

**Location choice and the performance of furniture workshops in Arusha,
Tanzania (preliminary version)**

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Megumi Muto, Japan International Cooperation Agency
Yessica, C.Y. Chung, Japan International Cooperation Agency
Shinobu Shimokoshi, Japan International Cooperation Agency

Abstract

This study uses data from an emerging furniture cluster in Tanzania to investigate the determinants of sub-cluster location selection and performance of micro and small furniture businesses in Africa. Based on the empirical analysis of a census of 234 workshops in the furniture cluster of Arusha, Tanzania, we first observe that furniture workshops choose to locate in a sub-cluster where the workshop owners from the same ethnic group locate their workshops. However, furniture workshops choose to locate in sub-clusters where the density is lower, contrary to the prediction of new entrants seeking cluster effects. Further, while ethnicity becomes insignificant in explaining the level of performance, cost efficiency and product quality of a furniture workshop are higher in sub-clusters where the waiting time for wood processing is shorter. These results suggest that while ethnic network is important for sub-cluster location choice, higher performance is observed for workshops that are located in a sub-cluster where the upstream wood processing activity does not become a bottleneck in the value chain.

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