
Business Plan for Ecotourism in Nam Et-Phou Louey National Protected Area, Lao PDR

Roshan Bhula
Naveed Makhani
Renita Sinn
Lauren Stark

Haas School of Business University of California, Berkeley

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EXECUTIVE SUMMARY

Lao PDR (Laos) has identified ecotourism as a national strategy to drive poverty reduction, sustainable development, and the protection of the natural and cultural heritage of the country. In alignment with this strategy, Nam-Et Phou Louey National Protected Area (NEPL-NPA) is in a unique position to collaborate with private, public, and community stakeholders to develop ecotourism in one of the largest protected areas in Laos.

The main competitive advantage of NEPL-NPA is that it is one of the eight Tigers Forever sites in Indochina and the only location in Laos where tigers and their prey may be seen. Leveraging this competitive advantage, NEPL-NPA has the opportunity to develop an ecotourism model that is focused on conservation and preservation of wildlife and their habitat. Careful construction of conservation agreements will allow NEPL-NPA to create a direct link between ecotourism revenues and the reduction in threat to tigers and their prey. With the involvement of NEPL-NPA, low impact, moderate volume ecotourism will serve as a vehicle for encouraging the cessation of wildlife trade in and around the protected area and as a means for improving the livelihoods of the communities surrounding NEPL-NPA.

Examining the trends of the overall tourism industry reveals that personal travel and tourism will become a \$158.4 billion industry by 2019. Under the broad tourism umbrella, ecotourism will see a growth rate of approximately 20% annually, spurred by an increase in global awareness of environmental and conservation issues. More specifically, Laos will partake in this tourism boom and experience growth rates of 7.5% annually between 2010 and 2020. Houaphanh Province, where NEPL-NPA is situated, will see visitor numbers grow significantly over the coming years, increasing from just over 3,000 international non-regional visitors in 2007 to more than 20,000 by 2015.

An increase in the number of visitors to Houaphanh province will result in an increase in demand for differentiated ecotourism products. As a first step to creating an ecotourism product, an understanding of the international visitor segment must be established – who they are, what activities they are interested in, what they value, and how much they spend. Market research revealed that there are currently six customer groups who visit Laos. Of those six, two customer segments emerged as the primary target groups for NEPL-NPA: “Backpacker Plus”, composed of moderate to high-income professionals taking long periods of time off to experience the world, and “General Interest”, high-income tourists traveling for a shorter period of time. Both of these groups are drawn to authentic experiences involving culture, nature, and wildlife, as well as learning opportunities and quality accommodations and accessibility.

The proposed ecotourism products in the protected area were evaluated along several dimensions, including product features, market attractiveness, impact on stakeholders, and logistical requirements. While it was challenging to find a product that provides an obvious link to conservation through the opportunity of seeing exotic wildlife (i.e. tigers and other endemic species), the Nam Nern River emerged as the most compelling site for ecotourism development.

We recommend that NEPL-NPA create the “Nam Nern River Experience”, an authentic, interactive, and educational wildlife experience along the Nam Nern River. To create a tour that will appeal to the target General Interest and Backpacker Plus segments, NEPL-NPA should design the Nam Nern River Experience with the key value drivers of these segments in mind: education, authenticity, culture, uniqueness, and comfort. Integrating these value drivers into a biodiversity and wildlife learning experience will allow NEPL-NPA to build stronger ties to conservation at the community level and deliver a unique value proposition for tourists.

Turning to the financial feasibility of the Nam Nern River Experience, we expect revenues in the initial few years to be low as the tour operation is in its infancy stages. We anticipate the tour will operate at a loss for

the first three years of operation, particularly as capital costs are incurred and visitor numbers remain at a lower level in the region. Substantial funding or outside investment is needed to supplement these losses. However, the Nam Nern River Experience has the opportunity to become financially viable if it is able to weather the first few years of operation. While it may take several years to reach an accumulated profit breakeven and recoup the losses from the first years of operation, a well crafted distribution agreement will ensure that substantial benefits are accrued to stakeholders such as the local communities, government, and NEPL-NPA enforcement even in periods of losses.

We recommend that NEPL-NPA enter into a concession agreement with a private operator to provide the Nam Nern River Experience. With a concession agreement, the core competencies of the NEPL-NPA and WCS, and the private operator are fully leveraged. Engaging a private operator directly is beneficial because NEPL-NPA would gain product development, operations, and marketing expertise that would otherwise need to be acquired. A concession model would allow for WCS' continual involvement to ensure that conservation objectives are being met within the protected area.

We envision NEPL-NPA and WCS' main contributions to the concession agreement to be in the area of:

- Screening and selecting a private tour operator
- Ensuring product development and operation in accordance to ecotourism guidelines and conservation targets
- Providing conservation and environmental expertise in areas such as guide training
- Brokering and maintaining relationships with key governmental entities
- Leading village outreach to disseminate important ecotourism and conservation information
- Creating and enforcing a system to allocate revenue for distribution to key stakeholders
- Developing and implementing a process to distribute benefits and services to villagers in a way that creates a strong link between ecotourism benefits and wildlife conservation

However, if a private partner cannot be found due to unfavorable market conditions, we recommend that NEPL-NPA and WCS consider going forward with this project as the sole operator of the Nam Nern River Experience. However, WCS brings critical financial, intellectual, and managerial resources to the NEPL-NPA; without these resources, the NEPL-NPA would likely not be able to successfully develop and operate the tour. As such, we recommend that this option be pursued only if WCS can commit the necessary operational and financial resources to the project for a minimum of 5 years.

With careful business planning and consideration, adequate funding, and continual support and involvement of key stakeholders, the Nam Nern River Experience could become the model ecotourism product that appeals to international visitors, educates the community about sustainable use of the protected area, encourages the conservation of wildlife and their habitats, and provides supplemental income to the local community.

I. Introduction

1.1 Project Description

The Wildlife Conservation Society (WCS) and the Haas School of Business worked together to develop an ecotourism program that highlights the wildlife diversity of NEPL-NPA while promoting conservation, sound natural resource management, and community involvement and awareness.

The scope of the project included:

- A feasibility study analyzing the potential for ecotourism in NEPL-NPA.
- A business plan outlining a specific ecotourism product as recommended by the Haas School of Business International Business Development team.
- An implementation plan outlining major initiatives and next steps to take.

1.2 Prior Progress

WCS has been working in wildlife conservation in Laos since 1994. Its work in the Nam Et-Phou Louey National Protected Area (NEPL-NPA) commenced in 2001 and includes conservation of one of the few remaining tiger populations in Indochina. Recently, NEPL-NPA began analyzing the opportunity for ecotourism as a means to promote conservation through the following initiatives:

- NEPL-NPA conducted two ecotourism product surveys in conjunction with SNV Netherland Development Organization (SNV), Houaphanh and Luang Prabang Provincial Tourism Offices and the Lao-American Project. The organization has identified a suite of products for potential ecotourism development in the NPA.
- An evaluation of the ecotourism potential of NEPL-NPA was performed by consultants from Earth Matters.
- Several surveys of visitors, visitor services, and national tourism operators were performed by WCS to evaluate the potential for ecotourism in NEPL-NPA.
- WCS prepared a funding proposal to Tourism Cares to build a visitor center in NEPL-NPA. The proposal was funded by Tourism Cares and private donors.
- Jointly with Lao Women's Union and Carpe Diem Tours, WCS contributed to a workshop and a brochure to guide the design of conservation-focused responsible tourism.

1.3 Approach

The findings and recommendations made in this business plan are based on sources such as research papers, academic databases, and other publications, as well as over 20 informal interviews conducted with WCS and

NEPL-NPA staff, tourism operators, government officials, and business owners (See *Appendix D- Project Methodology* for a complete list of interviews).

II. OVERVIEW OF TOURISM INDUSTRY IN LAOS

2.1 Industry Trends

2.1.1 Overall Tourism Industry

Overall, the tourism industry is poised for growth over the next decade as people become more insulated by technology and start to crave activities that involve “the human touch”.¹ International travel will become more common as countries become more industrialized and people become more affluent. Personal travel and tourism is expected to increase from \$61.5 billion in 2009 to \$158.4 billion in 2019. The East Asia and the Pacific region, increasing at 6.5% per year, will pass up the Americas as the second largest receiving region (after Europe), holding a 25% market share in 2020.²

2.1.2 Ecotourism and Nature-Based Tourism

“Ecotourism is travel to fragile, pristine, and usually protected areas that strive to be low impact and (usually) small scale. It helps educate the traveler; provides funds for conservation; directly benefits the economic development and empowerment of local communities; and fosters respect for different cultures and for human rights”.³ Over time; ecotourism has evolved to include many forms of travel, including adventure and nature travel, educational, wildlife-watching, and research tours. With increasing public awareness of environmental issues and the need for sustainability, ecotourism has experienced a growth in popularity. In its most recent tourism forecast report, the World Tourism Organization projected that the demand for ecotourism will grow at a rate of 20% annually.⁴

2.1.3 Laos Tourism Industry

The demand for travel to Laos has remained relatively steady over the past ten years. In 2007, there was a significant concentration of demand among the Asian Pacific travelers, who represents 86.6% of tourist arrivals and was comprised mostly of individuals from Thailand (58.5%) and Vietnam (17.9%). Similar to the rest of East Asia, Laos saw international arrivals from Europe (9.1%), with most individuals coming from France (2.1%), Germany (1.2%), and United Kingdom (1.9%). The Americas region trails with arrivals of 3.8%, the majority of whom come from the USA. Collectively, international tourists (non-regional) arrivals were 323,389 in 2007.

2.1.4 Impact of Tourism on the Laos Economy

In the 2008 Travel & Tourism Economic Impact assessment, the World Travel and Tourism Council predicted that the travel and tourism industry in Laos will observe the following trends:

- Contribution to GDP will fall from 10.8% (\$622.9 million) in 2009 to 9.3% (\$1,424.5 million) in 2019
- Contribution to employment will fall from 8.6% (194,000 jobs) in 2009 to 7.4% (205,000 jobs) in 2019

¹ *Tourism 2020 Vision: Global Forecasts and Profiles of Market Segments*, Madrid, Spain: World Tourism Organization, 2001, Volume 7

² *Tourism 2020 Vision: East Asia and Pacific*, Madrid, Spain: World Tourism Organization, 2000, Volume 3

³ Honey, M.. *Ecotourism and Sustainable Development*. Washington, DC: Island Press, 2008

⁴ *Tourism 2020 Vision: Global Forecasts and Profiles of Market Segments*, Madrid, Spain: World Tourism Organization, 2001, Volume 7

- Real GDP growth will increase from -1.2% in 2009 to average 4.7% over the next ten years
- Export earnings (expenditures by visitors on goods and services in the host economy) will decrease from 21.4% of total exports (\$267.6 million) in 2009 to 17.6% (\$491.9 million) in 2019

As it stands, the number of tourists travelling to Laos has increased steadily since 1990 and is expected to grow over the next seven years.

2.2 Attractiveness of the Ecotourism Industry in Houaphanh

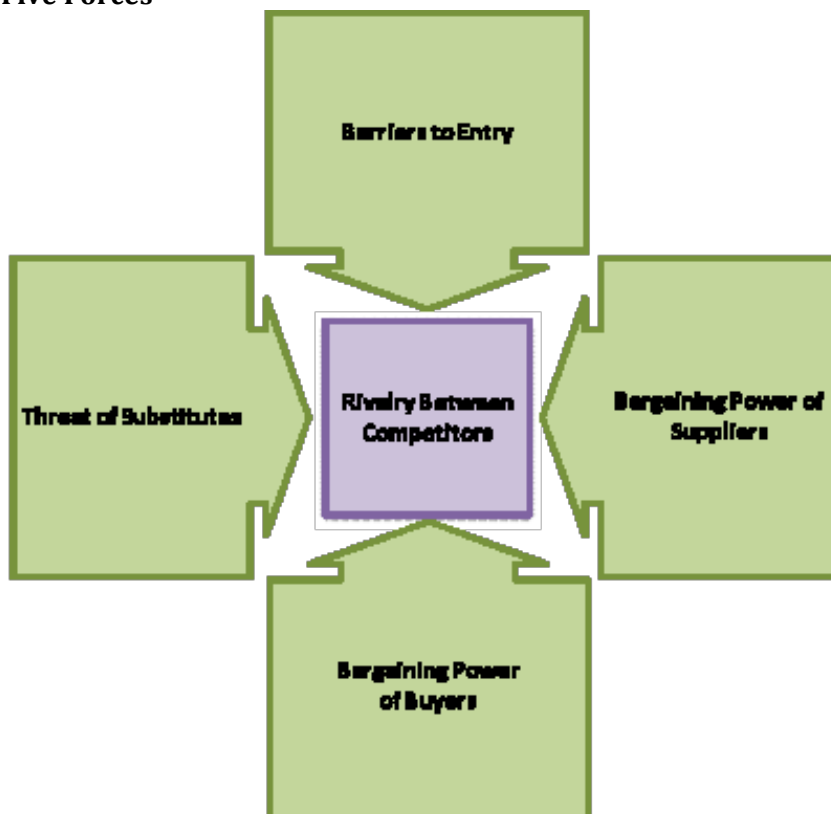
2.2.1 Objective of Industry Analysis

Industry analysis is a valuable exercise that accomplishes several objectives:

- Identifies the drivers of industry profitability and the parties who are able to capture the majority of the revenue generated by the industry.
- Creates a framework for making strategic decisions regarding entry, exit, or expansion in a market.
- Highlights relationships that need to be managed.

The ecotourism industry in Northern Laos and the Houaphanh Province may be analyzed using Michael Porter's Five Forces framework.

Table 2.2.1a Porter's Five Forces



2.2.2 Results of Industry Analysis

	Rivalry Among Competitors	Barriers To Entry	Threat of Substitution	Bargaining Power of Suppliers	Bargaining Power of Buyers	Industry Attractiveness
Regions in N. Laos	High	Low	Low	N/A	Moderate	Low
Inbound Operators	High	Moderate	Low	Low	Moderate	Moderate
Accommodations	High	High	Low	Low	Moderate	Moderate

We examined the ecotourism industry through the lens of three different players – competing regions in Northern Laos, inbound operators, and accommodation businesses. Examining the industry from the viewpoint of competing regions in Laos allows for a macro-view of the ecotourism landscape in Laos while the viewpoint from accommodations businesses’ perspective allows for a micro-view of the industry.

From our assessment, the attractiveness of the ecotourism industry is low with respect to the regions in Northern Laos. Rivalry is intense between regions such as Houaphanh, Luang Prabang, and Luang Namtha as each strives to capture the most visitors with semi-differentiated products. Barriers to entry are low with many provinces now encouraging the development of the same ecotourism products (i.e. caves, treks, and waterfalls). Laos is also in a difficult situation, having to compete for the attention of international visitors who have the choice of visiting Thailand, Cambodia, or Vietnam. These visitors or “buyers” have relatively strong power because they can demand a unique and differentiated experience as a requisite for visiting a country.

From the perspective of inbound operators, the ecotourism industry in Houaphanh district is only moderately attractive. While there is significant rivalry among competing local tour operators, there are enough barriers to entry, such as high capital requirement, to deter new players from entering the market. Farmers and villagers, who are the suppliers of goods and services to operators, have insignificant leverage with the operators because the operators can easily source from a different provider. Visitors have strong bargaining power because they are relatively well informed and are rarely tied to one operator.

The ecotourism industry is also moderately attractive for accommodation businesses in Houaphanh province. In Houaphanh, there is a growing number of accommodation businesses and a low volume of tourists, leading to rivalry among competitors. However, entering into the guesthouse business requires a significant amount of capital, which is a potential deterrent to new entrants. Tourists on vacation have limited options for places to stay and are likely to patronize an accommodations business. However, tourist bargaining power may be strong since they have the option of choosing between different guesthouses in the same area.

See *Appendix A- Porter’s 5 Forces Analysis* for detailed industry analysis.

2.3 Current Environment

2.3.1 Laos Development Overview

Strategically positioned on in the Mekong region of Southeast Asia, Laos is currently one of the least developed countries in the world, ranking 23 out of 50 on the United Nations list of Least Developed Nations. With a population of 5.8 million people, GDP per capita of \$1,700 (2003 estimate), infant mortality rate of 59 (per 1,000 live births), and life expectancy of 64 years, Laos faces a variety of problems including poverty, social inequities, and natural resource management issues. Working with the World Bank and other international agencies, the Laos government hopes to exit the Least Developed Countries list by 2020.

In addition to encouraging direct foreign investment in industries such as mining and hydropower, the Laos government has identified tourism as an important industry to drive poverty reduction, sustainable development, and the protection of the natural and cultural heritage of the country. One of the goals of the LNTA is to develop Laos into a global ecotourism destination in a sustainable manner, while reducing the poverty level of Lao citizens.

2.3.2 Recent Developments

In September 2008, the Asian Development Bank (ADB) made a \$10.0 million grant to Laos for the development of tourism in the country as a part of the broader initiative to support tourism in the Greater Mekong Sub-region. The LNTA has designated nine provinces as beneficiaries of ADB funds: Houaphanh, Champasak, Salavanh, Savannakhet, Vientiane, Oudomxay, Sayabouli, Bokeo, and Luang Namtha. Of the \$10 million, an initial \$400,000 will be used on pro-poor tourism development in the Houaphanh province.

2.4 Ecotourism Development in Viengthong and NEPL-NPA

2.4.1 Objective of Strength, Weaknesses, Opportunities, Threats (SWOT) Analysis

A SWOT analysis is a planning tool that is used to identify the internal or external factors that are favorable to achieving the objective of the strategy or project proposed. Strengths are indicative of a competitive advantage and may be paired with opportunities to explore new ventures while weaknesses may be minimized, avoided, or converted into strengths.

2.4.2 SWOT Analysis for Ecotourism in Viengthong

We found that the main competitive advantage of Viengthong is that the town is located strategically on the Northern Heritage Route. The Northern Heritage Route is an informal designation of the route that connects the Vieng Xay caves near Sam Neua, to the Plain of Jars in Phonsavanh, to Luang Prabang. This route will be developed formally in the next several years. Viengthong's weakness is that the town is currently not equipped to serve the accommodation, transportation, and food requirements of international tourists. An even greater threat to ecotourism in Viengthong is if ecotourism accelerates in an uncontrolled manner and if the products developed are undifferentiated from those in other areas. However, situated on the Northern Heritage Route, Viengthong has the opportunity to contribute to the attractions of the Northern Heritage Route through the natural attractions in NEPL-NPA.

Strengths	Weaknesses
<ul style="list-style-type: none">▪ Location is on the Northern Heritage Route▪ Logical launch point into NEPL-NPA▪ Easy access to communities around the NEPL-NPA management zone	<ul style="list-style-type: none">▪ Tourists do not stay in town because there are no tourist activities currently▪ Viengthong community is not equipped to serve the needs of international tourists

<ul style="list-style-type: none"> ▪ Off the well-trodden path ▪ Small town warmth and charm ▪ Pastoral scenery ▪ Beautiful natural landscape: forests, caves, and waterfall within proximity of city limits ▪ Hot springs locations in the town ▪ Not overdeveloped ▪ Basic infrastructure exists: accommodation, restaurants, and shops ▪ Bus service exists and runs through the city 	<ul style="list-style-type: none"> ▪ Foreign language skills of residents are poor ▪ Guesthouses are not well designed and may need upgrade ▪ Restaurants are few and do not offer enough variety ▪ Wildlife has retreated far into the core of NEPL-NPA and is no longer visible from the areas near Viengthong ▪ Electricity is unreliable in high season (4 hours electricity per day)
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Villagers are eager to contribute goods and services to ecotourism products ▪ Viengthong serves as a home base for conservation awareness ▪ Town is a beneficiary of an Asian Development Bank grant that will support capacity building in the area ▪ Preliminary development plan for the Northern Heritage Route includes Viengthong and NEPL-NPA ▪ Government is aligned at the national, provincial, and district level to support ecotourism. 	<ul style="list-style-type: none"> ▪ Development of poor quality products that are not differentiated from those in other areas ▪ Uncontrolled tourism development (flood of accommodations, restaurants, shops) jeopardizes the appeal of the area ▪ Villagers do not perceive a link between tourism and conservation ▪ Continued deforestation and wildlife trade destroys the opportunity to develop ecotourism ▪ Lack of tour operator interest impedes development of tourism attractions

2.4.3 SWOT for Ecotourism in NEPL-NPA

The main competitive advantage of NEPL-NPA is that it is one of the only locations in Laos where tigers and their prey may be seen. However, NEPL-NPA's greatest weakness is that the area is impacted by agricultural use of the land, which has reduced the frequency of wildlife sightings. A major threat to NEPL-NPA is that the ongoing illegal wildlife trade will further affect the ability to view wildlife in the area. However, NEPL-NPA has a unique opportunity to use ecotourism revenues to incentivize the cessation of wildlife trade. Careful construction of conservation agreements that bridge the link between reduced threat levels and increased profit will assist NEPL-NPA with achieving its objective of increasing the number of prey in the area.

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ One of the eight Tigers Forever sites ▪ Among the largest protected areas in Laos ▪ More wildlife can be seen in NEPL-NPA than other areas in Laos ▪ Biodiversity of plants and animals is unique ▪ Located near a logical gateway town 	<ul style="list-style-type: none"> ▪ Wildlife sightings are infrequent and inconsistent ▪ Areas around NEPL-NPA do not currently attract many visitors ▪ Same natural landscapes can be found at other sites in Laos
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Ecotourism is a new source of income for NEPL-NPA ▪ Chance to link revenue to decreased wildlife threat levels ▪ Ecotourism is poised to grow in the area and 	<ul style="list-style-type: none"> ▪ Continued wildlife poaching and trade will reduce the uniqueness of NEPL-NPA ▪ Rapid development will destroy the untouched aspect of NEPL-NPA

III Market Analysis

3.1 Customer Insights

3.1.1 Segments

The Laos National Tourism Administration (LNTA) and Houaphanh Provincial Tourism Department (HPTD) provide extensive data on visitors to their regions. Over 1.7 Million tourists visited Laos in 2007, with 323,389 of these being international tourists. According to LNTA data, 81% of tourists report that their primary purpose is vacation, bringing the number of International Non-Regional tourists on vacation to 261,945. While only a fraction of these tourists made the long journey to Houaphanh Province in 2007, the annual number of visitors to Houaphanh has been increasing. In 2007, 7,247 tourists visited the province, nearly double the amount from 2006.⁵

Because international tourists are the primary target for ecotourism programs in the NEPL NPA, these tourists may be further understood by categorizing them into several segments. Leveraging research on tourism industry best practices, interviews with tour operators within Laos and internationally, interviews with accommodations providers, and existing LNTA data, we have determined that there are six customer segments. A refined understanding of the expectations of these tourist groups will help the NEPL-NPA create a more successful tourism product.

- *Backpacker:* The Backpacker is generally a student or recent graduate who is traveling on as little money as possible for several months or a year. While Backpackers are often interested in scenery, trekking, and experiencing new locations, because of financial limitations, these tourists are extremely price sensitive when assessing trip activities. Their key motivator is having fun and seeing the world. However, to save money, this group stays in the lowest cost accommodations, often sacrificing comfort. These tourists are only willing to pay for tour experiences that well fit into their limited budgets.
- *Backpacker Plus:* Like the Backpackers, tourists categorized in the Backpacker Plus segment are traveling for extended periods of time. However, this group is composed of moderate to high-income professionals without children who are taking time off to experience the world. This group of tourists is interested in the authenticity of their interactions with culture and the environment. When selecting a tour, learning new information is a priority, and they are willing to spend more money on travel experiences that will fulfill their desire to learn. Backpacker Plus tourists will stay in a mix of lodging during their trip, including eco-lodges, higher quality guest houses, and hotels. Though cost for accommodations is important to this group, they prefer not to sacrifice cleanliness or comfort.
- *General Interest:* Tourists in the General Interest category have many of the same interests as the Backpacker Plus group. This group is interested in authentic cultural experiences, nature, and soft adventure activities. Soft adventure includes activities such as white water rafting, kayaking, or zip lining. However, because these tourists are traveling for a shorter period of time than the Backpacker Plus, convenience and accessibility of tour options is an important factor for them. Transportation to and from tour destinations must be reliable because this group has limited vacation time. Like Backpacker Plus tourists, General Interest tourists look for travel opportunities with learning potential. They prefer

⁵ Laos National Tourism Authority. [2007 Statistical Report on Tourism in Laos](#). Vientiane, Laos: 2007.

to stay in comfortable accommodations such as hotels or eco-lodges. Some of these tourists chose to travel in organized groups.

- *Special Interest:* Special interest tourists have a hobby which they are pursuing while on vacation. They are willing to travel long distances, stay in less comfortable accommodations, and pay larger sums of money to indulge in their passion. Examples are wildlife enthusiasts, bird watchers, cyclists, motorcyclists, war history buffs, and scientific researchers. They prefer to travel in small groups, and require guides with extensive technical knowledge and ability to deliver the promised experience. Volunteers and student groups also fall within this category, though with a lower willingness to pay for travel activities.
- *High Volume:* High Volume tourists travel in large tour groups. Often mature professionals or retirees, these individuals prefer the convenience and security of trips that are coordinated by experienced tour companies. They have a superficial interest in nature, culture, and wildlife, and are not willing to travel long distances or sacrifice comfort for travel experiences. For example, High Volume tourists would be interested in a musical performance offered at their hotel but would not be interested in a trek to remote villages. These tourists prefer to stay in comfortable, western-style hotels. High Volume tourists avoid travel risks.⁶
- *High End:* High end tourists are willing to pay rates far above their peers for experiences that are unique and exclusive. These individuals are often CEOs, senior executives, or entrepreneurs with high income and net worth. They use elite travel agencies to plan customized itineraries based on their interests and to manage the inconveniences associated with travel. Many are risk adverse. Though some are willing to sacrifice comfort for short periods in pursuit of a unique experience, they prefer to stay in luxury hotels and resorts while on vacation.

3.1.2 Tourist Purchase Criteria

Travelers have a variety of options. Before their trips, tourists compare destinations and select the one that most strongly matches their vacation interests and preferences. Once their general destination is finalized, tourists seek activities and accommodations based on their expectations, interests, and priorities. By surveying international travelers, reading posts on travel sites, and interviewing tour operators and Laos tourism experts, several key criteria that tourists use to assess travel opportunities have emerged. Because the interests and needs of each segment differ, customers in different segments tend to value these travel aspects differently.

- *Uniqueness:* Tourists will generally only travel long distances for unique experiences. More specifically, tourists to Laos tend to be well-educated and well-traveled individuals, whose point of reference when evaluating travel sites are iconic destinations around the world. For instance, a typical tourist to Laos may have already taken a safari in Africa, seen the Taj Mahal in India, and explored the rain forests of Costa Rica. A product must be unique to lure them, particularly from traditional Laos tourist destinations, such as Luang Prabang.

Operator Perspective:

“Clients will find a long drive acceptable for an experience that is adventurous, memorable, and exciting.”⁷

- *Exclusivity:* Certain tourists prioritize experiences that others cannot access. For instance, High End tourists value experiences that are exclusive and are willing to pay more for differentiated products.

⁶ Adapted from: Tapper, Richard. Wildlife Watching and Tourism: A study on the benefits and risks of a fast growing tourism activity and its impacts on species. Bonn, Germany: United Nations Environment Programme, 2006.

⁷ Anonymous tour operator interview

Tourist Perspective: Visitor to Costa Rica

“The park was crowded with many tourists. It felt a little bit over-run and not really like a special experience.”⁸

- **Nature and Wildlife:** Many tourists enjoy spending time in nature, seeing wildlife, and appreciating different types of scenery. Nearly 90% of tourists to Laos report that they are interested or very interested in seeing wildlife and nature.⁹ In addition, tourists look to experienced guides to help them understand the natural environments and wildlife they encounter on tours. According to a recent United Nations study on wildlife tourism,

“Key factors in wildlife watching tourism are being able to experience animals in the wild, to observe their ‘natural’ behavior (although this may be affected by tourism activities), and to appreciate their beauty. Public attention inevitably tends to focus on species that are more easily observed – particularly larger species, that show dramatic behaviors – such as predators, or that are symbolic, rare or exotic¹¹. However, good guiding and interpretation can make any species interesting to the public, and for tourists these aspects often form an important and memorable part of their wildlife watching experiences.”¹⁰

Tourist Perspective:

Best part of an ecotour: “being able to enjoy an entire day outdoors and experience nature so much more intimately than if we had driven around on a bus or a large cruise ship.”¹¹

- **Culture:** According to tour operators who cater to a cross-section of customer segments, the lure of experiencing Lao culture is a key motivator for tourists to Laos. The 2007 Mekong Private Sector Development Facility (MPDF) survey found that over 95% of tourists to Laos report that they are either interested or very interested in learning about Laos culture and history.¹² In fact, according to tour operators, culture is in general a primary motivator for tourists when choosing travel destinations around the world.

Operator Perspective:

“Wildlife and natural elements will not be enough to provide a unique experience to well-traveled individuals. Look for ways to integrate cultural tourism to the program to make it a success.”¹³

Tourist Perspective: Visit to Vietnam

“We recently spent several weeks travelling through Vietnam and the “Fishing Tour” run by Hoi An Eco Tours was really great. We met many friendly fisherman, experienced the various ways they fished, even went in several different boats!! And had a WONDERFUL lunch! These guys run several tours: fishing, farming etc. The trips make you appreciate how hard these people have to work for a meal... Highlight of our trip to Vietnam”¹⁴

- **Comfort and Cleanliness:** Comfort and cleanliness of accommodations is extremely important to International tourists. Tourists typically want a nice, comfortable place to stay. Even the tourists who are

⁸ Haas Business Team Survey 2009.

⁹ SNV Netherlands Development Organization. [MPDF Visitor Survey](#). Laos: 2007.

¹⁰ Tapper, Richard. [Wildlife Watching and Tourism: A study on the benefits and risks of a fast growing tourism activity and its impacts on species](#). Bonn, Germany: United Nations Environment Programme, 2006.

¹¹ Haas Business Team Survey 2009.

¹² SNV Netherlands Development Organization. [MPDF Visitor Survey](#). Laos: 2007.

¹³ Haas Business Survey 2009.

¹⁴ Happyeateraus Trip Advisor User. "Highlight of Our Trip to Vietnam." [Tripadvisor](#). March 3, 2006 <

http://www.tripadvisor.com/ShowUserReviews-g298082-d1382689-r25481504-Hoi_An_Eco_Tours-Hoi_An.html>.

willing to camp for one or two nights generally want such a trip to be bookended by stays in comfortable hotels. Tour operators interviewed have noted that the lack of a hotel or guest house that meets the expectations of western travelers is a major limitation of Viengthong. In addition, cleanliness was the number one factor influencing choice of accommodations for survey respondents.

Tourist Perspective:

Worst parts of eco-tour: “Bugs... rained... and was colder than expected”¹⁵

- *Opportunities for Learning:* Many tourists seek opportunities to learn when traveling. Customer willingness to pay often increases when tour companies offer quality learning opportunities. This aspect is a particular driver of willingness to pay for tourists in the General Interest, Backpacker Plus, and High End segments. These tourists value knowledgeable guides, who can deliver authentic learning opportunities. For instance, tourists are interested in topics ranging from wildlife in their habitats to medicinal use of plants to the sustainable harvesting of animals for food. Guides must be even more knowledgeable to cater to Special Interest travelers, who have very particular interests.

Tourist Perspective: *Visit to Costa Rica*

I enjoyed that, “a guide pointed out many species of animals [that] I would not have been able to see on my own walking through a forest. Also, the guide brought binoculars so that we could get a better view of the animals.”¹⁶

- *Convenience and Accessibility:* Travelers with limited time need secure transportation so that they can see everything they expect during their fixed stay. Thus, the convenience of a destination is important to such travelers. Because of time limitations, international visitors hesitate to travel to less accessible regions of Laos without compelling activities and tours at the destination. Shorter experiences (1-2 days) are more appealing to tourists with limited travel time than longer treks because these tourists want to pursue a wider range of experiences on their trips. As such, many tour operators limit overnight trips to 1 night to improve the marketability of the trip.

Tourist Perspective:

“Flexibility of taking long vacations is not high in Japan. Therefore, destination and length of the travel would be limited for the middle-aged generation.”¹⁷

- *Food Options:* For many visitors, the opportunity to try a new cuisine is an important part of experiencing local culture. However, though tourists want to try new dishes, they do not want to try anything too unusual. In addition, tourists require that food be reasonably safe and sanitary. A major challenge for tour operators is developing a supply chain to deliver high quality food to tourists on trips in remote areas. Organizations that plan treks through villages with home stays mitigate this risk by training villagers in food hygiene. A second major challenge for tour operators is securing a source of clean water for tourists.
- *Risk:* Some travelers are more comfortable with risk than others. High Volume tourists travel in large groups with established operators to minimize their risk and ease their travel experience. Similarly, High End tourists pay large amounts of money to mitigate their travel risks. By contrast, General Interest and Backpacker Plus tourists often enjoy soft adventure activities like white water rafting or zip lining. They are willing to accept risks for experiences that they perceive as authentic and adventurous. Many tourists feel more comfortable with operators who visibly mitigate the risks associated with a trip by providing a safety orientation and investing in safety gear like life jackets and first aid kits.

¹⁵ Haas Business Team Survey 2009.

¹⁶ Haas Business Team Survey 2009.

¹⁷ Haas Business Team Survey 2009.

- **Price:** Willingness to pay varies drastically by customer segment. While quite high for High End and Special Interest tourists, willingness to pay is quite low for the Backpacker segment. Though General Interest and Backpacker Plus tourists often travel with a budget in mind, they are willing to pay larger amounts of money for experiences they deem unique and authentic. Willingness to pay also varies by experience, with some tourists willing to pay higher prices for certain types of experiences than they would for others.
- **Transparency:** When participating in a tour that claims social and environmental responsibility, tourists expect visibility into how revenue is distributed to benefit local communities and habitats. Some tour operators have responded by providing a breakdown of how funds are spent and what benefits have been achieved by the program. Socially minded travelers have come to expect such transparency, and providing this information to customers may improve their overall experience.

Tourist Perspective: *Visit to Laos*

“Make sure that you can unequivocally demonstrate your “eco” credentials (i.e. benefit/lack of adverse impact on local eco systems) and your positive impacts on local peoples and communities. Too many eco-tourism projects are nothing of the sort and actively damage the environment.”¹⁸

Case Study: Transparency at Green Discovery

For each of its tours, Green Discovery publishes a pie chart that shows customers how each dollar of tour revenue is allocated across stakeholders. By providing this information online and in its brochures, Green Discovery creates transparency for its customers. Distribution categories documented include Green Discovery profit and overhead, villagers, tour employees (guides, drivers, and food providers), NPAs as applicable, community based tourism development funds, and taxes.¹⁹

3.1.3 Willingness to Pay

An understanding of customer of Willingness to Pay (WTP) is critical information when determining the price for a new product. WTP for the Backpacker segment is the lowest of all customer groups at \$30 or under per day while the Backpacker Plus and General Interest segments are each willing to spend more money. Finally, High End and Special Interest tourists are willing to spend upwards of hundreds of dollars per day on a tour.

Willingness to Pay increases for certain types of tour experiences. For example, WTP is higher for tours that involve special types of transportation such as boats or 4x4s. On tours that use vehicles to explore parks or protected areas, tour operators charge \$100 or more per day person.

Estimated WTP for the 3 largest tourism customer segments visiting Laos:

Customer Segment	Estimated WTP
Backpacker	\$14-30
Backpacker Plus	\$34-70
General Interest	\$64-100

¹⁸ Haas Business Team Survey 2009.

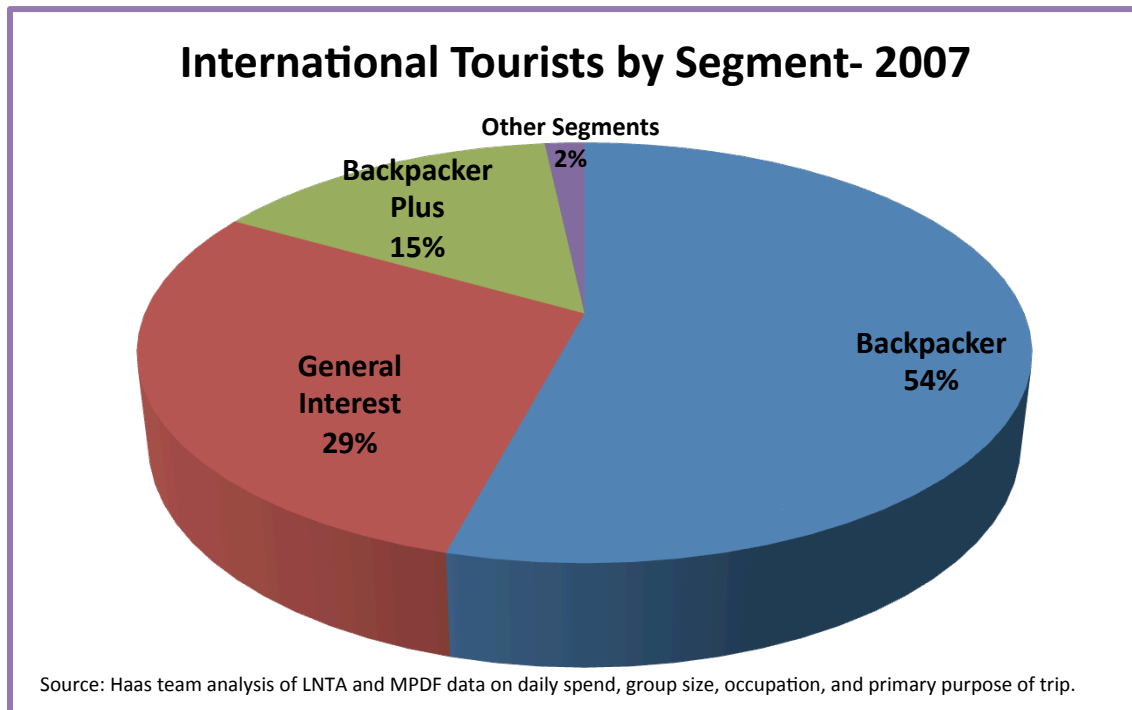
¹⁹ Green Discovery Laos. [Green Discovery Laos Website](http://www.greendiscoverylaos.com/nt-b-51.htm). < http://www.greendiscoverylaos.com/nt-b-51.htm >.

Case Study: Tourist Willingness to Pay at Nam Ha

Green Discovery offers a Nam Ha river tour for a price of \$249 per person if two people participate in the tour. The trip includes boating on the river and an overnight stay in the boatman's home. When 4 people participate, the tour price drops to \$134 per person.²⁰

3.1.4 Historical Tourist Volumes

Backpacker, Backpacker Plus, and General Interest segments were estimated to comprise most of the international non-regional visitors to Laos in 2007. Approximately 98% of customers were within these three segments in 2007. While backpackers dominate the market, General Interest and Backpacker Plus tourists also visited Laos in large numbers in 2007. Combined, the Special Interest, General Interest, and High Volume tourists comprised of less than 2% of the international visitors to Laos.



3.2 Market Demand

3.2.1 Overview

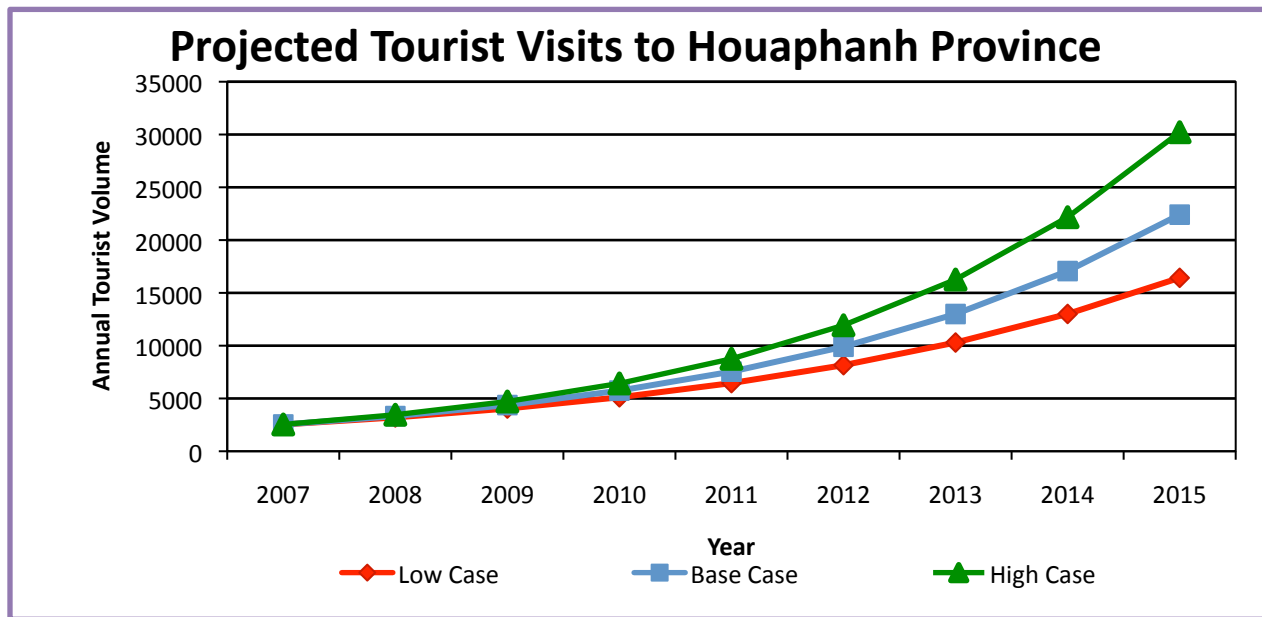
Houaphanh Province is quickly growing as a destination for international tourists. SNV and the Houaphanh PTD are considering the development of a Northern Heritage Route to promote tourism sites in this region of the country. Sam Neua and the nearby caves at Vieng Xay are also being improved and marketing increasingly to international tourists. The growth of Houaphanh as a tourist destination will increase the demand for a tourism product in the NEPL-NPA. The Houaphanh PTD estimates that approximately half of

²⁰ Green Discovery Laos. [Green Discovery Laos Website. <http://www.greendiscoverylaos.com/nt-b-51.htm>](http://www.greendiscoverylaos.com/nt-b-51.htm).

its existing visitors enter the province via the road through Viengthong.²¹ Thus, as traffic to the province increases, more and more visitors will pass by the gateway town of the NEPL-NPA.

3.2.2 Results

Visitors to Houaphanh Province are expected to increase significantly over the coming years. From just over 3,000 tourists in 2007, international non-regional tourist volume is expected to grow to more than 20,000 by 2015. Because the increase in tourists to Houaphanh is a key driver of demand for a tourism product, demand for the NEPL-NPA product is expected to grow as well. While in the year 2011 product demand is expected to be just 229, the number is predicted to grow to 1,120 by 2015.



IV. Product Selection

4.1 Framework for Product Selection

The NEPL-NPA plans to forge a link between ecotourism and wildlife conservation. It hopes that attracting tourists to see and learn about wildlife will incentivize local villagers to hunt fewer protected species and incentivize local government to support additional enforcement and conservation efforts.

In order to select the most attractive product for the first tourism initiative in the park, we applied a quantitative and qualitative approach to the sites identified as most attractive for tourism during a 2005 survey of the park.

4.1.1 Quantitative and Qualitative Analysis

²¹ Houaphanh PTD. *Analysis of Tourism Market in Houaphanh*: Sam Neua, Laos: 2006.

To assess each product quantitatively, a scorecard was created to evaluate the most attractive sites as profiled in the NEPL-NPA surveys that were performed in 2004-2005.²² Of the thirteen products in the original survey, nine were selected for scoring. The remaining four products were examined and excluded from the scorecard due to redundancy in features. The scorecard measured each product across a variety of dimensions and is grouped into the following categories listed below. (See *NEPL-NPA Ecotourism Product Scorecard* for results):

- *Product features:* Factors such as cultural, historical, and natural elements of the product were included in this section, as well as the uniqueness, personal risk, and accessibility of the product.
- *Market attractiveness:* This section includes factors that would be assessed by a potential tour operators to determine a product's attractiveness. Factors include willingness to pay, capacity, and barriers to entry.
- *Impact on stakeholders:* This section scores how various stakeholders, such as villagers, government, and WCS would benefit from each product. It also scores each product based on how strong a link to conservation can be made by experiencing it.
- *Logistics to get the product started:* Factors to implement each product, such as training, capital costs, and ongoing labor are scored in this section.

These results were evaluated against the SWOT analyses of ecotourism in NEPL-NPA and Viengthong, and insights gained through our research in order to determine which product best aligns with NEPL-NPA's long-term goals. Finally, we experienced the trek to Tham Long Nguapha Cave and the Nam Nern River Trip to understand the park and tourist logistics more thoroughly.

4.1.2 Outcome

In our assessment of the current products under consideration, we found that while many of the products would be attractive to tourists, none provided a strong link to conservation through the opportunity of seeing wildlife directly. Because of the dense forest cover and the difficulty of viewing an exotic species, NEPL-NPA would have a hard time bridging the gap between wildlife viewing and conservation efforts.

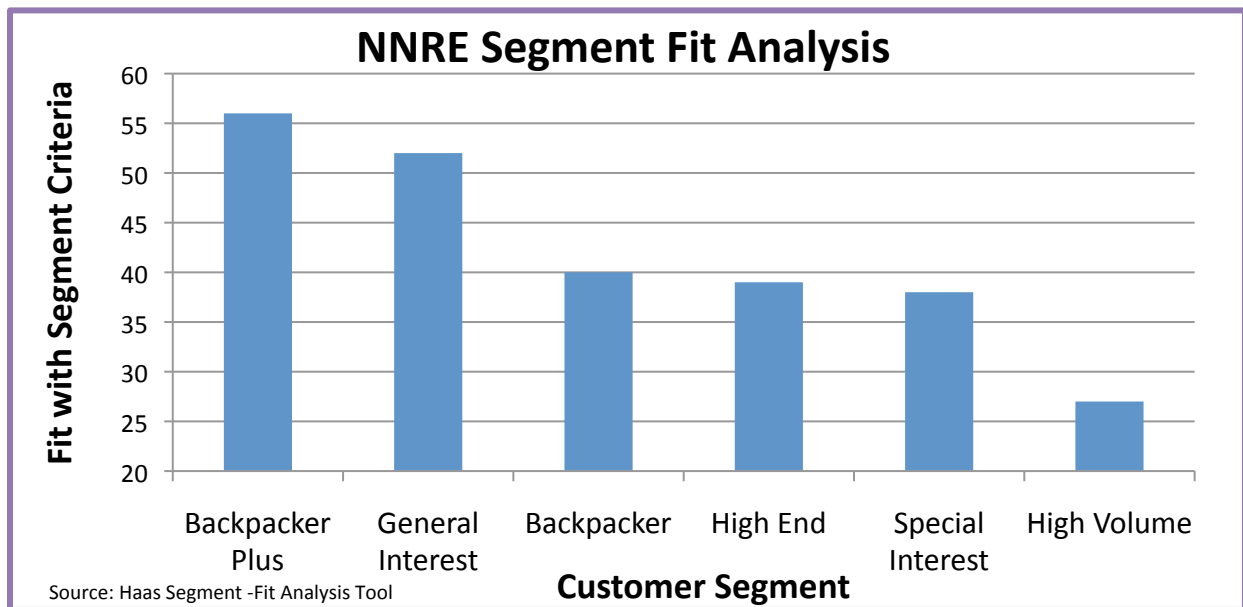
However, given these constraints, we found the Nam Nern River to be the most compelling site for consideration, both qualitatively and quantitatively. We believe that a strong link to conservation can be made through an educational experience that combines learning about the biodiversity in NEPL-NPA while also providing a unique experience to tourists to try to see wildlife.

4.2 Customer Targeting

Backpacker Plus and General Interest are the strongest fit segments for the Nam Nern River tour. In particular, the tour fits the criteria and interests of these segments, which includes wildlife, culture, uniqueness, learning potential, length of stay required, and capacity of the tour. Consequently, these segments should be the targets of the river experience.²³

²² NEPL Tourism Study, Michael Hedemark, Martin Newport, and Tara Gujardur, December 2004 – March 2005.

²³ Haas Segment Product Fit Assessment Tool



4.3 Product Experience

The recommended product, the Nam Nern River Experience, will be an authentic, interactive, and educational wildlife experience for tourists along the Nam Nern River.

4.3.1 Elements for Success

To create a tour that will appeal to the target General Interest and Backpacker Plus segments, NEPL-NPA and WCS should design the Nam Nern River Experience with the key value drivers of these segments in mind. In particular, five key value drivers of education, authenticity, culture, uniqueness, and comfort have been identified for these two segments. By integrating these value drivers into an experience created around wildlife, the NEPL-NPA will help build additional ties to conservation for communities and deliver a unique value proposition for tourists. Because two days and one night is the optimal length tour operators have recommended for such a trip, this is the trip length the NEPL-NPA should consider implementing.

- *Education:* Tourists in the target segments have a keen desire to learn new information. They look for tours that provide an educational experience and are willing to pay more money for such experiences.
 - NEPL-NPA should create a learning experience for tourists by teaching tourists about wildlife, sustainable use of the forest, and conservation from their guides.
- *Uniqueness:* Target segments will only journey to NEPL-NPA for experiences that are unique and differentiated. The ability to see animals in the NEPL-NPA is a unique competitive advantage in Laos. Consequently, night spotlighting on the Nam Nern River will provide a unique experience for tourists, and this experience will improve as greater numbers of animals can be seen.
 - NEPL-NPA's programs to increase wildlife and decrease threats will be critical to the long-term success of the Nam Nern River Experience.
- *Culture:* The desire to experience a new culture is a key motivator for tourists to visit Laos.

- The NEPL-NPA should integrate cultural elements into the wildlife experience. By teaching tourists how villagers use the forest as a sustainable source of food and medicine, the NEPL-NPA will better meet tourist expectations for a cultural experience.
- *Authenticity:* General Interest and Backpacker Plus tourists are both interested in authentic experiences. These tourists are willing to participate in a tour where wildlife may not be visible because they would prefer to see animals in their natural environment than in cages. At the same time, they will not respond favorably to promises of wildlife they will not see.
 - The NEPL-NPA should strive to create authenticity by communicating expectations around the likelihood of seeing wildlife in advance of the tour. NEPL-NPA should be honest about the challenges faced by the NPA and the goals yet to be achieved.
- *Comfort:* Target segments desire a comfortable experience and are willing to pay more for tours with elements of comfort.
 - NEPL-NPA should integrate elements of comfort into the product, such as higher end tents and comfortable boats.

4.3.2 Prototype Vision

The following details a sample vision for the product. While there are many ways the five key elements of success above could be achieved, the purpose of this section is to illustrate one way to implement the product that would achieve these aims.

Sample Itinerary: Nam Nern River Experience

Day 1 Morning- Preparation & Departure

The van picks tourists up from their guesthouses in Viengthong. During the one hour ride in the van, the lead tour guide provides an orientation and sets the expectations for the tourists. This conversation includes:

- An agenda for the trip
- Setting the expectation that wildlife/ large wildlife may not be seen
- An overview of boat safety
- Hand signals the guides will use if animals are spotted, so that the group does not scare the animals away with talking

At the town where the boats depart, the group eats lunch. Ideally, one or more town restaurants will have been trained to provide a sanitary lunch for the group. At lunch, the lead guide describes the agricultural landscape that the group will see at the beginning of the boat ride. The guide will inform visitors of the agriculture methods used by communities in the region of the Nam Nern.

Early Afternoon- Journey Upriver

After lunch, the group loads onto the boats. At departure, each tourist is given a packet of items that will increase their learning experience and improve their comfort. The tourists will be able to keep some items but will have to return others for reuse. The packet includes:

- Binoculars
- Rain poncho
- Ear plugs**
- Informative guide to wildlife in the NEPL-NPA**
- Dry bags

- Mosquito hats
- Flashlight

**Indicates items that the tourists can keep

To improve the comfort of the experience, the boats do not leak and have comfortable seating, including seatbacks and cushions. Boats are equipped with a first aid kit, a communication mechanism, and life jackets. In addition, the motor is muffled.

Because the motor will be running, the guides will not be communicating to tourists during the trip upstream except when wildlife is spotted. When one of the guides or boat drivers sees an animal, they should immediately stop the engine so that the group can observe the animal. After seeing the animal, the guides describe the animal the tourist has seen including typical behaviors, food sources, and prey.

Late Afternoon- Salt Lick & Substation

The group stops at the substation to learn about WCS conservation efforts. They meet the staff there and the lead guide translates any tourist questions. The lead guide also educates the tourists about WCS conservation efforts and the challenges faced. The group has a snack.

Stopping near a salt lick, the group hikes into the forest. The local guide, a skilled hunter and tracker, explains how local people track prey. The guides point out evidence of wildlife, such as tracks or scat. The guides also point out plants that may be of interest. Continuing along the short path, the group approaches the salt lick. They stop at a platform near the saltlick to try to view wildlife for a short time. Guides also point out insects in the forest and describe those to the visitors

Dinner

The boats continue upriver to the dinner site. At this site there are comfortable dining tents with insect netting and comfortable seating that have been set up in advance. Guides have extra bug spray and mosquito coils. Over dinner, the guides talk about wildlife. The guide brings pictures of wildlife that tourists are unlikely to see, such as tigers, and describes their lives in the NEPL-NPA. In addition, the guides educate tourists about the species of animals they may see during the spotlighting. After dinner, the guides talk about rules and expectations for spotlighting. The local guide gives his perspective on what it is like to live off the land and find animals. The guides set expectations that it is likely little if any wildlife will be seen on the spotlighting adventure.

Evening- Spotlight

After dark, the group floats down river spotlighting. There is only one light per boat. Only guides use the light, to avoid scaring the animals. The guides and boat drivers communicate via hand signals to avoid talking that might disturb the animals. The boat is very quiet so as not to disturb the animals.

Night- Camp

At the end of the spotlighting, the boats arrive at the evening camp. To meet tourist expectations of comfort, the group stays in high-end adventure tents and sleeps on camping cots. In the meal tent, there is tea and cookies for dessert. During dessert, the guides help interpret any wildlife seen during the spotlighting. Soap and small bowls of water are provided for tourists for people to wash with. The group tent has a light so that tourists can talk with each other until ready for bed.

Day 2- Breakfast & Float Downriver

Tourists wake up to local tea or hot chocolate in the morning, brought to their tent. They have breakfast at the group tent, and the guides set expectations for the second day. The boats float back through core zone at a relaxing pace with engines off, pointing out wildlife along the way. Because the engines are off, the groups are able to see wildlife in a different way than with engines on or at

night. Birds and other small animals may not be scared away from the boats. Guides should stop to point out such animals along the way. Guides also imitate bird calls or animal sounds for the tourists if possible.

Community Experience- Sustainable Use of Forest

In the management zone the group stops to interact with a local community. While the satellite communities currently located along the Nam Nern may not still be there in 2011 for expected product launch, the NEPL-NPA could contract with members of a community to greet the tour groups at specified times. During this experience, the tourists learn how local communities sustainably use the forest. This aspect of the trip satisfies tourist curiosity about local culture, involves more villagers in the ecotourism product, and strengthens the link to conservation because even this cultural interaction will be wildlife themed. Community members teach the tourists how to fish. They have a demonstration of plants that are harvested for medicine. The guides will help the tourists to interpret all of these activities, since the villagers will not speak English. Finally, the villagers will present the tourists with a handicraft souvenir (for which the villagers have been previously compensated).

Return

After the community visit, the boats continue down river. Depending on timing engines could be on or off. The van is available to take tourists back to Viengthong. On the drive back, the guides offer to answer any additional questions about wildlife and conservation in the NEPL-NPA. Finally, the guides thank the tourists for their visit. There could be several options for the end of the trip, such as having lunch at the original village or stopping at the Viengthong Hot spring if the site is developed by this time.

V. Product Feasibility

5.1 Financial Viability

The financial viability of the Nam Nern River Experience is based on a feasibility model outlining the capital and operating costs, projected revenues, and distribution of profits for starting and running the tour over the next five years. Each projection assumes a base case scenario, with a low and high case scenario added to create a range of potential outcomes. The feasibility model is designed to be a working document that can be updated as expectations change and more information becomes available. In this business plan we present the Base case scenario for our projections, except where noted otherwise.

5.1.1 Assumptions

The following assumptions were factored into the model to draw our conclusions:

- *Demand:* Our demand assumptions are based on a 31% growth rate in tourism traffic to Houaphanh province over the next five years, the annual growth rate for the province over the past five years. In the Low and High cases, demand is 5% lower or higher than the Base case, respectively.
- *Demand Captured:* We factored capturing 3% market share of the total demand to Houaphanh province in the first two years of operating the tour. In year three, market share increases to 4% as a result of sustained marketing efforts and tourist knowledge of the product, followed by a 0.5% increase in share in years four and five. In the Low and High cases, demand captured is 1% lower or higher than the Base case, respectively.

- *Average Group Size:* Assumes an average group size of three people per tour. As average group size change, costs change due to additional boats being needed and operational costs being spread across a larger or smaller customer base.
- *Capacity:* The model factors in a capacity constraint of the total number of tourists that could be taken on the tour if only two boats were used and three trips were run each week. If the constraint is used, the model caps demand numbers at the maximum capacity, regardless of actual market demand. This constraint is ignored for this analysis in order to show a more accurate forecast of demand and potential profits.
- *Price:* The tour is priced at \$200 across all three scenarios, with a 5% increase in price per year. This price is comparable to other two-day boat tours in Laos.
- *Pre-allocated Revenue:* The model incorporates pre-allocated revenue to the following groups as listed below. Each group would receive their share of revenue from the price paid by each tourist, regardless of whether the tour is running at a profit or a loss.

LNTA tax	5% of base price
Community development fund	5% of base price
Handicraft fee	\$2.50/tourist
NPA park fee	\$10/tourist

5.1.2 Model Sensitivity

The model has a number of inputs and assumptions factored into it, but four inputs drive the model most significantly in terms of how they impact profits. The sections below outline how each input affects profits in the Base case if all other assumptions mentioned above are held constant.

- *Average Group Size:* Group size impacts profits significantly due to operating costs being allocated over fewer people if boats are not sent at full capacity. Larger group sizes are ideal as they spread overhead costs over more people. For example, in 2015, with an average group size of three, the tour would make \$28,461, while it would lose -\$215,173 with a group size of one. It is important to note that a group size of three is better than a group size of four due to a second boat having to be used for the fourth person.
- *Demand and Demand Captured:* Projected demand growth and the percent of demand captured drive all of the other revenue and cost projections, so small changes in demand can have large impact on the model. For example, a 5% demand capture rate in 2015 would lead to profits of \$28,461 in the Base case. If 10% of all tourists to the region could be captured, profits would total \$97,639.
- *Price:* Changes in the price of the tour leads to a range of profits from -\$84,523 at a price of \$100 to a profit of \$120,146 at \$300 in 2015. It is important to note that demand and price are not correlated in the model, but would be in reality. Higher prices would most likely lead to lower overall demand.
- *Capacity:* Factoring for a maximum capacity, the model shows no changes to profits (losses) through 2013 due to demand never exceeding capacity. However, beginning in 2014, the capacity constraint would lead to lower profits and have a larger impact each subsequent year. Without a capacity constraint, the tour would generate \$28,461 in 2015 but only \$12,628 if capacity was capped.

5.1.3 Costs

Capital Costs

We project the capital costs required to build the Nam Nern River Experience to total approximately \$5,500 for a capacity of six tourists per trip. These start-up costs include buying new boats and outfitting them with a level of comfort appropriate to that laid out in the product vision section, to make the tour comfortable for tourists, as well as camping equipment and accommodations and accessories for tourists, such as dry bags, rain gear, and binoculars. If the tour expands over time and capacity is added, additional capital costs will have to be added.

Operating Costs

Estimated operating costs were categorized into five main categories: product costs, salaries, maintenance, professional services, and other. Of these, product costs are variable and are incurred each time a tour is run, and the rest are overhead expenses regardless of the number of tours run.

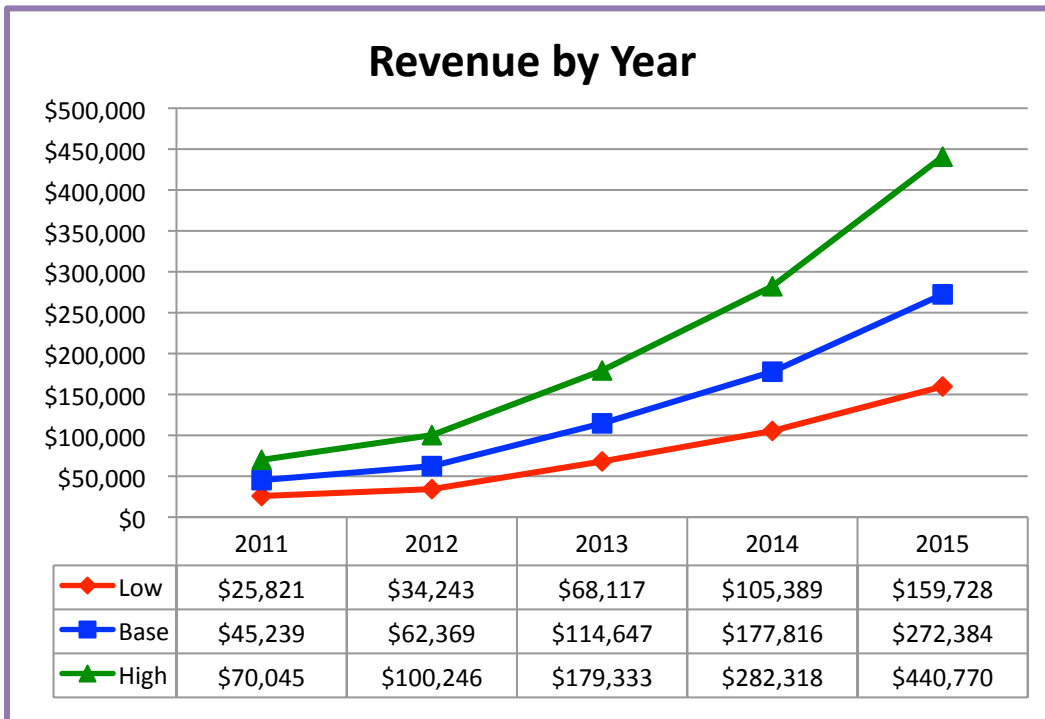
Product costs include all costs incurred as a result of booking a tour, such as van rentals, gas for boats, food expense, and per day salaries for boat drivers and guides. These costs are highly variable based on the total group size of each tour – as high as \$350 per person if only 1 person takes the tour or as low as \$92.50 per person for a group of six. This is a result of the fact that these costs can be pooled as group sizes increase, which accounts for changes in profits as the average group size changes. For this analysis, assuming an average group size of three people leads to a cost per person of \$125.

One important assumption of this model is to remember that it starts in 2011. Therefore, all costs incurred prior, such as salaries, outreach and education initiatives, and marketing materials to get the product to a point where it is ready to launch are not factored into the feasibility study. These costs were not included as WCS has already received grant funding from the US Fish and Wildlife Service for the next two years to cover their anticipated costs to fund ecotourism initiatives.

5.1.4 Revenue

Revenue for the Nam Nern River Experience will come exclusively through tour sales. This model does not account for additional revenue that may be generated through selling items onsite during the tour or for tips and other ancillary revenue streams.

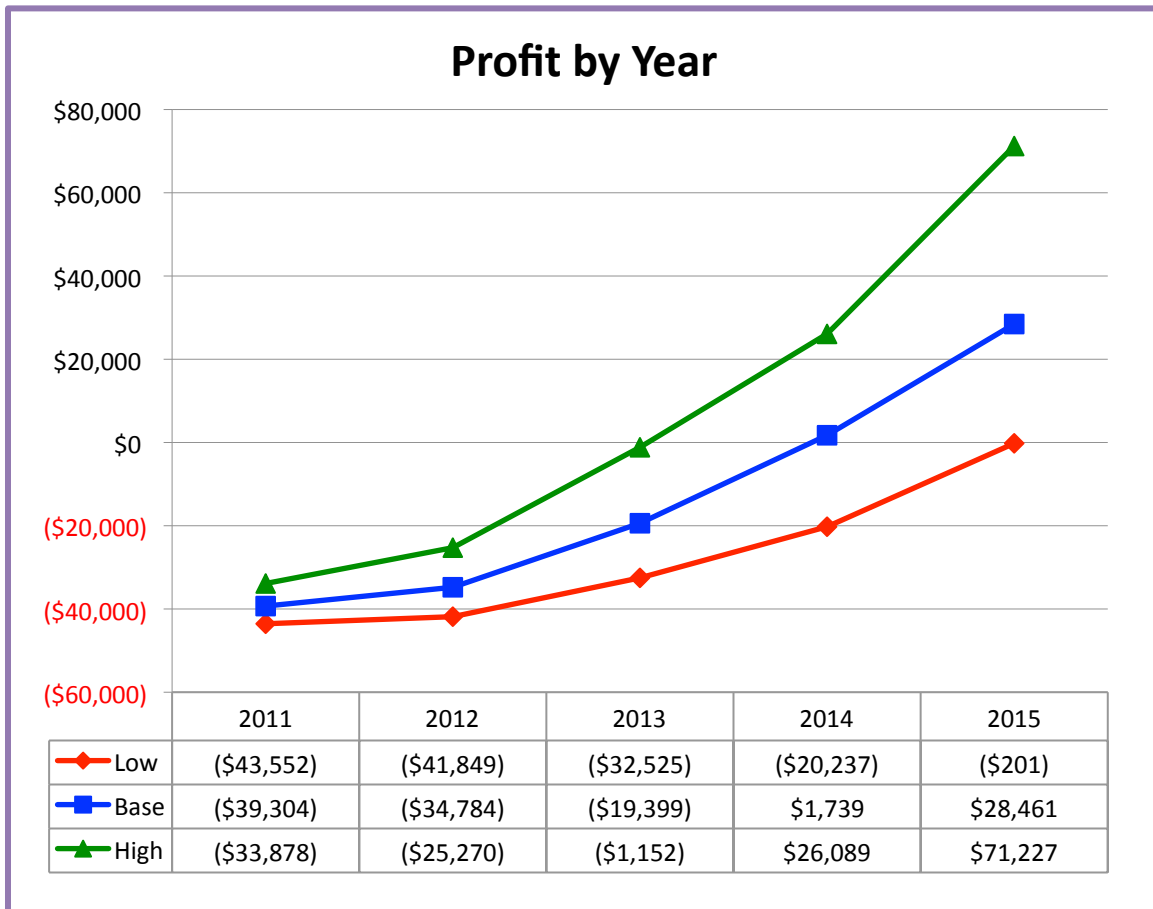
We expect revenue for the tour to grow steadily over the first five years as demand to the region grows and more people know about the product. The graph below shows low, base, and high case revenue projections over a five-year horizon.



Revenues are projected to be fairly low in the first two years as the tour gets started and needs to be marketed strongly to attract tourists. Starting in 2013, revenues are projected to increase more rapidly as Houaphanh becomes a more attractive tourist destination and the tour is more widely known due to marketing in guidebooks and in-country advertising.

5.1.5 Profits

We anticipate the tour will operate at a sizeable loss for the first three years of operation, as capital costs are incurred and demand remains low in the region. Substantial funding or outside investment will be needed to cover these losses through 2013. The tour should reach operating breakeven in 2014 and begin to show more substantial profits in 2015 and beyond. The graph below show expected profits from the tour for each of the three cases.



5.1.6 Summary

The Nam Nern River Experience has the opportunity to become operationally viable if it is able to weather the first few years of operation. The tour will likely lose money over that time, and looking at the accumulated losses over this period (below) shows that it will require a large capital outlay.

	Accumulated Profit (Loss)				
	2011	2012	2013	2014	2015
Low	(\$87,265)	(\$170,963)	(\$236,013)	(\$276,486)	(\$278,229)
Base	(\$78,891)	(\$148,459)	(\$187,258)	(\$184,883)	(\$127,960)
High	(\$68,193)	(\$118,733)	(\$122,167)	(\$69,989)	\$72,464

Even after it is operationally viable in 2014 and generating positive profits, the tour will still require many years to reach an accumulated profit breakeven and recoup the losses from the first years of operation. However, during this time there will be substantial benefits flowing to other stakeholders such as villages, the local community, and NEPL-NPA enforcement. The project will therefore likely have the support of the local and national government and should attract funding support. If funding can be secured, the tour can be financially viable if given a long-term investment horizon.

5.2 Assessment of Major Operational Models

In the following sections, we will examine the opportunities and challenges of two widely used ecotourism models – community based ecotourism and value chain approach to tourism. Both models promise to infuse the surrounding community with revenue, however, one approach places the responsibility of owning and operating a tourism product on the community whereas the other engages the community in the tourism supply chain.

5.2.1 Definition of Community-Based Ecotourism

The idea of community-based ecotourism originated in the 1980s when it was recognized that direct participation of local residents in ecotourism was desirable and necessary for the long term success of an ecotourism destination. Community-based ecotourism can be defined more accurately as ecotourism enterprises that are owned and managed by the community.

5.2.2 Opportunities and Challenges of Community-Based Ecotourism

The benefit of having the local Laos communities involved in ecotourism in NEPL-NPA is that the community is a part of the unique and authentic experience that an ecotourism product has to offer. Laos' diverse ethnic groups have vast knowledge of the resources in a protected area and interaction with these groups is a rich learning opportunity for tourists.

Communities are key players to conserving the natural resources in and around NEPL-NPA. A properly implemented ecotourism strategy is able to impress on the villagers that the environment is worth protecting. Community-based tourism offers villagers an opportunity to own and operate their own tourism venture and directly interact with visitors. Involving the community in ecotourism will also encourage cultural preservation if residents are able to reap benefits from their traditions and crafts.

However, community-based ecotourism is not without its challenges. First, a successful community-based tourism project should align with ethnic beliefs and ideologies. Beyond alignment with values, villagers must be given an opportunity to evaluate the proposed project and determine its involvement if any. Often time, communities are resistant to changes that are perceived as disruptive to their daily lives, even when the benefits are highlighted for them. Extensive conversation with the villages is necessary if the ecotourism project hopes to be successful.

A second major challenge to community-based ecotourism is related to the business and management capacity of the community. Most communities do not have the expertise required to start and operate their own business, and rely heavily on NGOs and development agencies for advisory services. Further, the success of a community-based project depends heavily on the strength of the product marketing campaign and the international reach that the village is able to achieve. Often times, community based ecotourism projects are tremendously successful when supported by an international NGO, only to fail miserably when that organization is no longer involved. Lastly, the level of community participation, decision-making process and mechanism for equitable distribution of benefits are all critical to the success of the venture.

Case Study: La Ruta Moskitia Community Based Venture

La Ruta Moskitia is a successful community-based ecotourism project that consists of an alliance of five indigenous community destinations located in the Rio Platano Biosphere Reserve, a two million acre UNESCO World Heritage Site in Honduras. The alliance is 100% community owned and offers multi-day

tours through the reserve. The goal of La Ruta Moskitia is to link ecotourism with community development and to encourage conservation of the environment rather than unsustainable extraction.

Each community in the alliance consists of an “Ecotourism” group that collectively makes business decisions. A target income level of \$500 per person (amount that would have been earned from resource extraction) is set annually and has been met to date. In addition to salaries earned by members of the community providing services to the tours, members also receive a percent of year-end profits by being involved in conservation or contributing to repairs of boats or ecolodges. The alliance actively supports conservation by directing 10% of its gross tour sales into a “Conservation Fund.” Lastly, the alliance formed an indigenous conservation NGO to support local conservation projects that help maintain the Reserve as a pristine destination.

La Ruta Moskitia was created through a multilateral partnership between RARE, UNDP/GEF Small Grants Program and the Rio Plantano Reserve management. RARE contributed five years of technical assistance and capacity building, training the community managers of each destination to develop funding proposals to UNDP/GEF. Based on these proposals, UNDP/GEF awarded \$189,000 in grants that were used for ecolodge construction. The Reserve management supported the project by reviewing and approving community requests for constructing lodges and ensured that materials used in construction were sustainably harvested.

La Ruta Moskitia currently captures 75% of the tourism market in the immediate region and has infused over \$250,000 into the local community in the three years since its launch. The project created 250 jobs and returned 80% of tourism revenue to indigenous communities. La Ruta Moskitia has received international acclaim from Conde Nast Traveler’s “Green List” in 2006, Virgin Holidays Responsible Tourism as “Best Park or Protected Area” in 2007 and WTTC Tourism from Tomorrow in 2008. These awards have helped La Ruta Moskitia increase its international marketing and outreach.

5.2.3 Definition of Value-Chain Tourism

The value-chain approach (VCA) examines all of the different players involved in creating the tourism experience and identifies ways that income streams can directly flow to the village residents. Rather than placing an emphasis on the community owning and running a venture such as a tour, the approach advocates integrating the community into the tourism supply chain.

The four main sub-supply chains that are appropriate for VCA around NEPL-NPA are accommodations, food, excursions and transport, and handicrafts.

5.2.4 Opportunities and Challenges in Value-Chain Approach to Tourism

Through VCA, local Laos communities are brought into a broader supply chain whereas before they would only be part of a limited local supply chain. Members of the community provide their products or services to different points of the supply chain and earn income from that activity. Farmers, whose competency is agricultural yield, provide produce to local restaurants. Restaurant owners, whose competency is cooking traditional Laos dishes, serve meals to visitors. These restaurant owners source their supplies locally and hire local staff to cook, clean, and wait on tourists. VCA emphasizes the core competency of people and encourages the formation of small enterprises at the community level.

A potential challenge for VCA is that the community does not feel connected to the ecotourism industry. People are compartmentalized into certain roles and may have little occasion to encounter tourists. Without

understanding the concept of a supply chain, people may not realize that the increase or decrease in demand for certain goods or services is linked to ecotourism. A second challenge is that VCA is focused mainly on income generation. With some creativity, conservation can be encouraged by linking targets to level of income generated.

Case Study: Meuang Ngoi VCA

The village of Meuang Ngoi in Laos is situated on the Nam Ou river, about an hour down from the village of Nong Kiaw, a budding tourist destination. Though the village of Meuang Ngoi receives visitors occasionally, the primary source of income for these residents is local trading. The villagers participate in the tourism supply chain providing boat transportation services, restaurants catered to visitors, food in the form of meat and vegetables, accommodations, and handicrafts. Tourism is not the main source of income for these villagers and is merely a supplement to income earned through other channels.

5.2.5 Conclusion

We recommend that NEPL-NPA adopt the value chain approach to ecotourism as the underlying tourism model for its first product. In the same manner that community-based ecotourism aims to be socially sustainable, VCA gives the community an avenue for generating income from ecotourism while leveraging their existing competencies. Given the lack of resources and low level of education in Houaphanh province, we believe that a community-based model will falter without continual outside investment by an outside party to drive quality improvements and demand. We believe that a VCA ecotourism product is better positioned for long term success because the community is better suited to engage in the ecotourism supply chain than participating as owners and operators of a tourism product.

5.3 Operational Models Considered for NEPL-NPA

There are a number of operational models that the NEPL-NPA can choose when determining how to develop and operate the Nam Nern River Experience. This section presents the benefits, challenges, and key requirements of two potential operational models, in an effort to assist the NEPL-NPA and WCS with its decision.

5.3.1 Evaluation of Operational Models

Option 1: WCS assumes the lead role in developing and operating the Nam Nern River Experience, while working in close collaboration with the NEPL-NPA.

Under this scenario, WCS would assume full responsibility for the development, operation, and management of the Nam Nern River Experience, marshalling the resources of the NEPL-NPA where needed. This option would involve the highest amount of risk exposure as the entire project would be borne by WCS and the NEPL-NPA, with the private sector having no investment in the operation and assuming no formal responsibility for its success or failure.

This option relies on a number of skills and abilities within WCS, namely:

- *Reputation in Laos:* Having first started working in Laos in 1994, WCS has an established history of conservation efforts within the country and connections with high levels of government.

- *Local relationships:* Through its community outreach initiatives, WCS has developed connections to local suppliers and vendors in the surrounding communities, as well as visibility to other like-minded local NGOs and organizations that may share a similar mission.
- *Operational knowledge:* WCS has operated the Nam Nern River Experience in a very basic form for researchers and donors in the past year and possesses strong knowledge of the area, people, and efficiencies that can be gained from additional investment in it.
- *Established funding and domestic resources to manage the tour:* WCS has secured funding and has hired external consultants and NPA staff to assist with the development of ecotourism. This is important in order to avoid diverting necessary resources from other conservation initiatives in Laos.

This arrangement would also pose a number of challenges for WCS, such as:

- *Little experience with this type operation:* WCS has had limited experience operating tourism initiatives in a foreign country. Because operating a business is not part of the core mission of the organization, WCS will need to develop the capability to successfully manage the tour operation.
- *Access to capital:* Based on our projections, the tour will likely operate at an annual loss for the first 3 years. This loss will need to be covered by any combination of continuing donations, a trust, or other financial arrangements.
- *Reputational exposure:* If the project goes well, its success may further WCS' reputation and goodwill in Laos and Southeast Asia. If the project is unsuccessful, it could hurt WCS' reputation and hinder its efforts within the region.

We recommend the following conditions be in place if this option were to be pursued:

- *Defining the NEPL-NPA and WCS Relationship:* WCS must ensure that its arrangement with the NEPL-NPA is structured in such a way that it is given the freedom to manage and operate the tour and that it is able to capture the revenues from the tour operation in order to cover its costs.

WCS brings critical financial, intellectual, and managerial resources to the NEPL-NPA. It is unlikely that the NEPL-NPA would be able to successfully develop and operate the tour without these resources. As such, we recommend that this option only be pursued if WCS is able to secure the right to operate the tour as it desires for a minimum period of 5 years.

Additionally, we project that the tour will operate at a loss for the first three years, which is a financial burden WCS must be willing and able to bear. This loss will be greatly increased if a mechanism were not agreed upon that will allow WCS to capture tour revenues to recoup start-up and operational costs.

This mechanism can be formalized through a legalized structure, or remain informal depending on WCS' assessment of the strength of its relationship with the NEPL-NPA and related government entities. While a legalized agreement will add administrative overhead and complexity, it will mitigate the risk that all tour revenues would flow to the NEPL-NPA and district and provincial governments, rather than to the investor, WCS.

A legalized structure may include the potential creation of a parallel entity to operate the tour (i.e. WCS Tours) through a government concession, for example. Alternatively, there may be a way in

which WCS could maintain its current status within the NEPL-NPA while establishing legal authority over the tour revenues, perhaps through an amendment to the existing Memorandum of Understanding (MOU) or the creation of an additional MOU.

WCS must investigate any limitations to the type of operation that may be allowed under the non-profit umbrella. For instance, WCS should determine whether it could legally serve the NEPL-NPA both as conservation NGO and as a revenue-collecting operator of a tour.

- *Internal support from WCS NY for a minimum period of 5 years:* If it is to be pursued, this project must be given at least 5 years to prove itself and have WCS NY's commitment behind it.
- *Solidify donor base:* There are currently a number of donors willing to support ecotourism in NEPL-NPA. However, more funding will be needed to finance ecotourism operations.
- *Relationships with tourism experts:* WCS has already hired an expert to lead its ecotourism initiative and should continue to reach out to tour operators and other ecotourism experts for guidance on how to proceed most effectively. Tour operators will be helpful in determining the best sources from which to purchase the materials needed to start-up the operation and can also provide guidance on the most efficient methods to build or modify items such as semi-permanent tent structures, canoes, among others.

Case Study: Bina Swadaya as Tour Operator

Bina Swadaya Tours (BST) is a subsidiary of Bina Swadaya, an Indonesian NGO focused on community development. After working in Indonesia for over thirty years, the agency formed BST in 1987 to promote tours that feature culture, education, and development. The tour company educates visitors on responsible travel and ensures that part of the tour price contributes to the conservation efforts of the NGO. BST hosts training programs for villagers and encourages them to start their own ecotourism ventures, which are later incorporated into BST's portfolio of destinations.

Case Study: Conservation International – Ecotourism Involvement

Conservation International (CI) is one of the most active NGOs in the ecotourism space. The organization previously engaged in product development and worked directly with communities, operators, and protected area management. Over time, CI shifted its approach towards ecotourism because it discovered that developing ecotourism directly was too resource intensive and departed from its conservation mission. Today, CI role in ecotourism is that of an advocate and technical advisor. Rather than initiate ecotourism projects, the organization becomes involved with projects that it deems meets its conservation focus.

Option 2: WCS and the NEPL-NPA partner with a private sector tour operator.

Under this scenario, WCS and the NEPL-NPA would select a private sector tour operator with which to partner. This option has the advantage of bringing to the operation the strengths of the NEPL-NPA and WCS as well as those of an experienced tour operator, which will lead to a more successful product than either party could achieve independently.

Strengths of the NEPL-NPA and WCS team include:

- Knowledge of park resources
- Relationships with government, villages, and community
- Focus on conservation and education

Strengths of private sector tour operators include:

- Knowledge of tourism operations and service
- Marketing and demand generation
- Operational discipline through a continual focus on profit and efficiency

Partnership Structure

A partnership with a private sector tour operator can be formed via a concession allowing an operator exclusive right to the Nam Nern River Experience or via a joint venture in which costs, management responsibilities, and revenues would be shared.

In either form, WCS' and the NEPL-NPA's main contribution to the partnership would be to:

- Ensure that the product is developed and operated in accordance to ecotourism guidelines and conservation targets.
- Provide conservation and environmental expertise in areas such as guide training.
- Broker and maintain relationships with key governmental interests such as the LNTA and relevant provincial and district authorities.
- Lead village outreach efforts to ensure that information critical to the success of ecotourism is properly disseminated.
- Create and enforce a fee structure to pre-allocate revenue for future distribution to key stakeholders (see 6.10 *Fee Structure* for further details)
- Develop and implement a process to distribute benefits and services to villagers in a way that creates a strong link between ecotourism benefits and wildlife conservation (see 6.11 *Distribution of Benefits* for further details)

Benefits of a partnership approach to the Nam Nern River Experience include:

- *Connection with local expertise:* A business relationship with a local firm may lend credibility to the venture and attract more local visitors. The business would also be better suited to marketing efforts to generate demand for the product.
- *Orientation toward profit:* Including a profit minded partner will instill drive toward profitability which will bring about efficiencies and operating practices that may have been overlooked if the tour were run in a non-profit mindset.
- *Mitigated exposure to risk while still maintaining some control:* Bringing a business partner in will distribute the risk, though at the expense of full control by WCS and the NEPL-NPA. Operating risks such as initial capital, insurance, maintenance would no longer fall exclusively to WCS.
- *Sources of innovation:* As the project is vetted by the private sector, there is an opportunity to improve on the original idea to improve its attractiveness. Examples of elements that may enhance

the commercial attractiveness of the tour product would include other stops along the river, additional activities such as biking or rafting, or other amenities and services for tourists. Other potential improvements are likely to surface as more investors review the proposal.

Challenges to this approach include:

- *Question of commitment from the private sector:* If WCS' business partner decides to withdraw from the arrangement, WCS would be left to seek another partner or manage the operation itself, placing it back in the first scenario.
- *Potential conflicts of interest and/or culture:* If the Nam Nern River Experience is run by both a conservation NGO and a commercial enterprise, conflicts of interest and culture may arise. It will be necessary to have a clear understanding of the motivations and interests of each party and lay out pathways for conflict resolution before the venture is undertaken.
- *Difficult financials:* Based on our projections, the tour will likely operate at a loss, which will make it less attractive to the private sector.

We recommend the following conditions be in place if this option were to be pursued:

- *Internal support from WCS NY:* As in the first option, if WCS is to be involved, this would require a commitment of time and resources for a minimum of 5 years. Tour operators would require a long-term commitment in order to partner with WCS, especially given the lack of demand and infrastructure currently in place.
- *Development of full business prospectus:* If the Nam Nern River Experience is to be presented to potential investors, a fully developed business prospectus with capital requirements and long-run cash flows must be created.
- *Need for a signed, formal legal agreement with the partner firm:* This will be necessary to outline the nature and conditions of the partnership, be it a concession or a joint venture. In addition, this agreement should include clauses covering dispute resolution and contract dissolution. A formal management structure and understanding of roles would be necessary.
 - Additionally, in the case of a joint venture, consider the creation of a formalized Board of Directors.
 - *Formalized Board of Directors:* A board comprised of representatives from each party should be formed to govern over any high level decisions made in regards to the product. Board members may include, but would not be limited to, the following members:
 - Representative(s) from WCS Laos
 - Representative(s) from WCS NY
 - Representative(s) from partner firm
 - Representative(s) of donating parties
- *Solidify donor support:* As before, donors would still be needed to help finance ecotourism in NEPL-NPA. Care will need to be given around how funds are dispersed, as the combination of NGO and for-profit enterprise may blur the lines around how donor money is spent. For example, donors may prefer to have their money directly earmarked for eco-tour related activities, such as guide salaries and village benefits, as opposed to general WCS use (i.e. tour overhead, supplies, or operating costs).

- *Play a critical role in negotiating concessions:* In order to ensure that the product is developed in accordance to ecotourism guidelines and conservation targets, WCS must be instrumental in negotiating contracts with private operators.
- *Maintain strong working relationship with partner:* WCS and the NEPL-NPA must maintain control over the protected area and ensure that conservation efforts are continued

Case Study: Innovative Joint Ventures at Rocktail Bay

Rocktail Bay is lodge in South Africa that is operated as joint venture between Wilderness Safari, a private tour operator, local communities, and the provincial government’s conservation authority. The venture was characterized by a unique but complex ownership structure in which Wilderness Safari had a controlling interest in management and the community had interests in both ownership and management. A legal trust was created to represent the community’s interests and ensure that the profits were distributed by the trustees. Wilderness Safari worked closely with the community on various development projects and was successful at maintaining high occupancy rates for the lodge. The key to success was the market responsiveness, the early community involvement, and conservation focus of the business.

Case Study: Campi ya Kanzi – A Successful Concession

Campi ya Kanzi is a luxury safari camp located near Kenya’s Amboseli National Park and is a joint venture between an Italian safari company and Kuku Group Ranch, a Maasai ranch. The camp prioritizes wildlife conservation and socioeconomic equity for the residents in the area. Campi ya Kanzi operates as a concession, paying an annual management fee to Kuku Group Ranch (~\$700,000 annually). In addition, the camp collects a \$30 per day conservation fee, employs 90% local Maasai in various positions including management, purchases products locally, and finances community projects through its conservation fund. Through their educational programs, Campi ya Kanzi was able to help the Maasai see the benefits of co-existing with wildlife rather than hunting them.

5.3.2 Recommendation

Based on the benefits and challenges to each of these management options, we recommend that WCS enter into a concession agreement with a private operator (Option 2) to provide the Nam Nern River Experience. With a concession agreement, the core competencies of WCS and the private operator are fully leveraged. Engaging a private operator directly is beneficial because the NEPL-NPA gains product development, operations, and marketing expertise that would otherwise need to be acquired. As experts in the biodiversity of the protected area, WCS defines the parameters within which the private company must operate in order to ensure sustainable ecotourism in the area. WCS contributes its expertise in wildlife conservation in collaboration with the private tour operator to ensure the Nam Nern River Experience is built to the highest quality possible. A concession model will provide for WCS’ continual involvement to ensure that conservation objectives are being met without needing the organization’s direct involvement in operating a tour business.

If a private partner cannot be found due to unfavorable market conditions, we recommend that WCS consider going forward with this project as the sole operator of the Nam Nern River Experience (Option 1). However, WCS will need to assess its commitment to ecotourism as a means for conservation and whether it has the operational and financial resources to proceed effectively.

VI. Product Implementation

6.1 Introduction to Product Implementation Plan

This plan is designed to give NEPL-NPA high-level guidance on the steps necessary to implement the recommended product.

6.2 Prerequisites to Implementation

6.2.1 Stakeholder Involvement: Engaging National, Provincial, and District Government

Purpose: The Laos national, provincial, and district governments are powerful allies for ecotourism development in NEPL-NPA. Government agreement on and support of ecotourism strategies will lend credibility and give a level of prominence to the products developed. Government involvement is crucial for improving the infrastructure in and around the protected area to support tourism, creating a political climate suitable for private sector involvement, providing security and enforcement, and providing continued environmental support.

Key Steps:

- Determine NEPL-NPA' long term and short term goals and objectives for ecotourism.
 - NEPL-NPA's role should be to facilitate negotiations between various stakeholders but may include direct financial and technical assistance to ecotourism developments.
- Partner with the Houaphanh and Luang Prabang provincial governments and relevant district governments to ensure that NEPL-NPA plays a key role in determining and regulating ecotourism.
 - It is imperative that ecotourism development focuses on conservation. Explore obtaining a Memorandum of Understanding or other contract that positions NEPL-NPA as the "gatekeeper" of ecotourism development in and around the area.
- Share with government NEPL-NPA's vision for ecotourism. This vision should also detail the ideal type and level of tourism in the protected area: group size, frequency of visit, and range of products.
 - The type of tourist will be the customer segments targeted in this document.
 - A desired set of environmental conditions will need to be determined for the protected area. This set of conditions will determine the number of visitors the NEPL-NPA can support annually.
- Develop and formalize guidelines in conjunction with the tourism authority for ecotourism development in NEPL-NPA.
 - Standards to minimize environmental impact of tourism and protect local culture must be in place.

- Work with the government to define roles and responsibilities, methods of communications, and reporting of stakeholders. Various government institutions must operate in a coordinated fashion to support ecotourism.
- Advise the creation of review, enforcement, and adaptation mechanisms for monitoring ecotourism activities.
- Secure the necessary permissions from government departments for private-sector involvement in ecotourism around the protected area. Assist the government with defining limits or caps to ecotourism development by any one sector (accommodations, food, crafts, and services).
 - Going forward, NEPL-NPA is the gatekeeper for concessions in and around the protected area. Private sector initiatives are subject to NEPL-NPA evaluation and approval.
- Explore linking funding for NEPL-NPA to ecotourism and conservation in order to encourage government is aligned with protected area goals.
- Engage government to improve guesthouse, restaurant, and transportation infrastructure in Viengthong. This issue needs to be addressed before private sector operators are willing to invest in the area.
- Encourage government to initiate targeted branding and marketing of Laos in the international community. Typically, destination-wide initiatives are able to achieve economies of scale and thereby reduce the risk for private sector involvement. Ideally, the natural beauty of Houaphanh Province would be highlighted in this marketing strategy.
- Advise government on developing incentives that may encourage private sector involvement in ecotourism earlier. However, this needs to be done carefully because mismanaged incentives may encourage too much development.

Desired Outcome: NEPL-NPA and the district and provincial government form a coalition to support sustainable ecotourism development in the protected area, with an eye on conservation. NEPL-NPA actively influences policies on tourism within the protected area and has a Memorandum of Understanding with the government that clearly defines tourism in NEPL-NPA and stipulates the types of industries that are allowed or disallowed in the area.

6.2.2 Stakeholder Involvement: Raising Awareness of Ecotourism in Surrounding Villages

Purpose: The communities around NEPL-NPA are an important stakeholder in ecotourism developments in the area. The purpose of awareness-raising in the villages is to inform residents about ecotourism and how it will impact their livelihoods. Raising awareness is the first of two steps to engage local communities in ecotourism opportunities. This is an opportunity for NEPL-NPA to gain the support of the local community and to emphasize the link between ecotourism and conservation.

The second step is for NEPL-NPA to identify target communities and define how these communities will participate in ecotourism in the area. Communities include the residents of Viengthong and a core subset of the 98 villages in the NEPL-NPA area. While inclusion of all 98 villages is ideal, the protected area's limited resources necessitate selecting a smaller group of communities to focus on. Though the villages around the Nam Nern River are the most logical for inclusion, NEPL-NPA may wish to develop a more rigorous process for selecting villages for ecotourism participation.

Use participatory tools such as Participatory Rural Appraisal (PRA), Participatory Learning and Action (PLA), and Appreciative Participatory Planning and Action (APPA) in information gathering and evaluation and planning. Meaningful participation in an ecotourism dialogue will allow the community to develop a stronger interest in the project.

Basic Steps to Encourage Community Participation²⁴

<ul style="list-style-type: none"> ▪ Understand the Community's Role 	Communities should exercise control over their growth and development. They will in many cases need technical assistance to make appropriate decisions and should be given adequate information and training in advance.
<ul style="list-style-type: none"> ▪ Empower Communities 	Participation is a process that is more than just making communities the beneficiaries of an ecotourism project. Communities must genuinely participate in the decision-making process.
<ul style="list-style-type: none"> ▪ Urge Local Project Participation 	Project managers must identify local leaders, local organizations, key priorities of the community, and ideas, expectations and concerns local people already have. This information will help guide training sessions needed by the community.
<ul style="list-style-type: none"> ▪ Create Stakeholders 	Participation can be encouraged at two levels – for individuals and for local organizations. Investment in project development areas should be encouraged, either in cash, labor or in-kind resources.
<ul style="list-style-type: none"> ▪ Link Benefits to Conservation 	The links between ecotourism benefits and conservation objectives need to be direct and significant.
<ul style="list-style-type: none"> ▪ Distribute Benefits 	Ensure that both the community and individuals benefit from projects.
<ul style="list-style-type: none"> ▪ Identify Community Leaders 	Identify opinion leaders and involve them in the planning and execution of projects. A cross section of society should be represented.
<ul style="list-style-type: none"> ▪ Bring About Change 	Use existing organizations already working in the community to improve its social well-being through economic development.
<ul style="list-style-type: none"> ▪ Understand Site-Specific Conditions 	Be aware that authority structures can vary greatly. Consensus is not always possible, nor is the full participation of all sectors of society.

²⁴ Adapted from: Lindberg, K. and Hawkins, D., *Ecotourism: A Guide for Planners and Managers, Volume 1*. Burlington, VT: The International Ecotourism Society, 1993.

<ul style="list-style-type: none"> ▪ Monitor and Evaluate Progress 	<p>Establish indicators in advance to track tourism impact. Employment, income levels, price of local goods, land prices, frequency of arrest, evidence of illicit activities are some suggested metrics to be tracked.</p>
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Key Steps:

- Prepare ecotourism posters, videos, and other presentation material to be used when communicating with villages.
- Work with government to develop regional seminars on the positive and negatives of ecotourism and the opportunities and risks involved.
- Design an agenda for a village meeting. This meeting includes topical breakout sessions that cover the different ways villagers can participate in ecotourism (i.e. restaurant or guesthouse entrepreneur, handicraft supplier, transport provider).
- Set appropriate expectations with the community. Opportunities must not be overinflated. Realistic expectations regarding limitations on Viengthong’s capacity to support different types of businesses must be set. For example, Viengthong will not be able to support 20 guest houses or 20 restaurants during the early stages of ecotourism development. A slow starting pace for ecotourism development must be accepted without dampening enthusiasm. Emphasis should be made on the importance of conservation to the success of ecotourism.

Other Points for Emphasis:

- Communities are not beneficiaries of ecotourism. Rather, they should be active participants.
- Conduct an open forum at the end of the meeting to capture villager reaction and feedback.

Desired Outcome: The community understands the benefits and challenges of ecotourism and is equipped to make informed decisions regarding the type and extent of tourism desired for their community. The community understands that the success of ecotourism products developed in NEPL-NPA is linked to the continued conservation of the forest and the wildlife in it. Villagers are interested in participating in the ecotourism value chain.

6.2.3 Stakeholder Involvement: Assessing Private Sector Interest

Purpose: The private sector tour operators have ecotourism operating expertise, a valuable logistics network, and insight into customer demand. Inbound tour operators will provide NEPL-NPA with useful advice and feedback as ecotourism is developed in the protected area.

Key Steps:

- Continue conversations with inbound and outbound operators.
- Create a document to track insights obtained from operators and note the prerequisites each must have before investing in the product.

- Keep operators abreast of progress made on ecotourism development in the protected area. The key areas of interest for operators are:
 - Improved conditions in guesthouses
 - Increased restaurant options.
 - Improved transportation system. Travel to Viengthong should not be prohibitive to visitors.

Desired Outcome: NEPL-NPA maintains a dialogue with the private sector and understands its needs and wants. NEPL-NPA is able to assess private sector interest as the product begins to take shape.

6.2.4 Zoning the NEPL for Tourism

Purpose: NEPL-NPA currently has two zones: the management zone and the core zone. The core zone is a sanctuary that is free of human disturbances whereas the management zone allows for human activity. NEPL-NPA must reconsider this zoning scheme and explore creating additional zones that will define where tourists are allowed. The goal is to concentrate the number of tourists to the most resilient of environments and dispersing tourists around in other areas.

Key Steps:

- Work with the government to develop a tiered tourism zoning scheme that expands upon the current two-tiered model. Zones that are used in other protected areas that support tourism are as follows²⁵:

<ul style="list-style-type: none"> ▪ <i>Sanctuary Zones</i> 	These are areas that tourists are completely restricted from. This would function similarly to the core zone of NEPL-NPA.
<ul style="list-style-type: none"> ▪ <i>Wilderness Zones</i> 	Tourists are allowed to enter this area on foot or via boat. The idea is that this zone can support limited and low impact activities.
<ul style="list-style-type: none"> ▪ <i>Moderate Tourism Use Zones</i> 	Tourists are allowed to participate in environmentally friendly activities including rafting, biking, or hiking. Low impact interpretation services (i.e. sign-posts) are used in this area
<ul style="list-style-type: none"> ▪ <i>Development Zones</i> 	Facilities such as eco-lodges, campsites, or research centers would be concentrated in this area. This zone is characterized by a concentration of visitors and presence of built environments.

Desired Outcome: NEPL-NPA is able to disperse the effects of tourism and control the impact on the most sensitive part of the ecosystem. Wildlife has a sanctuary within the boundaries of the protected area and international visitors are still able to experience its untouched beauty.

²⁵ Adapted from: Ceballos-Lascurain, H., *Tourism, Ecotourism, and Protected Areas.*, Gland, Switzerland, 1996

Case Study: Zoning Scheme in the Serengeti

The Serengeti National Park in Tanzania receives over 150,000 visitors a year and generates revenues of \$5.5 million annually. The park is home to cheetahs, lions, leopards, elephants, giraffes, zebras, and wildebeests, all of which exhibit different behaviors and have different ecological needs. The park has developed a Zoning Scheme for the Serengeti that defines three use zones:

- No-Go Zone: Tourists access and use is not permitted
- Wilderness Zone: Walking safaris allowed but no game viewing vehicles are permitted
- Intensive Zone: Game viewing vehicles are allowed on designated roads
- Low Use Zone: Game viewing vehicles are allowed on designated roads. Visitors may get out of car for picnics or short walks

These zones have enabled visitors to have a diverse experience while allowing the park to minimize overuse by tourist activities. Zoning has also ensured minimal wildlife habitat disturbance.

6.2.5 Developing Interpretation Material

Purpose: Interpretation content is crucial to shaping and enhancing the learning experience of the visitor. In addition to information regarding the attractions in Viengthong, the visitor center must contain excellent interpretation materials that highlight the conservation efforts of NEPL-NPA. The material developed should correspond with content that will eventually be delivered by the lead guides on the tours.

Five guidelines for interpretation²⁶:

1	Fact-oriented and academic styles of interpretation may be boring or challenging for visitors.
2	A conversational or engaging style of communication is extremely effective. Graphics and participatory exercises will help captivate the attention of the visitor.
3	Content must be made relevant and meaningful to the audience.
4	Interpretation must be well organized and easy to understand. Start with the end in mind: identify the key points that NEPL-NPA would like visitors to retain from the experience.
5	Interpretation must be focused on themes that convey a sense of place while incorporating environmental and cultural elements.

Key Steps:

²⁶ Adapted from: Weaver, David. *Ecotourism*, Milton, Queensland: John Wiley & Sons Australia, 2001.

- Create interpretation material for NEPL-NPA.
- Develop specific material focused on the Nam Nern River Experience. Though this is preliminary to having a product ready, interpretation will be necessary if NEPL-NPA wishes to test the product in the market.
 - In addition to brochures and maps, develop field guides for wildlife identification and species identification checklists.
 - Description of the Laos protected areas system and coffee table books with color photos of animals and landscape also help educate visitors.
- Engage local staff in interpretation programs as much as possible.
- Explore how culture and wildlife can be integrated into the educational experience of the visitor center and the ecotourism products.

Desired Outcome: Tailored interpretation material is created. NEPL-NPA will be prepared to operate familiarization trips targeting potential tour operators, donors, journalists, and other interested parties.

Case Study: Kanha National Park's Interpretation Center

Kanha National Park in India was one of the first parks in India to create an interpretation program. Kanha boasts a unique and effective interpretation center that was created entirely by local staff. The interpretation center was locally designed and managed and contains a visitor center, welcome center, maintenance manuals, interpretive signs, educational materials and locally sourced souvenirs. The center employed individuals who had been relocated from the area when the park was created and in this manner, was able to gain the support of the community. Kanha National Park demonstrated to the rest of the country that Indian staff had the capacity to develop and run their own interpretation center. The Kanha National Park interpretation center was hailed as a success – the center enhanced visitor experience and made the site more competitive with respect to other parks in the country.

6.2.6 Consider Developing a “Starter” Product

Purpose: Though the Nam Nern River Experience will be the flagship product of NEPL-NPA, the protected area should consider developing a teaser product to engage visitors immediately. This teaser product should be easy for existing staff at NEPL-NPA to operate and not detract from progress towards main goal. Interpretation requirements of this product should be within staff capabilities.

Key Steps:

- Select a product that has a low start-up cost. Example: the Tham Long Nguapha Cave would be a suitable teaser product. This trek would require initial trail development and maintenance. NEPL-NPA personnel and vehicles could be used for this product initially.
- Develop interpretation material for the cave trek.

- Publicize the trek in guide books such as Lonely Planet and Rough Guide.

Desired Outcome: NEPL-NPA gives visitors a reason to stop in Viengthong while ecotourism is still being developed. Having an attraction in the area will increase Viengthong’s chances of being listed in a guidebook and will help drive future demand.

6.3 Engaging Tour Operators

6.3.1 Segmentation of Tour Operators

Purpose: With tourists increasingly focusing on responsible tourism, tour operators are responding to this trend by consciously making a commitment to “green” tourism. Often times, operators that are engaged in ecotourism recognize that conservation of natural and cultural heritage gives them a competitive edge over other operators.

WCS and NEPL-NPA have established credibility in Laos and in the international community for its conservation work. The organization’s reputation must be upheld by forming alliances with partners that share the same values. Classifying potential tour operators into segments will help determine which operator best align with the mission and objectives of NEPL-NPA.

Common Operator Segmentation²⁷:

▪ <i>Proactive</i>	These operators are extensively involved in conservation and community development. A significant portion of their profits will be placed in development or preservation funds.
▪ <i>Constructive</i>	These operators feel responsibility to the host country and particularly to their environmental and community causes. Typically, a portion of profits will be donated for conservation or community development.
▪ <i>Sensitive</i>	Though profit is a high priority, these operators are also sensitive to the plight of the host country and willing to accommodate by creating low-impact trips.
▪ <i>Opportunistic</i>	These operators are profit driven and are eager to tap into a new and potentially lucrative market. Cultural and environmental preservation is often not a priority.

Key Steps:

- Make a list of inbound tour operators who currently operate in Laos or conduct tours in Laos (but may be based in a neighboring country).
- Determine one or two target segments that align with the NEPL-NPA objectives. For example, the *Proactive* and *Constructive* segments would likely be more concerned with protecting wildlife.
- Conduct secondary research on tour operators to determine which segment they can be classified into. Potential partners should align with NEPL-NPA’s fundamental principles, but a perfect fit should not be expected.

²⁷ Adapted from: Ceballos-Lascurain, H., *Tourism, Ecotourism, and Protected Areas.*, Gland, Switzerland, 1996.

- Apply the selected segment categories to the list of tour operators in order to narrow the range of operators.

Desired Outcome: By conducting a segmentation analysis, NEPL-NPA is able to narrow down the list of potential operators to a manageable list of approximately 5-10 operators.

6.3.2 Assessing Tour Operators

Purpose: Selecting the right tour operator is critical to the success of the Nam Nern River Experience. The right operator will be one who is committed to preserving the natural and cultural heritage of the protected area.

Example Checklist for Assessing Tour Operators²⁸

1	Does the tour operator demonstrate an understanding of NEPL-NPA’s environmental and cultural heritage?
2	Does the tour operator value the natural environment, especially the diversity of wildlife?
3	What are the overall goals and objectives of the tour operator? What are the goals and objectives for the proposed project? Are these acceptable to NEPL-NPA?
4	Is the operator committed to ecotourism development in NEPL-NPA?
5	Does the tour operator demonstrate sensitivity by portraying local residents honestly in advertising brochures; by respecting religious ceremonies; and by encouraging tourists to ask permission before photographing local residents?
6	Is the operator led by a strong, charismatic leader who would be willing to champion the same causes that NEPL-NPA supports?
7	Does the operator have international reach?
8	Does the operator have marketing and promotional capacity?
9	Are locally owned and locally operated lodging facilities and food service providers used when available?
10	Are local guides employed by the tour operator?
11	Is the tour operator committed to sharing knowledge with its local employees (either through informal or formal training, or advice)?

²⁸ Adapted from: Ceballos-Lascurain, H., *Tourism, Ecotourism, and Protected Areas*, Gland, Switzerland, 1996.

12	Are tour arrangements made far enough in advance?
13	Are advance arrangements reliable and honored?
14	Are local services for tour groups adequately compensated?
15	Which international outbound operators does the tour operator work with?

Key Steps:

- Develop a tour operator questionnaire using the above checklist as a guidance (5-10 as determined through the previous step)
- Conduct interviews or meetings with senior executives or owners of tour companies. Based on the interview results, select a few promising operators for further discussion. Other points to remember when evaluating a tour operator are as follows:
 - Profit margins are important, however tour operators should also be committed to new business development – Ecotourism businesses are hard to start and operate successfully. It may take several years to reach a break-even point.
 - The size of the operator and the diversification of its portfolio of products is important – A more diversified operator may be better suited to take on a new venture.
 - Operators and NEPL-NPA should agree on the form of ecotourism that will take place in the protected area, the role ecotourism will play in conservation and the benefits to local communities.
- Invite the selected operators on a familiarization trip to experience the proposed product. These are typically all-expense-paid trips that are used as tool to generate interest among the operators.
- Solicit feedback from the operators, including any opportunities for improvement.

Desired Outcome: NEPL-NPA obtains qualitative information on inbound operators that help determine which operators will be committed to developing ecotourism in the area. After this process, NEPL-NPA has 2-5 potential operators from whom to request proposals.

6.4 RFP Issuance and Evaluation

Purpose: Engaging in a Request for Proposal (RFP) process will provide the NEPL-NPA with the opportunity to define the must-have requirements and boundaries within which the selected tour operator must operate. Tour operators selected to submit proposals will have the opportunity to express to the NEPL-NPA their formal interest in partnering with the NEPL-NPA to develop the River Experience product, as well as to provide their detailed visions for product implementation.

Key Steps:

- Incorporate operator feedback from familiarization trips into the NEPL-NPA's vision for the product experience
- Include in the Request for Proposal a list of requirements and protective restrictions for operation of tourism in the protected area

Sample requirements include:

- Maximum group size
- Tour frequency
- The degree to which food and services must be sourced from local communities. Considerations should include:
 - Sourcing food and handicrafts from local villagers
 - Patronizing local guesthouses and restaurants
 - Employment of local people
- Revenue allocation requirements (see *6.10 Distribution of Benefits* for suggested allocations of revenue)
- The degree to which wildlife education and an emphasis on learning must be a part of the product experience
- Using the tour operator assessment process outlined in the previous section, invite 2-5 selected tour operators to submit proposals in response to the RFP
- Evaluate proposals and select a partner tour operator

Sample Partner Selection Criteria

Choose a partner that:

- Will implement the product in a way that most closely aligns with NEPL-NPA's vision for product implementation and development of the protected area and associated communities
- Has a demonstrated ability to execute, especially with new product development
- Typically serves the Backpacker Plus and General Interest customer segments or has experience with products that cater to this segment
- Has a demonstrated interest in ecotourism and social responsibility
- Has a long-term investment horizon and has the financial means to sustain operating losses in the short-term

Desired Outcome: NEPL-NPA selects a partner with whom to develop the Nam Nern River Experience.

6.5 Building Personnel Capacity

6.5.1 Defining Personnel Qualifications

Purpose: Guides, boatmen, service personnel all serve as the face of NEPL-NPA. Visitor experience on the Nam Nern River Experience depends heavily on the skills of these individuals. NEPL-NPA needs to define the qualifications and requirements necessary to create a unique tourism experience.

Key Steps:

- Determine staff qualifications and characteristics that would add-value to a visitor's experience.

Suggestions for lead guide qualifications:

- Excellent understanding of the biodiversity of NEPL-NPA
- Knowledge of local agriculture and culture
- Conservation focused and environmental awareness
- Basic knowledge of the history of Laos
- Strong command of English language
- Fluent in Lao (other languages a bonus)
- Basic first-aid skills
- Hospitality management skills

Suggestions for village guide qualifications:

- Skilled hunter or tracker
- Excellent understanding of the biodiversity of the NEPL-NPA
- Knowledge of local agriculture and culture
- Fluent in Lao (desire to learn English a plus)
- Positive attitude and enthusiasm for working with international tourists

- Prioritize qualifications and characteristics. While certain skills are basic and necessary, other skills may be desirable but not as critical. For example, a strong command of the English language is a priority while basic first aid skills may be secondary.
- Identify positions that are most important to the tour experience where quality cannot be compromised. For example, the expertise of the boatman and hunter/tracker will influence whether tourists will see animals or learn about the biodiversity of the NPA. This position is more critical to the tour than that of a handicraft supplier.

Desired Outcome: NEPL-NPA has a clear vision for the desired state of personnel skills. This vision is captured in a document that describes personnel qualifications and requirements. Training is later tailored to developing these skills in the local community.

6.5.2 Defining Personnel Responsibilities

Purpose: Establishing clear roles and responsibilities reduces confusion and promotes the effectiveness of service personnel on the Nam Nern River Experience.

Key Steps:

- Draft roles and responsibilities for each personnel position.

Suggestions for lead guide responsibilities:

- Translate the questions to and answers from local guides
- Elaborate on the biodiversity of the forest, pointing out interesting plants and animals whenever possible
- Elaborate on subsistence and agricultural lifestyle of the villagers
- Educate tourists on local culture and heritage
- Be aware of tourist wants and needs
- Control the tourism experience by ensuring that personnel and guests comply with rules and regulations
- Manages the tour logistics
- Provides feedback for improvement of tour

Suggestions for village guide responsibilities:

- Guide tourists through the river and forest
- Explain to tourists wildlife behavior and foraging patterns
- Call attention to wildlife and plants frequently
- Be aware of tourist wants and needs and set a good trekking pace

- Conduct a skill assessment survey of interested villagers and local entrepreneurs. Training should be tailored to the needs of the local communities.
- Develop a capacity building timeline based on the level of qualification and requirements desired.
- Create a Service Level Agreement (SLA) that details quality standards expected for each position. This agreement is developed using the qualifications and roles and responsibilities defined in the previous sections.

Desired Outcome: By defining roles and responsibilities, NEPL-NPA refines the timeline for capacity building. NEPL-NPA is also able to establish expectations with the community regarding the level of skills required to participate in ecotourism.

6.5.3 Developing Basic Training and Capacity

Purpose: NEPL-NPA works with other agencies to facilitate the training of villagers. The actual training program may be offered by the LNTA; however NEPL-NPA will participate in curriculum design, lending its expertise particularly on the topic of wildlife protection and conservation.

Key Steps:

- Work with an agency such as SNV to design a curriculum based on the skill assessment survey and specific role responsibilities. Consider a flexible curriculum that allows individuals to customize the training course to meet their needs.

Suggestions for core modules:

- *English Language:* Beginner, intermediate, and advanced English lessons are offered to accommodate the various levels of proficiency in the community.
- *Introduction to Ecotourism:* Often times, residents do not understand the concept of

ecotourism. This course introduces the concept and defines ecotourism in NEPL-NPA.

- *NEPL-NPA and Wildlife Conservation:* NEPL-NPA conducts a conservation workshop that focuses on the biodiversity in the area. Attendees understand the benefit of conservation and are motivated to contribute to this cause.
- *Introduction to Hospitality Management:* This course covers basic skills for housekeeping, hygiene, food preparation and service, and guest reception. The appropriate audience for this training module would be eco-lodge or guesthouse owners but may include front-line staff.

Suggestions for ancillary training modules:

- *Introduction to Entrepreneurship:* Module covers basic business, finance, and operation skills.
 - *Targeted Training:* Module focuses on skills for boat drivers, vendors, porters, and others.
 - *Guiding a Nature Experience:* This course covers guiding techniques and best practices.
 - *Wilderness First Aid:* The course covers specific techniques to address injuries when in remote areas.
-
- Keep training modules at an appropriate length. Longer courses that use a variety of teaching methods including learning by doing are more effective than short, technical courses.
 - Engage partners (such as SNV or ADB) to provide training and capacity building expertise. NEPL-NPA assists with selection of instructors for each module offered.
 - Create a tiered certification program that corresponds with the level of expertise offered. A certification examination is administered for certain designations.
 - Consider developing a continuing education curriculum.
 - Reinforce education by conducting a study tour to successful ecotourism projects in Laos. The participants of the tour should be able to observe their roles “in action.”
 - Hire recently certified individuals as teaching assistants or apprentices to help educate other locals on the same topics.
 - Develop a fee structure for the training program. Assigning a fee to the program encourages villagers to value the services more than if the courses were offered for free. Consider implementing a refund or credit program that allows successful graduates (evidenced by certification) to recover a portion of the fees paid.
 - Implement a feedback mechanism to adjust and improve upon the training courses.

Desired Outcome: NEPL-NPA develops a robust training and capacity building program in partnership with the Laos government and other international agencies. The training program meets the needs of the villagers and positions them to work in the ecotourism industry.

6.6 Guide Compensation

Purpose: Guide compensation should be incentive-based and aim to increase retention rates and keep turnover low, while reinforcing the behaviors the NEPL-NPA would like to see in these guides. As such, we recommend implementing a flat fee per day for both lead and local guides, with incentive bonuses tied directly to performance.

Key Steps:

- Tie lead guide bonuses to the results of feedback forms filled out by customers.
 - To incent lead guides to provide an outstanding overall experience – with an emphasis on learning – their bonuses could be tied to feedback forms filled out by tourists at the end of their trips, combined with overall performance reviews by NEPL-NPA staff.
 - Bonus payments should be made at intervals that are long enough to collect sufficient customer feedback.
 - Weight more highly those aspects of the surveys that the NEPL-NPA would like to reinforce in lead guides, such as the educational aspects of the tours.
- Tie local guide bonuses to the number and types of wildlife spotted
 - To incent local guides to provide tourists with the best wildlife viewing experience and to reinforce the link between tourism and wildlife, local guide bonuses could be based on wildlife spotted.
 - For example, a bonus chart can be established based on the number and types of wildlife spotted, with higher payments for the most difficult to see wildlife and those which customers are most interested in viewing.
 - Since spotting wildlife in NEPL-NPA is difficult, consider basing a small portion of the bonus on other aspects of the local guide’s performance, such as his or her contribution to the overall learning experience. In this way, the local guide will still see upside potential from providing a good overall experience, even if wildlife is not spotted.
 - To ensure that the reports of the number of wildlife spotted are truthful, use reports on wildlife spotted from the lead guides and correlate this with results from customer surveys. Since lead guides will be compensated based on the overall experience, they will be less likely to artificially inflate these figures.

Desired Outcome: NEPL-NPA designs and implements an incentive-based guide compensation structure that aligns NEPL-NPA product goals with employee goals in order to provide visitors with the best experience and to motivate and retain the highest performing guides.

Case Study: Guide Compensation in the Nam Ha Ecotourism Project²⁹

In the Nam Ha model, certified town-based lead guides are paid \$10-15 USD per day and assistant guides are paid \$9 USD per day. Guides are certified as Provincial Tour Guides by the Provincial Tourism Department after completing a 30-45 day training program and passing a written and oral examination. Village-based guides receive an abbreviated, 7-day version of the training program and are paid \$5 USD per day with opportunities for advancement.

Note: Compensation figures reflect 2008 levels.

6.7 Strengthening the Link to Conservation

Purpose: The importance of conservation must be ingrained into the consciousness of the local community. As ecotourism ramps up, NEPL-NPA must also increase its efforts in reinforcing the value of wildlife and an intact environment.

Key Steps:

- Create a Community Ecotourism and Conservation Committee based in Viengthong. This committee actively explores initiatives to encourage responsible and conservation-minded ecotourism in Viengthong and in NEPL-NPA.
- Engage youth in conservation by developing a “Mini Guides” program in partnership with the local high school. NEPL-NPA designs a semester-long course that is taught through the high school and features guest speakers from NEPL-NPA. The course includes a conservation “internship” with NEPL-NPA and possibly a position on the Nam Nern River Experience as a junior guide.

Desired Outcome: NEPL-NPA impresses upon the residents the need for conservation through various channels. Perception of the protected area and its denizens shift as people become more aware of their natural environment.

Case Study: Projeto TAMAR

Projeto TAMAR is a NGO in Brazil focused on sea turtle conservation. Projeto TAMAR has been focused on community involvement since its inception. The agency has 22 research stations along 1,100 kilometers of the coastline. These visitor centers contain educational content aimed at raising visitor awareness about turtle conservation. In addition, these visitor centers are coupled with restaurants, bars, and gift shops that employ local people and sell local crafts. Projeto TAMAR created an innovative program called the Mini Guides Program that trains 60 local teenagers annually in sea turtle biology and conservation. Students receive a stipend that is used towards furthering their education. Enrollment in the program is contingent on attendance at a local high school and graduates of the program have the opportunity to work at the visitor

²⁹ Schipani, Steven. “Alleviating Poverty and Protecting Cultural and Natural Heritage through Community-Based Ecotourism in Luang Namtha, Lao PDR”. *Impact: The Effects of Tourism on Culture and the Environment in Asia and the Pacific*. Bangkok: UNESCO, 2008. 83, 92.

center leading tour groups and to continue learning about conservation.

6.8 Community Concessions for NEPL-NPA

Purpose: Concessions may be used in NEPL-NPA as a tool to engage the most qualified community suppliers of goods and services. Concessions may be granted for food, lodging, transportation, handicrafts, and other services.

Key Steps:

- Develop a concession guideline and code of conduct.
- Obtain statements of intent from community members who are interested in selling food, handicrafts, and services.
- Potential concessionaires are evaluated against each other using the guideline developed. The most qualified concessionaires are selected for a short duration contract. After the term is through, the process is repeated so as to give other potential concessionaires an opportunity to participate.
- Concessions should be withheld until local entrepreneurs can demonstrate management capabilities. Completion of the appropriate training modules is required before concessions are granted.

Desired Outcome: The best local suppliers of goods and services are engaged to work with NEPL-NPA and at the same time a standard of quality is maintained.

6.9 Ground and River Transportation

Purpose: The need for ground and river transportation services provides a strong opportunity for community entrepreneurs to benefit from ecotourism in the area. NEPL-NPA should use the concession model outlined in *6.8 Community Concessions for NEPL-NPA* to identify the most promising transportation service entrepreneurs and enable them to become successful operators.

Key Steps:

- Rather than renting van, truck, or boat services, consider investing in the necessary equipment and allowing selected transportation service operators to lease the equipment
 - Start-up capital investment costs for transportation services will likely be prohibitive for community entrepreneurs so NEPL-NPA, in partnership with WCS, should consider investing in this equipment and allowing selected transportation service providers to lease with the option to buy this equipment over time. This will provide them with a growth path to which they can aspire.
- Hold transportation providers to mutually agreed upon levels of quality with regular monitoring of performance
- Motivate high performance by offering discounts on lease payments and more favorable purchase terms as incentives

Desired Outcome: The best local suppliers of ground and river transportation work with the NEPL-NPA to deliver a high quality product.

6.10 Fee Structure

Purpose: A fee structure built on top of base tour price will enable the NEPL-NPA to allocate to particular stakeholders portions of consumers' willingness to pay and will limit the value captured by tour operators.

These fees should all be implemented from the outset of the operation to set the appropriate precedent with customers and tour operators, and also so that all stakeholders in the process can begin to see the benefits of ecotourism, however small they may be in the initial stages.

Key Steps:

- Institute a per day NEPL-NPA permit fee, with proceeds going directly to the NEPL-NPA to promote conservation, enforcement, and to support general operations

Sample Pricing Strategy – A differential permit fee structure should be used, starting with park entrance fees but then expanding to other use fees such as camping fees if the NEPL-NPA wishes to zone certain areas for camping, for example.

- Domestic Visitors
 - Lower fee for domestic residents to encourage Lao citizens to visit and appreciate their natural heritage
- International Visitors
 - Higher fee for international tourists: “While a small fee, token payment is clearly better than no fee at all, there is no reason for a country, especially a developing one, to subsidize the cost of foreigners’ visits.”³⁰

Setting Permit Limits – NEPL-NPA should use a rationed permit scheme with limits per day, based upon the amount of total visitors the product can sustain without damaging the environment. This permit scheme will help to reduce the impact of tourism in the park and will also add an element of scarcity in the marketplace, which will result in more value being placed on the park and the products offered within it.

Case Study: The Inca Trail Permit System³¹

The Inca Trail is regulated by the Inca Trail Authority. The Inca Trail Authority issues a total of 500 permits per day and this includes all cooks, porters, guides, and visitors. Permit requests must accompany reservations for a hike through a certified tour operator, which ensures that visitors receive a minimum level of learning and that the trails and archaeological sites in the Machu Picchu protected area are properly maintained. Due to the high tourist demand for the Inca Trail trek, these permits are often sold out months in advance.

³⁰ Ceballos-Lascuráin, Héctor. Tourism, ecotourism, and protected areas. World Conservation Union, September 1996.

³¹ GreenTracks, Inc. “Regulations and Availability of Permits for the Inca Trail”. 2009 <http://www.greentracks.com/Inca_Trail_Regulations_and_Permit_Availability.htm>.

- Consider instituting an initial 5% fee for a Community Development Fund, increasing to 10% as the product gains financial and operational strength
 - Similar to the Nam Ha model, imposing a Community Development Fund fee is an effective method to secure revenue for distribution to villages affected by and participating in ecotourism in the protected area (refer to 5.10 Distribution of Benefits for recommended uses of the Community Development Fund).
- Add a 5% Provincial Tourism Department Tax for Tourism Promotion and Marketing Fund (per mandate by Lao National Tourism Agency)
 - Work with the Provincial and District governments to keep as much of the resulting funds at the District levels as possible and maintain these funds with a great deal of transparency. Determine how the money should be used, the approval process for the use of funds, and identify the stakeholders that will be involved in the approval process.
- Consider including in the base tour price the cost for “free” handicrafts to be given to tourists by villagers during their trip³²
 - Suggested Pricing – \$2.50 USD per handicraft item
 - Work with villagers to set a fixed and fair price per handicraft item

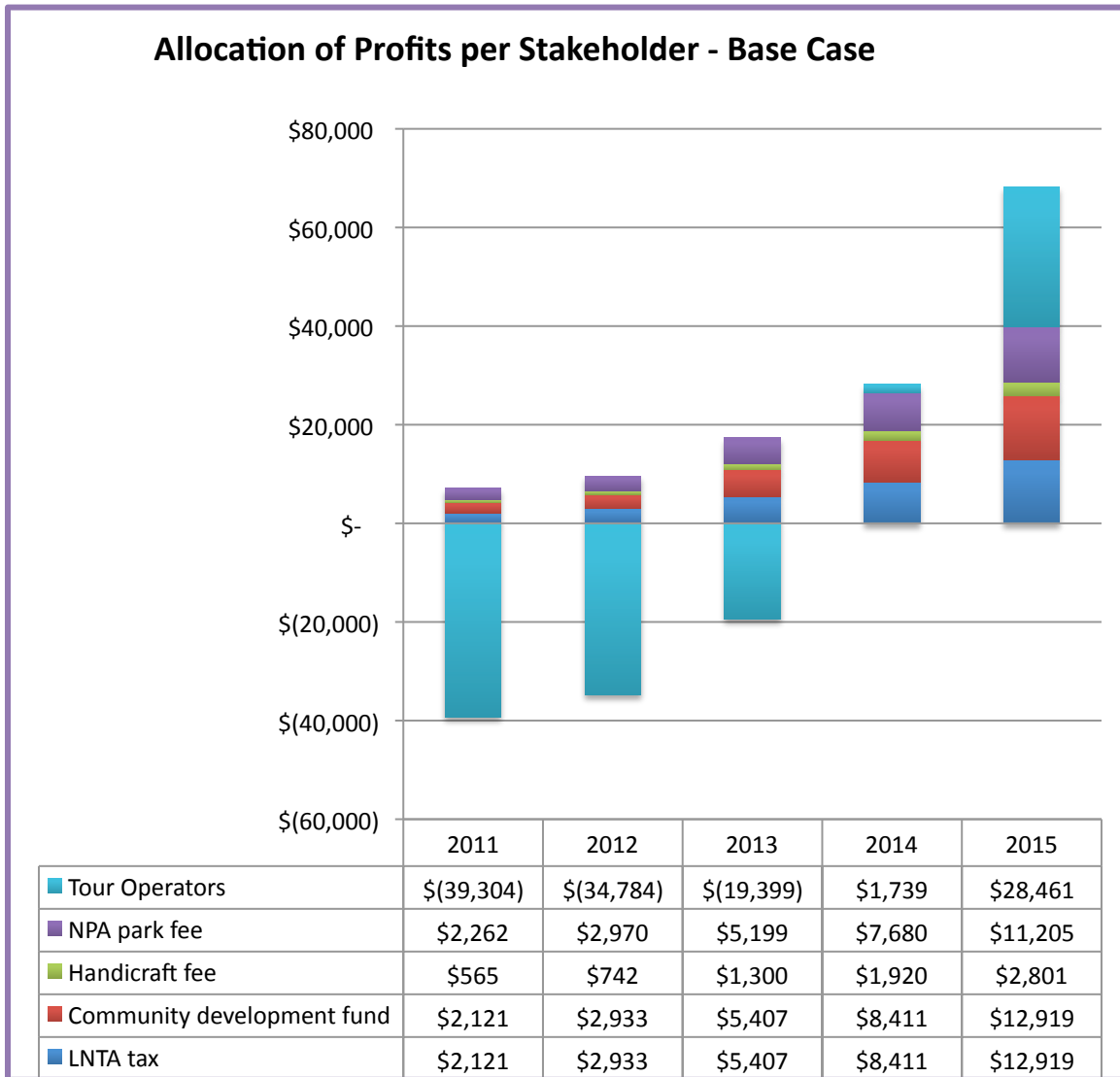
Example Fees

Fee Type	Amount	Managed By	Recipient(s)	Intended Uses of Funds
NEPL-NPA permit fee	-	NEPL-NPA	NEPL-NPA	Conservation, enforcement, protected area management
Domestic Visitors	\$1 USD per day			
International Visitors	\$10 USD per day			
Fee for Community Development Fund	5% of retail price (increase to 10% over time)	NEPL-NPA / NGO	Villagers / Community	Training (agricultural, handicrafts), microloans, direct cash distributions
Provincial Tourism Dept Tax	5% of retail price	Provincial & District Departments	National, Provincial, District Departments	Marketing & promotional activities
Handicraft Fees	\$2.50 USD per item	Tour Operator(s)	Village Handicraft Sellers	-

Using the example fee structure outlined above, total revenue would be pre-allocated into four parts: park entrance fees, community development fund fees, Provincial Tourism Department taxes, and handicraft fees.

³² Schipani, Steven. “Alleviating Poverty and Protecting Cultural and Natural Heritage through Community-Based Ecotourism in Luang Namtha, Lao PDR”. *Impact: The Effects of Tourism on Culture and the Environment in Asia and the Pacific*. Bangkok: UNESCO, 2008. 92.

The graph below shows the projected allocation of revenue over the next 5 years to each of these groups, along with net income for tour operators to show the actual profits earned by each group.



All four groups benefitting from the allocation of revenue model will receive benefits from the very beginning in 2011, even though the tour will be generating losses. This is to ensure that the community sees the benefits of ecotourism early in the process and remains engaged throughout. As the volume of tourists grows, each stakeholder will receive greater profits over time. Engaging all stakeholders from the beginning will also improve product quality because it will create incentives to offer better service. It will also lead to better enforcement of the protected area and a greater chance of seeing wildlife over time. These quality improvements and strong relationships with the community will in turn help drive demand and help the tour reach profitability more quickly.

Desired Outcome: NEPL-NPA implements a fee structure from the outset that provides benefits to all stakeholders and sets a precedent with customers and the private sector.

6.11 Distribution of Benefits

Purpose: Prior to commencing operations and revenue collection, it is important that agreements be reached with all parties that will benefit directly from ecotourism, whether it be through cash, services, or infrastructure development projects.

These agreements must stipulate:

- How frequently benefits will be delivered
- The reason(s) that these benefits will be delivered
- How the amount of benefits delivered is determined

Villagers must understand why they are receiving the benefits – strong links must be established to preservation of wildlife. Additionally, benefits must help to mitigate high priority needs of villagers³³, such as:

- Agricultural equipment, technology, and training
- Equipment and training for handicraft products
- Low-interest loans to fund agricultural investments
- Paved roads to villages
- Irrigation for rice fields
- Electricity

Key Steps:

- Establish a strong link between distributed benefits and conservation by tying the distribution of benefits to wildlife population levels and threat figures.
 - Tiering of Payments – Tier the distribution of benefits based on whether target levels are met. For example, if \$100 is available for distribution, then distribute \$40 (40%) if target levels are not met and \$75 if they are met. If target levels are exceeded, then distribute greater than \$75 depending on the extent to which expectations have been exceeded. This is merely an illustrative example, but the important takeaway is that benefits distribution should be tiered so that exceptional performance is rewarded exceptionally, with severe penalties for underperformance.
 - Payments should be presented regularly (perhaps every month) in a public forum within the village so that wildlife preservation and threat management slowly become more top-of-mind for villagers. Villagers will await benefits distribution and will understand that the amount of benefits they receive is directly tied to conservation metrics. This will enable the NEPL-NPA to increase villagers' share of mind with respect to wildlife preservation.
 - Note that this reward system will be effective at changing behavior to the extent that villagers value the benefits distributed to them. Thus, it is critical that the NEPL-NPA understand villagers' priorities and customize benefits to address these priorities in order to maximize behavior change. These priorities may differ across (and potentially within) villages, so this variation must be considered as well.
- Allocate a portion of the community development fund to be distributed in the form of services such as agricultural technical training, handicraft training, microloans, and small-scale infrastructure development.

³³ Sourced from interviews with NEPL-NPA staff in Viengthong.

- Deliver services through strategic partnerships. The NEPL-NPA should look to form strategic partnerships through which to deliver valued services to villagers:
 - *Department of Agriculture and Forestry*: This Department provides agricultural technical assistance/training to villagers. The NEPL-NPA should leverage its position within this department to deliver this training to villages that provide food for tourists on the river trip. This would help villagers to become more productive by increasing their agricultural yields through greater efficiencies and increased productivity, and would also help them to scale to support increased tourism in the area.
 - *Department of Industry and Handicrafts*: Based on our interviews, we learned that villagers in the area do not have strong technical skills for handicraft development. Therefore, the NEPL-NPA should consider partnering with this Department to deliver technical training on handicraft development for villagers wishing to sell handicrafts to tourists.
 - *Lao Women's Union (LWU)*: The Lao Women's Union has strengths in coordination and outreach efforts throughout Laos, especially in villager communities. Consider leveraging the LWU to refine and augment the NEPL-NPA's current outreach efforts.

In 2006, the Lao Women's Union was the most popular implementation partner of microloan providers, due in large part to its demonstrated efficiency in implementing microfinance relative to other organizations.³⁴ Given its past successes, the LWU is now undertaking efforts to create its own Microfinance Fund.

Consider forming a partnership with the LWU to administer microloans with low interest rates to villagers for agricultural or handicraft investments. To maintain the link between benefits and conservation, interest rates and loan amounts should be tied to targets for decreases in threat levels and increases in prey levels.

To help to ensure loan repayment, these loans should be contingent on the successful completion of agricultural training and handicraft skill development sessions, potentially offered through the partnerships suggested above. An additional mechanism to increase repayment percentages is to use a group loan model (see case study below).

Case Study: Quaker Service Laos

Quaker Service Laos (QSL) has been working in Laos since 1973. From 1993 onwards it has focused on small-scale irrigation and community development projects. QSL has provided revolving funds for rice mills, rice banks, buffalo banks, pig banks and chicken banks. The villagers start by setting up a group of some twenty participants. Every member receives a loan valued at 66,000 kip for a pig. The loan period is two years, including a grace period of one year. The interest rate is 8% p.a. Repayment during the second year is in three-monthly installments. *"Relying on peer pressure, a new loan is contingent upon full repayment of the old loan. If a member encounters a repayment problem, he brings it before the group which tries to find an acceptable solution: usually by granting an extension."*³⁵

- Allocate a portion of the community development fund to be distributed as cash to villages.

³⁴ "Rural and Microfinance Statistics in the Lao PDR 2006". Committee for Planning and Investment, National Economic Research Institute (NERI), Microfinance Capacity Building and Research Project (MCBR), December 2007.

³⁵ Seibel, Hans Dieter; Kunkel, Carmen R. "Microfinance in Laos: A Case for Women's Banking?". University of Cologne Development Research Center, 1999.

Desired Outcome: NEPL-NPA decides on the benefits it will deliver to villagers and the process by which it will determine the level of benefits delivered. Key partners will be identified to help in benefits delivery.

6.12 Support Infrastructure Development

Purpose: The NEPL-NPA must help to support the development of infrastructure in the areas surrounding the protected area in order to build an attractive ecosystem to attract and maintain increased tourism.

Key Steps:

- Develop an investor prospectus.
 - Circulate to prospective, socially responsible investors in an effort to stimulate development of facilities such as eco-lodges, well-appointed guesthouses, restaurants, and shops. Leverage resources such as the LNTA and SNV to develop the prospectus and to distribute it to qualified investors.
- Consult to the local community and promote the development of local entrepreneurs.
 - Provide advice to existing guesthouse, store, and restaurant owners as to how they can improve their operations to better meet the needs of international tourists. This will help to increase the attractiveness of the area to tour operators and tourists.

See Appendix C.1 Sample Infrastructure Improvements for a list of sample improvements.

- Continue to hold “town hall meetings” in which interested members of the community can keep abreast of the development of ecotourism in NEPL and aspiring entrepreneurs can learn about opportunities for involvement.

Desired Outcome: An eco-system of more mature tourism services evolves to support increased tourism in NEPL-NPA’s gateway cities such as Viengthong.

6.13 Marketing

Purpose: As the Viengthong and Houamungh districts attract few tourists, it is critical that WCS play an active role in drawing more tourists to the area and generally increasing market awareness of the benefits of the NEPL-NPA.

Key Steps:

- NEPL-NPA should leverage the opening of the Visitor Center to create a buzz around the protected area by getting published in popular travel guides such as the Lonely Planet and Frommer’s.
 - Word-of-mouth referrals, online travel guides, and printed travel books are the most popular sources of travel information for international tourists. Given the long lead time before travel guides publish their updated content, it’s important that the NEPL-NPA secure initial mention in these guides while preparations for full product launch are still in progress. Creation of a “starter” product, as outlined in 6.2.6 *Consider Developing a “Starter” Product*, would be an effective way to get mention in these popular guides.

- Work with the LNTA and relevant Provincial and District officials to create, print, and distribute brochures, posters and other marketing materials and place them in tourism offices throughout the country.
- Provide referral fees to tour operators and travel agencies for referrals converted to bookings.
- Leverage WCS' strong global brand and network of partners to market NEPL-NPA and the first product to target customers.
- Consider introducing a WCS certification program that aligns with the organization's goal of protecting wildlife and wild lands.

The certification market is a fragmented one, with even leaders such as Green Globe 21 having very little recognition in the marketplace. WCS has an opportunity to leverage its strong, global, trusted brand name to introduce a certification program of its own. WCS can selectively determine which protected areas are of key importance to it, and can assign certifications based on the values it espouses.

A certification program or a "stamp of approval" from WCS will provide some protection against product replication within the NEPL-NPA and can also be used globally by WCS to support those products, operators, and protected areas that align with WCS' own goals.

Desired Outcome: Increased demand for the Nam Nern River Experience and NEPL-NPA in general.

6.14 Monitoring and Maintaining the Tour

6.14.1 Monitoring and Assessing Effectiveness

Purpose: Periodically measuring the progress of ecotourism against the stated goals and objectives will determine whether ecotourism is meeting the needs of its stakeholders.

Key Steps:

- Partner with stakeholders to identify and define metrics of success. Define limits of acceptable change and standards to uphold.
- Establish a program to monitor the changes to wildlife, natural resources, community livelihood, and tourism growth in Viengthong and NEPL-NPA.
- Obtain periodic feedback from the villagers, tour operators, and visitors.
- Consider designating monitoring and evaluation responsibility to the Community Ecotourism and Conservation Committee.

Desired Outcome: NEPL-NPA and its stakeholder partners are able to assess the success of ecotourism in Viengthong and the protected area. The impact of tourism is identified and quantified. Feedback is continuous to allow for adaptation and improvement.

6.14.2 Maintaining the Quality of the Tour

Purpose: NEPL-NPA has a vested interest in the quality of the Nam Nern River Experience. As such, NEPL-NPA may need to work with the operator to maintain the tour and ensure its continued quality.

Key Steps:

- Conduct quarterly meetings with the tour operator to review the product strategy, operational results and customer feedback.
- Assess the educational content of the tour and ensure that NEPL-NPA conservation message is integrated into the content.
- Monitor the marketing and promotional activities of the tour operators to ensure that the product and the protected area are being properly represented.
- Advise tour operator on the marketing and operations strategy going forward.

Desired Outcome: NEPL-NPA works closely with tour operator throughout the lifecycle of the product (and future products) to ensure that the tour remains high quality and that the goals and objectives for the tour are met.

6.14.3 Transitioning and Expanding the Product

Purpose: In the early stages of ecotourism product development, NEPL-NPA may take a direct role in the planning and (possibly) operations of the project. While it may be appropriate for NEPL-NPA to take a direct role for a period of time, operating a business is not a core part of NEPL-NPA's role. Transition periods, whether in expanding to new products or transferring ownership of the business, must be managed carefully.

Key Steps:

Expanding the Product Offering

- Assess the demand for additional products in the vicinity of the Nam Nern River Experience.
- Use the product evaluation matrix (developed by the Haas International Business Development Team) to select the next product for development.
- Determine the cost of adding an additional product and the level of training required.
- Assess the opportunity for leveraging existing resources to maximize utilization and minimize costs.
- Test the product in the market.
- Determine the marketing strategy for the new product.

Transitioning the Product

- Determine a maximum timeline for NEPL-NPA's commitment to the project.

- Create an exit strategy that allows flexibility for various scenarios. Example scenarios may be as follows: the project is profitable and may be transitioned to a private operator; the project is unprofitable and may be shuttered completely.
- At least 18 months prior to the expiration of NEPL-NPA's timeline, begin looking for an appropriate partner to transfer ownership to.
- Assess the value of the business.
- Evaluate potential purchasers. Ideally, the purchaser upholds values similar to those of NEPL-NPA. The purchaser must be financially sound, be interested in building and maintaining capacity of personnel, and have international reach.

Desired Outcome: NEPL-NPA is able to successfully expand the product (if desired) and later transitions ownership to an appropriate partner who is able to further the work that NEPL-NPA has begun.

VII. Risk Analysis and Mitigation Strategies

Even if the Nam Nern River Experience is financially and operationally feasible, there will be numerous risks that should be considered as the project proceeds.

- *Current number of tourists to Houaphanh province:* Currently, approximately 3,000 people visit Houaphanh each year as tourists. There is no data to know how many of these visitors actually come to Viengthong looking for tourism products. Houaphanh is expected to increase in tourist volume based on historical growth rates, which will make it more attractive as a tourist destination over time. However, projected demand may not materialize among key customer segments, given the difficulty in predicting market demand in a region where there is virtually no tourism at this time.
 - Two basic factors will help to mitigate this risk. First is a phased approach to the project, which will allow the NEPL-NPA or its partners to gauge demand while making a minimal investment in the earliest years of the project. If demand is sufficient to justify going ahead with planned expansions, they can be funded and completed over time. If not, the NEPL-NPA can choose to delay them or postpone them indefinitely, minimizing potential project losses and making it easier for the project to reach profitability with a smaller-than-planned customer base.
 - The second factor is the NEPL-NPA pursuing a thorough marketing and product development plan. If the NPA can leverage its relationship with regional government offices and organizations eager to develop tourism in the park, it will be positioned to make the most of whatever demand does materialize.
- *Lack of tour operators in the region:* A strong tour operator is needed to keep the product functioning effectively, making necessary improvements over time, and creating demand. The remote location of NEPL-NPA and the lack of infrastructure in Viengthong create a cost and logistics challenge for tour operators in Luang Prabang or other nearby areas to provide effective services.
 - One possible solution would be to work with a tour operator to create a satellite office in Viengthong that could handle the small initial demand for tours.
- *Infrastructure:* Even if the product is attractive to tourists, significant infrastructure improvements will be needed to make the trip to Viengthong appealing. Guesthouses would need to be updated to

cater to foreign tourists, more restaurants would need to be opened to handle demand, and other tourism services such as motorcycle and bicycle rentals would need to be available.

- In order to mitigate these issues, the NEPL-NPA should continue leveraging government support to provide training and resources to local businesses as the project gets underway.
- *Regional and provincial tension:* Each district within Houaphanh province stands to benefit from ecotourism being introduced into the area. However, because NEPL-NPA spans multiple districts, tensions may arise if tourism benefits one district disproportionately.
 - This tension will have to be resolved through open communication and expectations setting with government offices that tourism will benefit all regions over time and that different regions will impact different parts of the tourism value chain.
- *Overdevelopment:* A successful tourism product could lead to entry by other tour operators. The government and the local community might benefit and therefore welcome the additional demand and revenue generated, creating the potential for deforestation and threats to wildlife conservation.
 - To mitigate this, barriers will need to be put in place to limit access, such as park fees, exclusive licenses, or concessions for certain trails or destinations.
- *External interests in NEPL-NPA:* There are currently international organizations interested in developing certain sections of the park for large-scale mining and farming operations. If this development is allowed, the NEPL-NPA's ecotourism and conservation efforts will be negatively impacted and tourists may be less interested in coming to the region.
- *Externalities of additional revenue:* As villagers receive additional funds through the community development fund, they will have an incentive to increase agricultural investment and clear more land.
 - This can be mitigated by ensuring agricultural services provided are focused on improving yields for their current lands or by setting clear contracts about how funds can be used when the community development fund is created.

VIII. Suggestions for Further Research

- Interview Lao Women's Union representatives in Viengthong and LWU leaders in headquarters office to better understand how the NEPL-NPA can work together with the LWU to improve village outreach efforts and benefits delivery to villages
- To thoroughly understand villagers' needs and priorities, interview members of each of the villages that will be participating in the River Experience product

As noted in Section 6.11 *Distribution of Benefits*, a reward system will be effective at changing behavior to the extent that villagers value the benefits distributed to them. Thus, it is critical that the NEPL-NPA understand villagers' priorities and customize benefits to address these priorities in order to maximize behavior change. These priorities may differ across (and potentially within) villages, so this variation must be considered as well.

Include in the process the perspectives of village leaders, militia members, and men, women, and children from the broader village population.

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X. Appendix

Appendix A- Porter's 5 Forces Analysis

Rivalry Among Existing Competitors

- **Select Regions in Northern Laos: High**

Houaphanh Province – Houaphanh Province is one of the most scenic and rustic areas in Laos. The competitive advantage of this region is its natural heritage and the lack of mass tourism developments. Houaphanh Province is home to one of the largest protected areas in Laos, the Nam-Et Phou Louey National Protected Area, one of the eight Tigers Forever sites. The region is also ethnically diverse and has a reputation for fine textiles and jewelry. The city of Sam Neua is home of the historically significant caves of Vieng Xay, the former headquarters of the Pathet Lao. However, with its remote location and limited tourism attractions, Houaphanh is still struggling to capture the audience of the international traveler.

Luang Prabang Province – Luang Prabang Province is the most formidable competitor to Houaphanh Province. The competitive advantage of this province is its wealth of tourist attractions, including the famed UNESCO World Heritage site of Luang Prabang. The enchanting city of Luang Prabang is truly unique, with its royal history, sparkling temples, saffron-robed monks, lively night market, and variety of accommodations, restaurants and cafes. The city's popularity is evidenced by the 300,000 visitors that it gets per year. Luang Prabang Province also has visitor friendly natural and cultural heritage sites from the Pak Ou caves, to Thad Kuang Si, Nong Khiao, and Muang Sing village.

Luang Namtha Province – Resource rich and ethnically diverse, Luang Namtha is has developed over the past ten years into a natural and cultural heritage site. The main attractions in Luang Namtha are the Nam Ha National Protected Area, the town of Muang Sing, and the ethnic villages in the area. Luang Namtha is branded as the flagship ecotourism destination in Laos.

Xieng Khouang Province – Xieng Khouang Province is the home of the famed Plain of Jars, a contender for UNESCO World Heritage Site designation. Though remote, this region receives its share of visitors (25,531 in 2007) and is strategically located on the Northern Heritage Route.

Though rivalry between the provinces is high, the ecotourism industry in Laos, in general, has been growing over the years. As province continue to develop tourism products in order to compete for international travelers, many natural and cultural attractions have become homogenous.

- **Inbound Operators: Moderate to High**

Tour operators are concentrated in the cities of Vientiane and Luang Prabang, with very few operators focused on the Houaphanh district. The competition among these operators is high as each operator seeks to differentiate itself from the other. Package tours itineraries seldom include attractions in the Houaphanh district (excluding Vieng Xay), although there has been indication of interest by operators to do so. Brand identity and switching costs among tour operators are low, contributing to increase competition.

- **Accommodations: Moderate to High**

According to the Houaphanh Province Tourism Development Strategy 2007 – 2020, Houaphanh has 43 hotels and guesthouses with a total of 362 rooms. The number of guest houses that are located in various districts can range from a low of 2 to a high of 20. Competition between guest house owners in a particular city may be fierce as they are fighting for the business of only a few international tourists. The quality of the guest houses in these districts is in general very poor and may deter some tourists from visiting the area. However, there is significantly less competition for middle-range, high-end, or branded accommodations.

Barriers to Entry

- **Select Regions in Northern Laos: Low to Moderate**

In the most recent Laos PDR Tourism Strategy, the Laos National Tourism Administration (LNTA) articulated its commitment to developing Laos into a global premier ecotourism destination. To achieve its goals, the LNTA is aiming to develop certain regions, activities, and features to support ecotourism. As a part of its strategy, the LNTA designated six protected areas for further development in the northern region of Laos, including Nam-Et Phou Louey NPA in Houaphanh Province. With government support of tourism development tracks, the provinces experience a lower barrier to entry.

- **Inbound Operators: Moderate**

There are moderate to high barriers to new inbound operators attempting to break into the tourism industry in the hopes of capturing the profits generated by the tourism industry. The capital required to start an inbound operator may be prohibitive, depending on the level and quality of service provided by the operator. However, as in the case of operators based out of Luang Prabang or Vientiane, those who have knowledge of Houaphanh and access to logistical networks may easily expand to include Houaphanh province in their suite of offerings.

- **Accommodations: High**

In Houaphanh Province, as in other provinces, the capital requirement of entering into the accommodations business is a significant barrier to entry. Though bank loans are available and common, Houaphanh may find that there are fewer individuals willing to take on the risk of building accommodations at this point in time when the tourism industry is relatively young and demand is uncertain. Further, planning and designing a well-functioning guesthouse, building the structure, hiring the staff, and achieving a sustainable occupancy rate requires a level of business acumen that many individuals have difficulty attaining. This presents a significant barrier to entry.

Threat of substitutes

- **Select Regions in Northern Laos: Low**

In general, there is a low threat of substitutes in the international tourism industry, with the only threats being domestic travel or “stay-cations.”

- **Inbound Operators: Low to Moderate**

The main threat to inbound tour operators are individuals interested in creating their own experience while in the host country, bypassing the services of the tour operator. In Houaphanh, one could conceivably hire an English-speaking guide for several days to tour various sites or villages.

- **Accommodations: Low**

Similarly, the substitution threat to accommodations is low. A credible substitution threat would be tourists who choose to stay with friends and family or camping, although both are uncommon for international tourists.

Bargaining Power of Suppliers

- **Select Regions in Northern Laos:**

Not applicable

- **Inbound tour operators & accommodations: Low**

The suppliers of inbound tour operators and accommodations are local Houaphanh communities that provide knowledge, food, transportation, handicrafts and labor. The bargaining power of these suppliers is relatively low. Substitution between different members of the community is relatively easy as the goods and services provided are often commodities. Suppliers are not concentrated in a geographic area and may differ throughout Houaphanh province, thereby weakening their bargaining power.

Bargaining power of buyers

- **Select Regions in Northern Laos: Moderate**

International arrivals to Laos are low as the country remains one of the least visited in Indochina. Houaphanh province attracts few international tourists as it is considered one of the most remote and inaccessible provinces in Laos. As the buyers, international tourists have bargaining power in the sense that they demand attractions that are differentiated between provinces and across international boundaries.

- **Inbound tour operators & accommodations: Moderate**

The bargaining power that tourists have over inbound tour operators and accommodation owners stems from the information that these individuals have. Tourists are armed with informative guidebooks such as Lonely Planet, Rough Guide, and Frommers. Tourists are not bound to one tour operator and can easily switch from one to another prior to a commitment being made, making their bargaining position more formidable.

Appendix B- Customer Insights

B.1 Tourism Survey

Overview

To attain additional consumer insights, an online survey was conducted. The goal of the survey was to better understand international travel preferences. While quantitative survey results did not drive product analysis or selection, such insights did reinforce messages provided from other research sources. In addition, qualitative respondent comments were used to understand general customer needs and preferences on ecotourism trips.

Respondent Demographics

To learn more about international travel preferences, the team conducted an online survey. 238 individuals responded to the survey.

- 57% women
- 75% age 34 or under
- 71% U.S. Citizens or residents
- Non-U.S. respondents represented the following countries: Australia, Brazil, Canada, China, Germany, India, Israel, Italy, Japan, Malaysia, Mexico, New Zealand, Panama, Korea, Singapore, Spain, Sweden, Thailand, United Kingdom,
- 76% of respondents have previously traveled to Asia

Questions

For complete survey results, please refer to the excel file provided as part of the deliverable. For additional reference, the questions asked in the survey are listed below.

1. What is your age range?
2. Are you a citizen or permanent resident of the United States?
3. How would you describe your annual household income?
4. What is your nationality?
5. To which regions of the world have you previously traveled? (Please select all that apply.)
6. What is the length of the longest vacation you took in the last 3 years?
7. When deciding where you want to travel, what attracts you to a travel destination? (Please rank in order of importance, using each number only one time; 1= Most Important, 10=Least Important)
8. How often do you use the following sources of information to research travel destinations?
9. During the last 3 years, what types of accommodations have you used on ANY trip you have taken? (Select all that apply.)
10. When choosing your accommodations, what features are important to you?
11. Have you ever participated in a tour that you consider ecotourism?
12. If so, in which country or countries did you take an ecotourism trip?
13. Please tell us what types of activities you did on any ecotourism trips you have taken.
14. What was the best part of your trip?
15. What was the worst part of your trip?
16. Was your tour experience part of a tour package or self-initiated?
17. How much do you estimate that you paid for your most recent ecotourism trip?
18. In which currency in your estimate?
19. How long was your most recent ecotourism trip?
20. We are a group of MBA students creating a business plan for an ecotourism product; Is there anything else you would like to tell us about your travel preferences and experiences that we should keep in mind?

B.2 Customer Segment Assessment- Quick Reference Table

Customers have key criteria by which they assess tours and other travel activities for potential participation. The following chart lists the level by which each assessment factor is typically used by individuals in a given customer segment. For example, comfort is a very low driver of travel choices for the low spending Backpacker segment but a high driver of travel choice for the High Volume tourist.

	Customer Segment					
	Backpacker	Backpacker Plus	General Interest	Special Interest	High Volume	High End
Uniqueness	Medium	High	High	High	Medium	High
Exclusivity	Low	Medium	Medium	High	Low	High
Nature	Medium	High	High	Varies	Medium	Medium
Culture	Medium	High	High	Low – Med	Medium	High
Comfort	Low	Medium	Medium	Low	High	High
Learning	Medium	High	High	High	Medium	High
Accessibility	Medium	Low	Medium	Low	High	Medium
Food	Low	Medium	Medium	Low	Medium	High
Risk Tolerance	High	Medium	Medium	High	Low	Low

B.3 Willingness to Pay

Impact to Model

An understanding of customer Willingness to Pay (WTP) is critical information when determining the price for a new product. Because estimates show that both target segments would be willing to pay \$100 or more per day for a tour similar to the Nam Nern River experience, a total price of \$200 was assumed in the model. As price will be a key driver of profitability of the tour, it should be set in a way that will maximize projected revenue. While holding costs constant, raising price may increase profitability if customer WTP is inelastic. However, should prices be raised to a point above target customer WTP, profitability could decrease as the price increase would reduce demand for the product.

Methodology

The team researched 60 different tours in SE Asian countries, including Laos, Cambodia, Vietnam, Indonesia, Thailand, and Malaysia. Team members converted the price of all tours into US Dollars and identified the segments that would likely be interested in the tour based on the criteria each segment uses to assess tour operators. Finally, by calculating the mean and 3rd quartile of prices paid an estimated range of WTP was identified for three of the six segments. While mean and 3rd quartile data is calculated for Special Interest and High End tourists in the tool, the sample size of tours targeted to such customers used in developing these estimates was too small to draw accurate conclusions. The data available on High Volume tours in South East Asia was too limited to calculate a meaningful mean. Thus, if future tour products are later considered for targeting these three smaller segments, more research will need to be completed to estimate WTP.

B.4 Impact of Market Demand Projections on Feasibility Study

Changing assumptions for demand capture rate and tourism growth in Houaphanh Province will alter the results of the model. In particular, capture rate will be a large driver of demand, and this rate depends heavily on product marketing efforts. In particular, many tourists rely on trusted sources of information that have longer marketing lead times. Survey respondents reported the use of guide books, online guide books,

and personal recommendations for travel planning higher than other sources. Such behavior scores the importance of guide book recommendations and word of mouth in raising customer demand, both of which have lead times of several years. Other marketing methods that could be employed at launch include advertising in maps, leaving brochures in nearby destinations such as Nong Kiaw, and advertising in magazines.

Seven assumptions drive the market demand projections for product tourism in the NEPL-NPA. These assumptions can be updated as the financial model is leveraged for other purposes or if additional, more refined assumptions are identified.

- *Annual International Tourist Visits to Houaphanh Province:* From Year 0, this number represents the total number of international (non-regional) visitors to Houaphanh Province. Non-regional indicates that the tourists are not residents of other countries in South East Asia. This model derives this number using LNTA data from 2007 and Houaphanh Province Tourism Strategy (HPTS) data from 2006. The HPTS data contains a breakdown of international non-regional and regional tourists for 2006. Using these numbers 43.2% of visitors to Houaphanh in 2006 were non-regional. Because LNTA did not include such a breakout in 2007, 43.7% was applied to the total 2007 tourism numbers provided by LNTA to infer a total number of non-regional tourists of 3,132.
- *Annual Growth Rate in Visitors:* This assumption represents the projected annual growth rate of Houaphanh province for the duration of the financial model. Because Houaphanh province has low absolute tourism numbers and has experienced rapid 70% compound annual growth over the past several years, its current growth rate may not be sustainable. Instead, the model uses the compound annual growth rate of Luang Namtha province from 2003-2007 of 31% sourced from LNTA data. Luang Namtha province has recently created ecotourism programs which have been driving its rapid growth. In the 4 years prior to SARS and the events September 11, 2001, both of which depressed tourism markets, Luang Namtha experienced a very similar growth rate to more current years.
- *Percent of Tourists with Primary Purpose Vacation:* Not all travelers to Laos come with vacation as their primary purpose. For example, some travelers visit Laos for business or to see family. As these tourists are far less likely to participate in ecotourism options, they are excluded from the demand calculations. The 81% used was provided by the MPDF survey for the entire country of Laos. The model applies this same ratio to the visitors to Houaphanh Province.
- *Seasonality:* Laos has a high season during its dry months from roughly October through March. To better project variations in product demand between high season months and low season months, the model leverages seasonality data. The total percent of visitors who arrive from October-March should be entered into the High Season box. April-September should be entered in the low season box. The seasonality used was sourced from a draft Houaphanh Province tourism marketing strategy document. Interestingly, despite attracting a small fraction of visitors, Houaphanh's seasonality ratio is very representative of the seasonality found in the entire country of Laos.
- *Percent of Visitors to Houaphanh Province Captured by NEPL Tourism:* This is an assumption related to the percent of total province visitors that will be interested in the NEPL-NPA River Experience. A different percent can be entered for each year from 2011-2015. In the current financial model, the increase in capture rate is justified by the fact that it will take several years for the NEPL-NPA River Experience product to achieve optimum marketing exposure. For example, the Lonely Planet Guidebook is published on a two year cycle.

- *Tourism Capture Percent Variance from Base Case:* The model uses different capture rate assumptions for the high case and low case from the base case. With these fields, the user can enter the assumptions to be used for each case. Because the capture rates are relatively small, growing from 3% in 2011 to 5% in 2015, a 1% variance was reasonable.
- *Provincial Growth Rate: Percent Variance from Base Case-* The model uses different provincial growth rate assumptions for the high case and low case from the base case. With these fields the user can enter assumptions to be used for each case. Because the actual Houaphanh Province growth rate from the past several years is higher than the assumption of 31% used, a 5% variance was applied.

B.5 Segment Fit Analysis Tool

A key step in designing a successful product is to identify customer groups with high potential. The Segment-Fit Analysis Tool provides a method to determine the best target segments for a tourism product. Using the 13 key assessment criteria customers use for tourism products, the tool rates a product's fit with each segment's preferences. The tool was developed using customer insights gained throughout the product evaluation process, and can be applied to future tourism products that will be considered for the NEPL-NPA.

The tool uses a scale of 1-5 to rate product fit on key criteria.

- A score of 5 indicates that the product fits extremely well with segment interests and preferences on the given dimension.
- A score of 3 indicates that the product is an adequate fit with segment interests and expectations on that dimension.
- A score of 1 indicates that there is little to no fit with segment interests and expectations.

For example, the learning opportunity offered by the Nam Nern River Experience (NNRE) fits extremely well with Backpacker Plus, General Interest, and High End Tourists. Thus, has been scored with a 5. Because Backpackers look for "fun" more than learning opportunities, the trip would adequately meet their needs. Though they don't specifically seek out learning opportunities, they won't reject them either. Finally, Special Interest tourists require guides with extremely specialized knowledge. The guides on the Nam Nern tour would likely not fit their requirements, so their score is a 1. The highest rated segments should be the targets for the product selected.

After segments are scored on all 13 attributes, add the scores for each segment. A total score of 45 or above indicates a strong fit between the segment and the product.

B.6 Elements to Improve Tourist Comfort

Perceived comfort is a key driver of tour selection for General Interest and Backpacker Plus segments. Including the following elements of comfort on the NNRE could improve the experience for customers in target segments.

- Non-leaky boats with cushions and seat backs
- High-end adventure tents with camping cots to sleep on
- A dinner tent with insect netting
- A kit with supplies for use during the trip such as raingear, mosquito hats, and earplugs
- Substantial meals to satisfy international food preferences
- Dining more frequently by including snacks on the itinerary

- First aid kit, life jackets, and extra bug spray on each boat to improve the safety of the trip

Appendix C- Implementation Plan

C.1 Sample Infrastructure Improvements

Small changes to guesthouses and restaurants in Viengthong would improve the appeal of the two to international tourists.

Guesthouses		Restaurants	
- Western toilets	- Extensions to pipes to better direct the flow of water to the drain	- Sanitary food preparation methods	- Introduce multi-course meals (appetizer, entrée, dessert) to match tourist expectations, improve variety, and capture more value from customers
- Wireless internet access	- On-site purchase of bottled water and other drinks and snacks	- English menu	- Offer fresh fruit, shakes, and other desserts
- Clean sheets, towels, floors	- Tiered pricing based on room quality, size, amenities offered	- Provide take-out and delivery services to guesthouses (charge a premium)	
- Bar soap and shampoo	- Online reservations	- Offer more refrigerated drinks and charge a premium for them	
- Regular room cleaning service including replacement of towels and replenishment of soap, shampoo and toilet paper	- Shelving for storage		
- Window screens to reduce bugs	- Consider bike rentals on-site		
- Appropriately sized in-room and common area furniture			

Appendix D- Project Methodology

The following interviews were conducted:

Organization	Name of Interviewee(s)	Position
Wildlife Conservation Society	Paul Eshoo	Ecotourism Coordinator
Wildlife Conservation Society	Troy Hansel and Joi Santi Saypanya	Community Outreach
Wildlife Conservation Society	Mr. Venevongpeth	
Wildlife Conservation Society	---	NEPL-NPA Enforcement Team
NEPL-NPA	Mr. Aiyako Kandasak	Head of NPA
Nong Kiaw Riverside Resort	Eskil Sorenson	Owner
Dokchampa Guesthouse, Viengthong		Owner

Green Discovery	Klaus Schwettmen	
Remote Asia Tours	James Barbush	Owner
Carpe Diem Tours	Marc Lansu	Owner
Exotissimo	Jean-Yves Paille	Owner
Tiger Trails	Markus Neuer	Owner
Mountain Travel Sobek	Narendra Gurung	Director of Asia Programs
Geographic Expeditions	James Sano	President
SNV – Dutch Development Service	Tony Donovan	
SNV – Dutch Development Service	Rik Ponne & Mone Nouansyvong	
Laos National Tourism Authority	Steven Schippani	Senior Advisor to LNTA
Laos National Tourism Authority	Paul Rogers	Senior Advisor to LNTA (previous role)