study on marketing platform of community cooperation: Beppu hatto ONPAKU, Michikusa kobo Chimichi, Machikaramurakara-kan, Hokkaido Dosanko plaza, Mizuho no muraichiba, Shonan roadside station, 2K540.
- Branding and marketing of agricultural entrepreneurs: Seki- nousan.
- Public services to promote local economic development: Tokyo SME development center, Taito Designer village.



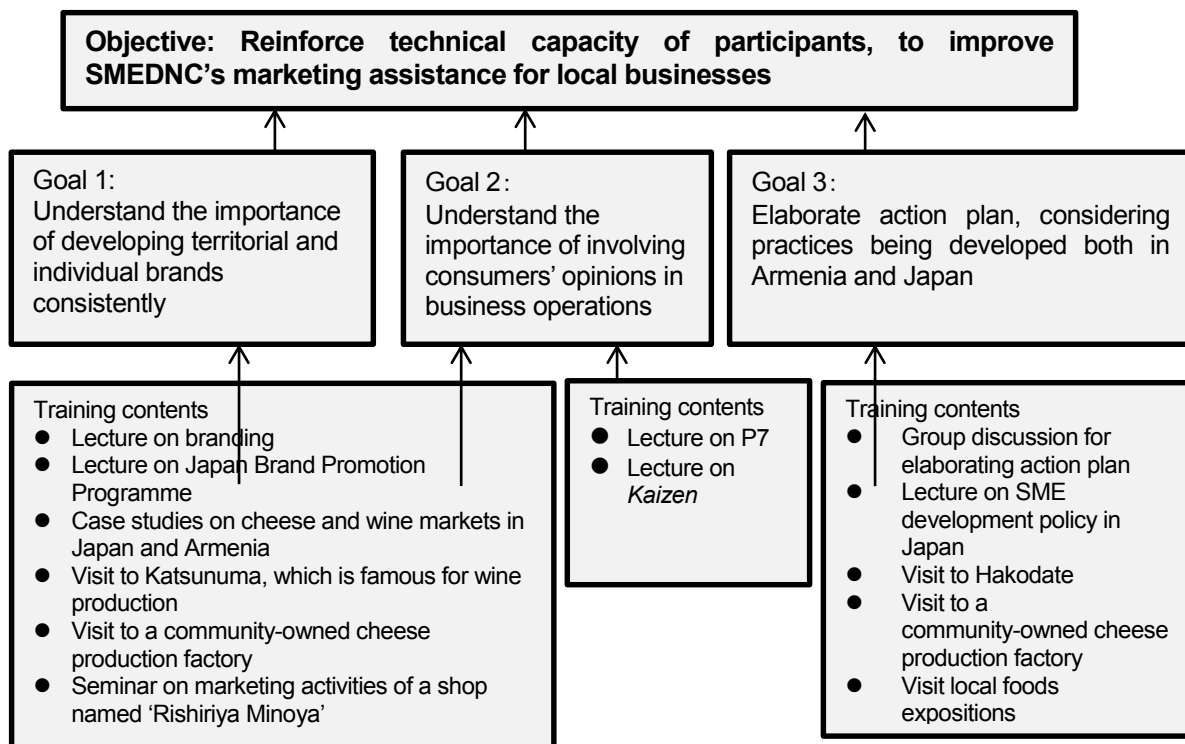
Town walking (Beppu) in 2013



Observing meat processing in Hokkaido in 2014

**(2) Training course in Japan in the second year (2014)**

This second course aimed at capacity building on marketing. As illustrated in the following figure, the course’s contents were directly related to the Project activities, including wine and cheese promotion, with the intention to smoothen the Project implementation.



**Figure 4-2 Structure and contents of the second training course in Japan**

### **(3) Training course in Japan in the third year (2015)**

Although the main contents of the third training course were the same as those in the second, the following new contents were added. The course contributed to the application of the Armenian OVOP concept in the assistance of Armenian local SMEs.

- **Discussions on SME development policy:** The course had several related sessions, including: lectures on the Japanese SME development policy and the visit to Japan Finance Corporation (JFC), which is a public corporation owned by the Japanese government, as requested by the Executive Director of SMEDNC.
- **Analysis of the possibility to reinforce the linkage between Armenian and Japanese enterprises:** The Armenian participants visited a Japanese company, which imports dried fruits from different countries. Ms. Lusine S. Khamisyan, owner of an Armenian company that produces and sells dried fruits in the Armavir region, presented the products so that the Japanese company could analyse the possibility to import Armenian products.



Presentation of Armenian dried fruits to the Japanese company






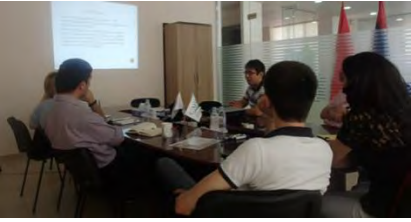




Visit to JFC

### 4.2.3 Training courses in Armenia

The Project team had developed several ToT sessions for creating Armenian OVOP experts since September 2013. The team developed these sessions consistent with the training courses in Japan, intending to generate synergistic effects.

**Table 4-4 ToT sessions organised in Armenia**

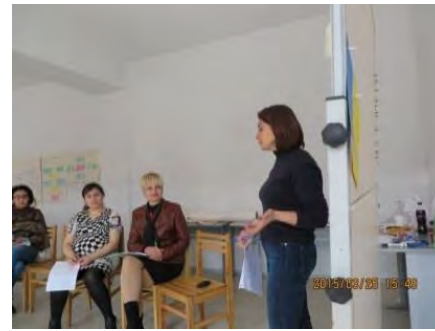
<p>First OVOP ToT session on <i>Kaizen-OVOP</i></p>  <p>5, 6, and 17 September, 2013 18 participants</p>	<p>The first OVOP ToT had 18 participants, including 14 SMEDNC staff members and three from other organisations. The training curriculum included the following modules:</p> <ul style="list-style-type: none"> <li>● Review of the training course in Japan</li> <li>● Basic marketing knowledge and platform</li> <li>● Branding</li> <li>● Intangible platform for marketing</li> <li>● P7 and conjoint analysis</li> <li>● 5S</li> <li>● Onpaku</li> </ul> <p>The participants evaluated the usefulness of the training at the end of the session, and their feedback was mostly positive. Sessions on Onpaku, branding, and sales promotion of rural products were especially highly evaluated in terms of usefulness.</p>
<p>ToT <i>Kaizen</i> as a part of the CEFE ToT (1)</p>  <p>30 October &amp; 15 November, 2013 20 participants</p>	<p>This session was carried out so that CEFE trainers could apply:</p> <ul style="list-style-type: none"> <li>● Japanese branding and product development methods</li> <li>● 5S and quality management</li> </ul>
<p>Seminar on 5S and marketing</p>  <p>14 February, 2014 11 participants</p>	<p>This session was carried out to enable persons responsible for facilitation of OVOP pilot activities, to understand:</p> <ul style="list-style-type: none"> <li>● Consumers' preferences on cheese, wine, and services related to tourism</li> <li>● Marketing training based on market information</li> <li>● Application of 5S in food processing industries in Armenia</li> </ul>

<p>Seminar on P7</p>  <p>19 May, 2014 6 participants</p>	<p>This session was held on May 19, with the participation of six staff members of CARD, one of the big NGOs in Armenia, because of the following background:</p> <ul style="list-style-type: none"> <li>● CARD applied conjoint analysis, one of the seven tools for product planning (P7), and presented the analysis results in the workshop held on May 16, to facilitate marketing activities of dried fruit producers at Meghri town (Syunik region).</li> <li>● The Project team provided CARD's staff with this seminar to improve application of this tool, which comes from Japan.</li> </ul>
<p>ToT for B&amp;B trainers</p>  <p>12 September, 2014 4 participants</p>	<p>This session was organised to present some Japanese technical tools, including quality management tools and branding methods to the trainers contracted by the Project team.</p> <p>The trainees provide local businesses with training and consultation by using these Japanese business operation tools.</p>
<p>Second ToT on <i>Kaizen</i>-OVOP</p>  <p>5-7 November, 2014 21 participants</p>	<p>This second ToT was developed to reinforce the technical capacity of SMEDNC's staff and BDS providers on marketing and <i>Kaizen</i> methods based on the Armenian OVOP concept.</p> <p>The picture presents the practice on Fish Bone Diagram, one of the seven QC (Quality Control) tools.</p>
<p>Seminar on refined Armenian OVOP</p>  <p>3 November, 2015 21 participants</p>	<p>The seminar was organised to share the refined Armenian OVOP method, by presenting the Armenian OVOP guidebook kit.</p>
<p>Third ToT on <i>Kaizen</i>-OVOP</p>  <p>3-4 November, 2015 21 participants</p>	<p>This final ToT complemented the first and second ToTs. The participants presented their experiences of applying the Armenian OVOP method and discussed methods to improve its application.</p> <p>Furthermore, the ToT had a session for discussions about the possibility to sell Armenian products to the Japanese market.</p>

Among these trainings and seminars mentioned in Table 4-4, the second and third ToTs were the most important. The second ToT comprised five main subjects (seven tools for quality control, new seven tools for quality control, seven tools for product planning, branding theories, and branding practices). Today, different participants in the ToT apply the OVOP methods in their activities related to technical advices for local small enterprises. For instance, Lilit Hokobyan is one of the experts of the SMEDNC's Vayots Dzor regional branch office and also works as a trainer on Armenian OVOP methods. She shares her knowledge and techniques obtained during the ToT with start-ups and operating SMEs in her region. In the following pictures, Lilit introduces how the brand name affects customers' behaviour and purchase decisions.

*Հիմնական տվյալներ*

	158 x 77	157 x 8,2	146 x 70,7
Հարկեր	720 000	3,7 մլրդ	5 մլրդ
Մեկնումք	8 մլրդ	16 մլրդ	13 մլրդ
Հարկեր	16 GB, 7 GB RAM	32 GB, 3 GB RAM	76 GB, 2 GB RAM



Training by Armenian OVOP expert for local enterprises (March 2015)

In the third ToT organised in 2015, the participants exchanged their experiences, so as to promote further application of the OVOP method.

#### 4.2.4 Results of the trainings

The results of the training courses in Japan and ToTs in Armenia can be summarised as follows:

- Today, the SMEDNC staff is familiar with the Armenian OVOP concept.
- The Armenian OVOP method has been shared among the SMEDNC staff and BDS providers and has been applied by different actors. For example, CARD, an Armenian NGO, applies the method in their activities.



### 4.3 Project results and outputs related to marketing platforms

A marketing platform can be defined as a system in which local enterprises obtain information on their clients' needs and intend to apply it for improving and/or developing their products and services. It includes the three types: monitor-type, event-type, and shop-type.

The Project has developed these platforms as described below.

#### 4.3.1 Monitor-type marketing platform

This type of marketing platform constitutes the arrangements that provide businesses and entrepreneurs with mediated access to a specific target market segment. In the framework of the Armenian OVOP movement, the following activities have been developed as this type of platform.

- Platform by social networking services (SNS)
- Structured questionnaire survey of consumers

##### 4.3.1.1 Platform by social networking services

SNS such as Facebook can be used for communicating with potential consumers. Accordingly, the Armenian OVOP Facebook page, whose image is presented below, has been developed for diffusing and collecting information related to (i) the products promoted by the Project, and (ii) market information in Yerevan. (<https://www.facebook.com/ovop.arm>)

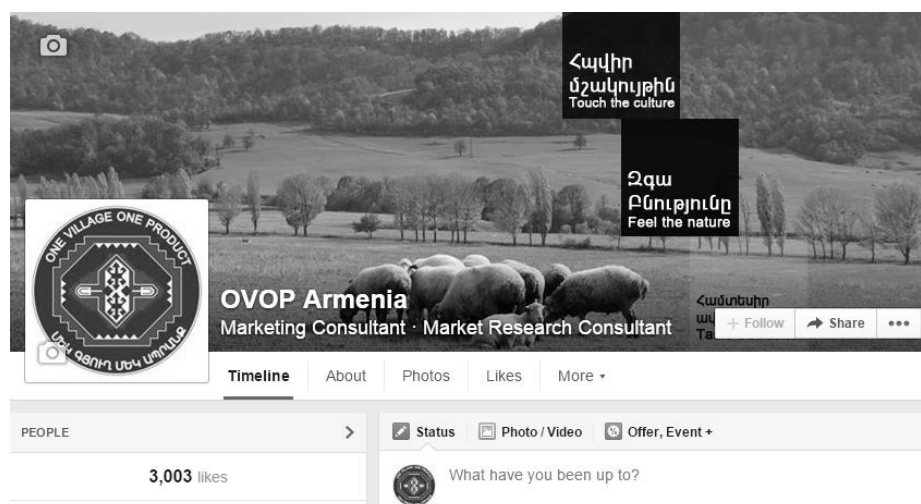


Image of the Facebook page 'OVOP Armenia'

#### (1) Contents of the platform

Currently, this 'OVOP Armenia' page presents:

- Information on products promoted by the Armenian OVOP movement, including olives from Bagratashen village (Tavush region), cheese from Lusashogh village (Ararat region), B&B of several villages (Lori region), wine of Areni village (Vayots Dzor region), etc.

- OVOP educational materials on conjoint analysis, 5S, branding, group marketing, *Kaizen*/OVOP, branding/merchandising, and cheese processing technology.
- Results of market research held in Yerevan (details are mentioned below).
- SMEDNC staff utilising OVOP concepts in their trainings and daily tasks.
- Map of Project activities in Armenia.

## (2) Results generated by the platform

The platform has generated the following positive results.

- The number of Armenian OVOP Facebook page’s followers (fans) reached 3,000 in December 2014. This number is high compared with that of other countries, as presented below.

**Table 4-5 Comparison among different OVOP Facebook pages (Jan 12, 2016)**

Facebook pages	Opening (page)	Number of fans
OTOP Thailand	Nov. 2012	5,857
OVOP Armenia	Jun. 2014	3,083
OVOP Malawi	Oct. 2013	599
OVOP Hanoi	Apr. 2012	450
International OVOP committee (Oita)	Feb. 2005	88
OVOP Indonesia	Apr. 2012	41

- Some viewers have presented their interest in Armenian OVOP products. This can increase the business opportunities of Armenian OVOP participants.
- Due to the numerous followers, the Facebook page has efficiently collected consumers’ opinions. For instance, the page posted a questionnaire on consumers’ preferences on B&B service and has collected about 50 responses from the page followers. This kind of information on consumers’ preferences can be utilised for improving the Armenian OVOP movement.

### 4.3.1.2 Structured questionnaire survey of consumers

Questionnaire surveys can obtain the information of the targeted segments’ needs and wants.

#### (1) Contents of the platform

The Project team used the questionnaire to survey 200 sampled consumers in Yerevan in 2014. This could reveal the targeted consumers’ preferences on the products and services, including cheese, wine, tourism service, meat products, spices, herbs, and dried fruits.

#### (2) Results generated by the platform

This platform generated the following positive results.

- The survey reports on the consumers’ demand for the products mentioned above had been elaborated and shared with Armenian OVOP producers through their Facebook page and others.

- The survey results have contributed to the marketing activities of Armenian OVOP participants. The main survey results are presented later in Chapter 4.4.

### 4.3.2 Event-type platform

The event-type platform is a marketing model for organising an event that can attract potential customers in order to promote and sell the local products and services on a trial basis. The Project team assisted in organising the Ijevan Art Festival in October 2013 as the first implementation of the event-type platform. They also participated in the Rural Product Festival as the second implementation, in coordination with an Armenian NGO named ‘Green Lane’. Furthermore, the Project team participated in the Areni Wine Festival 2015, for utilising the event as a marketing platform.

The experiences of these events are presented below.

#### 4.3.2.1 Ijevan Art Festival

This festival was held on 25 October 2013. The local producers had trial sales booths with the exhibition of sculptures, presentation of local dance, and wall paintings around the city, which attracted many people.

##### (1) Activities of the platform

The following activities were developed as an event-type marketing platform.

- Before the event, the local producers participated in a seminar on marketing and branding based on the Armenian OVOP concept so that they could exhibit their products appropriately.
- The participants exhibited their products as presented in the picture below, while interacting with the potential customers.
- After the event, the participants made efforts to improve their products, by applying customers’ opinions collected during the event.



Traditional dance



Exhibition booth and media coverage  
(25 October, 2013)

##### (2) Results generated by the platform

The event generated the following positive results:

- Marketing activities of the local enterprises that participated in the event became more active.
- Local producers had the opportunity to learn the real demand of their products. For example, an olive products producer observed the big demand for Armenian olives and decided to establish a company.
- Local producers created a business network to cooperate in the same area. For example, a B&B owner introduced dried fruits to their customers, and the dried fruits producers introduced the B&B to their customers.
- After the festival, people became motivated to improve the city's artistic features. Local people and the Armenian diaspora donated funds for creating artistic monuments and improving the cultural environment in the city.



Park where the festival was held

(The jungle gym behind the sculpture was established by the Armenian diaspora's donations after the event.)

#### **4.3.2.2 Rural Product Festival in Yerevan**

The Armenian NGO 'Green Lane' organised a two-day event in Yerevan on 10-11 October 2014, titled 'Sustainable Agriculture: The Key to a Green Future'. The event was implemented to contribute to sustainable agriculture in Armenia by introducing environmentally friendly agriculture.

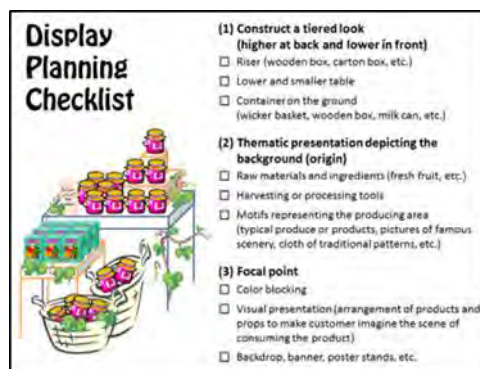
##### **(1) Activities of the platform**

Several microenterprises, which are participants in the Armenian OVOP movement, presented and sold their products, interacting with the people who visited the event. Thus, the participants could learn the potential customers' observations of their products. After the event, they applied the feedback for improving their products.

It is important to mention that one of the OVOP participants, 'BeeCity' LLC, received the best booth award at the event. The other OVOP participants gained not only an experience in display but also a significant amount of sales as well. Most of them expanded their business network after the event. For instance, some of them were invited to participate in other similar events in Armenia and Georgia.



'BeeCity' LLC's booth



Display techniques that the OVOP participants applied

## (2) Results generated by the platform

The event has generated the following positive results for each of the OVOP participant companies:

### ● **'BeeCity' LLC (Honey production)**

- ✓ The company has received new enquiries on products from customers who saw the flyer made for the event.
- ✓ The NGO Green Lane invited the company to participate in another event. Thus, the company has expanded their business network.

### ● **'Bagfruit' LLC (Dried Fruit Producer)**

- ✓ The company was invited to other events, including a trading event in Georgia, a rural product festival coordinated by a major hotel chain, etc.
- ✓ After the event, the company initiated new business deals with a commercial business they were acquainted with at the event.
- ✓ The company has received new orders from a private company for a New Year event.

### ● **Nairyan Dried Fruits (Dried Fruit Producer)**

- ✓ After the event, a major French supermarket chain made an inquiry to start a deal with the producer.
- ✓ After the event, the company has secured a contract with the Hyatt Hotel chain.
- ✓ The Ministry of Agriculture ordered dry fruits for their new year event.

### ● **Vardan Simonyan IE (Wine Producer)**

- ✓ The company has received many inquiries about their products and an order for a New Year event.

### ● **Haroutyun Hovhannisyan (Wine Producer)**

- ✓ The company has started new business deals with commercial businesses that visited their booth.

- **'LenHov' LLC (Cheese Producer)**

- ✓ A cheese expert from France contacted the producer and visited the factory after the event.
- ✓ Post-event, the company commenced sales to a big supermarket in Yerevan.

#### 4.3.2.3 Areni Wine Festival

The festival was organised on October 3, 2015 in Areni village. People say that the village has the longest history of wine production in the world. The event was utilised as a marketing platform practice.

##### (1) Activities of the platform

The Project team developed the following activities during the festival so that the event could be utilised as an efficient marketing platform:

- Presenting the Armenian OVOP concept and products to different participants in the festival
- Supporting the exhibition of the local products promoted by the Armenian OVOP movement
- Presenting the Japanese *Koshu* wine to Armenian and international tourists who visited the festival, for reinforcing the friendship between the two countries.



Exhibition of the local products



Traditional dance



Armenian tourists who tried the Japanese *Koshu* wine

As it happens, Kaysunuma, which is the oldest wine producing area in Japan, organised their wine festival on October 3, the same date as the Areni Wine Festival.

##### (2) Results generated by the platform

During the event, the local producers were able to gather consumers' observations on their products, and this will contribute towards the improvement of their products. Furthermore, five producers in Chiva village located near Areni had their first experience in selling their products in the event.

Thus, these events could be considered successful as a marketing platform.

#### 4.3.3 Shop-type marketing platform

The shop-type marketing platform is defined as the operation of a physically established sales outlet, which ensures immediate and detailed communication with the producers. Shop-type platforms include:

- Antenna shop: Companies based in remote regional areas often own a store in a major consumption area as a means to test their products in the target market and collect first-hand information. The same approach is valid for promoting local specialties.
- Roadside station (RSS): Located along major driveways, RSS contribute safe and comfortable road travel conditions and link drivers and local communities.
- Direct sales depot for agricultural produce (farmers' market): Farmers organise themselves to operate a staffed shop to sell their produce outside the traditional distribution system.

### (1) Contents of the platform

- To encourage the local food value chain, showcase type refrigerators are set up at the B&Bs supported by the Project, as 'Mini-Antenna shop'.
- The SMEDNC studies the possibility to establish RSS in Armenia. For this, Armenian trainees visited some Japanese RSS to observe their facilities and operations. A Japanese expert who has the experience related to roadside stations provided SMEDNC with technical advice in December 2015.

### (2) Results generated by the platform

The recommendation for setting up RSS has been presented in Chapter 5.

#### 4.3.4 Marketing platform manual

The Project team elaborated the manual on marketing platform operations, by systematising the Project's experiences mentioned in this chapter. The manual has the following contents. The final ToT for forming Armenian OVOP experts (November 2015) had several sessions to discuss the application of the manual for promoting marketing activities.

**Table 4-6 Contents of the marketing platform manual**

1.	Introduction
2.	Monitor-type marketing platform
2.1	What is the monitor-type marketing platform?
2.2	Structured questionnaire survey of consumers
2.3	Online forum and social networking service
3.	Event-type marketing platform
3.1	What is the event-type marketing platform?
3.2	Booth presentation at relevant events
4.	Shop-type marketing platform
4.1	What is the shop-type marketing platform?
4.2	Roadside station (Michi-no-Eki)

It is expected that marketing platforms would be developed in a sustainable manner, even after the end of the Project, by applying the manual.

#### **4.4 Project results related to Armenian OVOP pilot activities**

Currently, Armenian OVOP activities are implemented in 12 sites (towns and villages) of the country by applying the Armenian OVOP concept and method mentioned earlier. These 12 sites can be classified into three types; (i) cluster promoted by the local leading company, (ii) tourism development site by collaborations among local businesses, and (iii) important bases for promoting the Armenian OVOP movement. These 12 sites have improved and developed six products and services, including, cheese, dried fruits, wine, dried herbs, processed olives, and tourism service represented by B&B. In total, about 250 entrepreneurs and business owners have participated in the trainings developed in the framework of the Armenian OVOP movement.

##### **4.4.1 Types of Armenian OVOP sites**

As already mentioned, there are three types of Armenian OVOP sites, as described below.

###### **(1) Cluster promoted by the local leading company**

This type includes Bagratashen village (Tavush region), where olives and dried fruits are processed, and Vedi town (Ararat Region) where dried herbs and fruits are processed. The following activities have been developed in this type of sites.

- A local ‘leading company’ has provided the other local businesses with trainings by using the equipment lent by SMEDNC.
- The leading company promotes the territorial brand with the other local businesses.

###### **(2) Tourism development site by collaborations among local businesses**

This type includes Garni and Bjni villages (Kotayk region).

The following activities have been developed in this type of sites.

- First, the questionnaire survey revealed the sites whose touristic demand is high, although the local supply of touristic services was not adequate.
- The supply of touristic services has been increased by promoting new businesses related to tourism in the potential sites revealed by the survey.
- The newly opened businesses have collaborated with each other, for working towards the local economic development of the village.

###### **(3) Important bases for promoting the Armenian OVOP movement**

This type, including Areni village (Vayots Dzor region) is different from the other two types mentioned above. Areni is very famous for its longest wine-making history, and its participation in the Armenian OVOP movement contributes towards promoting the movement itself.



Different seminars and training courses have been implemented for the businesses in these Armenian OVOP sites, as noted below.

**Table 4-7 Participants in the seminars and training courses for local businesses**

Training		Women	Men	TOTAL
OVOP seminar for the participants in Ijevan Festival	Oct. 2013	12	5	17
Training cheese producers in Gegharkunik region	Feb. 2014	7	8	15
Training cheese producers at Khndzoresk	Feb. 2014	0	12	12
Branding seminar for dried fruits producers working at Meghri	May. 2014	8	13	21
Olive processing course in Bagratashen	Sep. 2014	11	3	14
Start-up training with OVOP concept, Tatev sub region	Sep. 2014	6	11	17
2nd Training cheese producers working at Khndzoresk	Jan. 2015	0	5	5
Agro-products processing training, at Chiva village	Jun. 2015	16	5	21
Workshops for women working groups at Chiva village	Jun. 2015	16	0	16
Start-up training with OVOP concept, at Garni	Jun. 2015	11	7	18
Agro-products processing training, at Bjni	Aug. 2015	14	6	20
Hospitality training at Bjni	Sep. 2015	11	5	16
Start-up training with OVOP concept, at Bjni	Sep. 2015	16	3	19
Dried fruits and herb training at Vedi town	Oct. 2015	10	15	25
Start-up training with OVOP concept, at Jermuk	Nov. 2015	6	6	12
<b>TOTAL</b>		144	104	248
		58%	42%	100%

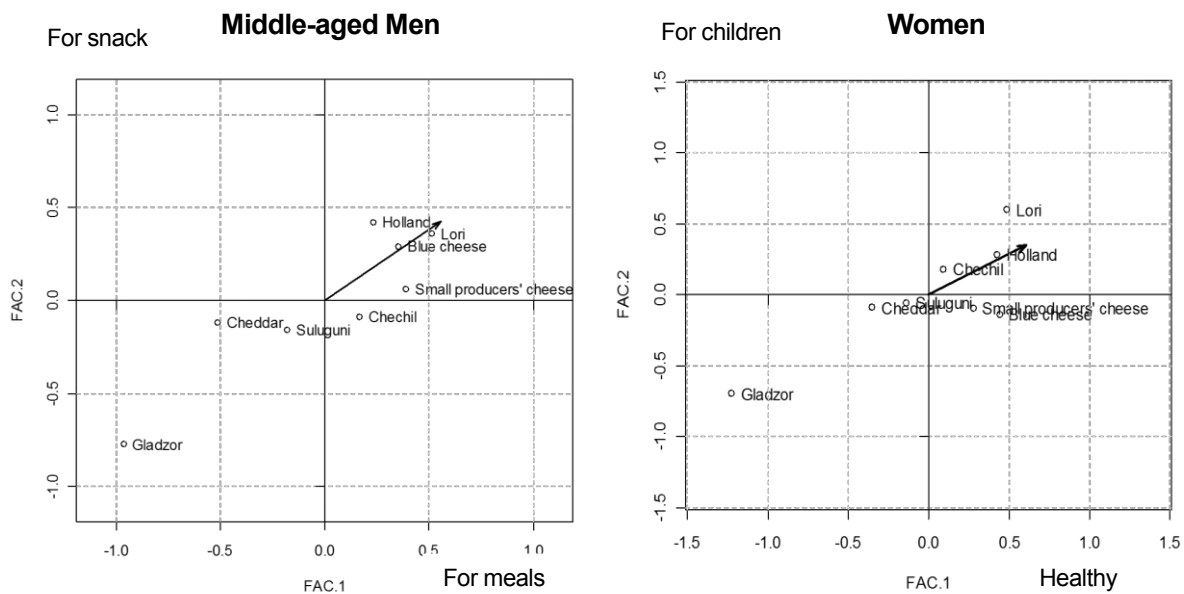
#### 4.4.2 Cheese promotion

The Project has implemented activities to promote small producers' cheese in different places of the country since November 2013, as mentioned below.

##### 4.4.2.1. Important observations by the consumer market research on cheese products

As mentioned earlier, the Project used the questionnaire survey on 200 sampled consumers in Yerevan, as an exercise of marketing platform. The main survey results on consumers' preferences of cheese products are presented here.

The following figures depict the positioning maps based on sampled consumers' observations, which were elaborated through the P7 exercise. These figures imply that small producers' cheese should (i) improve the value 'as a snack' from the perspective of middle-aged men, and (ii) be more appropriate for children from the women's perspective.



**Figure 4-3 Positioning map elaborated as a part of the monitor-type marketing platform**

The other important findings are noted below:

- ‘Alimentation (for meals)’ and ‘enjoying (for snacks)’ are the main objectives for the consumption of cheese.
- The first factor (alimentation) may be related to the frequency of purchase, and the second factor (enjoying) to the acceptable price for purchase, although it is not statistically significant.

#### 4.4.2.2 Development of cheese production at Khndzoresk village, Syunik region

##### (1) Background and activities

The population of the village is about 2,000. It has 516 households and about 90% of the population is involved in agriculture, mainly animal husbandry. The village has 4,000 heads of cattle. The 3,000 milk cows produce 30,000 litres of milk per day. It is mainly processed in the small dairies of the villages, and the rest is used by the local population as liquid milk or homemade cheese and butter. The village has five registered cheese producers.

Khndzoresk village is well-known for its cheese production, therefore, it is very important to improve the hygiene conditions of the products to attract more women consumers, so as not to harm their established brand image, since the market survey results imply that small producers’ cheese should be more hygienic to be appropriate for consumption by children, from women’s perspective. In this context, the 16 local cheese producers in 2014 have participated in the Armenian OVOP movement to improve their production, by applying (i) the Cheese Processing Manual published by SMEDNC with the technical assistance of the Japanese government, and (ii) 5S, a set of Japanese methods to improve productivity and quality.

They have participated in the training course twice. The following pictures present the second training

course developed in January 2015.



How to collect raw milk



Packaging



Quality control

Due to the course, the cheese producers acknowledged:

- Appropriate organisation of the reception and storage of milk
- Milk pricing based on fat percentage
- Washing and disinfection of equipment and stock
- Production of cheese in accordance with high sanitary norms
- Advanced technology of Suluguni and Chanakh cheese production
- Organisation of salting, packaging, and storage of cheese
- Analysis of cheese with a pH-meter
- Standards for cheese production premises
- Attitude of cheese plant employees towards the work
- Heating and cooling systems at a cheese plant

## (2) Results

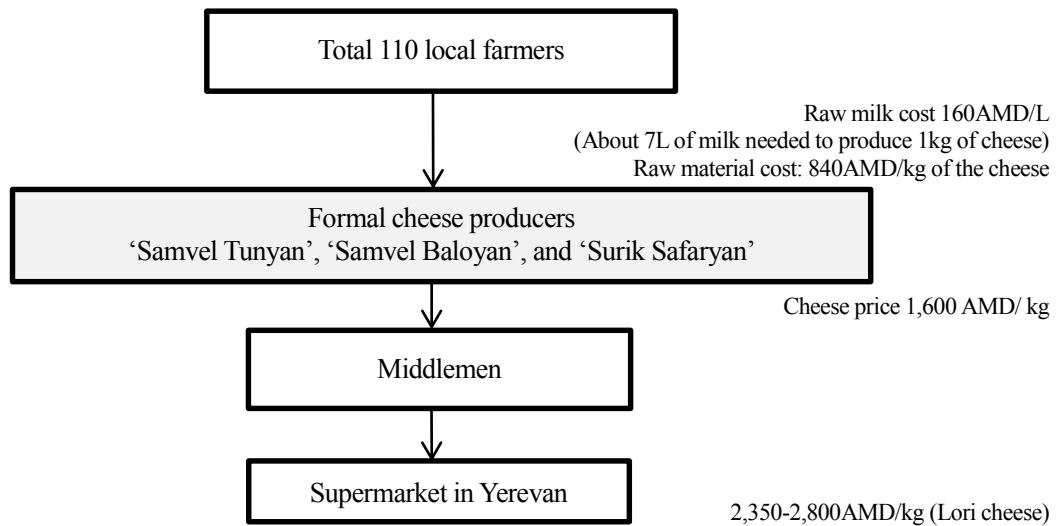
The following positive results have been generated by the OVOP activities mentioned above:

- All six formal cheese producers had increased their production in 2014. (However, their production in 2015 was limited because of the lack of raw milk in the region.)
- All six formal cheese producers apply 5S today, as noted below:
  - Every producer currently uses special detergents. Before the training, most participants washed cisterns only with cold water or at best with hot water without detergents.
  - Most workers wear special gumboots.
  - They wash the workplace daily.
  - They have a recipe for standardising their product.
  - Employees of cheese-making facilities started wearing special uniforms.



Producers wearing aprons, due to the improved attention for food hygiene, as a result of their participation in the Armenian OVOP movement

Thus, the territorial brand ‘cheese made in Khndzoresk village’ has been more competitive by the quality improvement of the local producers. The value chain related to cheese made in the village can be drawn as below, and this figure presents that the OVOP participants contribute to a sufficient number of local farmers, considering that the village population is only 2,000.



**Figure 4-4 Cheese value chain (Khndzoresk)**

This value chain is expected to be reinforced so that the local stakeholders could gain more profits.

#### **4.4.2.3 Development of cheese production at Brnakot village, Syunik region**

##### **(1) Background and activities**

The village has about 2,000 people. Seiran Arakelyan, I.E, which has five years of operational experience in cheese production, is becoming a leading company, and developing the territorial brand of the local cheese, considering the marketing survey results mentioned earlier. The company has 200 heads of cattle to provide raw milk for their own cheese production.

##### **(2) Results**

It is expected that the local and regional cheese producers would work in a harmonised manner by applying the Armenian OVOP concept and method.

#### **4.4.2.4 Cheese promotion at Lusashogh village, Ararat Region**

##### **(1) Background and activities**

Lusashogh village is located in Ararat Region. It has a population of about 600 and has about 2,000 cows. A cheese factory, 'LenHov' LLC, was established in May 2014 by three active co-funding owners with financial assistance from SMEDNC. The factory was originally built in the Soviet era, and some old equipments are reused to minimise the necessary amount for the investment.

The factory has developed the following activities, applying the Armenian OVOP concept.

- The factory has the capacity to produce about 300kg of cheese per day. It had produced and sold 10 tons in 2014.
- The factory buys the local milk at a higher price than the middlemen's purchase price.
- The factory has developed newly branded cheese, considering that Armenian consumers have not recognised well the Lusashogh cheese but that of 'Karakhach', which is a combination of Turkish and Armenian words, and means 'black cross'. Applying the OVOP concept, the factory intends to promote their products in the name of 'Lusashogh' based on their local and national identities.

##### **(2) Results**

The factory's operation based on the Armenian OVOP concept generated positive effects for the local community's economy by benefiting about 50 local farmers. However, the operation was closed in 2015, because of the shortage of working capital.

Taking into consideration this experience, it is important to develop new marketing platform which would allow the local producers' direct sales such as a roadside station, so as to avoid the shortage of working capital by improving the cashflow.

#### **4.4.3 Dried fruit promotion**

The Project has promoted marketing activities for dried fruits in different sites of the country.

##### **4.4.3.1 Important observations by the consumer market research on dried fruits**

As mentioned earlier, the Project used the questionnaire survey on 200 sampled consumers in Yerevan, as an exercise of the marketing platform. The main survey results on consumers' preferences are noted below.

- The survey revealed that a sunny image was psychologically related to 'natural products with high quality' that were demanded by consumers of high-income class. Intellectual workers and housewives tend to consume dried fruits for health. This segment of consumers thinks that the addition of sugar and other additives is not necessary. In other words, they are strongly oriented towards natural products.
- Intellectual workers and housekeepers are more likely to consume dried fruits (1) for good health, (2) with family, and (3) as a substitute for fresh fruits. They consider that dried fruits have high calories, and therefore prefer low-calorie dried fruits 'without' sugar. They are likely to prefer 'natural' dried fruits without additives.
- The elder generation is likely to eat dried fruits for their health (for heart, stomach) and the related medical effects.
- The young and middle-aged generation consider softness, taste, and nice appearance (packages) important.

##### **4.4.3.2 Promotion of dried fruits in Bagratashen village, Tavush region**

###### **(1) Background and activities**

The region is known as one of the popular fertile areas for fruit production. Young individual farmers began cooperating to produce dried fruits, and established a company called 'Bagfruits LLC'.

By participating in the Armenian OVOP movement, the company has improved their brand concept, considering the market survey result, which reveals that a sunny image is psychologically related to 'natural products with high quality' demanded by consumers with high income. As mentioned above, the market survey result implies that intellectual workers and housewives tend to consume dried fruits for health. This segment of consumers thinks that the addition of sugar and other additives is not necessary. In other words, they are strongly natural-oriented.

In this sense, the image of sunshine is used in the new logotype for their dried fruits, as presented below.



New logotype of Bagratashen's dried fruits



Product labels with the new logotype

It is also important to mention that the company participated in the food expo in 2013 and 2014, and developed new business networks and customers.

## (2) Results

The following positive results have been generated by the OVOP pilot activities:

- The business owner of 'Bagfruits LLC' mentioned that their production volume has increased five times and they were able to export their products to Russia and Spain in 2014. Their production volume in 2015 was 4 tons, and they started to sell to the supermarkets in Yerevan in 2015.
- The company has developed new products by applying the information on consumers' preferences, gathered during their participation in the food expo. New products developed so far include: fruit candy, dried fruits whose shapes and images are like flowers, etc.
- The business contributes to the income improvement of the local farmers, because it buys raw fruits from 15 local farmers. Thus, the business reinforces the value chain as presented below.

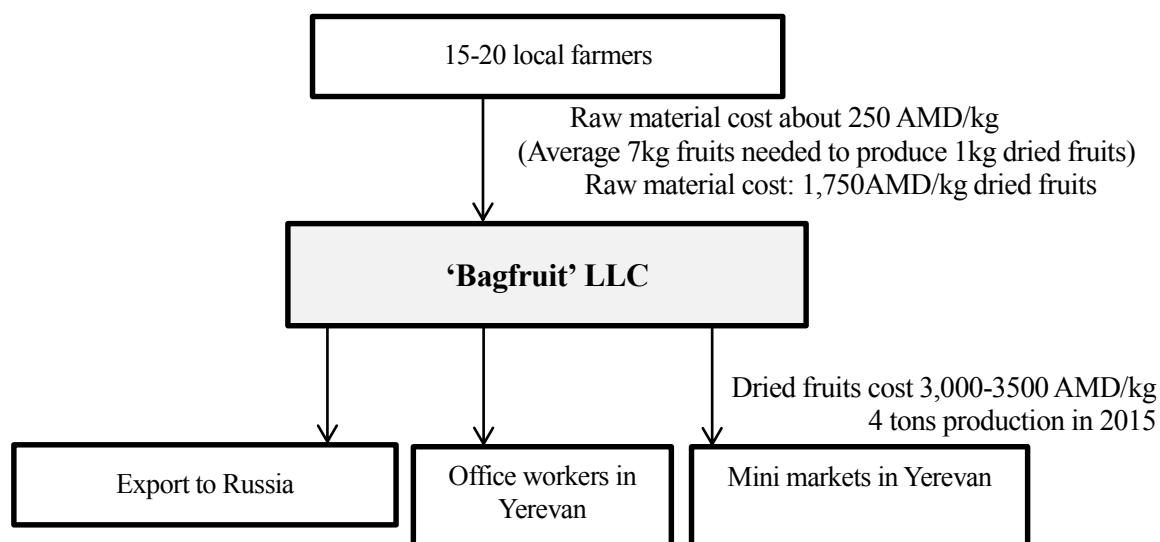


Figure 4-5 Dried fruits value chain (Bagfruits)

As mentioned later, processed olives have also been developed in Bagratashen village. The village has two leading companies, which reinforce the local value chain in dried fruits and olive processing, as described below.

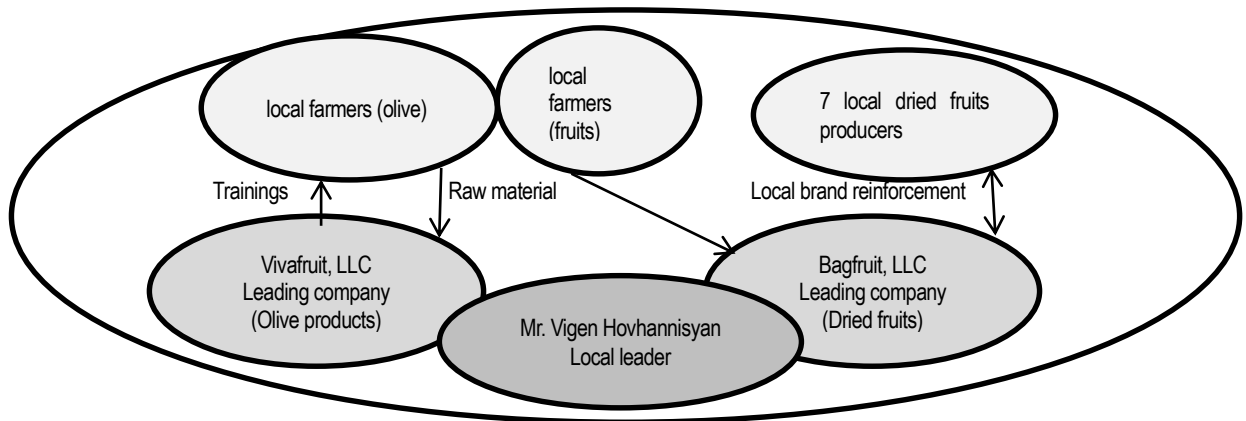


Figure 4-6 Collaboration among the local producers in Bagratashen

#### 4.4.3.3 Reinforcing marketing activities of dried fruit producers in Meghri, Syunik region

##### (1) Background and activities

Meghri is situated at the southernmost tip of Armenia, overlooking the Iranian border. It is considered the hottest place in Armenia. The surrounding area is dry, but the town and its fields are lush green because of the ample water from the Meghri River.

An Armenian NGO, ‘CARD’ conducted a market survey by applying Conjoint Analysis, one of the P7, which are a set of marketing technical tools based on the Japanese quality management concept. The survey results revealed that ‘Meghri’ brand of dried fruits would attract more consumers in Yerevan than the ‘Armenian’ brand does.



Applied conjoint cards



Dried fruits production at Meghri town

A training course on Armenian OVOP methods for the local producers at Meghri was developed in May 2014. The following topics were discussed:

- How to develop territorial and individual brands
- Consumers’ consumption preferences for dried fruits
- How to improve the products in Meghri by applying the concept of the Armenian OVOP
- How to develop productivity and quality by applying 5S, which is a set of Japanese tools for productivity and quality improvement

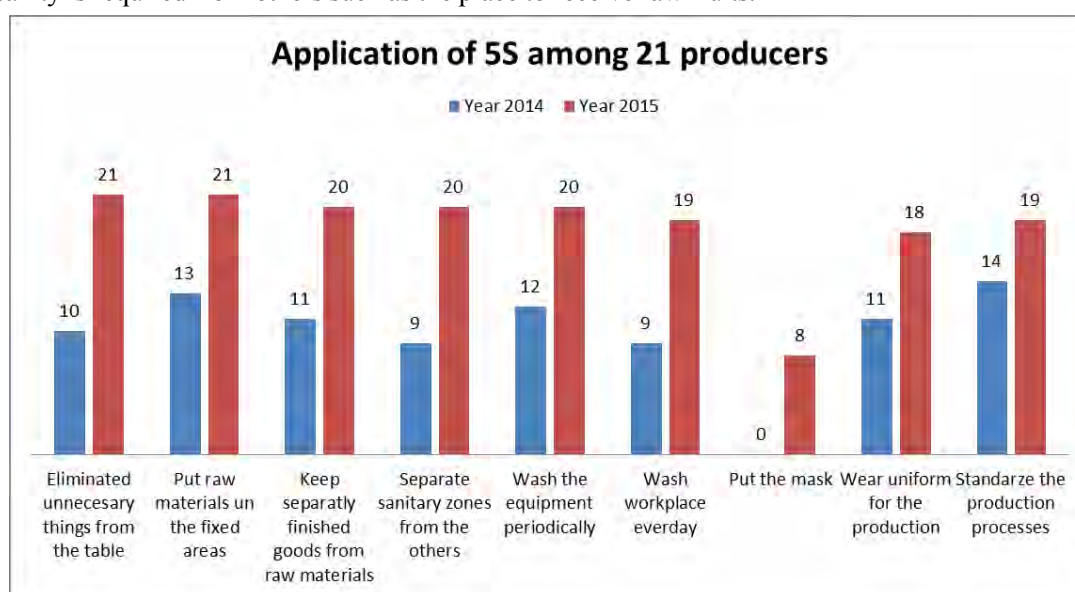


- Exchange of observations on dried fruits production and marketing with the producers in Bagratashen village, which are mentioned earlier

## (2) Results

According to the interviews of the 21 local producers who participated in the training course, the following positive results were generated.

- At the end of the year 2015, all of these 21 producers applied 5S in their operations, as presented in the following figure. For example, 20 among the 21 producers separate the zones in which high level of sanity is required from others such as the place to receive raw fruits.



**Figure 4-7 Increase in the number of dried fruits producers who apply 5S**

- 17 producers (among 21) increased or maintained the production and sales volume in 2015, compared with their operation in 2014.
- 17 produced and sold new products.
- 10 increased their sales unit price in 2015.

Thus, due to these positive results generated by the Armenian OVOP movement, it is safe to say that ‘Made in Meghri’ is a more competitive brand in Armenian dried fruits.

### 4.4.3.4 Technical support activities of dried fruit producers around Armavir city, Armavir region

#### (1) Background and activities

The Armavir region has a large and flat fertile land, and is considered one of the major production areas of dried fruits in Armenia. An international expert from the Netherlands provided technical support by introducing advanced drying technology and visiting individual dried fruit producers, in coordination with

the Armenian OVOP movement.



Consultancy of the expert to producer



Ms. Lusine Khamisyan, receiving the award

Another important activity developed in the framework of Armenian OVOP refers to the marketing promotion of a local enterprise called ‘Nairyan Dried Fruits’, which was owned by a woman entrepreneur, Lusine Khamisyan. She participated in the Agricultural Festival in Yerevan, mentioned earlier, to promote the company’s products, and the company attracted new customers. It is important to mention that the government of Armenia granted her an award of good Armenian woman entrepreneur in 2014.

## (2) Results

The activities mentioned above have generated the following positive results:

- 10 dried fruits producers in the Armavir region have learnt how to produce good quality dried fruits with proper techniques.
- ‘Nairyan Dried Fruits’ has obtained (i) the contract with the Hyatt Place Hotel chain, and (ii) new orders placed by the Ministry of Agriculture, reinforcing the value chain presented below. The production volume of the business in 2015 has doubled from that in 2014.

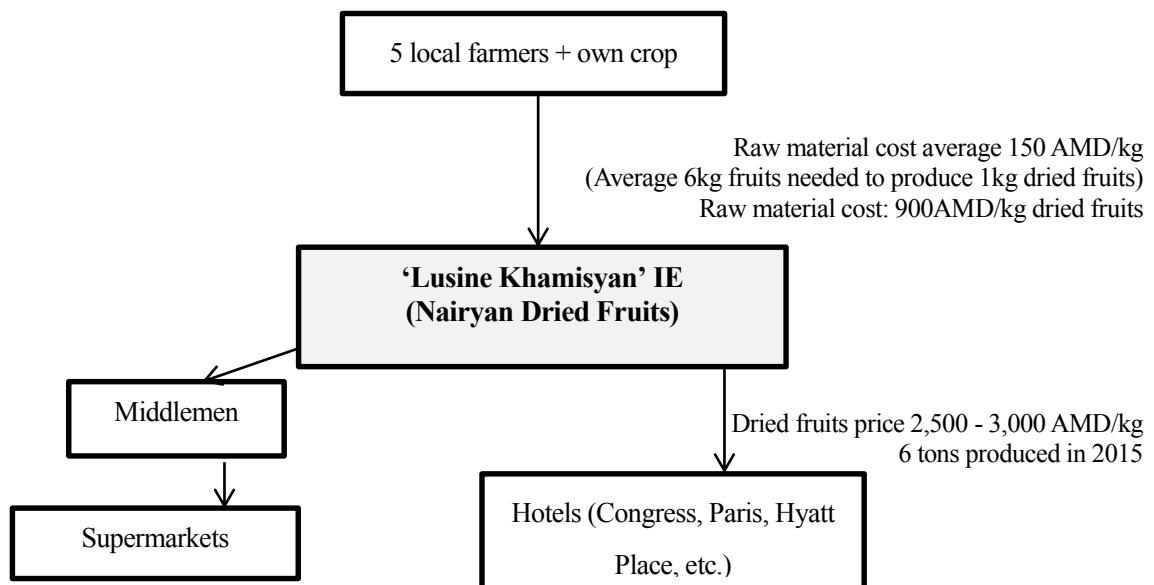


Figure 4-8 Dried fruits value chain (Nairyan Dried Fruits)

#### **4.4.4 Tourism promotion**

Although foreign tourists are important for the Armenian tourism industry, the importance of national tourists is also growing. Armenian women are more likely to love culture and history than men do, while the latter are more likely to prefer enjoying nature.

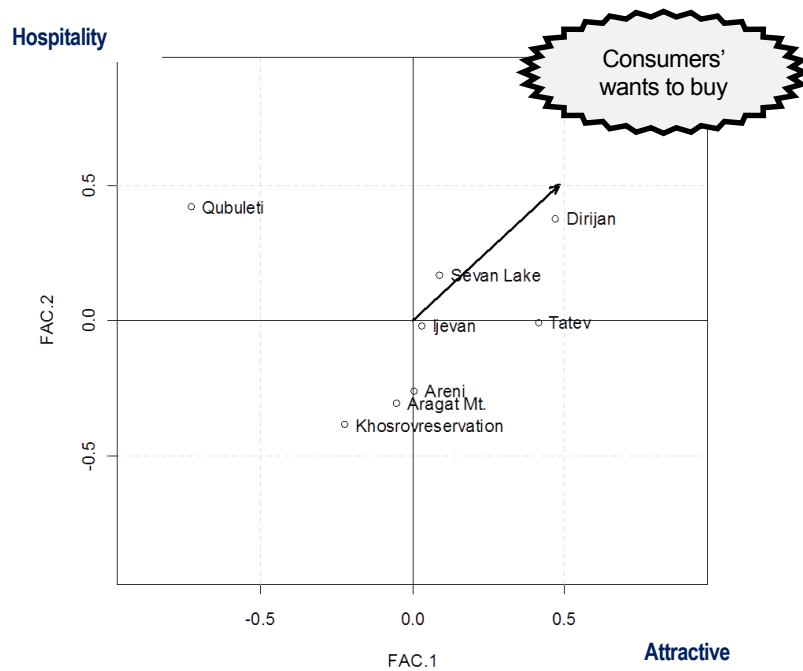
Development of the B&B business (Bed and Breakfast, small accommodation business) could trigger the development of other related businesses, such as production of crafts, restaurants, tourism agencies, etc., because the increase in the number of guests staying at B&Bs could contribute to the increase in the sales of other related businesses. Accordingly, the Project team aims at developing the local B&B business for the overall development of the tourism value chain.

The market research, the details of which are mentioned later, revealed that Tetev village (Syunik region), Jermuk town (Vayots Dzor region), and Garni village (Kotayk region) would be highly demanded as touristic destinations by domestic consumers, although these sites did not have enough supply of touristic services including accommodation. Therefore, the Armenian OVOP movement has been developed in these sites, to increase the touristic service supply by promoting new businesses in B&B, restaurants, and so on.

##### **4.4.4.1 Important observations by the consumer market research on tourism**

The Project applied the questionnaire survey to 200 sampled consumers in Yerevan, as an exercise of marketing platform. The main survey results on consumers' preferences on tourism are presented as follows:

- Many consumers in Yerevan city are likely to prefer Tatev, Dilijan, and Jermuk as attractive touristic destinations.
- The following figure, elaborated by applying regression analysis and factor analysis according to the P7, refers to another important finding. While the consumers in Yerevan evaluate Tatev as an attractive place, they indicate that it does not have good hospitality. Areni, which is considered the oldest wine-producing village in the world is not evaluated well, in terms of both attractiveness and hospitality.



**Figure 4-9 Positioning map of different touristic sites**

- The following four factors influence consumers' decision making: (1) easy access from Yerevan city, (2) beautiful view, (3) hospitality, and (4) historical attractiveness. Practically, 'easy access from Yerevan has the most influence over the decision-making of wealthy people. The first (easy access from Yerevan) and third (hospitality) factors may be related to the frequency of trips, and the second (beautiful views) and fourth (historical attractiveness) may be more related to the budget for trips, although it is not statistically significant.
- The segments can be classified by social and economic status, gender, and generation of consumers, as shown in the following tables.

**Table 4-8 Trends on tourism by different economic segments**

	<b>High economic income segment</b>	<b>Low economic income segment</b>
<b>Preference on destination</b>	<ul style="list-style-type: none"> <li>● Intellectual workers are likely to prefer Dilijan, Ijevan, Areni, and Gyumri for their holidays.</li> </ul>	<ul style="list-style-type: none"> <li>● It seems that simple workers and unemployed people 'dream' of their trip to Tatev and Jermuk.</li> <li>● 'Housekeepers' are likely to prefer visiting historical places near Yerevan city, including Khor Virap, Garni, and Zvartnots.</li> </ul>
<b>Preference on price and values</b>	<ul style="list-style-type: none"> <li>● Intellectual workers have more diversified criteria than the other consumer categories do.</li> <li>● Intellectual workers have a higher budget for tourism than the other categories do.</li> </ul>	<ul style="list-style-type: none"> <li>● Price is a very important criterion for unemployed people compared with the other consumer categories.</li> <li>● History and culture are important values for housekeepers.</li> </ul>

**Table 4-9 Trends on tourism by gender and generation**

	<b>Men</b>	<b>Women</b>
<b>General tendency</b>	<ul style="list-style-type: none"> <li>● Men are likely to consider enjoying nature such as rivers, lakes, and mountains, as important.</li> <li>● Men are more likely to prefer tourism with friends than women do.</li> </ul>	<ul style="list-style-type: none"> <li>● Women are likely to consider touching culture, such as visiting historical monuments, witnessing cultural events, and buying souvenirs, as important.</li> </ul>
<b>Young generation's trends</b>	<ul style="list-style-type: none"> <li>● Young men and women have similar purposes for tourism.</li> <li>● They are likely to go on trips more often than the elder generation does.</li> <li>● The young generation (in their 30s) is likely to spend more money than the older generations do.</li> </ul>	

Regarding the sampled consumers' preferences on B&B services, the main findings are noted below:

- Only 15.5% of the people used B&B in the past one year and they stayed 7.2 nights on average.
- The image of B&B among people is 'A cheap and relaxing place to stay in unknown areas'.
- The most important criterion of B&B is its cleanliness.
- The guests expect not only to have bed and breakfast but also enjoy sightseeing and relaxing when they stay in B&B.
- The best three regions where people want to stay are Tavush, Lori, and Syunik.
- In addition, the research found that people would like to pay 5,000-6,999AMD for a night stay in a B&B.

#### 4.4.4.2 B&B promotion in Tatev sub-region

##### (1) Background and activities

Tatev is well-known as a touristic site. The Tatev Monastery was founded in the fourth century and was an important educational centre. The 'Tatever' cableway was inaugurated in 2010, and is the longest in the world having one uninterrupted section of 5,750 meters. Although the region is highly attractive, its hospitality is not adequate, according to the market survey results mentioned above.



Tatev Monastery



'Tatever' cableway

Therefore, the Project team has promoted local B&Bs to improve the local hospitality. The 'Start-up Business Support Program' for local B&Bs had been developed in 2014, consistent with the Armenian

OVOP concept. The educational components of the course included: operation of B&B, marketing, elaboration of the business plan, visit to a successfully operating B&B, etc. In total, 20 persons, who want to formally open B&B in Tatev and its surrounding three villages: Tandzatap, Halidzor, and Shinuhayr, participated in the course. The training was completed on 10 November 2014 with the presentations of 11 business plans developed by the participants.

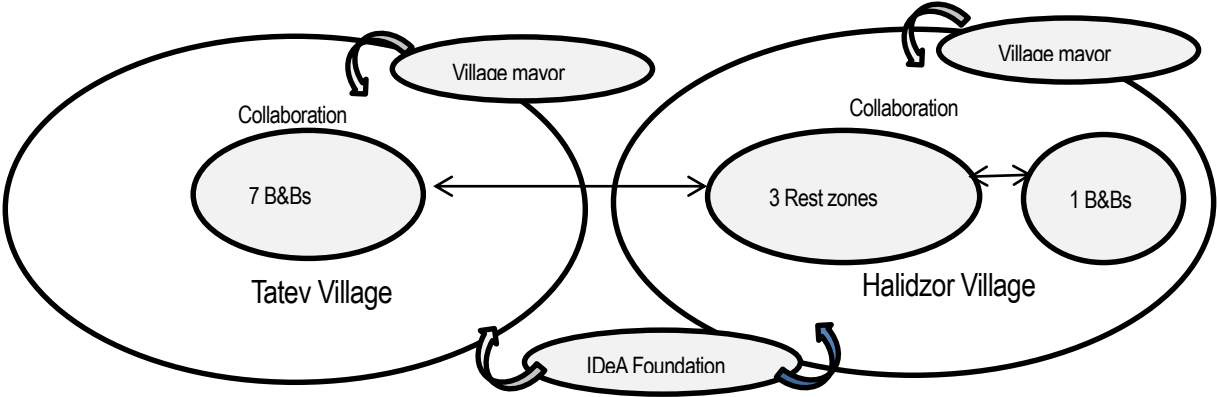
It is important to mention that the training for B&B had been implemented consistent with the intervention plan that SMEDNC and IDeA Foundation<sup>3</sup> had elaborated to develop the tourism industry in Tatev and its surrounding villages. The plan comprises several components: restoring the monastery, reviving its monastic and scholarly traditions, and developing tourism attractions and infrastructure in the adjacent villages, including the world’s longest aerial tramway.

To encourage the local food value chain, show-case type refrigerators were set up at the B&Bs in this sub-region in August 2015.

**(2) Results**

The activities mentioned above have generated the following results:

- As described below, 11 new businesses were opened in the sub-region, thus promoting the local economic development.



**Figure 4-10 Collaboration among new businesses in Tatev sub-region**

- Applying the OVOP concept, B&B Volodia Simonyan has developed an artificial pond and a small farm using their own funds, so that the guests can enjoy fishing and fresh vegetables. Thus, different B&B businesses in the region have been formalised and are improving their hospitality to attract more tourists.

<sup>3</sup> IDeA (Initiatives for Development of Armenia) Charitable Foundation focuses on programmes that achieve tangible socioeconomic development and assist Armenia in the transition from the survival model to the prosperity model. IDeA is committed to promoting social entrepreneurship in Armenia through investments in long-term, non-profit projects, as well as ensuring their sustainability.



Hotel Halidzor



B&B Volodia Simonyan



#### 4.4.4.3 B&B promotion in Garni, Kotayk Region

##### (1) Background and activities



Temple



SMEDNC branch director presenting branding methods based on OVOP

Garni is very famous for the ancient temple built about 2,000 years ago. The technical capacity of local businesses related to tourism, such as restaurants and B&Bs, has been reinforced by utilising the OVOP concept.

Garni is one of the most popular touristic sites in Armenia. However, only six B&B businesses operated formally by 2014. This could be a reason why many tourists do not stay permanently but only visit temporarily.

Hence, the Project has conducted start-up business training in June 2015 for the 18 local participants. As a result, 12 business plans have been developed.

##### (2) Results

The activities mentioned above have generated the following positive results:

- In total, eight businesses had been formally opened. These include three B&Bs, three businesses related to tourism, one dried fruits production, and one sewing workshop. Their business plans are based on the Armenian OVOP concept to attract more tourists and guests.
- Ms. Ophelie Petrosyan, a B&B owner in the village, contributes towards developing the network among touristic service microenterprises as representative of the Armenian B&B association, as described below.

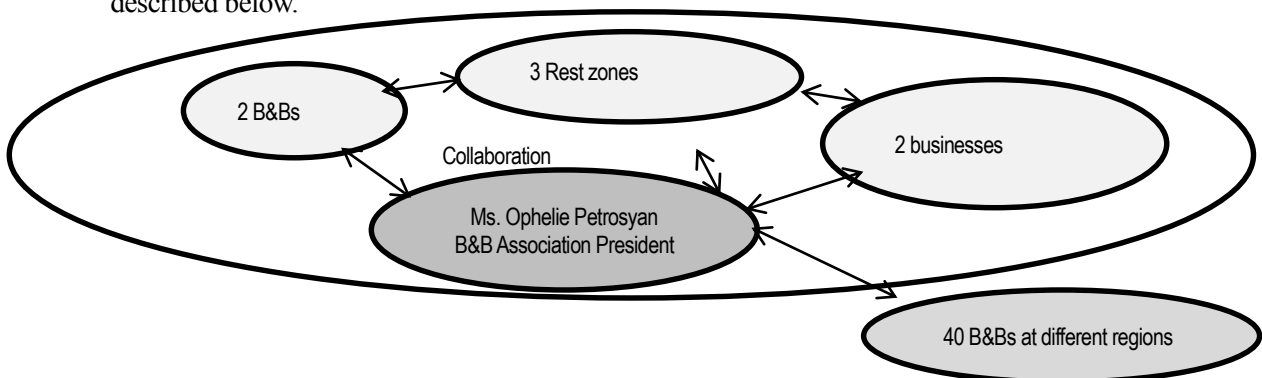


Figure 4-11 Collaboration among new businesses in Garni

**4.4.4.4 Tourism promotion in Bjni village, Kotayk region**

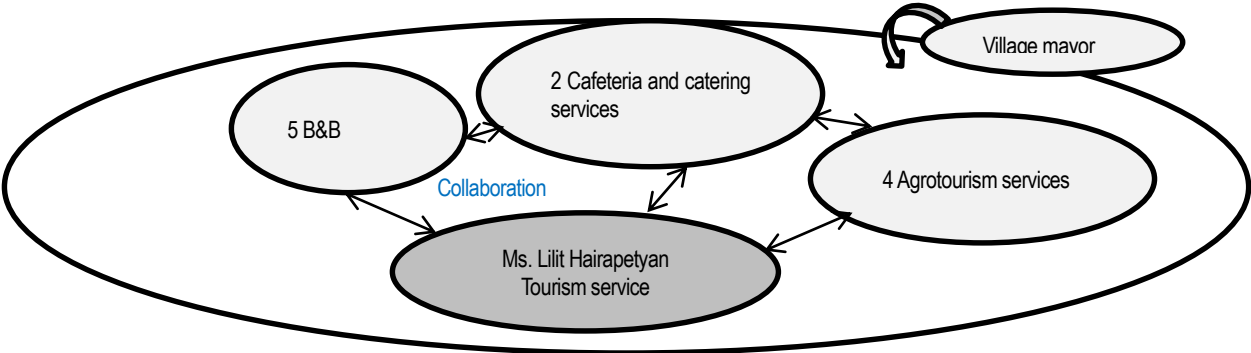
**(1) Background and activities**

Although Bjni is famous for its mineral water, the touristic businesses have not been promoted. The Project team started the OVOP activities in the village in August 2015, in coordination with UNDP. The Project had implemented the different training courses for those who wanted to start their tourism-related businesses.

**(2) Results**

The activities mentioned above have generated the following positive results:

- In total, 12 local entrepreneurs had elaborated their business plans for starting.
- Ms. Lilit Hairapetyan, who is a local entrepreneur, contributes towards developing the network among touristic service microenterprises in the village, as described below.



**Figure 4-12 Collaboration among new businesses in Bjni**

- Collaborations among the local businesses have been planned. For instance, local fishers can sell their fish dishes to the guests at local B&Bs.



**4.4.4.5 Agrotourism development in Chiva and Rind Villages, Vayots Dzor region**

**(1) Background and activities**

Vayots Dzor is one of the most scenic and historically interesting regions of Armenia. This mountainous



and sparsely populated area has several medieval monasteries, forts, caves, and camping spots. The uplands have potential hiking/horseback/mountain bike tracks. However, the region's attractiveness is still limited, from the perspective of the people in Yerevan, considering that even the attractiveness of Areni village, which has more than 6,000 years of wine-making history, is not so high according to the positioning map presented earlier.

Chiva and Rind villages have fewer resources to attract investors and tourists than the other villages of the same region do. Therefore, local people started an initiative for improving the touristic attractiveness, to increase employment opportunities especially for women and young people, by applying the Armenian OVOP concept. They have made several discussions, and identified that agrotourism could be one of possible alternatives for local development, since they produce a wide variety of agricultural and derived products. They organised a trail local event on 11 July, 2015, presenting local products and local cultural activities, as shown in the following pictures.



Presentation of local products



Presenting how to produce local pasta

This event is similar to Onpaku, which is an event-type marketing platform originally developed in Beppu city in Japan because both events present several alternatives of local tourism.

According to the market survey results, many women in Yerevan love experimenting with the country's local culture. Therefore, it is expected that agrotourism in Chiva and Rind Villages would attract the domestic market, which is now growing.

## **(2) Results**

The activities mentioned above have generated the following positive results:

- Five local farmers in Chiva village participated in the Areni Wine Festival held in October 2015, to exhibit and sell their products.
- Some tourists visit Chiva after Areni. Thus, the touristic circuit of Areni-Chiva is being developed.

### **4.4.4.6 Tourism promotion in Jermuk town, Vayots Dzor region**

#### **(1) Background and activities**

Although Jermuk is a famous touristic town, their hospitality service is not sufficient, considering the result of the market survey.

Therefore, the Project team implemented a training course for entrepreneurs in the town to increase the supply of touristic services, in October and November 2015.

## **(2) Results**

The activities mentioned above have generated the following positive results:

- In total, 11 local entrepreneurs (four B&Bs, four restaurants, two service agencies, and one bakery) had elaborated their business plans for starting in November 2015.

### **4.4.4.7 Publication of the B&B guidebook ‘Hospitable Lori’**

#### **(1) Background and activities**

The Project team published a B&B guidebook titled ‘Hospitable Lori’ to support and promote B&Bs in the Lori region.

Lori is one of the popular destinations for tourists. Haghpat and Kober monasteries located in Lori are listed as UNESCO World Heritage Sites. A range of stunning landscapes fascinates not only Armenians but also foreigners. Yet, the capacity of available accommodation in the region is not adequate.

The Project aims to stimulate the regional economy by promoting tourism and lodging services. By publishing a guidebook of Lori B&B, the Project introduces unknown but available B&Bs. Hospitality is the most attractive, important, and unique feature of Armenia. The Project aptly uses this word in the title of the guidebook.

The guidebook introduces eight B&Bs of Odzun, Dsegh, Haghpat village, Tumanyan, and Alaverdi city. Six of them received business start-up training, two received information support, and three received financial support from SMEDNC.

#### **(2) Result**

Some B&Bs have increased their sales, although this could have been caused by the other factors as well.

#### **4.4.5 Promotion of Processed Olives**

The climate is not appropriate for olive production in many areas of the country. Therefore, most products sold in the domestic market are imported ones.

##### **4.4.5.1 Important observations by the consumer market research on olives**

As mentioned earlier, the Project used the questionnaire to survey 200 sampled consumers in Yerevan, as an exercise of marketing platform. The main survey results on consumers' preferences on olive products are as follows:

- The frequency of the consumption is not so high. Consumers are likely to consume olives when guests visit them.
- People in their 30s constitute the major consumers of olive products.
- Intellectual office workers are the major consumers of olives.
- The more food expenditure one has, the more he/she offers olives to guests.

These findings imply that the products can be sold mostly to the high income group who offer olives to their guests.

##### **4.4.5.2 Processed olives in Bagratashen village**

###### **(1) Background and activities**

Bagratashen village has about 40 ha (hectares) of olive gardens. About 20 to 25 tons of olives are annually cropped and processed. Olive processing had been of low profitability there, because it had been carried out at home, and processed olives had been sold mainly in the local consumer markets. A leader of the local producers, Mr. Vigen Hovhannisyan, established an enterprise called 'Viva Fruits, LLC' in 2014, to produce and sell olive products, since he could recognise the potential demand that Armenian consumers have for the products, through his participation in the Armenian OVOP movement.

The enterprise has studied different technologies, including olive production and harvesting, plant structure, raw material pre-treatment methods, storage of raw material before processing, pre-heat processing of raw materials, fundamentals of heat sterilisation, food recipes and technical computations, brine preparation, olive fermentation, heat sterilisation techniques, food quality control and evaluation, packaging, labelling, and storage of finished products.

As the target segment should be 'high income groups who offer olives to guests' considering the market survey result, the product logo was developed accordingly to attract this segment.



Bottled olive products made in Bagratashen



Brand logo

## (2) Results

As a result of the activities mentioned above, the bottled olive products made in Bagratashen have been produced and sold to the market. Their products were presented in the Food Expo in April 2015 in Yerevan. The consumer demand for Armenian-grown olive products is higher than expected, and all the products for this season were sold out. It is considered that national consumers are very interested in products processed in Armenia, because most olive products are imported from Spain, Italy, and others.

Due to this business, the following new value chain has been established, which could activate the local economy.

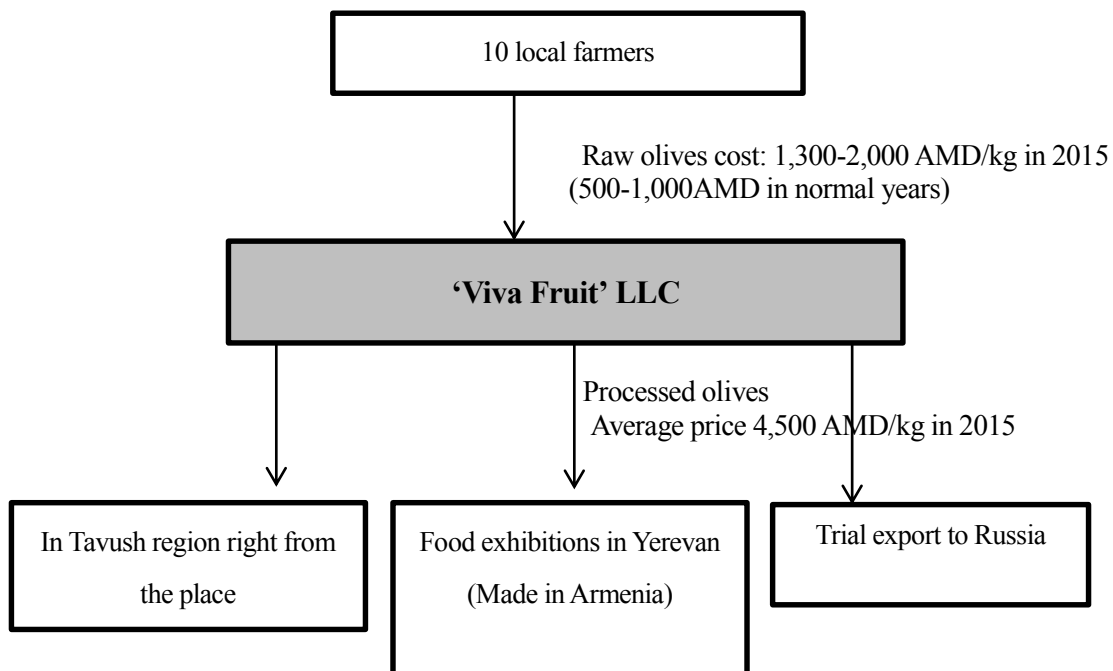


Figure 4-13 Olive value chain (Bagratashen)

**4.4.6 Promotion of wine**

Wine making in Armenia has a history of more than 6,000 years. Armenia is considered one of the most ancient wine-making countries in the world. However, the consumption level of wine in the domestic market is still low, and is expected to grow in the future.

**4.4.6.1 Important observations by the consumer market research on wine**

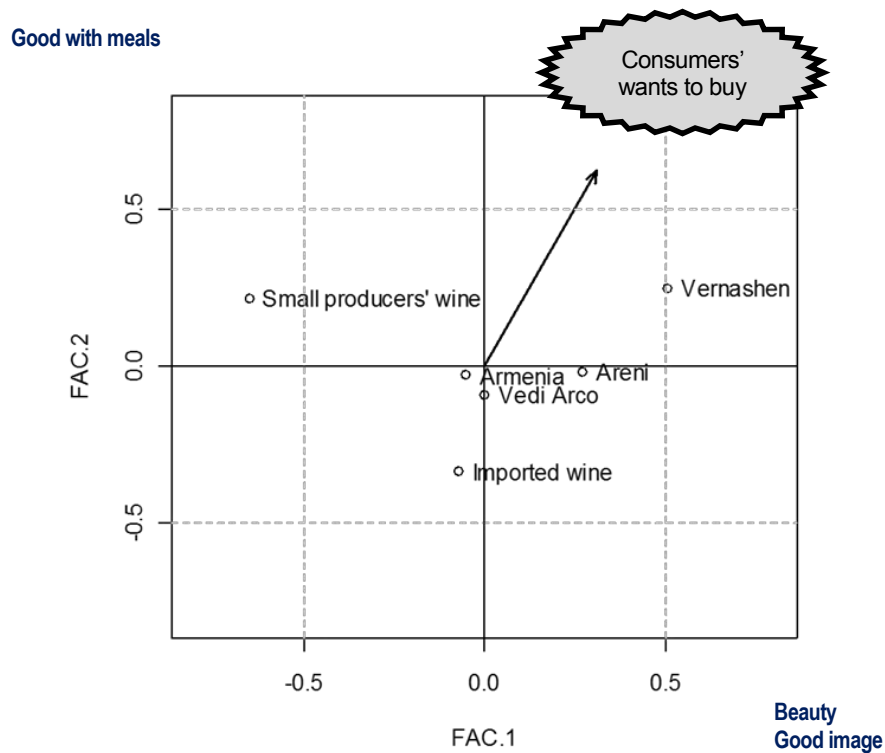
As mentioned earlier, the Project used the questionnaire to survey 200 sampled consumers in Yerevan, as an exercise of marketing platform. The main survey results on consumers’ preferences on wine are presented as follows:

- Almost half of the respondents prefer red semi-sweet wine.
- People often drink wine at some special events.
- Wine consumption has mainly four purposes: (a) relaxing, (b) during special events, (c) as an appetizer, and (d) with family and friends, according to factor analysis, a statistical method. Factors such as (a) for relaxing, (c) as an appetizer, and (d) with family and friends may contribute to higher maximum acceptable price of consumers, although it is not statistically significant.
- It is possible to classify the consumers into different marketing segments by generations, as noted below.

**Table 4-10 Generation segments’ trends on wine consumption**

	Young consumers	Middle-aged consumers
Product and value	The younger generation, especially women, prefer sweeter wine ( both red and white). Young people are more likely to consume wine with friends.	Middle-aged men (40s) are more likely to consume wine with meals.
Channel	Most of the younger generation buys wine from supermarkets. They obtain the product information from TV, friends, and the Internet.	Middle-aged men directly buy wine from small producers.

The following figure, elaborated by applying regression analysis and factor analysis according to the P7, refers to another important finding. While the consumers in Yerevan evaluate that small wineries’ products go well with Armenian meals, they think that these look bad. This implies that the image of the small wineries’ products should be improved, by using beautiful labels, promotion materials, and facilities.



**Figure 4-14 Positioning map of different wine brands**

#### 4.4.6.2 Promotion of wine in Areni Village, Vayots Dzor region

##### (1) Background and activities

Many international tourists come to Areni village, because it is considered to have the longest history of wine-making in the world. The small wineries in the village produce wines traditionally. The crusted grapes are put into a clay jar or plastic/metal container. After fermentation (mainly alcoholic fermentation only), the wines are consumed by the owner or sold in the local market. Medium-sized wineries produce wines at a larger scale. They use bigger barrels, open concrete fermentation units with epoxy inlay or big plastic containers.

The following local enterprises participate in the Armenian OVOP movement, to promote this historical industry.

##### (a) Areni wine factory

The factory applies different promotion methods based on OVOP, such as the brochure and the room for tasting. These methods are consistent with the market survey results, which imply the importance of improving the brand image. The sales have increased about 10 times.



Factory's tasting room

**(b) Areni Ginetun**

‘Areni Ginetun’ (House of Areni wine), launched in 2012, offers visitors different wines (not only grape wines but also other fruit wines) made in the village and traditional local dishes. They participated in the Agricultural Festival mentioned earlier to exhibit their local wine.

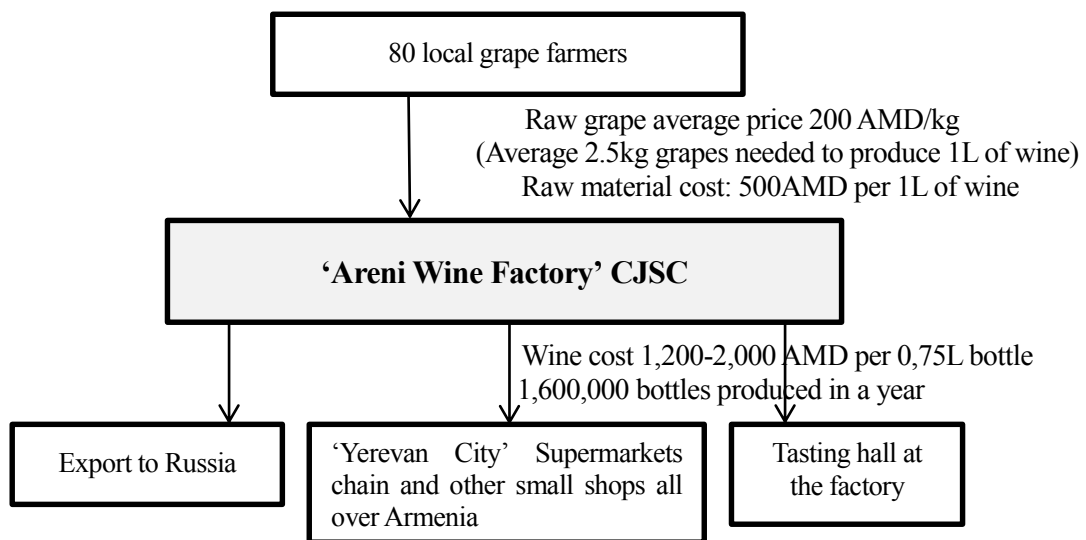
Furthermore, the Project team has developed the following activities:

- Promoting the implementation of the Areni Wine Festival 2015, by presenting the Armenian OVOP movements and products.
- Providing some Japanese companies with the information on Armenian wine and brandy.

**(2) Results**

The activities mentioned above have generated the following positive results:

- The Project’s participation in the Areni Wine Festival 2015 can facilitate the promotion of Armenian touristic services for Japanese tourists in the future.
- The increase of the sales of the Areni wine factory contributes to the reinforcement of the value chain, as depicted below.



**Figure 4-15 Win value chain (Areni wine Factory)**

#### **4.4.7 Promotion of herb and spice products**

The Armenian OVOP movement is also related to herbs and spices, which are very familiar to the Armenian people.

##### **4.4.7.1 Important observations by the consumer market research on herb and spice products**

As mentioned earlier, the Project used the questionnaire to survey 200 sampled consumers in Yerevan, as an exercise of marketing platform. The main survey results on consumers' preferences for dried spices are as follows:

- Almost all the woman respondents consume milled sweet red pepper. More than half also consume milled hot pepper.
- The elder generation, aged above 60 years, is likely to consider the 'healthy' and 'natural' value of red pepper as important factors for purchase.
- The middle-aged people (in their 30s, 40s, and 50s) consider the fundamental elements of red pepper such as 'taste', 'spice', and 'colour' important.
- The young generation (in their 20s) has similar consumption features as the middle-aged, but young women are more likely to prefer 'sweetness' as well more than the other generations do.

On the other hand, the main survey results on consumers' preferences on dried herbs are presented below:

- Basil is the most popularly used ingredient among all types of herbs. In addition, other varieties of herbs are often used in Armenian kitchens.
- Women in their 20s are more likely to consume parsley and coriander than other generations do.
- Women in their 30s and 40s are more likely to consume dill and basil than the other generations do.
- Women in their 50s are more likely to consume basil and savory than the other generations do.
- Women in their 60s are more likely to prefer mint than the other generations do.
- Intellectual workers and housekeepers have similar preferences towards herb consumption. They are likely to consume more basil, mint, parsley, and thyme compared with the other categories of consumers.

##### **4.4.7.2 Promotion of herb and spice products in Vedi town, Ararat region**

###### **(1) Background and activities**

SMEDNC made an agreement with Fruiteria, LLC, for the company to implement the trainings for other local micro enterprises and develop the territorial brand. In this framework, the first training course was developed in October 2015, with the participation of 24 producers of dried fruits and herbs, in coordination with PRP, USAID's Project.

The course had the following contents:



- Product hygiene and European market requirement presented by USAID experts
- How to use the dryer
- Armenian OVOP method



USAID expert's presentation



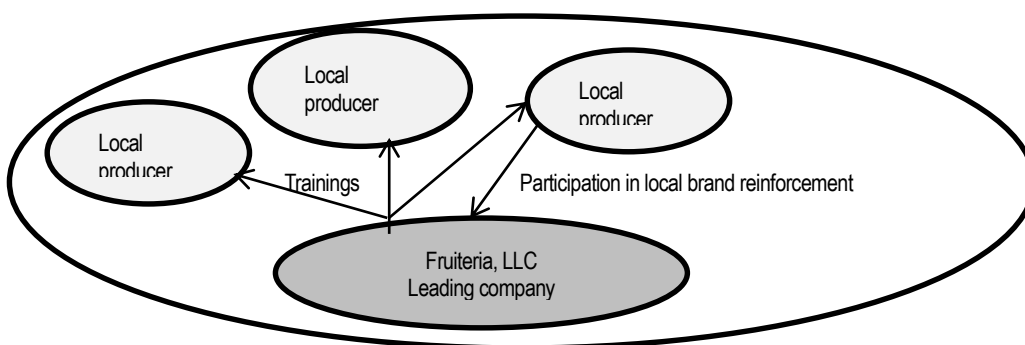
Session on Armenian OVOP

After the course, the participants developed the territorial brand.

## (2) Results

The activities mentioned above have generated the following results:

- The following network among the local producers in Vedi town is being formed.



**Figure 4-16 Collaboration among local producers in Vedi**

- A producer who participated in the seminar on OVOP branding (May 2014) and the course in Vedi (Oct. 2015) developed a new product (dried herb), as presented below, by applying the OVOP concept.



**Dried herb made in Meghri**



## 5. Recommendations and lessons learned

This chapter presents the lessons generated by the Project activities developed during three years (between March 2013 and February 2016). They can be applied in the future activities for improving the assistance for SMEs.

### 5.1 Recommendations presented by the terminal evaluation

The terminal evaluation held in October 2015 presented the following recommendations and lessons learned from the Project activities.

**Table 5-1 Recommendations and lessons presented by the terminal evaluation team (Oct. 2015)**

Recommendations	Actions required by the end of the Project period	<p>(1) Continue to implement Project activities as planned; in particular, organise important events such as (a) ToT where the participants share a common understanding about the OVOP concept and are equipped with additional capacities, and (b) the final OVOP seminar where experience of the pilot and other cases, supported by the Project as well as others, are disseminated to a wider audience.</p> <p>(2) Develop a list of SMEs that have good potential for export to Japan.</p> <p>(3) Ensure that the equipment provided by the Project, including production equipment and automobiles, are properly used for the Project activities and in a timely manner.</p>
	Actions required after the Project period	<p>(4) Disseminate the knowledge gained through the Project and continue to implement the OVOP concept in other areas of the country, including the regions where the Project has not had pilot activities. Support more SMEs that make use of local resources and contribute to wider economic development of the area by using the concepts and tools developed during the Project period.</p> <p>(5) Upgrade support to further improve competitiveness of the SMEs in the regions, for example, by supporting export and tourism aiming at international markets as well as developing another shop-based marketing platform such as RSS.</p>
Lessons learned	<p>➤ In such a Project, as OVOP that requires a comprehensive set of support, assignment of counterpart personnel across various departments within an organisation is more likely to lead to sustainability of actions than their counterpart in only one department. This practice is especially effective when the Project activities are fully integrated into the regular work of the concerned departments.</p> <p>➤ <i>Kaizen</i> methodologies, especially 5S, are useful and effective in OVOP activities.</p>	

It is important to say that the actions (1) and (2) mentioned above have been already realised as follows:

- The third ToT was organised on 3 and 4 November, 2015, with the participation of 21 persons, including 14 SMEDNC staff members. The participants exchanged their experiences on the application of the Armenian OVOP method to improve their marketing assistance for the regional and local enterprises.
- The seminar on refined Armenian OVOP method was also organised on 3 November, 2015.
- The list of possible Armenian exporters has been elaborated. Related information is presented later.

## **5.2 Lessons learned from the Project administration and operation**

The following lessons have been learned from the Project administration and operation. It is important to apply them in the future opportunities to improve the assistance for SMEs.

- The quality of Armenian local products and services can be improved by (a) using local resources, (b) promoting the collaboration among different local enterprises, and (c) synchronising territorial and private brands. This is supported by the Armenian OVOP concept, defined as an integral effort to develop the local economy, enterprises, and products consistently.
- The Japanese business administration methods related to *Kaizen*, including 5S, Q7, P7, and so forth are useful for improving Armenian SMEs' business administration and marketing activities.
- The Armenian OVOP movement works efficiently, because it is closely linked to the country's SME development policy through SMEDNC's regular programmes. OVOP can be developed successfully, when it is followed by both private companies and public policy.

## **5.3 Recommendations for the future Armenian OVOP movement**

SMEDNC plans to address more advanced challenges to develop the OVOP movements. These are the plans to work on (i) exporting Armenian products to Japan and (ii) constructing and operating a roadside station as a multiple marketing platform. This section summarizes the proposed activities to address these challenges.

### **5.3.1 Recommendations for export marketing of Armenian products**

This section summarizes the recommendations for exporting and distributing (i) wine and brandy, (ii) dried fruits, and (iii) tour products. Exporting to Japan could work by using the OVOP movements according to the details below.

#### **5.3.1.1 Assistance for export marketing Armenian wine and brandy products in Japan**

##### **(1) Characteristics of Armenian wine and brandy**

We here describe the major characteristics of Armenian wine and brandy. Japanese consumers would taste them by appealing to their historical aspects, among others. However, creating repeat customers requires a marketing strategy.

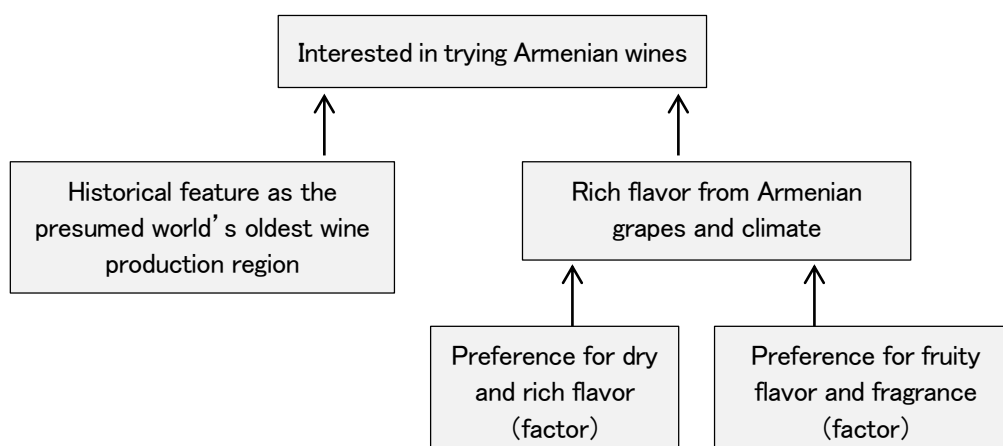
- Armenia cultivates original grape varieties and wines made from those grapes.
- Armenia is said to be the world oldest place of wine production. The winery in Areni village from 6,100 years ago is famous both in Armenian and abroad.
- Since the Soviet-era planned economy prioritized brandy production over wine production, wine production technology has not improved much. However, the Armenian diaspora (Armenians who migrated outside of Armenia) recently started wine production, the techniques and quality are improving.

- There are various anecdotes related to Armenian brandy, such as that Winston Churchill, former British prime minister, loves them. The brandy is still popular in Russia.

## (2) Market demand in Japan

The Project conducted the internet survey in November 2015 of 200 Japanese consumer samples who often drink alcohol. Many answered, "I want to try Armenian wines." Given this result, we propose the causal relation illustrated in the figure below. Relations between items in the figure are statistically significant.<sup>4</sup>

Based on the figure, providing dry red wine with rich taste and fruity fragrance would receive high evaluations from Japanese consumers. The consumer segment that prefers dry red wine often includes connoisseurs, and is assumed to have a desire to try new wine brands.



**Figure 5-1 Causal relationship in Japanese consumer preferences toward Armenian wines**

Aside from these facts, the consumer preference survey clarifies these factors:

- From the age 50 to 70, there is a significant tendency to prefer dry Armenian wines. For women of this age group, both the frequency of wine drinking and tolerance for the high price are higher than those of men. Females from 60 to 70 tend to like wine with acidic flavor, and tend to emphasize prizes won at the concours and are loyal to particular brands.
- In terms of consumer preferences for brandy, there are many answers indicating a desire to try Armenian brandies, if they have "robust taste." Significantly more males like brandy than females.

When the Project provided information about Armenian brandy and wine to a Japanese trading company that imports alcohols, the comments below were received:

- Products using Armenian grapes that are not available in other countries can be segregated from other products.

<sup>4</sup> In the regression analysis of the relationship between these items, the p-value is less than 0.05. We obtain the same results when analyzing the relationship with the possibility of purchasing Armenian wines at a high price.

- Japanese consumers will be attracted to bottle designs reflecting Armenian history or culture.

These comments are in line with the results from the consumer preference survey. Appealing to the aspects of Armenian history and providing the products demanded by Japanese consumers, there would be a high potential for wine exports to Japan.

### (3) Potential Armenian SMEs to export to Japan

The Project searched for some Armenian SMEs that could address demand from Japanese market. The table below describes these companies, which have the following characteristics:

- They have the production capacity to export steadily.
- They received external evaluations, for example, prizes at concours and it is easy to introduce to Japanese market.
- There are flavors and packaging suitable for the Japanese consumer' preferences mentioned above.

**Table 5-2 Potential Armenian SMEs to export to Japan (wine/brandy)**

	<b>Company A</b>	<b>Company B</b>	<b>Company C</b>	<b>Company D</b>	<b>Company E</b>
Address of winery	Armavir region	Kotayk Region	Aragatsotn region	Armavir region	Vayots Dzor Region
Year of establishment	2006	2005	2007	1944	1991 (initiated in 1928)
Characteristics of company and product	<ul style="list-style-type: none"> <li>• Popular and recognized in Armenia</li> <li>• An advanced company with vast scale of vineyards and latest and large scale of equipments</li> <li>• Mixes Armenian and international types of grapes to make their wine</li> <li>• Has knowledge about export transportation</li> </ul>	<ul style="list-style-type: none"> <li>• Product package of Armenian mountain made by Mosaic appeals Armenian history and stories</li> <li>• Production equipment is in large scale.</li> <li>• Put emphasis on export marketing to foreign countries including Asia.</li> </ul>	<ul style="list-style-type: none"> <li>• An advanced company established by the owner family coming back from abroad</li> <li>• Products are familiarized as fashionable and new in Armenia</li> <li>• Strength on production with latest equipments and 150 ha of vineyard with good soil for cultivation</li> <li>• Won 11 prizes including 7 international competitions</li> </ul>	<ul style="list-style-type: none"> <li>• Puts the most emphasis on maintaining the taste from the old time, by traditional methods of production.</li> <li>• Customers often say that it is the taste of good old time.</li> <li>• Uses new equipment made in Italy but doesn't change the way of production at all.</li> <li>• The owner believes that they should keep their product' tastes.</li> </ul>	<ul style="list-style-type: none"> <li>• Sold in duty Free shop at the Yerevan airport.</li> <li>• Historical company which initiated production in 1928.</li> <li>• Owns 20 ha of their own vineyards.</li> </ul>
Types of grapes used	Armenian and international grapes	Armenian grapes	4 Armenian grapes	Armenian grapes	Armenian grapes
Export experiences	<b>Wine</b> <ul style="list-style-type: none"> <li>• Germany</li> <li>• Czech Republic</li> <li>• Lithuania</li> <li>• Canada</li> </ul>	<b>Brandy</b> <ul style="list-style-type: none"> <li>• Canada</li> <li>• Germany</li> <li>• Poland</li> <li>• Vietnam</li> </ul>	<b>Wine</b> <ul style="list-style-type: none"> <li>• USA</li> <li>• EU(Germany)</li> </ul>	<b>Brandy</b> <ul style="list-style-type: none"> <li>• USA</li> <li>• Germany</li> </ul> <b>Wine</b> <ul style="list-style-type: none"> <li>• China</li> <li>• Germany</li> </ul>	<b>Wine</b> <ul style="list-style-type: none"> <li>• France</li> <li>• Poland</li> <li>• China</li> </ul>

### (4) Recommendations for export marketing of Armenian wine/brandy in Japan

Considering the nature of the market demand in Japan and the supply in Armenia, we propose a future export promotion plan to Japan.

- Japanese consumers would try Armenian wine and brandy at least once by appealing to historical aspects such as "Potentially the world's oldest wine production country" and "The anecdote that Winston Churchill, former British Prime Minister, loved the brandy."

- To acquire repeat consumers, dry red wines with rich flavors produced by the above wineries should be promoted because consumers who consume more wine tend to like dry red wine.
- The target consumer segment is women from 50-70 years of age because:
  - Frequency of consumption and tolerability for high price
  - Preference for acidic wines, a property of many Armenian wines, is stronger than that of other segments
- The female segment from 50-70 should be offered wines with rich flavors and fruity fragrance among products that have prizes of concours. This segment emphasizes prizes of concours and region of production as well as taste.
- Females in the middle and old age segments can be targeted for tourism products in Armenia too. Wine promotions could be organized through winery visits during a tour.
- According to the results of the consumer preference survey, the segment interested in trying Armenian wines also likes Japanese wine. Therefore, the distribution route will not only be through trading companies. Visibility can also be effectively improved through coordinated promotion with Japanese wine production sites such as Yamanashi and Hokkaido.
- The main targets for brandy are male consumers, and products with historical and cultural designs are a good match for introduction through importing companies.

### **5.3.1.2 Assistance for export marketing of Armenian dried fruit products in Japan**

#### **(1) Characteristics of Armenian dried fruits**

Armenia has dried fruits such as apricots, cherries, pears, and plums, which are popular in Japan, in addition to others that are hard to find in Japan. Utilizing strong sunlight and dry climate, Armenia has places where fruits are cultivated without pesticide. Therefore, there is potential to sell these through high-end markets in Japan centering organic products.

The drying process is often done with sunlight, although the situation varies depending on the kinds of fruits. Sulfur is often used to prevent oxidization.

#### **(2) Market demand in Japan**

In the Japanese market, awareness of "food safety" among consumers is strong and health-oriented products are widely accepted. Dried fruits are one such product and demand in the Japanese market has expanded recently. They are especially popular among females aged in their late 20s to 50s, and those with high incomes select products with an emphasis on quality, such as organic products.

The following comments come from a Japanese company that develops and imports dried fruits to Japan with regard to the potential of Armenian products.

- Generally, Armenian products have good flavor and there is high potential.
- Armenian dried pears may have good potential for sale in the Japanese market, since dried pears

are not observed often in Japan. Drying whole fruits is unique and interesting. Dried pears produced in Vedi taste good. The company participates in the OVOP movement.

- Organic pomegranates can be sold as a material to be processed for puree or gelato.

Based on these comments, the potential to export to Japan would increase if producers could supply suitable products in a stable manner.

### (3) Potential Armenian SMEs to export to Japan

Table 5-3 shows a list of companies with the potential to export to Japan, aside from the company participating in the Armenian OVOP movements in Vedi in the Ararat region. All of the companies offer organic products and can deal with the high-end market in Japan.

**Table 5-3 Potential Armenian companies to export to Japan (Dried fruits)**

	Company F	Company G	Company H	Company I
Main place of cultivation	Armavir region	Armavir region	Armavir, Ararat, Gegharkunik and other regions	Armavir region
Year of establishment	1997	2006	2009	1998
Products	Apricot, plum, peach, cherry, basil and others	Plum, tomato, peach, cherry, apricot, pear and apple	Prune, peach, apricot, pear and apple	Prune, peach, apricot, pear and apple
Organic production	Work on organic production on each process of cultivation, processing and storage	Work on organic production especially on the dried cherry	Organic production on Apricot and apple.	• About to acquire organic certification. • Possesses FFSSC 22000 certificate( Food Safety System Certification).
Annual production	12tons	16tons	4-6tons	2tons (just started operation)

### (4) Recommendations for export marketing of Armenian dried fruit products in Japan

The activities below would expand export possibilities:

- Stronger management of organic production of dried fruits like apricot, cherry, pear, and pomegranate, which have demand in Japan, in addition to traceability in production, processing, and distribution.
- Adjust the dryness of products according to the climate of Japan.
- Female consumers from their late 20s to 50s are targets in the Japanese market and branding should be based on the concept of the OVOP movement. Information such as fruit cultivation, history of dried fruit processing, and producers' challenges in organic production should be presented as stories.



### 5.3.1.3 Assistance for selling Armenian tour products to the Japanese market

#### (1) Characteristics of tourism in Armenia

As mentioned in the earlier chapter, there are various tourism resources in Armenia, such as historical heritage sites and the world's longest aerial tramway, which are attractive to Japanese tourists. Effective tour planning and promotion could increase the number of Japanese tourists.

The current tour packages to Armenia distributed in Japan have the following characteristics:

- Many inbound tours to Armenia are organized only during the tourism season from May to October, and the situation is same with Japanese travel agents.
- The table below summarizes the general contents of Japanese package tours to Armenia. Many products include Armenia along with other countries in the Caucasus region. Mainly tours stay in Armenia for 2 nights and 3 days and visit World Heritage churches or monasteries.

**Table 5-4 Summary of Japanese package tours to Armenia**

Average duration	6 nights 8 days
Average duration in Armenia	2 nights 3 days
Countries	Georgia, Armenia, and Azerbaijan
Price of the whole tour	200,000~300,000JPY (1,667USD~2,500USD, varies by season)
Major Armenian tourism sites	Monasteries of Haghpat and Sanahin, Lake Sevan, Khor Virap Monastery, Geghard Monastery, Echmiadzin, Garni Temple, Yerevan city tour, Hripsime church

#### (2) Demand in the Japanese market

In November 2015, an internet survey on preferences for tourism in Armenian was conducted for 172 Japanese consumer samples. Factor analysis (promax rotation) was done on 172 answers to questions related to what consumers emphasize for the travel abroad. The answers can be summarized into four factors: (i) exoticism/food factor, (ii) historical/cultural factor, (iii) sport/private exchange factor, and (iv) luxury factor. As shown below, when preferences for exoticism/food factor is high, there is tendency to allocate a higher budget. This is statistically significant.<sup>5</sup>

That is to say, the appropriate consumers would accept high prices for tours providing exotic atmosphere and foods/wine.

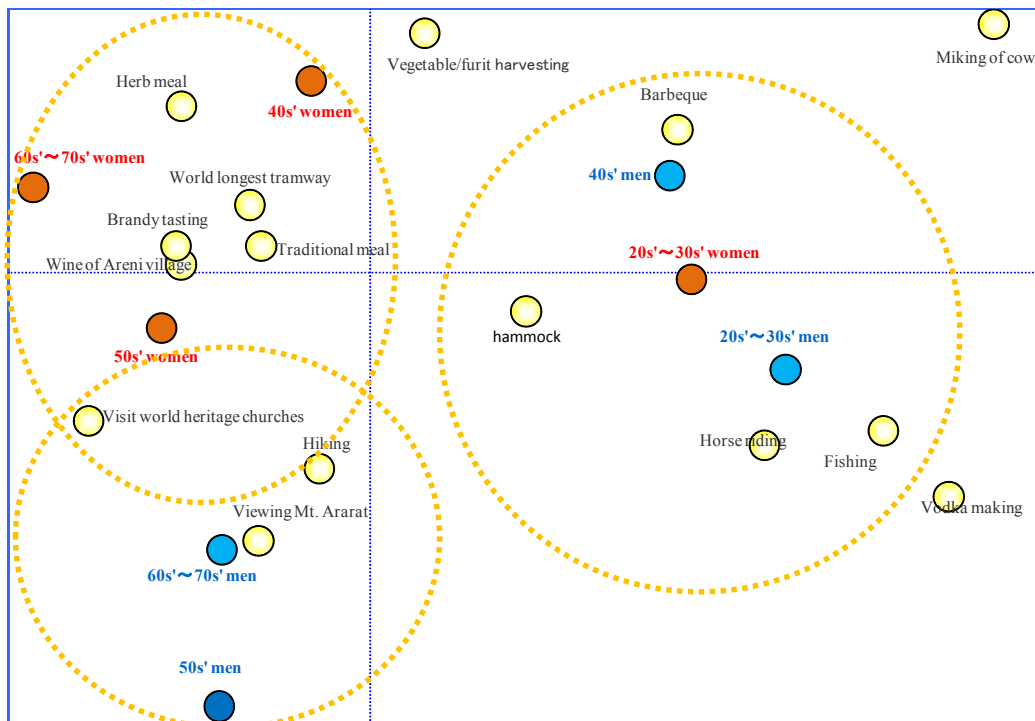
<sup>5</sup> In comparing between the group (including those not interested in the experience) looking to pay less than 200,000 Yen and the group willing to pay more than 300,000 Yen, the p-value for students in the t-test is 0.049.

**Table 5-5 Average value of "travel abroad preference" factor in terms of price preference segments for tours in Armenia**

Desired price in joining the tour in Armenia	Number of responses	Exoticism/food factor	Historical/cultural factor	Sport/private exchange factor	Luxury factor
Do not want to experience	5	-0.59	-0.74	-0.32	-0.45
Below 150,000 Yen	36	-0.15	0.02	-0.01	-0.05
150,000 to below 200,000 Yen	46	-0.06	0.08	0.08	0.05
200,000 to below 300,000 Yen	40	0.04	0.02	-0.12	-0.06
Above 300,000 Yen	45	0.2	-0.03	0.08	0.09
p-value in t-test (comparison between the groups below 200,000 Yen and above 300,000 Yen)	172	0.049	0.859	0.737	0.582

The figure below illustrates the distances for each gender and age group in terms of interest in sightseeing in Armenia based on correspondence analysis. The yellow circles signify interests, while red and blue circles represent gender and age groups. There is a yellow circle for barbecue experience close to a blue circle for males in their 40, indicating that this group prefers barbecue experiences more than other groups. The figure indicates that Armenian products sold to Japanese consumers can be segregated into three consumer segments.

- (i) Females in middle and old age (40s and higher) are mainly interested in food and alcohol while enjoying exoticism.
- (ii) Youths (female 30s and male 40s and below) want to enjoy activities while staying at a B&B.
- (iii) Males in old age (50s and higher) are interested in landscapes.



**Figure 5-2 Interests by gender and age group in Armenian sightseeing**

On the other hand, a Japanese travel agent who deals with tours to Armenia provided the following comments.

- There are various ages of travelers going to Armenia, but there are less people in their 20s.
- There is an impression that certain travelers tend to participate in tours to Armenia, and these travelers tend to want to visit places other than major tourism sites such as the USA, Europe, and Southeast Asia.
- The travel agent wants a tour plan that conveys local lives and that creates interest and excitement among travelers.

Based on the travel agent’s opinions and the results of the consumer preference survey, tours providing Armenian foods/wines and exotic atmosphere not available in the major tourism sites (USA, Europe, and Southeast Asia) could be sold at a relatively high price. Thus, the anticipated target market is females in middle and old age (40s and higher) with strong preferences for these attributes. This segment is also interested in activities (especially those related to meals) paired with stays at B&Bs, though not as much as the youth segment. Therefore, tour plans including B&B stays would be suitable. Moreover, as mentioned earlier, females in middle and old age are also a potential target segment for Armenian wines. Thus, it would be advisable to include Armenian wines in the tours and promote them in Armenia.

### (3)Proposals for tourism circuits for Japanese tourists based on the OVOP movement results

The figure below illustrates an example of tourism circuits consistent with preferences in the Japanese market, especially the target segment of females in middle and old age. This plan connects new and existing tourism sites with tourism-related businesses who participate in the Armenian OVOP movement.

Developing and promoting such tours that effectively summarize Armenia’s attractiveness as a tourism destination would increase foreign tourists, including those from Japan. Armenia’s well-maintained public peace and safety is advisable to be highlighted for female travelers. The plans of logistics, such as transportation, should be materialized to assist Japanese travel agents.

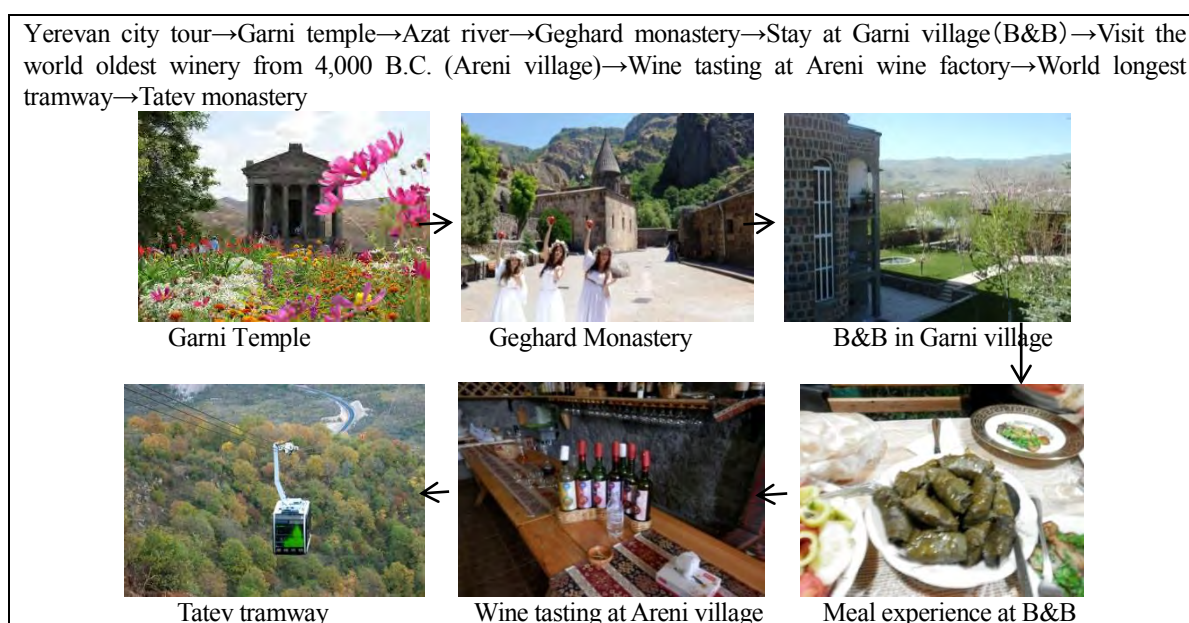


Figure 5-3 Sample Armenian tourism circuit for Japanese consumers

**5.3.2 Recommendations on planning for establishment of roadside stations in Armenia**

SMEDNC is planning to construct and operate Roadside Stations (RSS) in Armenia, based on the experiences of the OVOP movement. Several recommendations for this plan are described below.

**(1) Background of establishment of RSS in Armenia**

As described in Chapter 4, this Project has established marketing platforms including (a) event-type, (b) monitor-type, and (c) store-type as the mechanism for gathering opinions from the market (consumers) to improve products and services. Some officials of SMEDNC visited RSS in Japan, as a component of the training course in Japan, and envisaged establishing RSS as a shop-type platform.

At this moment, the planning for RSS in Armenia is in progress. Thus, some recommendations for establishment and operation of RSS are discussed in this section, based on the actual situation of RSS in Japan and the achievements of the Project activities.

**(2) Outline of RSS in Japan**

RSS (Michi-no-Eki in Japanese) are multi-functional rest facilities on highways, established based on the recommendations of a round-table conference on RSS organised by the Ministry of Construction (actually the Ministry of Land, Infrastructure, Transport and Tourism; MLIT), with the intention to combine road users (drivers and travellers) and local community people by main functions described in Table x. Each RSS is established by the local government and registered by the MLIT upon request. In 1993, the first 103 RSS were registered, and this increased to 1,079 by November 2011.

The MLIT aimed at fostering RSS as tourist destinations, emphasizing on strengthening their function as a base for regional development and networking among RSS. At the same time, the MLIT intends to develop various measures in collaboration with several ministries and other related institutions, considering RSS as an open platform.

RSS is required to have the following functions for road users (drivers and travellers) and local community citizens.

**Table 5-6 Basic functions required for RSS**

<ul style="list-style-type: none"> <li>● Rest : To provide free parking and toilet facilities for users, available 24 hours.</li> <li>● Information provision : To provide information on roads, regional tourists, and medical emergencies.</li> <li>● Regional collaboration : To provide opportunities for local citizens for economic, touristic, and cultural activities.</li> <li>※ During contingencies, disaster prevention function is also expected to be performed.</li> </ul>
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Source: Website of MLIT <http://www.mlit.go.jp/road/Michi-no-Eki/outline.html>

Additionally, in 2011 when the East Japan Great Earthquake occurred, several RSS displayed their disaster prevention functions, saving victims and rescue parties. Some examples are shown in the following table. These experiences illustrate the importance of the disaster prevention function of RSS.

**Table 5-7 Examples of RSS's disaster prevention functions in the East Japan Great Earthquake**

Name of RSS	Location	Disaster prevention functions
Sanbongi	Oosaki city, Miyagi Prefecture	Provided food and accommodated victims.
Tsuyama	Tome city, Miyagi Prefecture	Provided facilities for rescue parties of Self-Defense Forces and accommodated hotel customers affected during their stay.
Fukushima Touwa	Nihonmatsu city, Fukushima Prefecture	Provided food, toilet facilities, and water for victims, and accommodated 1,500 victims who lost residence.
Kita no Sato	Kitakata city, Fukushima Prefecture	Provided water and public hot spring facilities, and sold food to victims.
Mihami Souma	Minami Souma city, Fukushima Prefecture	Functioned as shelter for victims and basement for rescue parties.
Hirata	Hirata village, Fukushima Prefecture	Provided water and electronic power to victims and provided food for hospitals and shelters in the village.

(Source) Document on emergent recommendations based on experiences of the East Japan Great Earthquake, submitted to the Committee (2011)

Armenia also has suffered repeatedly from natural disasters, particularly earthquakes. This country experienced great earthquakes four times during the 20<sup>th</sup> century. Specifically, the earthquake of 1988 near Spitak, the north-west part of the country with an estimated magnitude of 6.7, caused serious damage, with about 25,000 deaths and destroying 50% houses in the region. About 94% of the disasters that occurred between 1986 and 2011 in Armenia were earthquakes<sup>6</sup>. Thus, in Armenia, it will be desired that RSS possess a certain extent of disaster prevention function.

### **(3) Recommendations for utilising RSS as an integrated marketing platform and connection with the OVOP movement**

In Armenia, there still are drive-ins operated by the private capital, offering travellers several services<sup>7</sup>.

<sup>6</sup> Asian Disaster Reduction Centre Web site:  
<http://www.adrc.asia/nationinformation.php?NationCode=51&Lang=en&NationNum=01>

<sup>7</sup> For example, in Aparan located between Yerevan and Lori, there is a drive-in, with free parking and toilet facilities, cafeteria, bakery, mini-supermarket, foreign currency exchange, automated teller machine, casino machine, etc.



**Armenian drive-in**

RSS, planned by SMEDNC, have some public functions, particularly regional economic development functions, like Michi-no-Eki in Japan, which differs from private drive-ins. Therefore, for RSS to fulfil their functions to the maximum, it will be necessary to utilise event-type, monitor-type, as well as shop-type platforms. At the same time, it will be necessary to integrate with touristic circuits as recommended earlier

**Table 5-8 Type of platforms required for RSS, integrated with the OVOP movement and tourist circuits**

Type of platform	OVOP movement	Tourist circuit
Shop-type	Provide OVOP participants (supplier of products) an opportunity to sell their products to visitors and local citizens. They can improve their marketing strategy, reflecting customers' attitudes and the results of selling products.	As a gateway to a touristic circuit, provides tourists a place to rest and an opportunity to know local products and purchase souvenirs.
Event-type	Promote the OVOP movement by organising related events to attract more visitors.	Create an opportunity for visitors to participate in events to attract them to the region to increase the repeat rate of visitors.
Monitor-type	RSS serves as a base of dissemination of various types of information such as selling products, local events, tourist information, etc., thus attracting visitors for maximising their number.	Providing attractive information so that more visitors visit RSS as the gateway of the region.



**Example of potential local products to sell in RSS**

**(4) Functions expected from RSS in Armenia and relationship to marketing platforms**

As mentioned earlier, RSS has several functions. In case of RSS in Armenia, each function shall be planned with connection to marketing platforms, as shown in the following table.

**Table 5-9 Roles expected from RSS and relationship to marketing platforms**

Functions	Roles and relationship with marketing platforms
Rest	<ul style="list-style-type: none"> <li>• Provide safe and clean toilet facilities, parking, and rest space (free sitting area) for long-distance travellers.</li> <li>• Provide food and drinks made by local and/or OVOP products (such as herbal tea, processed foods, and so on) for local/OVOP products promotion (shop-type platform).</li> </ul>
Information provision	<ul style="list-style-type: none"> <li>• As a gateway to the region, provide various types of information, regarding local products, regional tourism, events, and the OVOP movement (monitor-type platform).</li> </ul>
Regional economic development	<ul style="list-style-type: none"> <li>• Provide additional sales opportunities to local producers to attract new clients (shop-type platform).</li> <li>• Organise several events for regional development, attracting visitors as well as community residents.</li> <li>• Connect the SMEDNC regional office to RSS, and thus provide more opportunities for local producers and tourism providers to communicate directly with visitors.</li> <li>• Create employment opportunities for local residents.</li> </ul>
Disaster prevention	<ul style="list-style-type: none"> <li>• For disaster prevention function planning, it will be necessary for SMEDNC to collaborate with the Ministry of Territorial Administration and Emergency Situation and discuss details of the expected functions of RSS during disasters, and clarify their roles and responsibilities.</li> </ul>

**(5) Consideration for construction planning of RSS**

To establish new RSS facilities, it will be required to select and acquire adequate land and construct the building and attached structure. In this case, it is recommended to verify the conditions described below and obtain consent from local governments and community residents.

**Table 5-10 Considerations for construction of RSS**

1. Legislation regarding development activities <ul style="list-style-type: none"> <li>● Confirmation of city planning and laws and regulations regarding development activities</li> <li>● Confirmation of building standards act and other related regulations</li> </ul>
2. Confirmation of infrastructure and safety <ul style="list-style-type: none"> <li>● Development of infrastructure such as electricity, water, and sewerage</li> <li>● Condition of the ground and existence of active faults</li> <li>● Regional disaster prevention plan and regulations regarding fire protection</li> </ul>
3. Harmonisation with the surrounding landscape
4. Surrounding road conditions, particularly in winter, and planning new road construction
5. Mitigation of effects from snow and wind
6. Buried archaeological properties

## (6) Recommendations on facilities and equipment for RSS

It will be better to consider desirable facilities and equipment so that RSS could display functions mentioned in the chapter 4, as described in the following table.

**Table 5-11 Facilities and equipment for RSS**

Facilities	Considerations
General	<ul style="list-style-type: none"> <li>• Different from private-owned drive-ins, RSS has public functions in some parts. However, they are required to secure profitability for sustainable operations. Therefore, when planning procurement of facilities and equipment, costs of maintenance and reparation must also be considered.</li> <li>• Introduction of a universal design for the facilities for all users, particularly those with disabilities such as wheelchair users<sup>8</sup> must be considered</li> <li>• The changing weather conditions and volatility of number of visitors must be considered.</li> <li>• Utilisation of alternative energies, such as solar and wind power generation must also be considered.</li> </ul>
Rest	<ul style="list-style-type: none"> <li>• First, it is required to reasonably estimate the number of visitors, and then the number and surface for parking, toilet, and sitting rest areas.</li> <li>• It is also recommended to provide food and drinks made by local/OVOP products.</li> </ul>
Information provision	<ul style="list-style-type: none"> <li>• Provide an information counter with a clerk, which provides information, advises, and makes accommodation and event reservations.</li> <li>• Prepare a place to display leaflets and brochures of local/OVOP products and services (tourism and accommodation).</li> <li>• Provide latest information regarding traffic and road conditions, in cooperation with the police and other authorities.</li> <li>• Consider establishing a Wi-Fi facility so that RSS can disseminate information through SNS, and also for the convenience of visitors.</li> <li>• Provide information in English, Russian, and other languages for foreign tourists, apart from Armenian.</li> </ul>
Regional economic development	<ul style="list-style-type: none"> <li>• Prepare places to exhibit and sell local/OVOP products. Further, prepare places such as a seminar room and outside event spaces for several kinds of activities for regional development.</li> <li>• Consider introducing an information system like POS (point of sales) so that producers can replenish inventories immediately and register the record of sales.</li> </ul>
Disaster prevention	<ul style="list-style-type: none"> <li>• Establish a place to store emergency rations, water, generators, medical kits, and so on, and which can be used as a shelter for victims and base for rescue parties.</li> <li>• It is recommended to discuss with related authorities about equipment and inventories necessary for disaster prevention.</li> </ul>

## (7) Recommendations on management system of RSS

In Japan, majority of RSS has been managed by third-sector companies<sup>9</sup>. This is because the Local Government Act, before amendment, has only permitted local governments to delegate management of third-sector companies and public corporations.

<sup>8</sup> In Japan, MLIT instructs RSS to make facilities barrier-free on the facilities themselves and also the access way between them.

<sup>9</sup> The third sector company is a joint public-private enterprise established per a law regarding utilisation of vitality of the private sector for management of public facilities.



However, third-sector companies have been criticised for administrative inefficiency and deterioration of financial status, which may place a financial burden on local governments for disbursement of subsidiary and loss compensation. Thus, Government of Japan decided to reform third-sector companies' administration, based on the basic policy on economic and fiscal reforms 2008.

**Table 5-12 Management problems of third-sector companies**

Efficiency of administration	<ul style="list-style-type: none"> <li>● Return on Assets (ROA) of third-sector companies were lower than that of private companies, in all size groups apart from a group with a capital stock of under 10 million yen.</li> <li>● As of end of fiscal year 2003, 47% of third-sector companies had received subsidy from the local government. This implies that the amount of profit of third-sector companies would be padded and real rate of ROA of them shall be lower than announced figure.</li> </ul>
Financial status	<ul style="list-style-type: none"> <li>● In fiscal year 2003, 33.6% of third-sector companies recorded a deficit, and 5.8% of them were in the state of insolvency. The tendency is outstanding in the area of tourism and leisure.</li> <li>● The rate of bankruptcy of third-sector companies was lower than that of private companies, although they recorded lower ROA. This implies that third-sector companies were saved for loss compensation and subsidy received.</li> </ul>

(Source) Reference No. 643 (2005) National Diet Library

Under these circumstances, the Government of Japan established a Designated Managers System in 2003 and enacted the law on the reform of public services by the introduction of competition in 2006, which enables the local government to delegate management of public facilities to private companies. The Designated Management System intends to correspond to the diverse needs of citizens more efficiently and effectively, improve public service and try to reduce operating costs, utilising the knowledge and experience of the private sector. Several RSS, which were established after 2006, are managed by designated managers. In total, more than 40% of RSS are operated by this system<sup>10</sup> (Table 5-13) .

**Table 5-13 Number of operators of RSS in Japan (As of April 2013)**

Entities to manage and operate RSS	Number
Local governments	158
Third-party companies	312
Foundations	89
Designated managers	445
Total	1,004

(Source) Document submitted to 4<sup>th</sup> advisory panel of experts on local economy, organised by Cabinet Office (2013)

This system permits designated managers to obtain their income from fees and other revenues from the public facilities. The differences in the characteristics of the previous delegation system and the Designated

<sup>10</sup> Sometimes third-sector companies operate RSS as Designated managers.

Management System have been summarised in table 5-14.

**Table 5-14 Differences between the previous system and the designated management system**

	Previous system	Designated Management System
Outline	<ul style="list-style-type: none"> <li>● Contract between settler and trustee based on laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>● Local government designates managers to administrate public facilities, remaining final authority to the local government.</li> </ul>
Entities that can be delegated	<ul style="list-style-type: none"> <li>● Corporates founded (partially) by the government</li> <li>● Public corporations</li> <li>● Other public entities such as cooperatives</li> <li>● Private companies that have not been a part of that system.</li> </ul>	<ul style="list-style-type: none"> <li>● Entities, including private-sector companies and non-profit organisations, which are designated by resolution of the local council.</li> </ul>
Contract form	<ul style="list-style-type: none"> <li>● Consignment contract</li> </ul>	<ul style="list-style-type: none"> <li>● Agreement, which differs from a contract as defined by the Local Government Act. It is not a bid object, stipulated in this act.</li> </ul>
Merit	<ul style="list-style-type: none"> <li>● It is easy for the local government to reflect their intention on the management of the facilities.</li> </ul>	<ul style="list-style-type: none"> <li>● It can provide higher quality services with less cost incurred.</li> </ul>
Demerit	<ul style="list-style-type: none"> <li>● According to the law, the delegated entity is neither allowed to change fees nor permit other entities to utilise some part of the facility.</li> </ul>	<ul style="list-style-type: none"> <li>● The scope and specification of work is required to be defined rigorously, which may render flexible management difficult.</li> </ul>

The management system of RSS in Armenia has not yet been determined finally, however, it is expected that SMEDNC operates it directly from set-up for few years, and thereafter, delegates the management to the private sector. Due to some part of the public nature of RSS, it is recommended that SMEDNC and other related public institutions continue to supervise, advise, and support the RSS management, creating a system that enables collaboration between the public and private sectors.

With the experience of Japan, in many cases only one entity applies for designated manager for a facility<sup>11</sup>, which makes it unable to judge whether the entities undertake management effectively and efficiently. Therefore, it is urged to take measures to let many entities apply and select the best manager for each facility. In Armenia also it will be desirable to create some kind of system to motivate many private companies to apply for RSS managers. On the creation of the appropriate system for application of private entities, the notice issued by the Ministry of Internal Affairs and Communications in 2012 shall be served (Table 5-15).

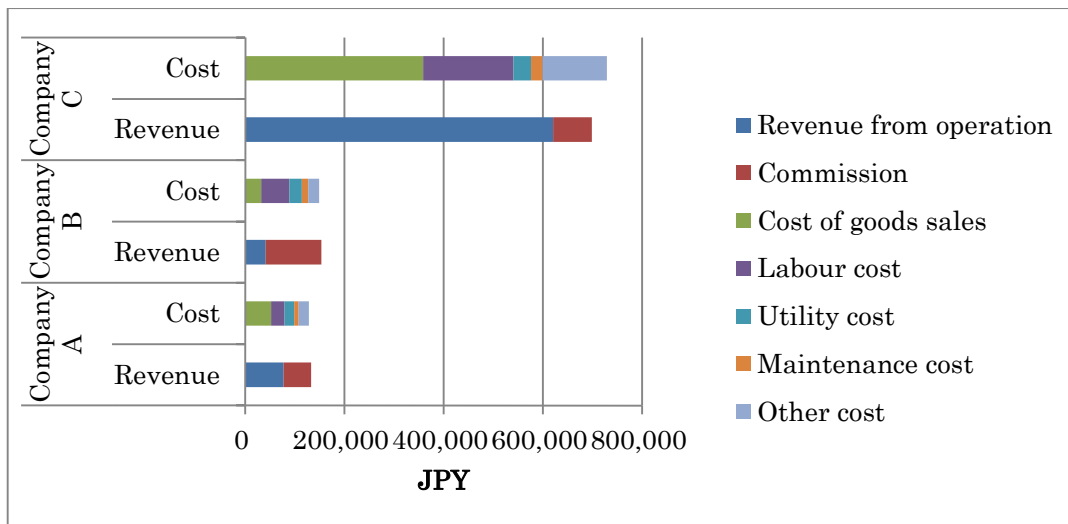
<sup>11</sup> In the case of Kyoto Prefecture in fiscal year 2009, among 22 facilities that had to select designated managers, in 19, only one entity applied for designated manager.

**Table 5-15 Summary of the designated management system**

- Designated Management System can be applied when local governments find it necessary to use, to achieve the objective of public facilities effectively. Local governments can voluntarily determine whether or not to apply this system to manage each facility.
- The Designated Management System differs from the bid system, competing with lowest price. It designates the most appropriate manager for public facilities, with approval from the local council.
- To monitor and evaluate periodically the appropriateness of administration by designated managers, the system asks each local government to set a limited period for designation. However, there is no specific period for agreement defined by laws and regulations, therefore each local government should define the adequate period considering the actual local situation and objective of facilities.
- It is better to select the most appropriate designated manager from among several candidates. Therefore, the local government should follow appropriate procedures so that several candidates submit their proposals for business and operation plans. On the other hand, there are several cases that some facilities have been managed by the same managers, renewing the agreement for designation, based on the evaluation, including the opinions of users. Therefore, the local government should select designated managers appropriately, according to the situation of each facility.
- The local government must secure the safety of facility users. In the agreement with the designated manager, it is necessary to include risk allocation between the local government and the manager, and obligation for subscribing to insurance for damage.
- The local government should monitor that each designated manager respects the acts and ordinances concerning labour, and should endeavour to pay attention to the labour and employment conditions of the workers.
- Further, the local government should ensure that the designated manager treats the personal information of employees and visitors appropriately.
- When the local government is expected to disburse subsidy or commission, they clarify the amount to pay and plan in the budget.

#### **(8) Recommendations on financial planning of RSS**

As mentioned earlier, in Japan most RSS receive commissions and subsidies from the local government, in addition to the revenue from selling local products and the tourism-related revenue. The following figure describes structures of revenue and operational cost of three designated managers of RSS. Companies A and B register operating profit, however, if they did not receive commission, they would have registered an operating loss. Company C receives a relatively low proportion of commission within their total revenue, but still registered an operating loss.



**Figure 5-4 Examples of revenue and cost structure of three Japanese RSS**

For sustainable operations of RSS in Armenia, the following are recommended:

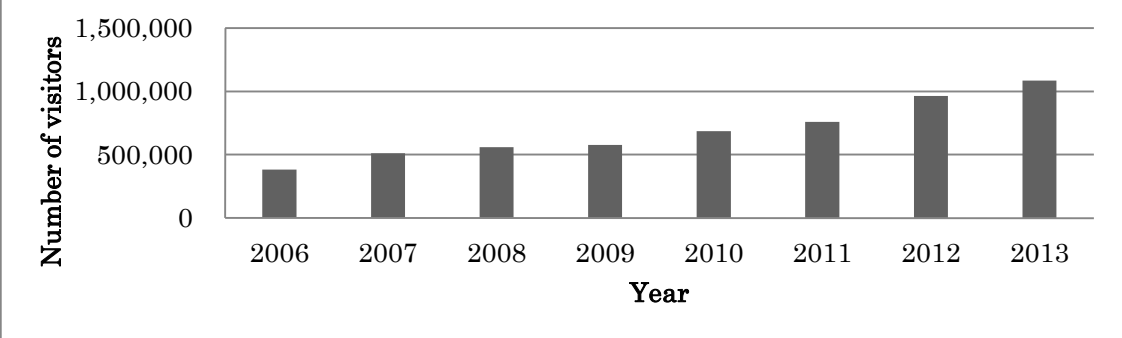
- Prepare and standardise the design and operation plan of RSS so that private sector entities can manage it sustainably. Further, it is imperative to standardise the RSS management delegation system, and format of the agreement between SMEDNC and private-sector managers.
- From the period of operation by SMEDNC, it is required to minimise the cost of operation. As shown in the previous figure, as labour costs constitute around 50% of the total cost, excluding the cost of goods sold, it is necessary to avoid to have excess personnel, realising training employees for multi-tasking.
- To maximise revenue and profit, marketing platforms should be utilised to develop and provide high value-added products/services for satisfying visitors' needs.
- To maximise the number of visitors, each RSS must be attractive, to increase the stopping rate of vehicles as well as the rate of repeating visits. RSS itself can be one of the tourist destinations.
- To attract more visitors, Armenians foreigners both, it is better to collaborate with tourism circuits.

Both Armenia and Japan are promoting to invite more in-bound foreign tourists. In Japan, there are some RSS that target foreign in-bound tourists as the main visitors. In Japan, the Council of Ministers on National Tourism defined an action plan in 2013 to take necessary measures to develop a system for promoting influx of foreign tourists. RSS is considered one of the important resources because they receive many visitors, utilising local products and tourism resources. In 2015, the Japan National Tourism Organization (JNTO) certified 63 RSS that have prepared to receive foreign visitors, with bilingual translation services and so on.

The number of visitors from foreign countries is steadily increasing and reached one million in 2013 (Figure x). Around 60% of them are diasporas living in Russia, Georgia, EU countries, USA, and Iran<sup>12</sup>. It

<sup>12</sup> <http://www.panorama.am/en/news/2010/02/05/apresyan/1157574>

is recommended that Armenian RSS should prepare and invite more foreign visitors, providing a multi-language information system by collaborating with the Department of Tourism, Ministry of Economy.



**Figure 5-5 Number of in-bound foreign tourists to Armenia**

(Source) World Bank <http://data.worldbank.org/indicator/ST.INT.ARVL?page=1>

**5.3.3 Recommendations for reinforcing the sustainability of the Project’s effects**

The recommendations for reinforcing the sustainability of the Project’s effects are noted below, in terms of (1) knowledge diffusion and (2) One Village One Product (OVOP) implementation system reinforcement.

**(1) Knowledge diffusion**

Armenian OVOP movement is promoted by the Armenian OVOP experts, including SMEDNC staff s and BDS (business development service) providers, formed by the Project.

Armenian OVOP guidebook kit, which consists of OVOP concept note, OVOP casebook, marketing platform manual and educational materials on *Kaizen* (Continuous improvement) and branding, has been applied for forming the experts. The kit was also presented to different stakeholders in the Project’s closing seminar held on January 18, 2016.<sup>13</sup>

For reinforcing the sustainability of the Project’s effects, it is important to utilize these materials in the following manners.

- Platform manual: It is expected that SMEDNC staffs and the others would apply the manual for organizing different marketing platforms, including structured market survey, festivals related to local industry, and so forth.
- Educational material on branding: Different SMEDNC staffs have already applied this material for providing the advices to the local enterprises and entrepreneurs. It is expected that all of the SMEDNC regional staffs would understand the material so that Armenian OVOP movement could be developed in all of the regions.
- Educational materials on *Kaizen*: This material can be applied for any activity related to business administration and/or local economic development. In fact, some local NGOs, including CARD, have

<sup>13</sup> The event was covered by approximately 10 entities of the mass media, including ARMENPRESS, ARMRADIO and so on.

applied this material for their own activities. Thus, the knowledge organised by the Project can be used widely. This will be able to expand the Armenian OVOP's positive impacts.

It is important to mention that the purpose of the manual is different from that of the educational materials, as noted below.

- The main purpose of the educational materials is diffusing the knowledge. Therefore, the contents of the materials can be used not only for Armenian OVOP participants and SMEDNC staffs but also for different stakeholders.
- The platform manual presents the work processes for organizing the marketing platform. In this sense, the manual can be used less widely than the educational materials; however, it is highly practical for this specific topic.

## **(2) OVOP implementation system reinforcement**

For further development of the Armenian OVOP movement, it is important to incorporate the local initiatives in the movement which has been promoted by SMEDNC.

Some village mayors have supported for the implementation of the movement so far. It is expected that more local governments would participate in it. The local governments and actors could carry out the important functions for the local economic development.

## **5.4 Conclusions**

It is expected that the positive effects generated by the Project would be diffused and reinforced by the following actions, for sustainable local economic development in Armenia.

- Diffusion of Armenian OVOP method based on *Kaizen*
- Incorporation of the local initiatives in the Armenian OVOP movement
- Challenging new topics such as the exportation of Armenian products and the operation of a roadside station

The application of the recommendations presented in this report would be appreciated, for developing these actions.

(END)