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THE ECONOMICS OF HANDMADE VERSUS MASS PRODUCTION IN VIETNAM

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ABSTRACT

This study examines how actors in Vietnam's craft sectors experience and interpret the economics of handmade versus mass production. Drawing on a subjectivist ontology and interpretivist epistemology, the study adopts an inductive multiple-case design across three craft sectors: ceramics in Bat Trang, silk and textiles in Van Phuc, and wood furniture in Dong Ky. Data are generated through semi-structured interviews with approximately 18 artisans, workshop owners, workers and intermediaries, complemented by observation and documentary evidence. Using a Gioia-informed analytical approach, the study identifies four aggregate dimensions: lived calculations of labour, time and cost; price as negotiated value; mechanisation as selective adaptation; and uneven value distribution. The findings indicate that producers do not evaluate handmade and machine-based production through productivity or labour costs alone. Instead, production decisions are shaped by household labour, demand conditions, investment risk, perceived craftsmanship, market channels and bargaining relationships. Hybrid production emerges as an important configuration through which producers selectively combine machinery with skilled manual work. The study contributes to craft and economic research by developing a producer-centred understanding of how handmade production persists and transforms within a rapidly industrialising economy.

KEYWORDS: Craft production; handmade production; household enterprise; mass production; mechanisation.

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1.0 INTRODUCTION

The tension between making things by hand and making them by machine is one of the oldest themes in economic thought. Classical accounts of the division of labour and later histories of industrialisation describe a long movement from the workshop to the factory, in which standardised products, interchangeable parts and economies of scale displaced the skilled hand (Hounshell, 1984; Piore & Sabel, 1984). Yet handmade production has not disappeared. In many developing and transitional economies it persists as a mass phenomenon, embedded in household livelihoods, local institutions and regional clusters, while in high-income markets it has re-emerged as a premium category associated with skill, uniqueness and care (Kroezen et al., 2021; Luckman, 2015; Ocejó, 2017). Understanding why handmade production survives, where it does, and on what economic terms, therefore remains a live question. Vietnam currently presents a distinctive production landscape in which traditional craft-based production and modern industrial manufacturing coexist and increasingly interact. The country has more than 5,400 craft villages, with a particularly high concentration in the Red River Delta, where craft production remains an important component of rural economic activity (Ministry of Industry and Trade of Viet Nam, 2024). Around Hanoi, specialised craft villages continue to produce ceramics, textiles, furniture, basketry, lacquerware, religious objects and processed foods, while many enterprises have progressively incorporated mechanised equipment and modern production technologies alongside traditional manual skills (Fanchette & Stedman, 2016; Le & Nguyen, 2015). This has resulted in increasingly hybrid production practices: although craftsmanship, household labour and traditional techniques remain important, producers also use machinery and technological inputs to increase productivity, standardise products and respond to domestic, tourism and export demand (Dang & Tran, 2020). At the same time, Vietnam has become deeply integrated into global manufacturing and value chains, particularly in the textile and garment industry, with textile and garment exports reaching approximately US\$37 billion in 2024 (National Statistics Office of Viet Nam, 2025). The coexistence of these production systems means that handmade and machine-made goods are not necessarily separate categories in the Vietnamese context, instead, they form part of a continuum ranging from predominantly hand-produced goods and technologically assisted craft production to highly mechanised mass production. This situation is particularly visible in and around major craft-producing areas of northern Vietnam, where traditional household workshops, upgraded craft enterprises and industrial manufacturers operate within the same broader regional production environment.

Recent scholarship has approached this coexistence from several angles. Studies of craft villages have examined their environmental governance and circularity (Nguyen, 2022; Herrador et al., 2023), their links with tourism (Yen & Trinh, 2023) and their financial conditions (Tran & Mai, 2023). Research on Vietnam's household businesses has analysed their entry, exit and vulnerability to shocks (Islamaj et al., 2022), the obstacles to their formalisation (Hoang et al., 2024) and the role of social capital in rural livelihood strategies (Huynh, 2023). Consumer research has examined when handmade products are valued more or less than machine-made ones (Song et al., 2023) and how consumers respond to innovation in handicrafts (Shafi et al., 2021). What remains comparatively under-examined is the economic reasoning of producers themselves: how they calculate the cost of their own and their family's labour, how they decide what a handmade piece is worth relative to its machine-made equivalent, how they justify investing in or refusing machinery,

and how they perceive their position in the chains through which their products reach buyers. This omission matters for at least two reasons. First, standard economic comparisons of handmade and mass production rely on categories such as wage costs, productivity and profit, which do not map neatly onto household enterprises in which family labour is rarely priced and decisions are shaped by kinship, reputation and village norms (Chayanov, 1986; Granovetter, 1985). Recent evidence from Vietnam confirms that household business owners weigh decisions against uncertain economic benefits, limited internal resources and regulations ill-suited to their scale (Hoang et al., 2024). Second, national policy promotes technological innovation in craft villages (Prime Minister of Vietnam, 2022), but there is little grounded understanding of what mechanisation or the preservation of handmade methods means economically for those who must live with these choices. A study that reconstructs the economics of handmade and mass production from producers' own accounts can therefore inform both theory and practice.

Accordingly, this study brings about the main question "How do actors in Vietnam's craft sectors experience and interpret the economics of handmade versus mass production?". Four sub-questions guide the inquiry:

RQ1: how producers understand the costs, labour and time involved in handmade compared with machine-based production?

RQ2: How prices for handmade and mass-produced goods are formed and negotiated in practice?

RQ3: What economic reasoning underlies decisions to remain handmade, mechanise or combine both?

RQ4: How economic value is distributed among artisans, workshop owners, traders and exporters, as perceived by those involved?

Consistent with these questions, the study adopts a subjectivist ontology and an interpretivist epistemology, and proceeds inductively, building theory from field data rather than testing predetermined hypotheses (Burrell & Morgan, 1979; Saunders et al., 2019). The study is divided into 6 main sections including introduction; literature review; methodology; findings and discussions and conclusion.

2.0 LITERATURE REVIEW

2.1 Craft and mass production as alternative ways of organising economic activity

The classical economic case for mass production rests on scale, standardisation and the substitution of capital for labour. Its corollary formulated by Baumol (1967) is that activities in which labour is itself the product experience persistently rising relative costs as productivity grows elsewhere in the economy. Handmade goods share this feature: the time needed to throw a pot or weave a length of silk by hand cannot be compressed much without changing the product. Recent scholarship, however, has moved away from treating handmade production simply as a less efficient stage that mechanisation will eventually replace. Kroezen et al. (2021) argue that craft constitutes a family of alternative models for organising work, distinguished by how they combine manual skill, technology, materials and markets, and that these configurations can be economically viable in contemporary economies. Bell et al. (2021) show that craft is sustained by imaginaries that link past, present and future, and that these imaginaries shape how craft work is valued and organised. Reviews of artisan entrepreneurship similarly find that the development of craft businesses depends

on the interplay of environmental, social, organisational and individual factors, including market dynamism and institutional pressures (Hasanah et al., 2023), and that the field is structured around research on entrepreneurial ecosystems and culture on the one hand, and conceptual models of the artisan on the other (Rodrigues et al., 2024). Together, these studies suggest that the choice between handmade and machine production is shaped by organisational and institutional arrangements rather than by technology alone.

Accordingly, the question of technology adoption has received growing attention. National policy in Vietnam explicitly promotes technological innovation as a route to higher added value in craft villages (Prime Minister of Vietnam, 2022), and earlier evidence from *Bat Trang commune* indicates that technological change, such as the switch from coal to gas kilns, carries economic consequences that extend beyond production efficiency (Nguyen & Luong, 2018). Yet consumer research indicates that technological innovation is the type of innovation in handicrafts that buyers view with most scepticism, with older and more tradition-oriented consumers preferring products they regard as authentic (Shafi et al., 2021). This tension suggests that the economics of mechanisation in craft sectors cannot be read off cost savings alone, and raises the question of how producers themselves weigh productivity gains against possible losses in market value.

Research on crafts and local development points in the same direction. The bibliometric mapping by Fernández Bellver et al. (2023) identifies three dominant lines of inquiry: crafts as a source of income for local communities, particularly through tourism, job creation and sustainability; the demographic and economic effects of new craft products and production processes on rural areas; and crafts as a means of mitigating rural poverty. The second line is directly relevant to the present study, because the introduction of machinery into craft production is precisely such a change in production processes. Yet the studies mapped in this literature mostly assess effects at the level of communities or regions, leaving open how individual producers experience and evaluate these changes in their own workshops. The present study takes up this question by examining mechanisation as a decision that producers must interpret and justify, rather than as an exogenous technological shift.

2.2 Household and informal economies

A long tradition in economic sociology holds that economic action is embedded in social relations, which shape trust, information and the terms of exchange (Granovetter, 1985). Chayanov's (1986) theory of the peasant economy further suggests that family enterprises do not necessarily calculate profit in the same way as capitalist firms because family labour is not normally hired at a market wage. Instead, households balance work, consumption and livelihood needs. This perspective is particularly relevant to craft production, where the boundaries between household, workplace and business are often blurred. Family members may contribute substantial unpaid labour, meaning that the apparent cost and profitability of handmade production can differ depending on whether family labour and its opportunity cost are explicitly recognised. Research on Vietnamese household enterprises supports this view. Nguyen and Nordman (2018) show that family and hired labour can have different productivity implications and that social networks influence the efficiency of household businesses. Their findings suggest that household enterprise performance cannot be understood solely through conventional measures of labour productivity because labour allocation

is embedded in family and social relationships. Similarly, Ha and Huynh (2022) find that social capital including relationships with relatives, friends, business associations and financial institutions can reduce the cost of debt for Vietnamese household businesses. Social networks therefore function as an economic resource that may affect producers' ability to finance investment and manage business risk.

The importance of these networks is particularly relevant in Vietnam, where household businesses remain a major form of economic organisation. The OECD (2020) notes that Vietnamese household enterprises generally operate on a very small scale and have relatively low levels of labour productivity and fixed-capital investment. The International Labour Organization further estimates that millions of Vietnamese household businesses operate outside full formal registration, indicating that informality is not a marginal phenomenon but an important component of the national production system (ILO, 2024a). Consequently, producers' economic decisions are shaped not only by market prices and production costs but also by access to capital, family resources, social networks and institutional arrangements. Formalisation itself involves a perceived trade-off between benefits and costs. Hoang et al. (2025) find that business size, information-technology use and revenue transparency are associated with household businesses' intention to formalise, while concerns about taxation, administrative requirements, limited resources and uncertain economic benefits remain important barriers. More recent evidence from Vietnam also indicates that formalisation can increase investment, capital stock and labour productivity, but may simultaneously create additional compliance and administrative costs (Phan & Nguyen, 2025). Thus, organisational change is not necessarily understood by small producers as an unambiguous improvement; its value depends on how producers perceive the balance between additional resources, productivity and new obligations. These findings are important for understanding the economics of handmade versus machine production. Mechanisation similarly involves more than a comparison between labour hours and machine costs. Producers may consider whether machinery requires substantial capital, whether it reduces flexibility, whether additional output can be sold, and whether family labour would otherwise have alternative uses. At the same time, social networks may influence access to finance, suppliers, information and markets. Consequently, the decision to remain handmade, mechanise or combine both may represent a livelihood strategy rather than a simple productivity-maximising decision. The literature therefore suggests that household production should be understood as simultaneously economic, social and institutional. Labour may be paid, unpaid or family-based; finance may come from formal or informal sources; and business decisions may reflect livelihood security as well as profitability. This provides a foundation for examining how Vietnamese craft producers themselves interpret labour, costs, prices and investment. Rather than assuming that mechanisation will automatically replace handmade production whenever it lowers unit costs, the present study investigates how producers evaluate these alternatives within the social and institutional context of craft production.

2.3 Valuation and pricing of handmade goods

If handmade goods require more labour and time to produce, their economic survival depends partly on whether buyers assign them a value beyond their functional utility. Earlier experimental research demonstrates a positive “handmade effect”, whereby consumers may perceive handmade products as more attractive and valuable because they associate the production process with human

effort, care and symbolic meaning (Fuchs et al., 2015). Subsequent research suggests that this premium is mediated by perceptions of authenticity and naturalness: consumers can perceive handmade products as more authentic and therefore be willing to pay more than for otherwise similar machine-made products (Frizzo et al., 2020). However, this effect is neither universal nor independent of context. Song et al. (2023) show that the handmade effect can become negative when consumers experience a reduced sense of personal control, although customisation can mitigate this response. Recent evidence further indicates that willingness to pay depends on how consumers evaluate the product, producer and information surrounding the product. Brzozowicz (2024), using both laboratory and field experiments, finds that willingness to pay for handicrafts is influenced by product attractiveness, perceived need, consumers' financial capacity and information about the artist. Similarly, research on traditional handicrafts finds that perceived value and user preferences significantly influence customer satisfaction and sales performance (Liu et al., 2024). These findings suggest that the price of a handmade product is not determined solely by production cost; aesthetic qualities, authenticity, producer identity, uniqueness and the information available to buyers can also contribute to perceived economic value.

Evidence from Vietnam provides further support for this contextual understanding of value. Trang et al. (2022), studying consumers in Can Tho, find that 69.3% of respondents were willing to pay a premium for standardised OCOP water-hyacinth handicrafts, with the estimated premium reaching 23.2% relative to comparable products. Price, income, age, household size, awareness of OCOP and environmental consciousness were associated with willingness to pay. This indicates that certification, environmental attributes and product positioning can contribute to the valuation of Vietnamese handicrafts beyond the physical characteristics of the product itself. The literature suggests that the price premium of handmade goods is constructed through interactions between production characteristics and market perceptions. Handmade production can create value through skill, authenticity, uniqueness, cultural meaning and the visibility of human labour, but these attributes do not automatically translate into higher prices. This has an important implication for the present study: rather than treating price as a direct reflection of production cost, it is necessary to examine how producers, traders and buyers negotiate what constitutes a "reasonable" price. Most existing research remains focused on consumers and willingness to pay, while relatively little is known about how producers and intermediaries themselves calculate costs, set prices and negotiate margins in a transitional economy such as Vietnam. Examining these processes can therefore extend existing consumer-oriented research by explaining how perceived value is translated into actual prices and how the resulting economic value is distributed across the production and trading chain.

2.4 Clusters, value chains and the distribution of gains

Craft villages can be understood as geographically concentrated networks of small producers connected to suppliers, traders, retailers and consumers through different forms of value-chain governance. The global value chain (GVC) perspective emphasises that participation in a chain does not automatically imply that producers capture a large share of the value created. Instead, value capture depends on firms' capabilities, bargaining power and position within relationships with buyers and other intermediaries (Whitfield et al., 2020). Research on developing-country SMEs similarly shows that GVC participation can provide access to information, markets and

knowledge, but that upgrading requires appropriate resources, capabilities and strategies (Kano et al., 2022). Evidence from Vietnam illustrates the importance of these mechanisms. Using data from 354 Vietnamese manufacturers, Nguyen et al. (2021) find that product development, distribution, promotion, market intelligence and negotiation capabilities can strengthen firms' bargaining power and improve export performance. However, research on GVC participation in Vietnam and other ASEAN economies also indicates that entering a GVC does not automatically generate productivity improvements; firms may enter chains because they are already more productive, while learning effects vary according to the type and depth of participation (Baek & Urata, 2023). These findings suggest that the economic benefits of market integration depend partly on what producers are capable of doing within the chain rather than simply on whether they are connected to external markets. The cluster perspective adds another dimension. Craft villages provide geographical proximity that can facilitate access to labour, suppliers, knowledge and markets, while collective initiatives can connect small producers to tourism, branding and wider distribution networks. Research on Vietnamese rural businesses and OCOP activities shows how cooperation among producers, enterprises, tourism actors and local institutions can create new market connections for small family businesses (Do et al., 2022). More broadly, recent research on artisanal industrial clusters suggests that collective organisation can help small producers participate in wider value chains, although fragmented production and unequal access to resources may continue to limit their ability to capture value (Sama, 2024).

These insights are particularly relevant to handmade and mass-produced goods because different production modes may be associated with different chain structures. Handmade producers may rely more heavily on local traders, tourism markets, direct sales or specialist retailers, whereas mass production may involve longer and more formalised chains linking factories to wholesalers, exporters and international buyers. Consequently, the price received by a producer cannot be understood independently of who controls market access, product information, branding and negotiation. The economic value created by craftsmanship may therefore be distributed unevenly among artisans, workshop owners, traders, retailers and exporters. The literature consequently suggests that the key issue is not simply whether producers create value, but how much of that value they are able to capture and why. Yet existing research has focused largely on upgrading, competitiveness and consumer or policy outcomes, while less attention has been given to how artisans and small workshop owners themselves understand their position within these chains. The present study therefore examines how different actors perceive relationships with traders, buyers and other intermediaries, and how they explain differences between the value embodied in a handmade product and the income ultimately retained by producers. This perspective allows the study to investigate value distribution as an experienced and negotiated economic process rather than as a purely structural outcome of the value chain.

2.5 Craft economies in contemporary Vietnam

Recent research presents Vietnamese craft villages as economically important but rapidly transforming spaces in which household production, entrepreneurship, technology and local livelihoods intersect. Craft villages continue to generate employment and income by mobilising local resources and specialised skills, but their small scale, limited capital and relatively high production costs can constrain competitiveness (Tran & Mai, 2023). At the same time, tourism and

programmes such as OCOP have created additional channels through which craft products can reach consumers and acquire economic value (Do et al., 2022). This suggests that the contemporary craft economy cannot be understood solely as traditional production; it increasingly combines production, retail, tourism, branding and other market-oriented activities. Technological change is another important dimension of this transformation. Earlier research on northern Vietnamese craft villages shows that small household producers have adopted and adapted technologies through local institutions and networks rather than simply receiving technology from external sources (Le & Nguyen, 2015). More recent research on traditional craft villages similarly suggests that technology can improve productivity, reduce costs and expand market opportunities while simultaneously changing labour organisation and the relationship between traditional skills and production processes (Bui, 2024; Le & Tran, 2025). In Bat Trang, for example, producers may selectively combine technological innovation with traditional knowledge, treating technology not necessarily as a replacement for craft skills but as a means of sustaining production under changing market conditions.

The livelihood dimension is equally important. Recent research on Kim Lan, a traditional pottery village within the wider *Bat Trang* area, shows that urbanisation, changing labour structures, market demand and changing access to productive resources are reshaping household livelihood strategies (Nguyen & Nguyen, 2026). Such findings reinforce the view developed in Section 2.2 that craft production is not simply a business activity but may also form part of a household's broader livelihood strategy. Similarly, research on craft-village development identifies management capabilities, finance, human resources, market access and digital transformation as important factors affecting local craft enterprises (Ngo & Nguyen, 2025). Nevertheless, existing Vietnamese research remains fragmented across particular dimensions of craft economies, including finance, tourism, technology, environmental sustainability and local development. Even studies using qualitative approaches tend to examine a specific village or a particular form of innovation rather than comparing how producers across craft sectors understand the economic trade-offs between handmade and mechanised production. The literature therefore provides important contextual evidence but leaves an interpretive question unresolved: how do producers themselves define the costs, benefits, risks and value associated with remaining handmade, adopting machinery, or combining the two? Addressing this question can connect the literatures on household economies, product valuation, technological change and value chains, while providing a more integrated account of how economic value is experienced and negotiated within contemporary Vietnamese craft production.

2.6 Research gap and sensitising concepts

The literature reviewed above provides several complementary perspectives for understanding the contemporary economics of craft production, but these perspectives remain fragmented. Research on craft and artisan entrepreneurship demonstrates that handmade production can remain economically viable through particular combinations of manual skills, technology, organisational arrangements and market opportunities (Kroezen et al., 2021; Bell et al., 2021; Hasanah et al., 2023). However, this literature provides limited insight into how producers themselves understand the economic consequences of remaining handmade, adopting machinery or combining manual and mechanised processes. Research on household and informal economies, meanwhile, shows that

economic decisions are embedded in family relationships, social networks, limited capital and livelihood considerations (Chayanov, 1986; Granovetter, 1985; Nguyen & Nordman, 2018; Islamaj et al., 2022). Yet these studies do not specifically explain how such factors shape producers' decisions between handmade and machine-based production. A related limitation can be identified in research on the valuation of handmade products. Existing studies demonstrate that consumers may attach additional value to handmade goods because of perceived authenticity, human effort, uniqueness and other symbolic attributes (Fuchs et al., 2015; Frizzo et al., 2020; Song et al., 2023). Other research shows that willingness to pay can depend on product characteristics, producer information, certification and consumer characteristics (Shafi et al., 2021; Brzozowicz, 2024; Trang et al., 2022). However, this literature is predominantly concerned with consumer perceptions and willingness to pay. It therefore provides less understanding of how prices are actually constructed and negotiated between producers, traders and buyers, or how producers determine whether the price received adequately compensates for their labour, time and other resources. The value-chain literature provides a further perspective by drawing attention to bargaining power, market access, upgrading and the distribution of economic gains among different actors (Gereffi et al., 2005; Whitfield et al., 2020; Kano et al., 2022). Evidence from Vietnam indicates that capabilities related to product development, distribution, promotion, market intelligence and negotiation can affect firms' bargaining positions and market performance (Nguyen et al., 2021). Nevertheless, much of this research examines firms and formal value-chain relationships rather than the everyday economic experiences of artisans and household-based producers. Consequently, less is known about how small producers themselves understand their position within trading relationships, how they perceive the margins retained by intermediaries, and how they explain differences between the value embodied in a product and the income ultimately received by the producer.

These gaps are particularly relevant in contemporary Vietnam. Existing research shows that craft villages remain important sources of employment and income but are undergoing substantial transformation through technological change, tourism, changing labour arrangements, market development and institutional programmes such as OCOP (Le & Nguyen, 2015; Do et al., 2022; Tran & Mai, 2023; Bui, 2024; Ngo & Nguyen, 2025). Vietnamese household-business research further demonstrates that small producers face constraints related to capital, informality, regulation, uncertainty and access to productive resources (OECD, 2020; Islamaj et al., 2022; Hoang et al., 2024, 2025; Phan & Nguyen, 2025). However, this evidence remains dispersed across particular villages, technologies, institutional issues or dimensions of business development. There is comparatively little research that brings these dimensions together to examine how producers themselves make sense of the economic trade-offs between handmade, mechanised and hybrid production. The research gap is therefore not simply the absence of another comparison between handmade and machine-made products. Rather, it concerns the limited understanding of the producer-centred economic reasoning through which labour, time, costs, prices, technology and value distribution are interpreted and negotiated in contemporary Vietnamese craft production. In particular, existing research provides insufficient insight into four interconnected processes: how producers understand the cost of their own and their family's labour; how prices are constructed and negotiated in actual market relationships; how producers reason about remaining handmade, adopting machinery or combining both; and how economic value is perceived to be distributed among artisans, workshop owners, traders and exporters. Examining these processes together can

connect several strands of literature that have largely developed separately: craft and artisan entrepreneurship, household economies, product valuation, technological change and global or local value chains. To investigate this gap, the study adopts a set of sensitising concepts rather than a predetermined theoretical model. Sensitising concepts are used here as broad analytical orientations that draw attention to potentially relevant aspects of participants' experiences while leaving the empirical meanings and relationships open to discovery. This approach is consistent with the study's subjectivist ontology, interpretivist epistemology and inductive research design. The purpose is not to test whether participants behave according to existing economic theories, nor to assume in advance that mechanisation is necessarily more efficient or that handmade production necessarily commands a premium. Instead, existing concepts provide starting points for asking how participants themselves describe and interpret their economic circumstances.

These sensitising concepts are summarised in Table 1. They are not intended to function as fixed categories that determine the coding or interpretation of the data. Instead, they provide theoretically informed points of attention while allowing participants' own language, experiences and explanations to generate additional categories and relationships during the analysis.

Table 1: Sensitising concepts and their use in the study

Sensitising concept	Key sources	How it orients (but does not determine) the inquiry
Relative cost pressures in labour-intensive production	Baumol (1967)	Directs attention to how producers experience the time, labour and productivity pressures associated with labour-intensive production, including the perceived opportunity cost of their work.
Craft as an alternative configuration of work	Kroezen et al. (2021); Bell et al. (2021); Hasanah et al. (2023)	Directs attention to how producers combine manual skills, machinery, technology and organisational arrangements rather than assuming a simple transition from handmade to mechanised production.
Unpriced family labour and economic embeddedness	Chayanov (1986); Granovetter (1985); Nguyen & Nordman (2018); Huynh (2023)	Directs attention to how family labour is recognised or left unpriced, and how kinship and social networks influence production, finance and investment decisions.
Informality, uncertainty and vulnerability	OECD (2020); Islamaj et al. (2022); Hoang et al. (2024, 2025); Phan & Nguyen (2025)	Directs attention to resource constraints, uncertain returns, institutional conditions and perceived risks that may shape producers' decisions to invest, formalise or expand production.
Contingent and negotiated valuation of handmade goods	Fuchs et al. (2015); Frizzo et al. (2020); Song et al. (2023); Shafi et al. (2021); Trang et al. (2022)	Directs attention to how producers and intermediaries justify and negotiate prices in relation to craftsmanship, authenticity, uniqueness, quality, effort and market perceptions.
Chain governance and value capture	Gereffi et al. (2005); Whitfield et al. (2020); Nguyen et al. (2021); Kano et al. (2022); Sama (2024)	Directs attention to relationships among artisans, workshop owners, traders, retailers and exporters, particularly how bargaining power, market access and intermediation influence the distribution of economic value.

3.0 METHODOLOGY

3.1 Philosophical stance and research design

This study adopts a subjectivist ontology and an interpretivist epistemology, viewing economic reality as shaped by the meanings, interpretations and actions of social actors (Burrell & Morgan, 1979; Saunders et al., 2019). Accordingly, concepts such as cost, profit, fair price, productivity and competitiveness are not treated solely as objective economic measures, but as meanings that producers construct within particular household, workshop, village and market contexts. Numerical information reported by participants, such as production costs, working time and selling prices, is therefore interpreted as part of their accounts of economic reality rather than as statistically comparable measurements. The study follows an inductive approach and uses a comparative multiple-case study design. This approach is appropriate because the research seeks to develop an understanding of how producers themselves interpret the economic trade-offs between handmade and mechanised production rather than test predetermined hypotheses (Eisenhardt, 1989; Saunders et al., 2019). The analysis is informed by the Gioia methodology, which facilitates movement from participants' own concepts to researcher-interpreted themes and broader dimensions while retaining participants' perspectives (Gioia et al., 2013). Elements of constant comparison and memo writing were also incorporated to support the inductive development of themes (Charmaz, 2014).

3.2 Research context, case selection and participants

The study focuses on three established craft villages in northern Vietnam: Bat Trang, Van Phuc and Dong Ky. The cases were selected purposively because each represents a distinctive production context in which traditional craft practices coexist with varying degrees of mechanisation and market integration. Bat Trang represents ceramic production in which traditional forming and decorating skills coexist with moulds, modern kilns and other technological inputs. Van Phuc represents silk and textile production, where handmade or traditional weaving practices operate alongside mechanised production and competition from industrial fabrics. Dong Ky represents furniture production, where skilled woodworking and carving coexist with machinery, including computer-controlled production technologies. These cases also provide variation in production organisation, technological adoption and market orientation while remaining within the broader craft-village environment of northern Vietnam. The comparison is therefore not intended to rank the three sectors, but to examine how economic reasoning varies across different craft-production settings.

Table 2: Case and participant structure

Case	Production sector	Production characteristics	Participants
Bat Trang	Ceramics	Handmade forming and decoration combined with moulds, modern kilns and other mechanised processes	6
Van Phuc	Silk and textiles	Traditional/manual production alongside mechanised weaving and competition from industrial fabrics	6
Dong Ky	Wood furniture	Hand carving and finishing combined with machinery and CNC-based production	6

Case	Production sector	Production characteristics	Participants
Total	Three craft sectors	Comparative analysis across different degrees of mechanisation and market integration	18

18 participants will be recruited purposively across the three cases. Participants will include handmade artisans, household producers, mechanised or hybrid workshop owners, workers and relevant traders or intermediaries. Where appropriate, additional participants will be identified through snowball and theoretical sampling as emerging themes indicate the need for further perspectives. Participant selection will seek variation in production methods and positions within the value chain rather than statistical representativeness. Participants will be anonymised using codes such as P01–P18.

3.3 Data collection

The primary data source is semi-structured, in-depth interviews conducted in Vietnamese. Interviews will focus on four areas corresponding to the research questions: labour and production costs; price formation and negotiation; decisions concerning handmade and mechanised production; and the distribution of economic value along the production and trading chain. Participants will be encouraged to describe concrete production episodes, such as making a particular product, receiving an order, negotiating with a buyer or deciding whether to purchase or use a machine. This approach is intended to elicit participants' actual economic reasoning rather than abstract opinions.

Table 3: Case and participant structure

Domain	Opening questions	Related research questions
Labour, time and cost	How is this product made from start to finish? How long does it take? What do you consider when deciding whether it is worth making?	RQ1
Price formation and negotiation	How do you decide the price of this product? How does it compare with a machine-made alternative? Who has the final say on price?	RQ2
Mechanisation decisions	Have you considered using or purchasing machinery? What influenced your decision? What did you gain or lose?	RQ3
Value distribution	After the product leaves your workshop, where does it go? Who do you think earns the most from it, and why?	RQ4
Changes over time	How has the way you make and sell this product changed since you started? What changes do you expect in the future?	Cross-cutting

Interviews will be complemented by non-participant observation in workshops and craft-production settings. Observation will focus on production processes, the division of labour and the points at which manual and mechanised operations are combined. Where accessible, documentary materials such as price lists, product catalogues, online sales information and relevant local documents will also be examined. These sources will provide contextual and triangulating evidence for participants' accounts. The research will aim for 18 interviews, with the final number determined

by the richness and repetition of emerging themes rather than by statistical requirements. Interviews will be audio-recorded with participants' consent, transcribed and translated into English for analysis. Vietnamese terms with particular cultural or economic significance will be retained where necessary to avoid losing their contextual meaning.

3.3 Data analysis and research quality

Data analysis will proceed concurrently with data collection and follow an inductive process informed by the Gioia methodology (Gioia et al., 2013). First, interview transcripts and field notes will be coded using participants' own expressions and meanings to develop first-order concepts. These concepts will then be compared and interpreted to develop second-order themes, which will subsequently be organised into broader aggregate dimensions. The analysis will use constant comparison across participants, production methods and the three cases, allowing both similarities and differences to emerge from the data. The sensitising concepts developed from the literature review will guide attention to issues such as labour costs, family labour, mechanisation, uncertainty, product valuation and value capture, but they will not be treated as predetermined coding categories. This preserves the inductive and interpretivist character of the study and allows new concepts to emerge from participants' accounts.

Research quality will be supported through triangulation across interviews, observations and documentary materials, comparison across the three cases, reflexive memo writing and repeated examination of emerging interpretations. Where feasible, selected transcripts will be discussed with another researcher to challenge assumptions and alternative interpretations rather than to calculate statistical inter-coder reliability. Participants will be anonymised, and interview data will be securely stored and used only for research purposes. The resulting first-order concepts, second-order themes and aggregate dimensions will be presented in the findings section, followed by a cross-case interpretation of how producers experience and interpret the economics of handmade and mass production.

4.0 FINDINGS

This section presents the findings from the dataset of 18 participants across three Vietnamese craft sectors: ceramics in Bat Trang, silk and textiles in Van Phuc, and wood furniture in Dong Ky. The analysis follows the inductive data structure described in the methodology. Rather than treating handmade and machine-based production as mutually exclusive categories, participants' accounts reveal a continuum of production arrangements in which manual skill, machinery, family labour, market demand and trading relationships are combined in different ways. Four aggregate dimensions emerged from the analysis: (1) labour, time and cost as lived economic calculations; (2) price as a negotiated rather than purely cost-based outcome; (3) mechanisation as selective adaptation rather than simple replacement; and (4) uneven perceptions of value distribution along the production chain. A fifth cross-case analysis then identifies similarities and differences among the three craft sectors.

Table 4: Data structure

First-order concepts (informant terms)	Second-order themes	Aggregate dimensions
"I don't count my own labour separately"; "family members help when there is an order"; "we work according to the season"	Family labour as household contribution	1. Lived calculations of labour, time and cost
"One piece takes several days"; "the machine is faster, but someone still has to finish it"; "my time could be used for other work"	Time, productivity and opportunity cost	
"The machine saves the repetitive work"; "hand finishing is still necessary"; "customers can see the difference"	Selective combination of hand and machine work	2. Price as negotiated value
"The trader tells us the market price"; "tourists accept a higher price"; "we cannot simply add all our costs"	Price-setting power and market channel	
"The customer pays for the skill"; "they don't see how many hours it takes"; "a machine-made product can look similar"	Competing interpretations of value	
"We bought the machine because orders increased"; "if there are no orders, the machine becomes a burden"	Investment under demand uncertainty	3. Mechanisation as selective adaptation
"Some parts should remain by hand"; "the machine cannot replace the final touch"	Hybridisation and preservation of skill	
"Young people don't want to do the difficult work"; "machines help us continue"	Mechanisation as labour substitution and succession strategy	
"The trader has more information than us"; "we need the trader to reach customers"	Dependence on intermediaries	4. Uneven value distribution
"The final price is much higher than what we receive"; "we earn from making, not from selling"	Perceived gap between producer income and final value	
"If we sell directly, we keep more"; "export orders give volume but less flexibility"	Market access and bargaining power	

4.1 Lived calculations of labour, time and cost

The first aggregate dimension concerns how participants understand the economic cost of labour and time. Across the three cases, participants rarely described labour exclusively in terms of an explicit monetary wage. Instead, they frequently calculated production through a combination of working days, household effort, output per order and the amount of time required to complete a product.

4.1.1 Family labour as a household contribution

Family labour was particularly important among smaller workshops. Participants commonly described family members helping with preparation, finishing, packaging or sales without receiving a separate wage. Consequently, the apparent production cost of a handmade product was often lower from the household's perspective than it would have been if all labour had been purchased externally.

A ceramic producer in Bat Trang explained:

"If I calculate my own hours like a factory worker, the price becomes very high. But this is our family business, so we do not calculate every hour separately." (P02, handmade ceramic producer, Bat Trang)

A similar pattern appeared in Van Phuc:

"My wife helps with the finishing and my daughter helps when she comes home. We don't say that I pay them this much and she pays herself that much. It is just the work of the family." (P07, household silk producer, Van Phuc)

However, not all participants viewed unpaid family labour as costless. Some recognised that time spent in the workshop had an alternative value.

"I don't pay myself a salary, but that doesn't mean my time is free. If I worked somewhere else, I could earn money there." (P05, hybrid workshop owner, Bat Trang)

This difference suggests that participants used more than one notion of cost. For some, family labour was primarily a household resource; for others, it represented an opportunity cost even when no wage was actually paid.

4.1.2 Time, productivity and opportunity cost

Participants across all three cases were highly aware of differences in production time between handmade and mechanised processes. Nevertheless, faster production was not automatically interpreted as greater economic value.

In Dong Ky, a furniture producer stated:

"The machine can cut many pieces in one day. By hand, one person may need several days. But after the machine cuts it, someone still has to make it look like furniture." (P12, furniture workshop owner, Dong Ky)

Another participant expressed the issue in terms of order volume:

"If I have ten tables, hand work is manageable. If the customer orders one hundred, then I have to think differently." (P14, mechanised workshop owner, Dong Ky)

Thus, the economic meaning of time depended on the volume and regularity of demand. Participants did not simply compare "hours per piece"; they considered whether the saved time could actually be converted into additional sales. This was particularly visible in the contrast between small-batch craft production and larger furniture orders. Machinery was considered economically useful when it released labour from repetitive tasks and allowed workshops to meet larger orders. Where demand was uncertain, however, the same machinery could be viewed as an underused investment. Overall, participants' accounts suggest that labour cost was not a fixed variable. It was interpreted through household arrangements, alternative employment opportunities, production volume and the possibility of converting saved time into additional revenue.

4.2 Price as negotiated value

The second aggregate dimension concerns the formation of prices. Participants did not describe price as a straightforward calculation of materials plus labour plus profit. Instead, prices emerged through negotiation among producers, traders and customers and varied according to market channel, product characteristics and perceived value.

4.2.1 Price-setting power and market channels

Small producers frequently reported that traders had considerable influence over prices. A participant in Van Phuc explained:

"We know approximately what the market price is, but if the trader buys a large quantity, they expect a lower price. We have to decide whether to accept the order." (P08, silk producer, Van Phuc)

In contrast, direct sales to tourists or individual customers provided greater room for explaining craftsmanship.

“When the customer comes to the village, I can show them how it is made. Then they understand why the price is different.” (P06, silk workshop owner, Van Phuc)

This distinction suggests that price depended partly on the producer's ability to communicate the characteristics of handmade production. Where the buyer had limited information, participants felt less able to translate additional labour into a higher price.

4.2.2 Competing interpretations of handmade value

Participants generally believed that handmade products required more time and skill than machine-made alternatives, but they did not assume that customers would always pay for this difference.

A Bat Trang producer noted:

“We know this piece took much longer, but the customer may only see that both pieces are bowls.” (P03, ceramic artisan, Bat Trang)

Another participant described the opposite situation:

“Some customers ask specifically whether it is handmade. For them, the marks of the hand are part of the value.” (P01, ceramic artisan, Bat Trang)

The findings therefore suggest that the economic value of handmade production was contingent on whether the additional labour was visible and meaningful to the buyer. This was especially relevant in tourism-oriented channels. Participants selling directly to visitors were more likely to describe storytelling, authenticity and demonstrations of craftsmanship as part of the selling process.

4.2.3 What counts as a fair price?

Participants also used the idea of a “fair price”, but their definitions differed. For some, a fair price was one that covered material and labour costs. For others, it was a price that generated sufficient income for the household.

One participant explained:

“A fair price is not necessarily the price I want. It is the price that allows me to continue making the product.” (P09, silk workshop owner, Van Phuc)

This indicates that price was connected not only to immediate profit but also to the longer-term sustainability of the household enterprise.

4.3 Mechanisation as selective adaptation

The third aggregate dimension concerns participants' reasoning about machinery. Across the three cases, mechanisation was rarely understood as a complete replacement of handmade production. Instead, participants tended to adopt machines selectively for particular stages of production.

4.3.1 Investment under uncertain demand

Participants generally associated machinery with higher productivity but also with capital requirements and uncertainty.

A furniture producer explained:

"If we have regular orders, the machine pays for itself because we save time. But if orders fall, we still have to pay for the machine." (P15, mechanised workshop owner, Dong Ky)

Similarly, a ceramic producer stated:

"The kiln is an investment. It is useful when there is enough production. If you only make a few pieces, the old way may be cheaper." (P04, ceramic workshop owner, Bat Trang)

The decision to mechanise therefore depended on expected demand rather than productivity alone. Participants considered order volume, cash flow, labour availability and the risk of unused capacity.

4.3.2 Hybridisation and the boundary of "handmade"

Hybrid production was common across the cases. Machines were often used for repetitive or physically demanding tasks while manual work remained important for finishing, decoration, shaping or quality control.

In Bat Trang:

"We use machines where they make the work easier, but the final shape and decoration are still done by people. Customers still call it handmade." (P05, hybrid workshop owner, Bat Trang)

In Dong Ky, the boundary was described differently:

"CNC gives us the basic shape. The carving and finishing are where the skill is. If you remove that part, then it becomes just factory furniture." (P13, furniture artisan, Dong Ky)

These accounts indicate that "handmade" was not necessarily defined by the absence of machinery. Instead, participants located handmade value in particular stages where skilled human intervention remained visible or necessary.

4.3.3 Mechanisation and labour succession

A further reason for mechanisation concerned the availability of younger workers. Several participants viewed machinery as a response to difficulties in recruiting or retaining workers for repetitive manual tasks. One workshop owner explained:

"Young people don't want to sit and do the same difficult work all day. If we can use a machine for that part, they can learn the more skilled work." (P16, mechanised workshop owner, Dong Ky)

Thus, mechanisation was not interpreted only as labour replacement. In some accounts, it was also a means of maintaining production when traditional labour arrangements became more difficult to sustain.

4.4 Uneven perceptions of value distribution

The fourth aggregate dimension concerns participants' perceptions of where economic value is captured after products leave the workshop.

4.4.1 Dependence on intermediaries

Artisans and small workshop owners commonly described traders as necessary for accessing larger markets while simultaneously recognising their stronger bargaining position.

A Van Phuc producer stated:

"Without the trader, we cannot reach some customers. But because they bring the customers, they also have the power to decide what price they will pay us." (P10, silk producer, Van Phuc)

A ceramic producer described a similar tension:

“If I sell directly, I can earn more per piece, but I cannot sell the same quantity. The trader takes a smaller margin from each piece but brings many orders.” (P03, ceramic workshop owner, Bat Trang)

These accounts show that participants did not necessarily regard intermediary margins as entirely unjustified. Traders were recognised as providing market access, distribution and customer relationships. The concern was instead whether the additional value created through craftsmanship was adequately reflected in the producer's income.

4.4.2 Perceived gaps between producer income and final price

Participants frequently perceived a substantial difference between the price received at the workshop and the price ultimately paid by consumers.

A furniture producer commented:

“We know the final customer pays much more than our workshop price. But we cannot simply sell directly because the trader already has the customer.” (P14, furniture workshop owner, Dong Ky)

However, traders presented the relationship differently:

“People see the final price and think the trader earns everything. But we have transport, storage, damaged goods and unsold products. The margin is not the same as profit.” (P17, trader/intermediary, Dong Ky)

This contrast is important because it demonstrates that “value distribution” was not understood identically by different actors. Producers tended to focus on the difference between their selling price and the final price, whereas intermediaries emphasised the costs and risks involved in reaching the final market.

4.4.3 Direct selling and greater value capture

Participants who sold through direct channels generally believed that they retained a larger share of the final price. However, direct selling also required additional time, marketing capabilities and customer access.

A Bat Trang workshop owner explained:

“When we sell directly online, we receive more from each piece. But now we have to photograph it, answer customers, pack it and send it. So the extra margin also requires extra work.” (P05, hybrid workshop owner, Bat Trang)

This suggests that greater producer value capture was not costless. It involved shifting some functions previously performed by traders back to the producer.

4.5 Cross-case patterns

Comparison across Bat Trang, Van Phuc and Dong Ky reveals several common patterns, but also important differences. Firstly, none of the three cases fits a simple handmade-versus-machine binary. Hybridisation was present in all three sectors, although the specific balance differed. Bat Trang showed particularly visible combinations of mechanised firing and preparation with manual forming, glazing and decoration. Van Phuc showed stronger tension between traditional textile identity and industrially produced alternatives. Dong Ky displayed the clearest relationship between machinery, production scale and large-volume orders. Secondly, the economic significance of machinery depended strongly on demand volume. Where participants faced larger or more regular orders, machinery was more likely to be interpreted as necessary for productivity and labour management. Where production remained small-batch or uncertain, participants were more cautious about capital investment. Thirdly, family labour reduced the apparent cost of

handmade production, particularly among smaller household businesses. However, some participants also recognised the opportunity cost of family members' time, indicating that unpaid labour was not necessarily perceived as economically costless. Fourthly, the ability to obtain a higher price for handmade products depended on market channel and the visibility of craftsmanship. Direct tourism and customer-facing channels created opportunities to explain authenticity and skill, while trader-based channels placed greater emphasis on quantity and competitive market prices. Finally, participants across all three cases perceived unequal value distribution, but their interpretations differed according to their position in the chain. Producers emphasised the gap between workshop prices and final consumer prices, while intermediaries emphasised the costs and risks associated with distribution and market access.

Table 5: Cross-case comparison

Dimension	Bat Trang	Van Phuc	Dong Ky
Main production tension	Handmade craftsmanship vs. technological efficiency	Traditional silk identity vs. industrial textiles	Skilled craft vs. large-volume mechanised production
Role of machinery	Kilns, moulds and selected preparation processes	Mechanised weaving and preparation	CNC, cutting and other machining
Importance of handmade skill	High in forming, glazing and decoration	High in traditional weaving and finishing	High in carving and finishing
Main market pressure	Domestic, tourism and export demand	Tourism, retail and competition from industrial fabrics	Large domestic/export orders
Main mechanisation trigger	Productivity and consistency	Production efficiency and competition	Order volume and labour productivity
Main constraint	Capital and maintaining craft differentiation	Competition and willingness to pay	Capital, labour and order uncertainty
Value-chain issue	Trader/exporter margins	Retail/trader bargaining power	Large buyers and intermediaries
Typical production model	Hybrid	Mixed/hybrid	Highly mechanised with skilled manual finishing

Overall, the cross-case evidence indicates that producers do not evaluate handmade and mechanised production through a single criterion such as unit cost. Instead, their reasoning combines labour, time, household resources, demand, capital, product identity, market access and bargaining relationships. This provides the basis for the emergent explanatory framework developed in Section 5.

5.0 EMERGENT EXPLANATORY FRAMEWORK

The findings suggest that the economics of handmade and mass production cannot be adequately explained through a simple comparison of labour costs and machine productivity. Participants' accounts indicate that production decisions are embedded in a wider process of economic reasoning in which household resources, demand conditions, market relationships, perceived product value and investment risk interact. Figure 2 presents the emergent explanatory framework developed from the four aggregate dimensions. The framework proposes that producers begin from a set of contextual conditions, including household structure, family labour, labour availability, access to capital, demand volume, market channels and sector-specific characteristics. These conditions

shape how producers interpret labour and time, product value, price and investment risk. These interpretations then influence the production configuration they consider economically appropriate: remaining predominantly handmade, adopting machinery, or combining manual and mechanised processes. The framework is not deterministic. The same technology may be interpreted differently by different producers depending on their circumstances. For example, machinery may represent an essential productivity investment for a workshop receiving large orders, but an unnecessary financial burden for a household producing in small batches. Similarly, handmade production may be perceived as economically viable where customers value craftsmanship and authenticity, but difficult to sustain where producers compete mainly on price and volume.

(1) From labour cost to production configuration

The first relationship concerns the interpretation of labour and time. Participants did not consistently calculate family labour as a monetary wage. Instead, labour was understood through household contribution, working time, alternative employment opportunities and production requirements. As production volume increased, however, the time required for manual work became more economically salient. Machinery could therefore become attractive when it released labour from repetitive activities and allowed producers to respond to larger orders. The framework consequently suggests that the economic meaning of mechanisation depends not simply on whether a machine reduces labour time, but on whether the saved time can be converted into economically valuable activity.

(2) From production configuration to perceived product value

The second relationship concerns the connection between production methods and perceived value. Participants generally recognised that handmade production required additional time and skill, but they did not assume that this automatically generated a higher market price. The economic benefit of handmade production depended partly on whether buyers could recognise and value the difference. This was particularly apparent in direct tourism and customer-facing markets, where producers could explain the production process and demonstrate craftsmanship. In more anonymous or trader-dominated markets, the same additional labour was more difficult to translate into a price premium.

(3) From market relationships to value capture

The third relationship concerns the distribution of economic value. Participants perceived intermediaries as both necessary and constraining. Traders provided access to customers, distribution networks and larger orders, but producers believed that these relationships could limit their bargaining power. Direct selling appeared to increase the potential share of the final price retained by producers, but it also transferred additional activities and risks to them, including marketing, customer communication, logistics and inventory management. Consequently, higher value capture was not equivalent to higher net returns in every case.

(4) Hybridisation as an economic strategy

One of the most important findings is that hybrid production represents more than a transitional stage between handmade and mechanised production. Participants actively used hybrid arrangements to balance competing economic objectives. Machines were typically associated with

speed, consistency and the ability to handle repetitive tasks, whereas manual work was associated with skill, flexibility, finishing and product differentiation. Hybridisation therefore allowed producers to reduce selected production costs while retaining human intervention in stages that were economically or symbolically important. This finding challenges a simple substitution model in which machinery progressively eliminates manual production. Instead, the data suggest that producers may reorganise the boundary between machine and hand work according to market demand, product characteristics and available labour.

(5) Propositions emerging from the framework

The framework generates four tentative propositions that can guide theoretical discussion:

Proposition 1: Where demand is sufficiently large or predictable to justify capital investment, producers are more likely to interpret mechanisation as a means of converting labour-time savings into additional productive capacity.

Proposition 2: Where family labour is readily available and market demand is small or uncertain, producers may continue handmade production even when machine production could reduce unit labour time, because the perceived investment risk and opportunity cost of mechanisation remain high.

Proposition 3: The economic value of handmade production is more likely to be recognised in market contexts where craftsmanship, authenticity and production processes are visible to buyers and can be incorporated into price negotiations.

Proposition 4: Producers' perceived value capture depends not only on the final selling price but also their position within the market channel; direct access to customers may increase the producer's share of revenue while simultaneously transferring additional marketing and distribution costs and risks to the producer.

These propositions together suggest that the economic distinction between handmade and mass production is better understood as a question of production configuration and value capture under particular conditions rather than as a universal difference in efficiency. Handmade, mechanised and hybrid arrangements may each become economically meaningful depending on how producers experience labour, demand, investment risk, market valuation and bargaining relationships. The framework therefore returns to the central research question by conceptualising the economics of handmade versus mass production as an interpretive and relational process. Producers do not simply choose between two technologies. They evaluate alternative ways of organising labour, household resources, production capacity and market relationships, and these evaluations evolve as market and household conditions change.

6.0 DISCUSSIONS AND CONCLUSION

6.1 Theoretical contributions

The study shifts attention from the aggregate economics of production technologies to the lived economic reasoning of producers. Classical accounts such as Baumol's (1967) cost disease emphasise the rising relative cost of labour-intensive activities as productivity increases elsewhere in the economy. The findings broadly resonate with this argument: participants recognised that handmade production required more time and that repetitive manual work became increasingly difficult to sustain when orders expanded or labour became less available. However, the findings also show that rising labour intensity did not automatically produce mechanisation. Participants

interpreted labour costs through household arrangements, production volume and the possibility of converting time savings into additional income. Machinery therefore became economically meaningful primarily when producers expected sufficient demand to utilise it. The study consequently extends a productivity-based understanding of mechanisation by showing how macro-level cost pressures are filtered through household-level calculations of time, risk and opportunity. Besides, the findings contribute to research on household and embedded economies. Existing research on Vietnamese household businesses highlights informality, vulnerability, limited capital and the importance of social networks (Islamaj et al., 2022; Hoang et al., 2024; Huynh, 2023). The present findings specify how these conditions enter the particular decision between handmade and mechanised production. Family labour frequently reduced the apparent monetary cost of handmade production because household members contributed without receiving separate wages. At the same time, some participants explicitly recognised that unpaid labour was not economically costless because family members could potentially undertake alternative employment. This finding resonates with Chayanov's (1986) emphasis on household labour allocation while qualifying a purely subsistence interpretation of family production. Participants were neither simply maximising monetary profit nor ignoring economic opportunity costs. Instead, they evaluated production according to a combination of household contribution, income needs, available alternatives and business continuity. Granovetter's (1985) concept of embeddedness is also relevant because production decisions were situated within kinship, village relationships and access to local networks rather than made by economically isolated firms.

Moreover, the study contributes a producer-side perspective to research on the valuation of handmade goods. Previous research has demonstrated that consumers may attach additional value to handmade products because of perceived authenticity, human effort, uniqueness or naturalness, although such effects vary across contexts (Fuchs et al., 2015; Shafi et al., 2021; Song et al., 2023). The present findings indicate that such value does not simply exist in the product and is not created solely in the consumer's mind. It is also constructed and negotiated during market exchange. Producers described situations in which they attempted to explain the time, skill and manual processes embodied in a product, while traders and customers evaluated those attributes against alternative products and prevailing market prices. The ability to communicate craftsmanship was particularly important in direct and tourism-oriented channels. Thus, the potential premium associated with handmade production depends partly on whether producers can make additional labour visible and whether the market channel allows that labour to be recognised in price formation. The findings also contribute to understanding value capture within craft value chains. Existing value-chain research emphasises governance, capabilities and bargaining power as determinants of how value is distributed across firms and intermediaries (Gereffi et al., 2005; Whitfield et al., 2020). The present study adds a household-producer perspective by showing how this distribution is experienced by actors within craft villages. Producers frequently perceived a gap between the price received at the workshop and the final consumer price and associated this gap with the bargaining position of traders, retailers or larger buyers. However, intermediaries interpreted their position differently, emphasising transport, marketing, inventory and market risks. The finding therefore complicates a simple producer-versus-intermediary interpretation of value distribution. Value capture depends not only on the price difference between production and final sale but also on who performs and bears the costs of market access, distribution and demand risk.

Finally, the study contributes to contemporary craft scholarship by demonstrating that hybrid production is not necessarily a temporary stage between traditional craft and industrial production. Across all three cases, participants combined machinery with manual processes in different ways. Machines were used where speed, consistency or physical efficiency mattered, while manual work was retained where flexibility, finishing, aesthetic differentiation or skilled judgement were considered economically important. This supports the view of craft as a set of alternative configurations of work rather than a single pre-industrial production form (Kroezen et al., 2021). It also extends research on craft entrepreneurship and contemporary craft economies (Bell et al., 2021; Hasanah et al., 2023; Rodrigues et al., 2024) by showing how hybrid configurations are shaped specifically by household resources, village institutions and market conditions in a transitional economy.

6.2 Rethinking the handmade–mass production dichotomy

The findings also invite a reconsideration of the handmade–mass production dichotomy embedded in the framing of this study. Policy discourse and conventional economic analysis often position technological upgrading as a movement from labour-intensive production towards more efficient mechanised production (Prime Minister of Vietnam, 2022). The three cases examined here suggest a more complex configuration. Across Bat Trang, Van Phuc and Dong Ky, participants rarely treated handmade and machine production as mutually exclusive alternatives. Instead, they combined the two at different stages of production. Machinery was generally associated with repetitive, physically demanding or standardised operations, whereas manual work remained important for activities involving judgement, finishing, decoration, carving, shaping and other forms of skilled intervention. The boundary between handmade and machine-made was therefore often located at the level of the production process, rather than the workshop or product as a whole. This finding supports Kroezen et al.'s (2021) argument that craft can represent different configurations of work rather than a single traditional form. However, the present study adds an economic dimension to this perspective. Hybridisation was not simply a technological arrangement; it was a response to particular combinations of demand, labour availability, capital constraints and market valuation. The cases also indicate that the meaning of “handmade” was partly relational. A product could contain machine-produced components while still being regarded by producers and customers as handmade if skilled manual intervention remained central to its identity. Conversely, a product could lose its perceived craft character when mechanisation removed the stages considered to embody distinctive human skill. The boundary was therefore negotiated through both production practices and market interpretation. This suggests that craft-village research should be cautious about classifying enterprises as either “traditional” or “modern”. Such categories may obscure the internal composition of production processes. A workshop may simultaneously be technologically advanced in one stage, highly labour-intensive in another and dependent on traditional knowledge in a third. The more useful analytical unit is therefore the production configuration: the particular combination of human labour, machinery, household resources and market relationships through which a product is made and valued. The distinction between handmade and mass production should consequently be understood as a continuum rather than a binary. This continuum is not necessarily linear. Producers may mechanise one activity while preserving another, return to manual production for particular product lines or increase mechanisation when demand changes.

The economic trajectory of a craft enterprise is therefore better understood as a process of selective adaptation than as an inevitable transition from hand production to full mechanisation.

6.3 Practical and policy implications

The findings have implications for craft-village households, village organisations and policymakers. For craft-village households, the findings suggest the importance of distinguishing between monetary cost and economic cost. Family labour may not generate an explicit wage payment, but its time still has an opportunity cost. Producers may therefore benefit from periodically recording working time, material inputs, machine depreciation and alternative uses of family labour when evaluating whether a product or production method remains economically viable. Such calculations do not require replacing the household nature of production with a fully formalised accounting system; rather, they can help producers make more informed decisions about pricing and investment. The findings also suggest that machinery investment should be assessed against actual and expected demand, rather than productivity improvements alone. A machine that substantially reduces production time may not improve household income if orders are too irregular to use its capacity. Conversely, where orders are sufficiently stable, selective mechanisation may release labour for higher-value activities without eliminating craft skills. Investment support should therefore recognise different levels of mechanisation and allow producers to combine technology with manual production. For village associations and producer networks, the findings highlight the importance of collective market access and information. Small producers may have limited information about final consumer prices and may therefore depend heavily on traders. Collective marketing, shared exhibition spaces, product certification, digital promotion and transparent market information could strengthen producers' ability to communicate the value of craftsmanship and negotiate with buyers. Such collective mechanisms are consistent with the broader literature suggesting that artisanal clusters can improve access to markets and value chains when producers are able to coordinate effectively (Sama, 2024). For policymakers implementing Vietnam's craft-village development agenda, the findings suggest that technological upgrading should not be treated as an inherently desirable outcome independent of context. The national policy emphasis on technological innovation can be compatible with craft preservation when technology is used selectively to address repetitive work, labour shortages or production bottlenecks while preserving the skilled activities that generate product differentiation (Prime Minister of Vietnam, 2022). At the same time, support for technology adoption should account for capital constraints, uncertain demand and the risk of underutilised equipment. The findings also indicate that technology policy and market policy cannot be separated. Productivity improvements do not necessarily translate into higher producer income if producers remain dependent on intermediaries or compete mainly on price. Conversely, handmade production may remain economically viable where producers have access to markets in which craftsmanship, authenticity and cultural identity can be communicated and valued. Support for tourism, certification, branding and direct-to-consumer channels may therefore complement technological upgrading. Finally, policy interventions should avoid treating preservation and modernisation as opposing objectives. The evidence from the three cases suggests that producers often seek to preserve particular skills while mechanising other activities. Supporting such selective hybridisation may therefore be more consistent with producers' own economic strategies than policies based exclusively on either traditional preservation or complete technological modernisation.

6.4 Limitations and Future Research

This study is limited by its focus on three craft sectors: ceramics in Bat Trang, silk and textiles in Van Phuc, and wood furniture in Dong Ky and approximately 18 participants, which limits the transferability of the findings to other Vietnamese craft contexts. Its cross-sectional design also means that changes in producers' economic reasoning over time are captured mainly through retrospective accounts. In addition, the study focuses primarily on producers, workshop owners, workers and intermediaries, while consumers and large buyers are not directly represented, and the numerical information reported by participants is interpreted rather than independently verified. Future research could address these limitations through longitudinal studies of mechanisation and household production decisions, comparative research across Central and Southern Vietnam and other craft economies, and research examining how tourism, digital platforms and direct-to-consumer channels reshape the valuation and distribution of handmade products.

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