



CASEBOOK OF **ONE VILLAGE ONE PRODUCT** (OVOP) PRACTICES IN ARMENIA

PRACTICES DEVELOPED BY THE INTERNATIONAL TECHNICAL COOPERATION
PROJECT BETWEEN THE SMALL AND MEDIUM ENTREPRENEURSHIP DEVELOPMENT
NATIONAL CENTER (SME DNC) AND THE JAPAN INTERNATIONAL
COOPERATION AGENCY (JICA)

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Introduction

This Casebook presents different practices developed in the Armenian One village One Product (OVOP) movement, supported by the international cooperation project named “Development of local production and promotion of local brands in Armenia”. The project has been implemented since March 2013 by SME DNC (Small and Medium Entrepreneurship Development National Center) with the technical assistance of JICA (Japan International Cooperation Agency).

The practices presented in this material have been implemented for the development of marketing methods for supporting local SMEs (Small and Medium-sized Enterprises), utilizing the ‘One Village One Product (OVOP)’ concept adopted in Armenia. The OVOP concept was developed originally in Japan, and today different countries apply this concept for local economic development.

This Casebook presents the following two main practices developed in the Armenian OVOP movement.

- (1)** Marketing platforms, which can be defined as a mechanism to develop and improve the products and services by collecting and organizing voices of the market (consumers).
- (2)** OVOP pilot activities, which are related to marketing practices based upon the Armenian OVOP concept

The purpose of this Casebook is to systematize lessons learned from these experiences based on the Armenian OVOP concept. It is expected that many people would apply these lessons for local economic development activities.

1 Armenian OVOP concept

One Village One Product (OVOP) is a slogan applied in several countries for the local economic development. The Armenian OVOP concept was developed in May 2013, and it has been applied for marketing activities on cheese, tourism services, wine, dried fruits, and olive products at different Armenian villages and towns. The OVOP notion has been already introduced in the National Strategy of Small and Medium Entrepreneurship Development.

1.1 Introduction of Armenian OVOP concept

(1) Background: One Village One Product (OVOP) in different countries

One Village One Product (OVOP) can be defined as a set of regional (local) economic and social development activities through the development of products and services based on territorial identities and resources. The OVOP campaign had been originally developed in Japan, and today many different countries apply it for the local economic development. The notion of OVOP varies in each of the countries. For instance, some countries emphasize “product development” rather than “community development” and the other countries vice versa in their OVOP activities.

(2) Armenian OVOP concept

The Armenian OVOP concept had been developed and defined by the Small and Medium Entrepreneurship Development National Center (SME DNC) as “the integrated efforts to promote local economy, small enterprises, products and services in a coordinated manner, by utilizing local resources and culture” as illustrated below.

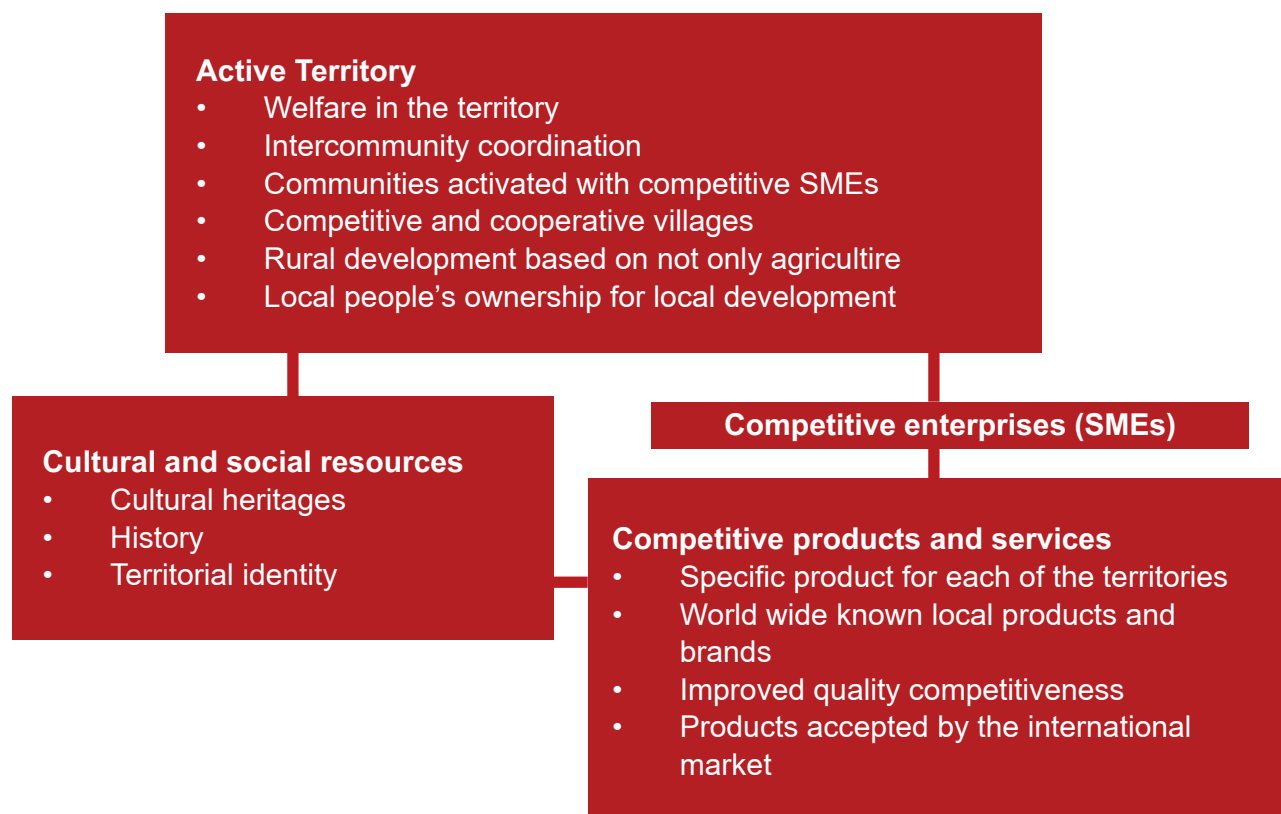


Figure 1-1. Overview on Armenian OVOP concept

In May 2013, SME DNC organized a kick off workshop with over 50 participants to share this Armenian OVOP concept. According to the result of questionnaire survey of the participants, all of the 17 valid responses evaluated that the OVOP concept was useful for the local economic development.

The following catchwords (Touch the Culture, Feel the Nature and Taste the Tradition) and logo are also used to express the Armenian OVOP concept. The catchwords emphasize the importance of the use of local resources.



Figure 1-2. Image of Armenian OVOP's catchwords



Figure 1-3. Armenian OVOP logo

The possibility has been analyzed for incorporating the OVOP notion into Armenian SME (Small and Medium Enterprise) development policies as one of the participatory tools to plan the community strategies for SME support, as presented in the following draft paper.

The third tier includes the **community strategies for SME support**.

The planning of these strategies is initiated by local self-government bodies, accredited mentors, regional branches of the SME DNC, regional chambers of commerce and industry, or business centers. In terms of methodology, they are also done using the well-known participatory tools,⁸ which are shared with all the stakeholders in advance by the SME DNC or the chambers. Based on these plans, the community heads amend or supplement the four-year community development plans.

The action timetable for this level is presented below.

⁵ The definition and operational mechanism of this institution are presented in the section entitled "SME Educational Support Mechanisms."

⁶ Participatory Appraisal of Competitive Advantages- PACA, RALIS, Rapid Rural Assessment (RRA), and other participatory tools for diagnosing value chains and cluster.

⁷ COMPASS or other tools of participatory monitoring.

⁸ PACA, One Village One Product, and the like.

1.2 Application of Armenian OVOP concept by SME DNC

SME DNC applies the Armenian OVOP concept in the different programs and activities, since it is implementing agency of the Armenian OVOP movement.

1.2.1 Application of Armenian OVOP concept by SME DNC central office

The training department of SME DNC has conducted a series of ToT (training of trainers) on marketing and business administration methods based upon the Armenian OVOP concept with the Japanese experts since September 2013. Total 42 experts, including SME DNC and NGO staffs, participated in the training held in 2013 and total 39 experts joined in the year 2014.

As a result, the Armenian OVOP concept has been applied in several activities of SME DNC, as presented in the following table.

Table 1-1 . OVOP implementation at SME DNC central office

SME DNC's Department	Activities in which Armenian OVOP concept is applied
Training Department	<ul style="list-style-type: none">• Implementing OVOP training to the SME DNC staffs and related organizations• Application of the Armenian OVOP concept (Marketing) in the CEFE start-up support program
Information Support Department	<ul style="list-style-type: none">• Providing SMEs with information on the Armenian OVOP concept and methods, such as Kaizen, 5S, group marketing, branding, etc.
Financial Support Department	<ul style="list-style-type: none">• Giving priority to the business ideas related to the Armenian OVOP concept when approving the SME DNC loans• Coordinating the loan provision with the OVOP technical support
Local Economic Development Department	<ul style="list-style-type: none">• Introducing OVOP approach to regional and local SMEs so that the enterprises can increase the value of their products/ services, by utilizing their originality and local resources
Business Internationalization Department	<ul style="list-style-type: none">• Combining the OVOP approach with the activities of other international agencies. (E.g. OVOP approach with GIZ, EU, and USAID marketing approaches).



Mr. Armen Sargsyan,
SME DNC
Financial Support
Programs
Coordinator

SME DNC staff's voice

We prioritized new business which relates to Armenian OVOP concepts

During the training in Japan, we visited some rural areas where I saw how the agricultural cooperative works. I like its mechanism, especially the financial support component and how the cooperative takes care of promotion and sales of the members' products. I'd like to have a similar mechanism in Armenia as well.

After leaning the OVOP concept, our approach to the applicants of the SME DNC loan scheme is changed now. During the selection process of the applicants, we prioritize a new business which relates to the Armenian OVOP concept. For example, those who try to utilize local resources, try to add unique stories on their products or have any business ideas related to the Armenian OVOP concept have high possibility to be financed.



Local Economic Development

Coming together is the beginning.
Keeping together is progress. Working
together is success.

Henry Ford



Training



Information
Support



Financial
Support



Local
Economic
Development



Construction of
Industrial
Systems



Business

Local Economic Development

For creation, development and increasing of competitiveness of community-based SMEs, in 2012 SME DNC of Armenia has introduced new strategic direction named "Local Economic Development" and the department of Local Economic Development Programs (thereafter Department) has been created in the structure of SME DNC.

The purpose of the Department is to identify the economic potential of communities of Armenia, and to undertake economic development initiatives on that basis to enhance local competitiveness.

Within the frameworks of local economic development programs implementation SME DNC had launched the localization and implementation of the international best practices. As a result, German PACA (Participatory Appraisal of Competitive Advantages) method and the Japanese OVOP (One Village, One Product) concept have been invested.

OVOP concept implies to create local specialties based high value added products, which will be competitive in internal and external markets. OVOP concept focuses on local advantages use and human resource development.

For the evaluation of resources and competitive advantages of communities and revealing of products according to OVOP concept.

1.2.2 Application of Armenian OVOP concept by SME DNC branch offices

SME DNC branch offices also apply the Armenian OVOP concept in their daily activities to support the local SMEs. The table below shows the names of companies that are being assisted by the branch officers who participated in the OVOP training (ToT) program which was held in 2014.

Table 1-2. Local companies supervised with OVOP concept by the SME DNC branch offices

Region	Company name	Activity
Aragatsotn	IE Edgar Serobyanyan	Roquefort cheese production
	IE Hamazasp Ghazaryan	Dried fruit production
	IE Shushanik Nersisyan	Production of bedding accessories
Ararat	IE Lusine Stepanyan	Dried fruit production
	IE Garnik Manukyan	Dried fruit production
	Artak	Cheese production
Armavir	Tsiatsan Ani, LLC	Dried fruit production
	Vaki Pharm, LLC	Cosmetic oil from herbs and fruits
	IE Vardan Vardanyan	1. Wine and brandy production 2. Wooden souvenir production 3. Barrels for wine and brandy
Kotaik	Meghvi Qaghaq, LLC	Apiculture products
Lori	Aram Commercial Center production cooperative	Wild fruit vodka, pine honey and pine jams production
	IE Luzia Ghambaryan	Production of salted peanuts
	ECOMIS, LLC	Cattle breeding and meat sales
Shirak	IE Garegin Koseyan	Napkin production
	Qarastgh, LC	Stone mining and processing
	Gevorg yev Vahan, LLC	Textile
Syunik	Mkrtich Babayan, LLC	Lavash production
	IE Araks Javahiryan	Textile
	IE Samvel Saqunc	Cheese production
Tavush	IE Gurgen Abovyan	Cheese production
	Ijevan Food, LLC	Fruit canning
	MIRG, LLC	Fruit canning
Vayots Dzor	IE Arman Hakhverdyan	Wine tasting hall
	IE Avet Karapetyan	Plastic can production
	IE Gohar Badalyan	Food service



**Mr. William
Ohanyan,**
(SME DNC
Tavush Branch
Director)

SME DNC staff's voice

The concept is to specialize the products based on their original advantages

When the OVOP concept was introduced to our branch office, I thought it was just a way to promote the local products to the Yerevan market. But after participating in the training in Japan in 2013, I understood that the concept was to specialize the products based on their original advantages to conquer the market. The advantages can be anything like stories of town, history, and producer. By observing examples with my own eyes in Japan, I got more knowledge and reliance on the usefulness of this approach.

Now, when I meet with local SMEs or join start-up training, I always introduce this approach to the SME owners and stress the importance of utilizing the original specialties of their products.

I also tried to utilize the ONPAKU approach by organizing the Ijevan Art Festival. This approach is to utilize the local event for introducing SMEs' products as a trial. The results were better than my expectations. During the event, we tried and confirmed the demands for new products, such as olive products and dried fruits covered with chocolate from Bagratashen village. Also we created a new business network which now helps local SME owners to introduce their businesses each other. For example, the dried fruits producer introduces his products at a B&B in Ijevan.

2 Practical experiences of the marketing platform

Marketing platform can be defined as a mechanism to develop and improve the products and services by collecting and organizing the voice of market (consumers). Such platforms can promote OVOP pilot activities mentioned later.

2.1 Ijevan Art festival as an event-type platform

Ijevan Art Festival was held on 25 October 2013. The local producers had trial sales booths along with the exhibition of sculptures, presentation of local dance, and wall painting around the city which attracted many people.

(1) Activities

The following activities were implemented in the event type of marketing platform.

- Before the event, the local producers participated in a seminar on marketing and branding based on the Armenian OVOP concept so that they could exhibit their products well.
- The participants exhibited their products as presented in the picture below, talking with the potential customers.
- After the event, the participants have made efforts to improve their products, by applying the customers' voices collected at the event.



Traditional dance



Exhibition booth and media coverage
(October 25, 2013)

The participants' voices after the event are noted below.



I introduced my B&B at the event and got acquainted with other different businessmen. We added four more rooms to accommodate our guests and I got a lot of new connections after the event. Now I'm coordinating with them. (Anahit B&B, owner)



I understood the demand on our products and ensured my business to address it and walk ahead through the event. Our sales has grown by 20% and more people know about our company after the event. (Bagfruit, Dried fruits producer)



We could introduce and sell our products. I'd like to have this kind of event again. We've started small-scale production of souvenirs after the event. Now we often organize meetings for exchanging experiences with other craftsmen. (Ijevan Craft producer)

(2) Results

The event generated the following positive results.

- Marketing activities of the local enterprises who participated in the event, became more active.
- Local people in Ijevan are more involved in the improvement of the living environment of their town.
- Local producers had a chance to know the real demand for their products. For example, an olive products processor confirmed the big demand for Armenian olive and decided to establish a company.
- Local producers created a business network to cooperate in the same area. For example, B&B owners introduce dried fruits to their customers, and the dried fruit producers introduce the B&B to their customers.
- Local people of Ijevan reminded that the town had been well-known for art as their historical identity. After the festival, people became motivated to improve the city's artistic features. Local people and Armenian diasporas have donated their own fund for organizing artistic monuments and improving cultural environment in the city.

2.2 Agricultural Festival in Yerevan as an event-type platform

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

(1) Activities

Several microenterprises, which are participants in the Armenian OVOP movement, presented and sold their products, talking with the people who came to the event. Thus, the participants learned the potential customers’ observation on their products. After the event, they have applied it for improving their products.

It is important to mention that one of the OVOP participants, BeeCity LLC, received the best booth award of the event. The other OVOP participants also gained not only an experience of displaying the product but also a great result of the sales as well. Almost all of them expanded their business network thanks to the event. For instance, some of them were invited to other similar events in Armenia and Georgia.



“BeeCity” LLC’s booth



Award of the Best Booth granted to BeeCity



Presentation of dried fruits (“Bagfruit” LLC)



Display techniques which the OVOP participants applied

(2) Results

The event generated the following positive results in each of the OVOP participant companies.

BeeCity LLC (Honey producer)

- The company received new inquiries on products from the customers who saw the flyer elaborated for the event.
- The Green Lane NGO invited the company to participate in another event. Accordingly, the company expanded their business network.

Bagfruit LLC (Dried Fruit Producer)

- The company was invited to other events, including a trading event in Georgia, a rural product festival coordinated by a major hotel chain, etc.
- After the event, the company started a new business to deal with a retailer acquainted at the event.
- The company received new orders from a private company on the occasion of a new year's event.

Nairyan Dried Fruits (Dried Fruit Producer)

- After the event, a major French supermarket chain made an inquiry to start a deal with the producer.
- After the event, the company obtained the contract with the Hyatt Hotel chain.
- The Ministry of Agriculture ordered their dried fruit products for their new year's event.

Vardan Simonyan IE (Wine Producer)

- The company received many inquiries about their products and an order for the occasion of a new year's event.

Haroutyun Hovhannisyan (Wine Producer)

- The company started new deals with retailers who visited their booth.

LenHov LLC (Cheese Producer)

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

2.3 Monitor-type platform

The monitor-type marketing platform is defined as the arrangements which provide the businesses and entrepreneurs with mediated access to specific target market segments.

(1) Activities

In the framework of Armenian OVOP movement, the following activities have been developed as this type of platform.

- **Structured questionnaire survey of consumers:** This can reveal target consumers' preferences on the products and services. The consumer preferences on the consumption of cheese, wine, tourism service, meat products, spice, herb, and dried fruits have been analyzed.
- **Online forum and social networking service:** Social networking services like Facebook can be used for the communication with potential consumers. In this sense, the Armenian OVOP Facebook page, whose image is presented below, has been developed for the purpose of diffusing and collecting (i) information related to the products promoted by the Project and (ii) market information in Yerevan. (<https://www.facebook.com/ovop.arm>)(<https://www.facebook.com/ovop.arm>)



Image of the Facebook page "OVOP Armenia"

Currently this "OVOP Armenia" page presents:

- Information on products promoted by the Armenian OVOP movement, including cheese from Lusashogh village (Ararat region), B&Bs in several villages (Lori region), wine from Areni village (Vayots Dzor region), etc.;
- OVOP educational materials on conjoint analysis, 5S, branding, group marketing, Kaizen/OVOP, visual merchandizing, and cheese processing technology.

(2) Results

The monitor-type marketing platform developed in the framework of the Armenian OVOP movement has generated the following results.

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

Table 2-1. Comparison among different OVOP Facebook pages (June 25, 2015)

FACEBOOK PAGE	OPENING	NO. FOLLOWERS
OTOP Thailand	Nov. 2012	5.509
OVOP Armenia	Jun. 2014	3.604
OVOP Malawi	Oct. 2013	528
OVOP Hanoi	Apr. 2012	419
International OVOP committee (Oita, Japan)	Feb. 2005	74
OVOP Indonesia	Apr. 2012	38

- Thanks to the enough number of followers, the Facebook page has collected consumers' voices in an efficient manner. For instance, the page posted a questionnaire on consumer preferences on B&B service and collected about 50 responses from the page followers. This kind of information on consumer preferences can be applied for improving the Armenian OVOP movement.
- The structured questionnaire surveys have revealed important suggestions for marketing activities of the OVOP participant companies. The main points of the results from the surveys include:
 - The cheese products for women should be not only healthy but safe, since they take care of their kids. Appropriate products for men can be a type of snack, because they usually consume cheese with alcohol drinks. Taking into consideration this survey result, hygiene technique of the cheese producers in Khndzoresk village has been improved, and snack type cheese products have been developed at Lusashogh village.
 - The survey indicated that the consumers whose expenditure level is high prefer dried fruit products which do not contain sugar or artificial additives. They love "natural" products which are closely associated with a sunny image. Hence, the producers at Bagratashen village created the product logo with an image of the sun.

3 Practices of Armenian OVOP pilot activities

Different local economic development activities are being implemented by applying the Armenian OVOP concept which refers to an integral effort to develop local enterprises and products in a consistent manner with the local identity and culture.

3.1 Development of new brand of cheese in Lusashogh village, Ararat Region

Newly branded “Lusashogh” cheese has been developed in the Armenian OVOP movement and this benefits 50 local farmers in the village.

(1) Background and Activities

Lusashogh village is located in Ararat Region. It has a population of about 600 people and about 2,000 cows.

A cheese factory named as LenHov LLC was established in May 2014 by three active co-funding owners with a financial assistance of SME DNC. The factory was originally built in the Soviet era, and old equipment is reused to minimize the necessary amount for the investment.

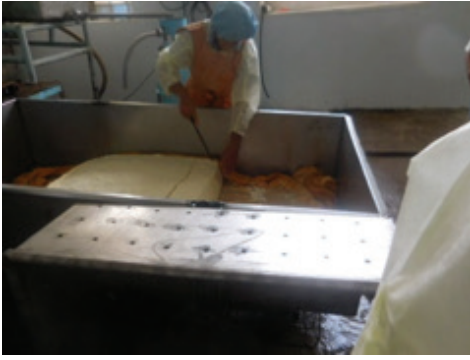
The factory implemented the following activities, applying the Armenian OVOP concept.

- The factory has the capacity to produce about 300 kg of cheese per day. It had produced and sold ten tons in 2014. The factory bought local milk at a higher price than middlemen’s purchase prices.
- The factory developed newly branded cheese, taking into account that Armenian consumers did not recognize the Lusashogh cheese; cheese produced in the village is recognized as cheese of “Karakhach”, a combination of Turkish and Armenian words meaning “black cross”. Applying the OVOP concept, the factory intended to promote the products in the name of “Lusashogh” based upon the local and national identity.
- Taking into consideration the market survey results, the company has developed the following new logo and label. This label has contributed to the increase in the sales, since this logo gives women an impression that the product is clean enough for children’s consumption, and it also gives men an impression that the product is appropriate for snack.



New logotype and new label for the factory's products

- The factory made efforts to improve their quality, above all in terms of hygiene. For instance, they applied (i) Cheese Processing Manual published by SME DNC with a technical assistance of the Japanese government, and (ii) 5S, a set of the Japanese methods to improve productivity and quality.



Cheese production



5S check list



Appearance of the factory

(2) Results

The factory's operation based on Armenian OVOP concept generated the following positive results.

- The income of about 50 local farmers was improved, thanks to the purchase of their milk by the factory as raw material.
- Lusashogh became better known as a cheese production area by national consumers, thanks to the factory's brand promotion by selling its products not only at a regional supermarket in Vedi town but also at a supermarket in Yerevan (NorZovq).



**Mr. Gagik
Hokobyan,
"LenHov"
LLC**

Armenian OVOP business owner's voice

The number of our customers and sales doubled after the project implementation. Our product labels were designed based on the customer's voices, which makes our products more popular because retailers can trust our products with them. Also we participated in the food expo in Yerevan two times.

I didn't have such a chance before to sell and connect with other businessmen. More and more farmers around village get benefit from our cheese factory now. We choose and buy only quality milk. Then the farmers also pay more attention to the quality now. I hope the village develop more and become popular as it was in the Soviet time.

3.2 Improvement of cheese product in Khndzoresk village, Syunik Region

Cheese producers at Khndzoresk village improved their product quality and increased their sales and profits through improving their territorial brand image.

(1) Background and Activities

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

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

They have participated in the training course two times. The following pictures present the second training course conducted in January 2015.



How to collect the raw milk



Packaging



Quality Control

Thanks to the course, the cheese producers learned;

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

(2) Results

The following positive results were generated by the OVOP activities mentioned above.

- Fourteen producers among the 16 participants improved the efficiency of the use of raw milk.
- Ten producers among the 16 participants used new ingredients for improving the quality of the product.
- Six producers among the 16 participants applied 5S for improving their production.
- All of the participants increased the cheese yield.
- Every producer started using special detergents. Before the training, almost all of the participants washed cisterns only with cold water or at best with hot water without detergent.
- Almost all of the employees started wearing special gumboots.
- Employees of cheese making facilities started wearing special uniforms.



Producers with apron, thanks to improved attention for food hygiene, and to their participation in the Armenian OVOP movement

- Twelve producers among 16 participants increased the sales amount.
- All of the 16 participants increased their sales price, which contributed to their income improvement.

Thus, the territorial brand “cheese made in Khndzoresk village” became more competitive by the quality improvement of the local producers. This resulted in the increase of their sales and income.

3.3 Development of Olive product in Bagratashen village, Tavush Region

Processed olive in Bagratashen village is one of important products based upon the Armenian OVOP concept, in the sense that the other villages do not produce it, since most of Armenian territory is not appropriate for olive production in terms of climate.

(1) Background and Activities

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

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

As the target segment should be “high income groups who offer olive for guests”, taking into consideration the market survey result, the product logo was developed to attract such segment.



Bottled olive products made in Bagratashen



Product logotype



**Mr. Vigen
Hovhannisyan,**
VivaFruit, LLC.

Armenian OVOP business owner's voice

There was no visible symbol to show our product before. But now we have our own logo and label to show in the market. Also we didn't know much customers before, but after participating the OVOP project's event, we got popularity in the region and exchanged contacts with other retailers and have more negotiations and orders now. Without the OVOP concept, my business could not reach to this outcomes at this moment. Most importantly, the OVOP concept gave me confidence to run the business successfully.

(2) Results

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

The company will increase the operation volume in the next season to produce and sell more. In this season, the company hired 3 employees and purchased raw olive from 5 neighboring farmers.



Mr. Artak Dadoyan
(Program coordinator /Local Economic Development, SME DNC)

SME DNC staff's voice

To add value was easier than I imagined

Before the project, we were just analyzing the local economy in the region and supporting their productions. It was to increase their productions. But what happens later is the full of same products in a market and then the demand and price go down.

In such situation, what the OVOP project gave us was the methods and ideas how to find the unique and original products and how to add value on them. We realized that there were many products which had high value if we saw it from different aspects. And the same product could be very different and more valuable, which creates more benefit, if we improved them in many different ways. To add value was easier than I imagined. We can simply improve the quality, add the unique history of the region, or add the personal story of the producer, etc.

Olive production of Tavush region is a successful example. The project showed us different approaches and made the olive meet the international standards. The project started from quality improvement, and then implemented marketing activities such as logo/label design and participation to the food expo or cultural events. Now the producer is selling the olive products not only in the domestic market but also in other countries like Russia. With such success story, it is easy now for us to meet beneficiaries and convince them to start working together. We talk about OVOP and the olive success story to them that how a product can be developed, popularized and improved. And if we show the results, the local people start believing us because it is a success case of Armenia, not from other unknown countries.

3.4 Branding of dried fruits in Bagratashen village, Tavush Region

A small enterprise located in the northern part of the country has achieved (i) increase of their production volume by ten times and (ii) export of their dried fruit products to Russia and Spain, by participating in Armenian OVOP movement.

(1) Background and activities

The region is known as one of the fertile areas to produce fruits. Young individual farmers began co-operating to produce dried fruits, and established a company named as “Bagfruit, LLC”.

Through the participation in the Armenian OVOP movement, the company has improved their brand concept, taking into consideration the market survey result which revealed that sunny image was psychologically associated with “natural products with high quality” demanded by consumers with high income. The following figure, elaborated by applying the correspondence analysis, implies that intellectual workers and housewives tend to consume dried fruits for healthy properties of the product. This segment of consumers thinks that the addition of sugar and other additives is not necessary. In other words, they are strongly natural product-oriented.

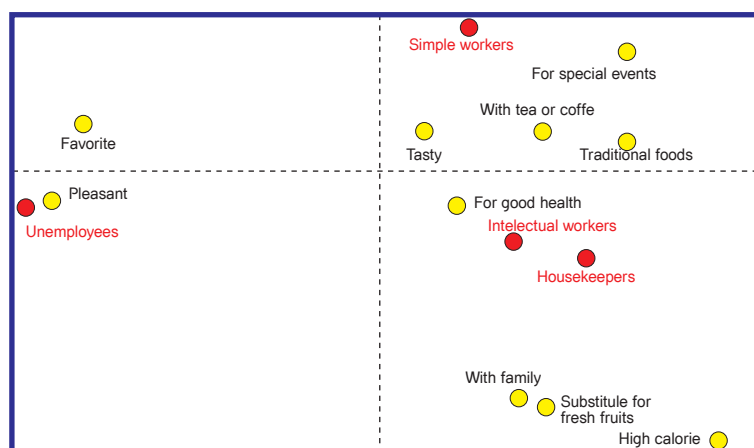
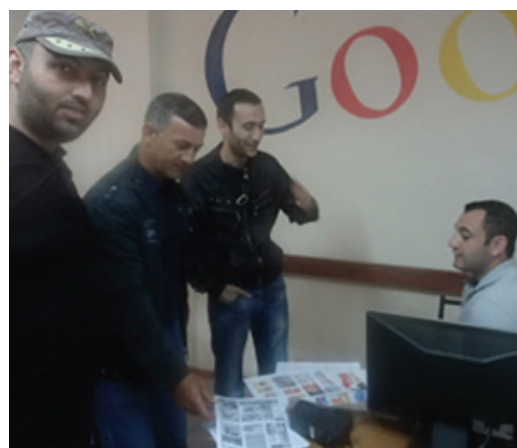


Figure 2-1 Sampled consumers' observations on dried fruit consumption



Discussion for improving the brand

Accordingly, the image of sunshine was reflected in the new logotype for their dried fruits as presented below.



New logotype of dried fruits from Bagratashen



Product labels with the new logotype

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

(2) Results

- The business owner reported that their production volume increased by ten times and they became able to export their products to Russia and Spain.
- The business contributes to the income improvement of local farmers, in the sense that it buys fresh fruits from 15 local farmers.
- They are purchasing fresh fruits from the neighboring areas not only in Armenia but also in Georgia, since the community is located near the border between the two countries.
- The producer is efficiently utilizing the cold storage donated by an EU project. The group collects raw materials from the local farmers and stocks them for all-year-round production.
- The company has developed new products by applying the information on consumer preferences which it gathered at the events (food expos). New products developed so far include fruit candy and dried fruits shaped like flowers.



**Mr. Artur
Babajanyan**
Bagfruit, LLC

Armenian OVOP business owner's voice

We have increased the quantity of dried fruit production by ten times since the project started. Now the business is working very well and we are exporting the products to Russia and Spain. For Spain, we sold 540 kg of dried peach without sulfur last year and got an order for this year as well. Also we have been invited by the Georgian officials to their food exposition every year after joining the event organized by the OVOP project.

3.5 Operational improvement of dried fruit producers in Meghri town, Syunik region

Thanks to application of the OVOP methods, 20 dried fruit producers in Meghri town successfully raised the sales price and 13 of them increased the production volume.

(1) Background and activities

Meghri is situated at the southernmost tip of Armenia overlooking the Iranian border. It is famous for being the hottest place in Armenia. The surrounding area is arid, but the town and its fields are covered with lush green thanks to ample water from the Meghri River.

An Armenian NGO known as “CARD” conducted a market survey by applying the conjoint analysis. The conjoint analysis is one of the Seven Tools for Product Development (P7), a set of marketing technical tools assorted in accordance with the Japanese quality management approach. The survey results revealed that the “Meghri” brand of dried fruit would attract more consumers in Yerevan than the “Armenia” brand would.



Applied conjoint cards



Dried fruits production at Meghri town

A training course on the Armenian OVOP methods for local producers in Meghri was provided in May 2014. The following topics were covered in the course.

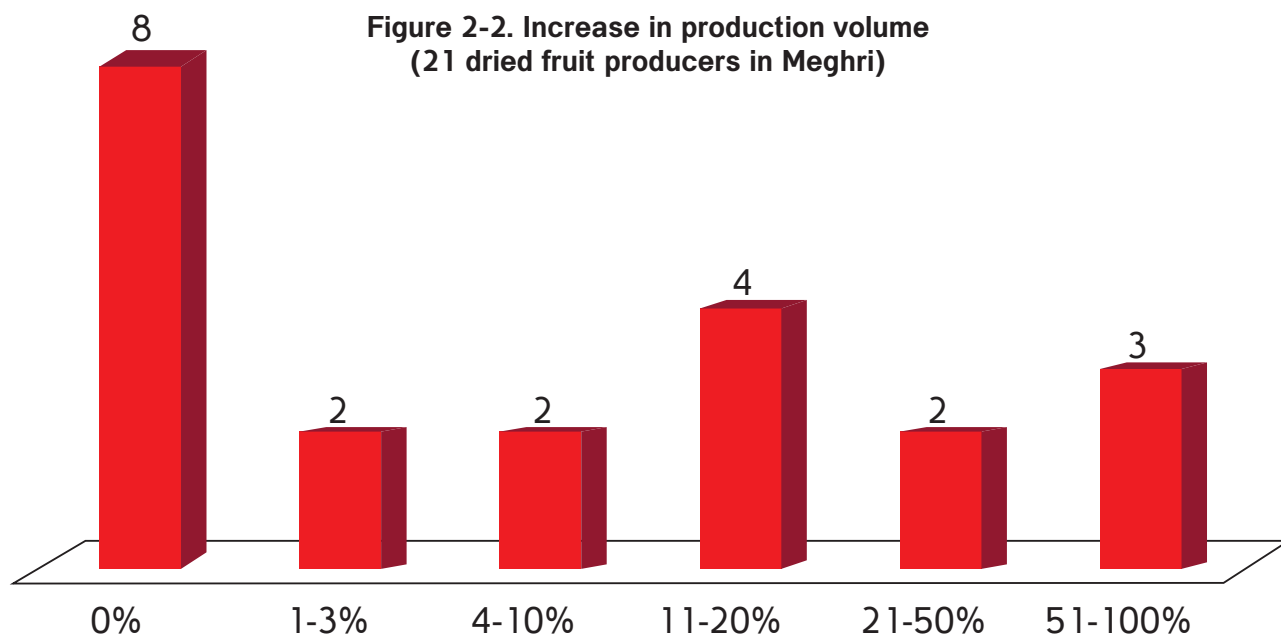
- How to develop territorial brands and individual product brands
- Consumer preferences on dried fruits
- How to improve the products in Meghri by applying the Armenian OVOP approach
- How to develop productivity and quality by applying 5S, a set of Japanese tools for productivity and quality improvement.
- Site visit to Bagratashen in which both groups of producers exchange their views on dried fruit production and marketing

(2) Results

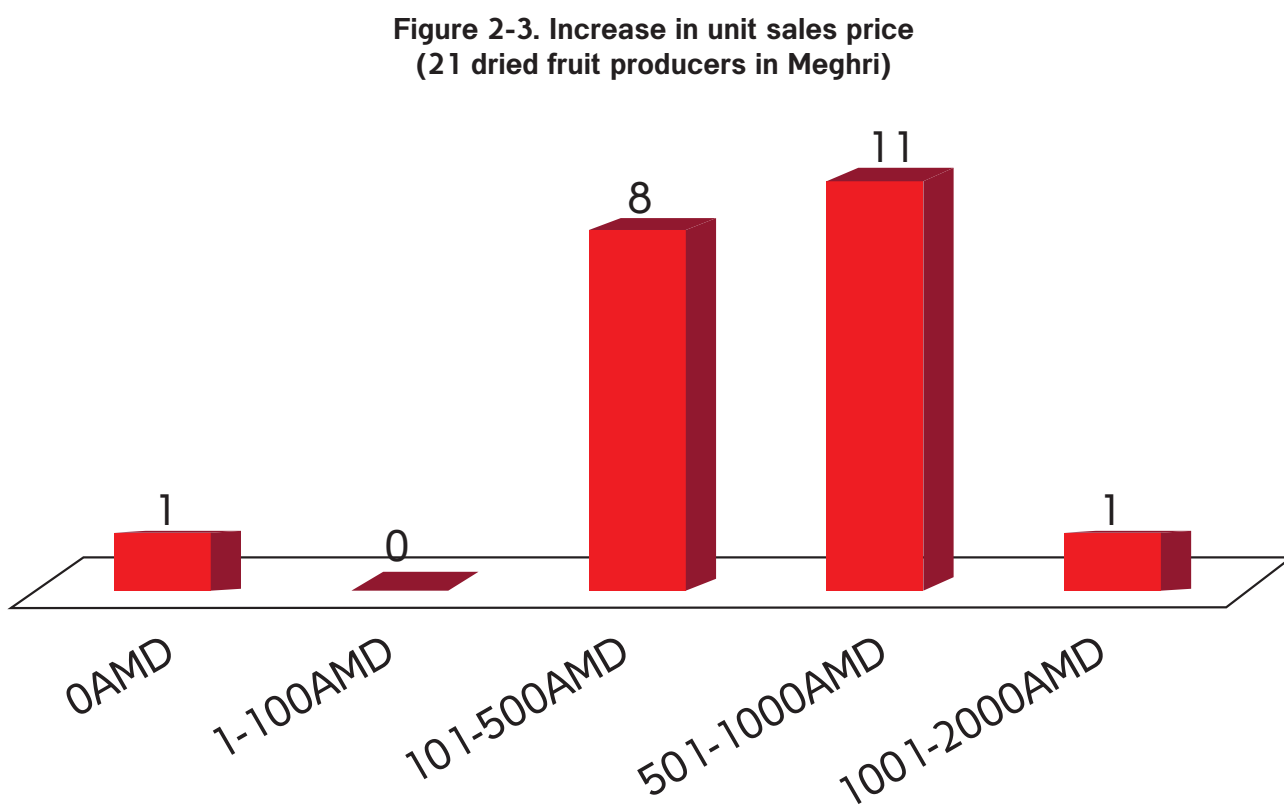
According to semi-structured interviews with the 21 local producers who participated in the training course, the following positive results were generated in 2014.

- The majority (95%) of the participants applied new knowledge in their operation including regular cleaning of working place, sorting of the products and maintaining a tidy arrangement of equipment and tools. They also used regular cleaning as an opportunity for inspection of workplace.
- Introduction of 5S also changed the attitude of workers, because the process of production was standardized. The workers clearly understood about their tasks to be carried out and the production schedule to be adhered.

- Thirteen producers (among the 21) increased the production volume. The following figure depicts that three producers increased their production by more than 50%.



- The increase in production led to an increase in the sales, too.
- The unit sales price was also increased, as presented below. This may be caused by their improved marketing activities, through applying the training contents on branding.



3.6 Capacity enhancement of dried fruit producers in Armavir region

Ten dried fruit producers in Armavir region learned how to produce quality dried fruits with proper techniques.

(1) Background and Activities

Armavir region enjoys its large, flat and fertile land, and is known as one of the major production areas of dried fruits in Armenia. An international expert, who is from the Netherlands, provided technical support by introducing an advanced drying technology and advising individual dried fruit producers, in a coordinated manner with the Armenian OVOP movement.



Consultancy of the expert to a producer



Ms. Lusine Khamisyan, receiving the award

Another important activity developed in the framework of Armenian OVOP refers to the marketing promotion of a local enterprise named as “Nairyan Dried Fruits, LLC”, which is owned by a woman entrepreneur, Ms. Lusine Khamisyan. She participated in the Agricultural Festival in Yerevan mentioned earlier so as to promote the company’s products, and the company gained new customers. It is important to mention that the Government of Armenia granted her an award of good Armenian woman entrepreneur in 2014.

(2) Results

The activities mentioned above generated the following positive results.

- Ten dried fruit producers in Armavir region learned how to produce quality dried fruits with proper techniques.
- “Nairyan Dried Fruits, LLC” obtained (i) the contract with the Hyatt Hotel chain, and (ii) new orders placed by the Ministry of Agriculture.



Column - Reason of starting business - Nairyan Dried Fruits, LLC

One of the OVOP participants, Nairyan Dried Fruits, LLC has successfully developed its business. It has signed contracts with major supermarkets, hotels in Yerevan and exporters after applying marketing methods based on the Armenian OVOP concept.

The company owner's name is Lusine Khamisyan, 26 years old, from Hatsik village, Armavir region. Her family was also producing dried fruits utilizing the fertile land and the rich sunshine. When she was 21, however, her parents moved to Russia to have a better job because the income from producing dried fruits was not enough to take care of all the family.

After deep consideration, in order to take her family back from Russia, Lusine decided to produce better dried fruits and establish her own business. She tried to remember how her father made dried fruits and to use the drying machine which he constructed. Lusine studied by herself to make better quality products and worked hard. With the support of her neighbors and relatives, she managed to produce about 100 kg of dried fruits in the first year. She improved the quality and increased her customers little by little.

After two years when Lusine had enough customers, she called her family back from Russia. Her family got together again, and the production volume increased more than ever. She officially registered her business in 2013. She received support from the OVOP project on the production technique and marketing and joined business training and food expos in Yerevan to increase business. Nowadays, her company produces average ten tons of products and has contracts with several supermarkets, major hotels in Yerevan, and exporting companies.

Lusine says that this success owes to the co-workers who love the village. Because of her unique story and the fact that she created jobs in the village, she received an award of women entrepreneur in 2014. She participated in the training course on marketing in Japan in May 2015.

The journey to realize her dream, to make her village famous in all over the world, has only just begun.

3.7 Promotion of Wine in Areni village, Vayots Dzor region

Areni, the village which has more than 6,000 years of winemaking history, is promoted by applying the Armenian OVOP concept. The friendship between Armenia and Japan has been reinforced with wine from the two countries.

(1) Background and activities

Many international tourists come to Areni village, because it is considered that the village has the longest history of winemaking in the world. In fact, winemaking in the village has more than 6,000 years of the history.

Small wineries in the village are making their wines in a traditional style. Grapes with skin are put into a clay jar or plastic/metal container. After fermentation (mainly alcoholic fermentation only) the wines are consumed within the household or sold in the local market. Medium-sized wineries produce wines at a larger scale. They use bigger barrels, open concrete fermentation units with epoxy inner surface or big plastic containers.

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

(a) Areni Wine Factory

The Factory applied different promotion methods based on OVOP, such as the brochure and the room for tasting.



Factory's room for tasting



Factory's brochure on the products

(b) Areni Ginetun

“Areni Ginetun” (House of Areni wine), launched in 2012, offers visitors different wines (not only grape wines but also the other fruit wines) made in the village and traditional local dishes. They participated in the Agricultural Festival mentioned earlier, so as to exhibit wines made in the village and listen to the observations of potential customers in Yerevan.

Another important activity is reinforcing friendship between Armenia and Japan, through these countries' wine. In 2014 and 2015, SME DNC's executive director and staff visited Katsunuma community (in Yamanashi prefecture), which has the longest history of winemaking in Japan, and observed the Japanese practices of local economic development.

On the other hand, Japanese red and white wines from Yamanashi prefecture were introduced to Armenian wineries in Areni at the event of Areni Festival Organization on May 14, 2015. Armenian winery owners commented on the Japanese wines as “specific and unique taste”. Most of the guests showed their strong interest and asked what types of grape and barrels are used in Japan.

It is expected that Armenian and Japanese enterprises become closer to each other for development of businesses in the two countries.



Japanese wine presented fo to Armenian wineries



Visit to a Japanese winery

(2) Results

Areni Wine Factory increased their sales to two times as much in these three years, and this company works as a model winery in the village.



**Mr. Vartan
Simonyan**
Areni Tavern

Armenian OVOP business owner's voicee

I got more customers and contacts of businessmen after joining the event which the OVOP project organized. My business is now stable while other businessmen struggle with unstable customers. It was very interesting to listen to the consumers' voice directly at the event and very helpful for improving our product quality.

3.8 Tourism development in Tatev sub-region, Syunik region

Newly eleven B&Bs (Bed & Breakfast: Small accommodation suppliers) have been formally opened in Tatev sub-region, applying the Armenian OVOP concept.

(1) Background and activities

Tatev is well-known as a touristic site. Tatev Monastery was founded in the fourth century and was important educational center. The “Tatever” cableway, inaugurated in 2010, is the longest in the world having one uninterrupted section of 5,750 meters. More and more tourists from many countries visit Tatev for sightseeing.



Tatev Monastery



“Tatever” cableway

SME DNC elaborated an intervention plan to develop the tourism industry in Tatev and surrounding villages. The plan consisted of several components: restoring the monastery, reviving its monastic and scholarly tradition, and developing tourism attractions and infrastructure in the adjacent villages including the world’s longest aerial tramway.

The plan has been implemented since 2014. Above all, the “Start-up Business Support Program” for B&Bs was run in a consistent manner with the Armenian OVOP concept. The educational components of the course included operation of a B&B, marketing based on the OVOP concept, elaboration of a business plan, visit to a B&B operating successfully, etc. Twenty persons, who wanted to formally open a B&B in Tatev and surrounding three villages, namely Tandzatap, Halidzor and Shinuhayr, participated in the course. The training was completed on 10 November 2014 with the presentations of a total of eleven business plans developed by the participants. Then, ten new formal B&Bs were opened, and eight of them received SME DNC’s financial assistance to improve their accommodation facilities in 2015.

Hotel Halidzor, a newly formalized B&B, received the loan in May 2015. The B&B increased the number of guestrooms from two to six. This contributed to the increase of the sales.

Applying the OVOP concept, B&B Volodia Simonyan developed an artificial pond and a small farm by their own fund, so that the guests can enjoy fishing and fresh vegetables. Other B&Bs in the region are formalized and improving their hospitality to attract more tourists. It is expected that the hospitality improvement will encourage more tourists to stay one or more nights in the region. This will contribute to increasing the opportunities for other businesses such as restaurants, craft shops, etc.



Hotel Halidzor



Hotel Halidzor



(2) Results

The following results are expected in 2015 according to the business plans of the eleven B&Bs.

- Based on their business plans, it is expected that the number of beds in the target villages will increase in 2015 from 73 to 153 combining 101 B&B and hostel type beds and 52 beds in summer camps.
- It is also expected that the total annual revenue will amount up to 21 million AMD including incomes from lodging, catering and sale of agriproducts. Currently, the total annual revenue of hospitality services as stated by the participants is 4.6 million AMD.



Armenian OVOP business owner's voice

Training was useful to know the importance of clean circumstance of the room according to the provided criteria. Also I built a smaller room following the advice. Now I am ready to open my B&B. I was organizing some sightseeing tour in the region but didn't come up with the idea to open a B&B. I'm thankful to the project which gave me the chance to create a new business by opening my own B&B. Now I can serve attractive tour programs and comfortable rooms for international tourists.

3.9 Other important practices related to Armenian OVOP concept

The Armenian OVOP concept started to be applied to tourism development in (1) Chiva and Rind villages of Vayots Dzor region and (2) Garni of Kotaik region and (3) Lori region, and (4) dried spice and herb product promotion at Vedi town of Vayots Dzor region.

(1) Tourism development in Chiva and Rind villages of Vayots Dzor region

Vayots Dzor is one of the most scenic and historically interesting regions of Armenia. The mountainous and sparsely populated area is crowded with medieval monasteries, forts, caves, and camping spots. The uplands have potential hiking/horseback riding/mountain biking tracks.

However, Chiva and Rind villages have fewer resources to attract investors and tourists than the other villages of the same region do. The local people started an initiative for tourism development, to increase employment opportunity especially for women and young people, by applying the Armenian OVOP concept. They had several discussions and came to conclude that agro tourism could be one of possible options for local development, since they produce a wide variety of fresh and processed agricultural products.



Discussion among local women

Local agricultural products

(2) Tourism development in Garni, Kotaik region

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



Temple



SME DNC branch director presenting branding methods based on OVOP

(3) Tourism development in Lori region

Lori is one of the popular destinations for tourists. Haghpat and Kober monasteries located in Lori are listed in UNESCO World Heritage Sites. A range of stunning landscapes fascinates not only Armenian people but also foreigners.

Despite the popularity of the region as the touristic site, the capacity of available accommodation in the region is not enough hence the tourists are not staying in the region. The following guidebook of Lori B&Bs have been published, by applying the Armenian OVOP concept.

The guidebook introduces total eight B&Bs of Odzun, Dsegh, and Haghpat villages and Tumanyan and Alaverdi cities of Lori region. Six of them received business training, two received information support, and three received financial assistance by SME DNC. Further support on marketing is to be implemented.

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Guidebook of Lori B&Bs



**Mr. Sergo
Davtyan**
Guesthouse

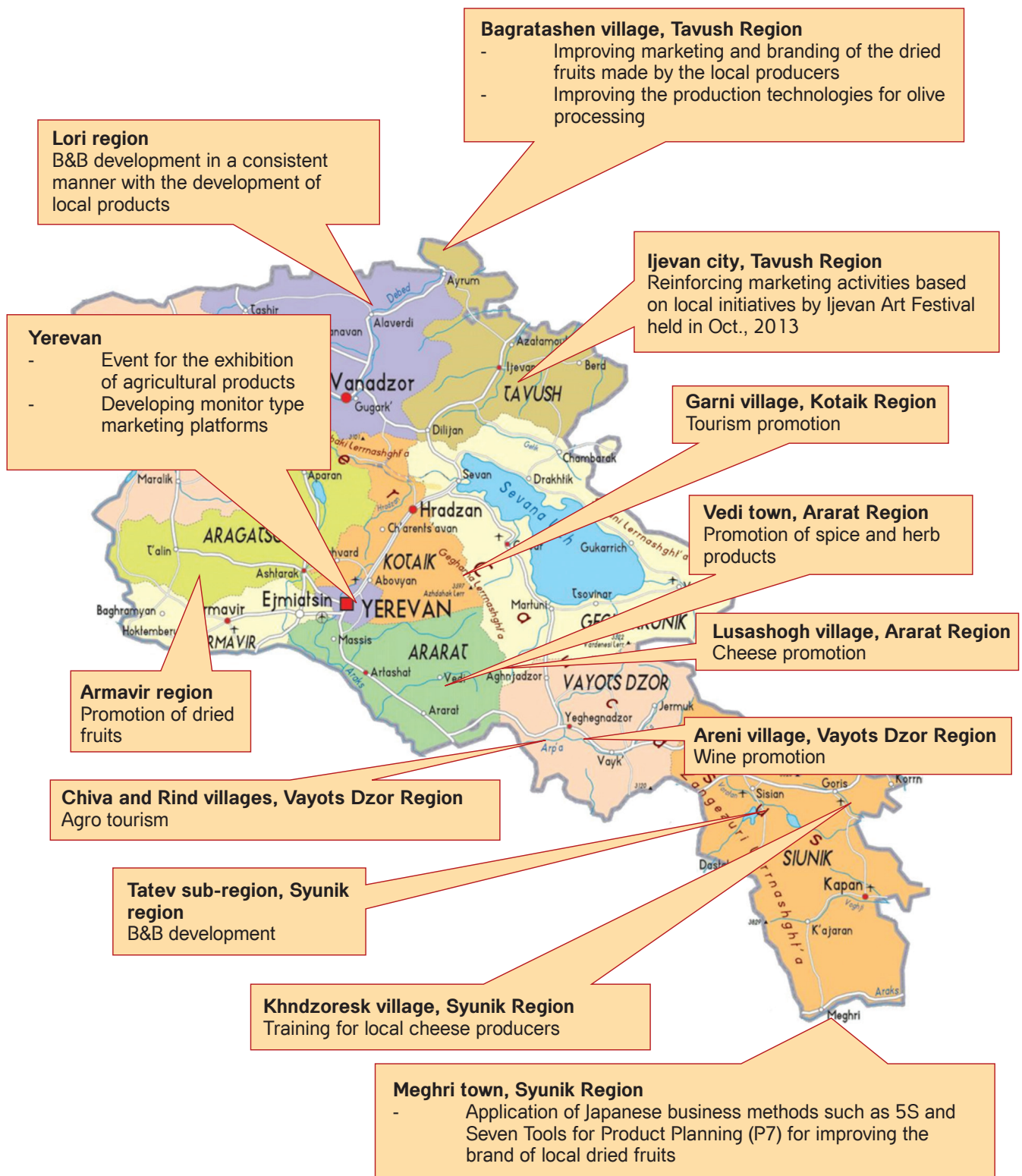
OVOP Business Owner's voice

The booklet is very helpful to introduce our B&B and increase guests. This season the number of guests has increased by 40% already. Now our B&B is more popular in our region than before.

(4) Promotion of dried spice and herb products in Vedi town of Vayots Dzor region

SME DNC has made an agreement with a local company named as Fruiteria LLC so that the company will organize training programs for the other local producers of herb and spice products. According to the agreement, the company is constructing a training center and plans to receive 20 trainees annually. The company wants to foster the local competitors, so as to reinforce the brand image of local spice and herb product, taking into account the Armenian OVOP concept.

Overview map of Armenian One Village One Product (OVOP) activities



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

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