

**CENTRAL INSTITUTE FOR ECONOMIC MANAGEMENT  
MINISTRY OF PLANNING AND INVESTMENT**

**EXPLORING THE LINKS BETWEEN  
INTERNATIONAL BUSINESSES AND  
SOCIO-ECONOMIC DEVELOPMENT OF VIETNAM:  
A CASE STUDY OF UNILEVER VIETNAM**

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## Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
BLC	Business Linkage Centre
CBP	Code of Business Principle
CIEM	Central Institute for Economic Management
CSR	Corporate Social Responsibility
FDI	Foreign Direct Investment
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
GSO	General Statistics Office
HACCP	Hazard analysis critical control point
HCM City	Ho Chi Minh City
HIV	Human Immunodeficiency Virus
HPC	Home and Personal Care
JV	Joint Venture
LIXCO	LIX Detergent Joint Stock Company
MNC	Multi-national Company
MOET	Ministry of Education and Training
MOH	Ministry of Health
MPI	Ministry of Planning and Investment
MSIP	Manufacturing Sustainable Improvement Program
MTP	Management Trainee Program
OHSAS	Occupational Health and Safety Assurance System
PVS	Vietnamese Smiles Program
QA	Quality Assurance
RMIT	Royal Melbourne Institute of Technology
SHE	Safety Health and the Environment
SME	Small and Medium-scale Enterprise
SOE	State-owned Enterprise
TPM	Total Productivity Maintenance
UNCTAD	The United Nations Conference on Trade and Development
USD	United State dollar
UVF	Unilever Vietnam Foundation
UVN	Unilever Vietnam
VINACHEM	The Vietnam National Chemical Company
VND	Dong (local currency)
VP	Vice President
VWU	Vietnam Women's Union
WTO	World Trade Organization

## EXECUTIVE SUMMARY

### BACKGROUND

This Case Study was initiated by the Central Institute for Economic Management (CIEM), a think tank reporting to Vietnam's Ministry of Planning and Investment, whose primary function is to advise the Government of Vietnam on socio-economic policy matters.

The Study aims to understand in more depth the workings of a multinational company (MNC), such as Unilever, and its relationship with the overall socio-economic development situation in Vietnam. Ultimately, it is hoped that this will help the Government to formulate improved policies that aim to create a better environment where local businesses in general and MNCs in particular, can play an even greater role in the development of the society and economy of Vietnam.

Unilever Vietnam (UVN) was selected by CIEM for such a Case Study because of its strong position as a leading and successful foreign investor in Vietnam. Unilever Vietnam is pleased to have cooperated with CIEM because of its role in the local economy and of its Mission, which aims to help improve the life of every Vietnamese person. Within Unilever, this is the third Study of its kind; the first two were on Unilever Indonesia, conducted by Oxfam, and on Unilever South Africa, carried out by INSEAD business school. This Study, conducted from the perspective of the Government, will help to complement the views of a non-governmental organisation (as in the case of Indonesia) and by academia (as in the case of South Africa).

The Case Study analyses the impacts of UVN's operations on the Country's socio-economic development in three aspects, often referred to collectively as corporate social responsibility (CSR): impact of operations, impact through the value chain from suppliers to distributors to consumers, and voluntary contributions to the community and society.

The study was compiled based on in-depth interviews with all key stakeholders, including, though not limited to Government officials, UVN's customers, partners and third parties, consumers, employees and beneficiaries, as well as on data and information provided by UVN and other official and unofficial sources.

## KEY CONCLUSIONS AND RECOMMENDATIONS

On completion of this report, every member of the Research Team feels that they have learnt something special from UVN; a MNC which through all its activities and operations goes above and beyond many of the common impacts that are often referred to when considering the socially responsible things that foreign invested companies can do for their host countries. Below are some of the key lessons that the team learnt from the Study.

- Firstly, there are many different types of foreign invested companies. Unlike a number of them, UVN is a long-term investor, who has been deeply rooted in the economy, having strong forward and backward linkages and, by and large, serving domestic consumers. The Company recognises that it will prosper if Vietnam grows well and vice versa. This recognition makes UVN more closely concerned about the socio-economic development of Vietnam and the Country's development prospects.
- Secondly, not all foreign invested enterprises are competitors and crowd out local small and medium-scale enterprises (SMEs) within the same industry. The UVN case is a real model of a constructive partnership and efficient collaboration between a MNC and local businesses, which results in a win-win situation for both sides. Through coaching and training by UVN, the SME partners obtain necessary skills, experience, techniques and working discipline to become even more efficient and competitive.
- Thirdly, 'trickle-down' effects may be far reaching, not only confined to capacity building and technology transfer, but also affecting social and environmental areas, where good conduct, influence and partnership requirements by the foreign invested enterprise have had the effect of raising awareness and improving the performance standards of local partners.
- Fourthly, enterprises can contribute significantly to national socio-economic development through their business operations. By incorporating selected national priorities into the business agenda and implementing them, UVN has achieved a double target of advancing both the national and the corporate agendas.
- Last but not least, despite being a large MNC, UVN does not forget to serve the needs of the poor majority who live in rural areas. The Company has developed and is implementing a strategy to serve them based on

detailed studies. Despite tremendous challenges, UVN is determined to be successful in this aspect of its business.

The Research Team would like to make the following policy recommendations to relevant policy makers:

- Encourage the dissemination and sharing of examples of responsible investors such as UVN. To do that, businesses should be willing to be studied and the results disseminated widely. If a company operates ethically, the outcome of the study should be favourable, raising its reputation and position in the business community.
- Improve the legal framework for the business environment, introducing a legal infrastructure (e.g. through tax deduction) that encourages businesses to re-invest, coach local partners, and provide social security and insurance packages to their employees.
- Promote development of business supporting industries and services such as professional superannuation trust funds, agencies training and providing professional personnel; development of competitive upstream industries to help businesses in general and MNCs in particular to cut down the production costs and compete globally.
- Introduce policies requiring the stringent fulfilment of CSR, including employment policies, working conditions and welfare benefits, product quality, and on protecting the natural environment.
- Introduce policy measures to encourage foreign-invested businesses develop long-term and comprehensive partnership with local SMEs through their backward and forward linkages in order to magnify trickle-down effects.
- Encourage businesses in general and foreign-invested enterprises in particular to contribute to national socio-economic development priorities. This may go through integrating the business agenda with the national development strategies.
- Introduce appropriate incentive policy measures for investors' good conduct and punitive sanction measures for violators.

## KEY SUPPORTING FINDINGS OF THE STUDY

**Macroeconomic Impacts:** The macroeconomic impacts that UVN has made in Vietnam include: wealth creation, employment generation, mobilisation of capital for investing in productive assets, 'trickle-down' effects, financial contributions to the state budget, and positive impacts on the balance of trade and balance of payments. These contributions are very important for Vietnam, where investment, jobs and income generation have always been high on the development agenda.

These impacts are possible thanks to the strong and rapid growth that UVN has achieved in Vietnam (on average, double digit growth rate per annum over the past 14 years), becoming one of the fastest growing companies within Unilever in Asia, as well as within the fast moving consumer goods (FMCG) sector in Vietnam. As of 2008, the Company's total sales represent approximately 1 percent of Vietnam's GDP. By 2007, the Company was ranked the 27<sup>th</sup> largest business in Vietnam, and the largest in the FMCG sector. UVN has become the market leader in almost every sub-sector that it has entered. Furthermore, UVN is among the largest tax contributors to the state budget, as a direct result of its strong business performance.

To date, UVN has invested a total of USD 130 million in Vietnam, focusing on investments in research and development, upgrading technology and improving product quality to enhance its competitiveness in both domestic and overseas markets, as well as to generate wealth and income for the country.

Positive impacts have also been generated through UVN's utilisation of a wide range of local materials and services for its production and packaging (by 2007, 60 percent of its raw materials and 100 percent of its packaging materials were being sourced locally). At the same time, its exports have also been growing at a very high rate (higher than its output growth). Together with its infusion of capital for investment purposes, all the above have helped to improve the country's balance of payments and balance of trade.

**Impacts on Employment:** Job creation along the value chain, sound working conditions, human capital improvement and non-pecuniary benefits are among the greatest social impacts of UVN. Although the number of workers directly employed by UVN is not large (about 1,200), the Company

makes a significantly larger impact on indirect employment. UVN has successfully established and developed a network of local SMEs, including 76 input suppliers, 54 co-packagers and third parties who produce Unilever's products under subcontract, and over 200 distributors with more than 400,000 retail outlets nationwide. Overall, the Company generates up to 8,000 indirect jobs throughout its extended value chain.

Perhaps even more significant is the human capital improvement that UVN has brought about in Vietnam, a Country with abundant unskilled labour but relatively few highly skilled or trained workers. This improvement, as seen in UVN employees' enhanced skills, increased income, career progress, and overall self-improvement, is equally essential to the development of Vietnam. To a large extent, these positive impacts are a direct result of the Company's policies and practices regarding its human resource. UVN applies high standards of corporate behaviour towards employees, including non-discrimination, diversity, gender balance and localisation. Training and coaching at UVN take various forms: full time, on-the-job, domestic, overseas, expatriate work, exchange programmes and secondment. In 2007, the Company's spending on training and recruitment was equivalent to 12.5 percent of the total salary budget.

As a result, for many years now UVN has established itself as one of the top five most preferred employers in Vietnam.

**Impacts on Suppliers and Third Party Enterprises:** Over the 14 years of its operations in Vietnam, UVN has formed a diverse network of partnerships with local suppliers and manufacturers, most of them being local SMEs. The impacts of UVN on SMEs through backward linkages are of particular importance because they provide a means of diffusing valuable knowledge and skills through direct flows to the partnered firms. These linkages thus help improve local firms' dynamism and competitiveness, resulting in increased output, employment, income, and improved production efficiency, technological and managerial capabilities and market diversification. They have been successfully growing together with UVN, expanding their business and becoming more capable of better competing in the market.

UVN provides various types of support to its local partners, which can be classified into four major categories: technical advice and technology transfer; human resource development; information sharing; and facilitation of access to capital.

The major impacts of UVN on its suppliers/manufacturers include: business opportunities for local suppliers, especially SMEs; economic and social impacts; trickle-down effects as well as catalyst and demonstration effects. 89 percent of the surveyed partners believe that the partnerships and linkages with UVN and the assistance that they receive from the Company are important for them in upgrading skills, accumulating experience and improving their performance.

The partnership with the local partners offers a win-win situation, where UVN also benefits. The benefits include: increased flexibility and specialisation, lower asset base, lower costs, better use of resources through enhanced access to local tangible and intangible assets, effective adaptation of technologies and products to local environments.

**Impacts on the Distribution Chain:** Being the leading FMCG in the market, UVN develops and maintains a wide and far reaching distribution network, which in reality has been one of its key success factors in Vietnam. By the end of 2008, the Company has a network of more than 200 distributors and covers over 400,000 retail outlets. As a result, the impacts that UVN has positively generated through the whole distribution chain are enormous and varied, including, but not limited, to:

- Stable business and increasing income: 40% of UVN distributors make 100% of their sales from UVN and another 40% make more than 50% of their sales from the Company. Over time, they have all seen solid growth in their business with the Company.
- Strong training and support from UVN: All distributors acknowledge that they receive more and better training and support from UVN than from any other FMCG companies, and that their companies' performance have become much more professional and systematic, and much more efficient, especially with UVN's IT assistance. Training for distributors is comprehensive, ranging from improving management and leadership skills, to sales skills and MIS.
- Job creation through a total of nearly 450,000 companies in the network, big and small, including those in remote and disadvantaged areas.
- Provision of care for the distribution network's employees, such as: social insurance, health insurance, sickness allowance, periodical health examinations, sick leave, maternity leave and annual leave as regulated by Vietnamese laws.

- Fair income for their sales people: On average, most of the surveyed distributors pay their workers competitively, and higher than the national average.

**Impacts on Consumers:** Linkages between UVN and Vietnamese consumers are deep and far reaching. Through its wide range of household, personal-care and food products, UVN has generated positive social impacts on consumers, making hygiene and personal care practices commonplace, as well as helping to improve nutrition and cooking.

UVN constantly strives to improve the whole supply chain and distribution network to serve an increasingly wider spectrum of the population, from the highest income groups to the lowest ones. To do that, UVN make enormous efforts to understand consumers, their needs, and habits, lifestyle, consumption patterns, preferences, tastes and the local culture, in order to create products for them. With good quality, affordable prices and through the far-reaching distribution network, UVN products are available to consumers right across the country, including those with very low incomes, in effective and flexible ways. At present, five million units of UVN products reach Vietnamese households every day.

Most importantly, despite its leading position in the market, UVN does not abuse its market power to adversely affect consumers.

**Wider Impacts on Community and Society:** UVN is an excellent case study to demonstrate that through its business operations a Company can make real contributions that both help promote the business and benefit the society.

UVN believes that CSR is more than just writing cheques. The Company's social and community strategy aims to use its core competencies (including its brands, its scale and presence in the market, its people, etc.) to help address the Country's key social concerns and problems. Therefore, its CSR platforms are focused on three key areas (i) health and hygiene; (ii) education and children's development; and (iii) women's empowerment.

UVN executes its CSR strategy through: (1) long-term strategic partnerships with the relevant Government authority for each platform (i.e. the Ministry of Health (MOH); the Ministry of Education and Training (MOET); and the Vietnam Women's Union (VWU); (2) annual grants and donations made through the Unilever Vietnam Foundation (UVF) to

community-initiated projects within the three CSR platform areas; and (3) through its employees own donations and efforts.

Developed as a vehicle to further integrate its social and business agenda, UVN's CSR programmes are closely linked to the building of its brands' social imprints, with each key CSR platform being endorsed by and executed closely with selected relevant brands, such as Lifebuoy and Vim for Health and Hygiene, OMO for children's development; Knorr and Surf for women's empowerment.

During the first 10 years of its operations (up to 2006), UVN contributed a total of more than VND 260 billion to Vietnamese society via a wide range of community projects throughout the country. Since 2006, UVN, through its brands' activation programmes and corporate commitments, has pledged VND 70 billion (USD 4.3 million) per year to all its brand and corporate CSR activities, which has benefited million of Vietnamese people, among which the largest recipients are women and children across Vietnam, especially in disadvantaged and remote areas.

For many years now, UVN has been widely recognised by both the Government and the public at large as being the best company in Vietnam for its CSR impacts.

## 1. INTRODUCTION

UVN has been recognised as one of the most successful foreign invested companies in both its business performance and community support activities during its 14-year operation in Vietnam. Different stakeholders may have different impressions of the Company, but all share a positive view of the Company. While other MNCs producing FMCG in Vietnam may view it as a strong competitor, UVN is seen as a friendly competitor of local SMEs, and often collaborates with them. The Government appreciates UVN's contribution to the tax revenues, consumers may think of UVN as a producer of quality goods at a reasonable price, and more importantly catering for needs of various income groups. For non-governmental organisations, UVN may be viewed as a thoughtful donor.

Increasingly, consumers bring their views as citizens into play when making buying decisions, often demanding more from the companies behind the brands. They want to know what kind of company UVN is, what it contributes to society and what its philosophy is; because they only want companies and brands they trust. Equally, it is important for UVN that the Company is well understood by the society in all its aspects. UVN believes that its heritage of good governance, quality products and significant experience of working with communities gives it a strong base. The Company aims to build on this by taking the next steps in terms of transparency and accountability.

Since Vietnam became a World Trade Organization (WTO) member in 2006, many foreign investors have established their business in Vietnam. Their activities are extremely diverse, but the focus has been shifting from manufacturing and telecommunications in the first half of 2000s to mineral exploitation, real estate and hotels in the latter half. These areas offer investors the promise of large returns, but may not be sustainable, nor generate relevant production capacity for the country or contribute to the wealth of the nation. The attitude of several foreign investors is also a matter of concern. Understanding the various attitudes and conduct of foreign investors is essential to research institutions such as the CIEM in order to offer relevant policy advice to the Government. The factors above are the most important rationale for CIEM to carry out this study.

## 1.1. Rationale behind this Study

This study aims to increase understanding among the business community, the Government, non-governmental organisations, academics and the wider public about the relationships between UVN and socio-economic development in Vietnam; its overall impact on the economy, society and environment; and linkages with and impacts on its counterparts and stakeholders along the UVN value chain. These include local partners/SMEs, distributors, consumers, the broader community and the Government.

## 1.2. Methodology

This study analyses the impacts of UVN on Vietnam's socio-economic development in three key areas:

- Impact of operations: The most important impacts that UVN makes on society are those through its direct business operations.
- Impact through the value chain: Wider direct and indirect impacts along the value chain range from suppliers through distributors to consumers. The study will focus on those SMEs which manufacture UVN's products, together with suppliers, distributors and consumers.
- Voluntary contributions: Voluntary contributions made to the community and wider society, often in partnership with not-for-profit organisations.

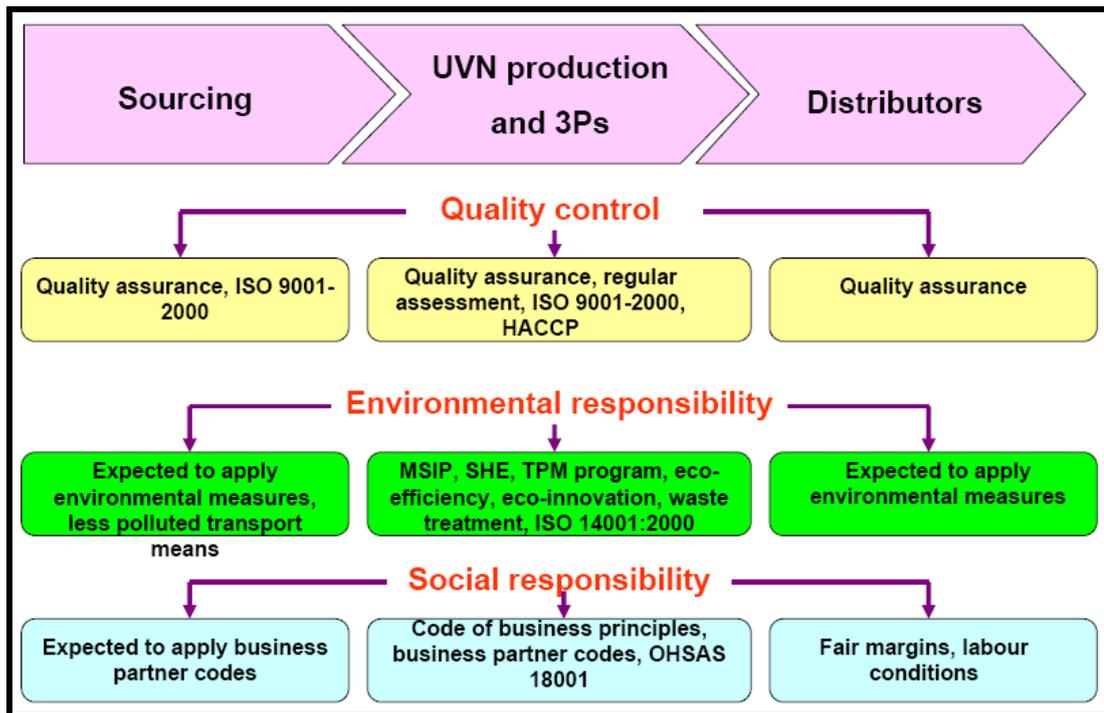
Taken together these are defined as CSR. As mentioned, in each area, when data and information is available, the discussion will focus on three issues: quality control, environmental responsibility and social responsibility. The approach is illustrated in Figure 1.

To gather data and information for the study, the Research Team carried out in-depth interviews with selected stakeholders as well as distributing surveys.<sup>1</sup> In particular, the Research Team met and interviewed all the top UVN leaders (i.e. Chairman and Vice Presidents (VPs)). Other sources of information include data and information provided by UVN, and other official and unofficial sources.

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<sup>1</sup> The list of people interviewed or surveyed is provided in the Annex.

Figure 1: Methodology



### 1.3. Scope of the Report

The report includes ten chapters. Chapter Two summarises the socio-economic background of Vietnam. A profile of UVN is presented in Chapter Three. The impacts that UVN makes are discussed in the subsequent chapters, starting with the impacts of UVN at the macroeconomic level in Chapter Four. UVN production and the impacts on its employees and environment are outlined in Chapter Five. While Chapter Six discusses the impacts of UVN on its suppliers and third party enterprises (backward linkages), Chapter Seven highlights UVN's forward linkages with its distributors. Impacts on consumers are the subject of Chapter Eight, and wider impacts on the community are addressed in Chapter Nine. Chapter Ten offers a short summary, some lessons learnt and makes some policy recommendations, and concludes the report.

## 2. VIETNAM'S SOCIAL AND ECONOMIC BACKGROUND

In the late 1980s, Vietnam took decisive steps to move away from a centrally planned economy and towards a market-oriented one. The year 1989 is an important milestone for the Country as it marks the time when this radical and comprehensive reform package started. The reform measures included price liberalisation; devaluation and unification of the exchange rate; increases in interest rates to positive levels in real terms; state-owned enterprise (SOE) reform; agricultural reforms; encouragement of the private sector; removal of domestic trade barriers; and creation of a more open economy for international trade and FDI inflows.

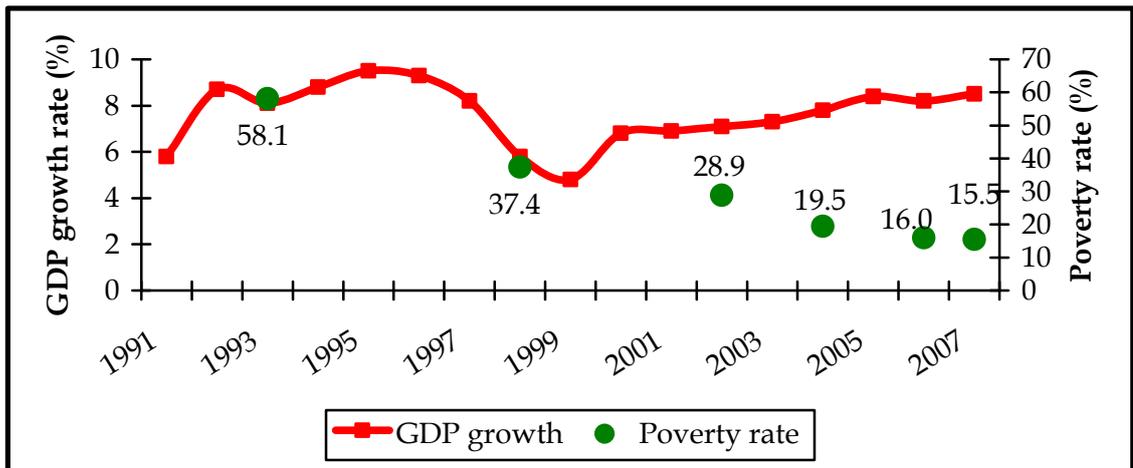
In the early 1990s, Vietnam came out of a period of crisis and entered a new phase of development. However, the Country was still among the poorest in the world. In 1992, GDP per capita was barely USD 201, and 58 percent of the Vietnamese population were defined as poor<sup>2</sup>. Since then, Vietnam has made remarkable progress in its socio-economic performance. As a result of the continuing reforms and economic integration measures, economic growth has been high and sustained for most of the period 1990-2007, except for several years after the Asian financial crisis. The annual average growth rate for this period was 7.5 percent, with the highest rate of 9.5 percent in 1995. Living standards have been vastly improved thanks to broad-based growth, and the poverty rate has been significantly reduced to 15.5 percent in 2007.

Vietnam has been one of the most successful stories of high economic growth and poverty reduction during the last decade. Market institutions have gradually been established, while the country has continued to integrate into the region and the world. As with many other developing countries, Vietnam is abundant in unskilled and semi-skilled labour. All these factors, together with a relatively large domestic market of 85 million people, which is ranked 13<sup>th</sup> in the world, make Vietnam an attractive proposition for FDI, if the domestic market is the primary objective.

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<sup>2</sup> The poverty line referred to in this report is the international poverty line, which is calculated as the expenditure required, given Vietnamese food consumption patterns, to deliver 2,100 calories per person per day and a minimum quantum of non-food expenditure.

**Figure 2: Economic Growth and Poverty Rate for the Period 1991-2007 (%)**



Source: General Statistics Office (GSO, various years), GSO website.

Nevertheless, much remains to be done, both in terms of sustaining progress and dealing with emerging issues. Vietnam is still a developing country with unskilled labour in abundance, but a shortage of capital and high quality human resource. A relatively small arable land area, exacerbated by an overwhelmingly large share of the labour force working in agriculture, constrains substantial improvements to agricultural incomes. SMEs with low skills and outdated technology are dominant in non-farm activities. National competitiveness is low.

Compared with other countries, income inequality in Vietnam is not high, although it has deteriorated in terms of rural-urban, regional and ethnic divisions, as well as among different income groups. Progress in reducing poverty remains fragile as many non-poor earn an income just above the poverty line. Any small shock could easily pull them back into poverty. A significant proportion of unskilled labour is still stuck in low-productivity agriculture or low-value added services. This, combined with urban/rural and regional disparity in development, especially between the deltas and mountains, has resulted in widening gaps and has meant that several groups of the population, such as those working in agriculture, residing in remote or mountainous areas, or ethnic minorities, are now lagging behind.

**Table 1: Vietnam's Major Socio-Economic Indicators for the Period 1991-2007**

<i>Indicator</i>	<i>Unit</i>	1991	1996	2000	2001	2002	2003	2004	2005	2006	2007
Population	Million persons	67.242	73.157	77.635	78.686	79.727	80.902	82.032	83.106	84.137	85.155
GDP per capita	Million VND (1994 price)	2.077	2.923	3.525	3.718	3.929	4.156	4.418	4.729	5.056	5.419
GDP per capita	USD in PPP of the base year 1994	1080	1521	1996	na	na	2490	2745	3071	na	na
Infant mortality rate	%				31	26	21	18	18	18	16
Urban unemployment rate	%	na	5.88	6.42	6.28	6.01	5.78	5.60	5.31	4.82	4.64
Rural working time utilisation rate	%	na	72.28	74.16	74.26	75.42	77.65	79.10	80.65	81.79	84.30
Export growth rate	%	-13.18	33.16	25.49	3.77	11.16	20.61	31.44	22.51	22.74	21.93
Trade/GDP	%	57.90	74.62	96.62	95.60	103.96	114.54	128.33	130.44	139.13	156.68

*Source: GSO (various years), Nguyen Van Chinh et al (2002) and authors' calculation.*

Vietnam's deepening integration into the world economy opens up great new opportunities, although it also exposes major bottlenecks in the economy which may further impede development. Huge FDI inflows into the economy since late 2006 have revealed its weak absorption capacity, caused by its inadequate infrastructure, a shortage of relevant labour skills and incomplete institutions. The economy is also more vulnerable to any external shocks, such as world price fluctuations, or the economic slowdown of Vietnam's major trading partners.

Vietnam now has to be more selective about FDI, determining which should bring the largest direct and indirect impacts to the country in terms of creating decent jobs, building technical and human capacity, improving infrastructure and protecting the natural environment.

The general goals of Vietnam's five-year socio-economic development plan for the period 2006-2010 are: (i) boosting the economic growth rate, achieving rapid and sustainable development, quickly bringing the Country out of its low development state; (ii) significantly improving people's material, cultural, and spiritual life; (iii) boosting the industrialisation and modernisation process and gradually developing a knowledge-based economy, creating the foundations for the country to become a modern industrial country by 2020; (iv) stabilising politics, order, and social security; (v) strongly protecting national independence, sovereignty, territory, and security; and (vi) continuing to strengthen and expand foreign relations and improving Vietnam's position in the region and the world.<sup>3</sup>

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<sup>3</sup> Source: Socialist Republic of Vietnam (2006).

### **3. UNILEVER IN VIETNAM**

#### **3.1. Establishment and Development of Unilever Vietnam**

Unilever Vietnam is a relatively new business compared with other Unilever units in Asia and the global Company. It has only been in operation 14 years compared with over 74 years for the first Unilever subsidiary in South East Asia and 77 years for the parent company in the Netherlands and Great Britain.

However, UVN was one of the earliest MNCs to be established in Vietnam. Unilever first started investigating opportunities in Vietnam in 1988, with a recommendation of a joint venture in the field of industrial fats and shortenings. However, the project never got off the ground. The idea of building a business in Vietnam was resuscitated in 1991 when John Kedzierski came out on an exploratory visit. After meeting several Government ministers and visiting several state-owned businesses, he recommended that Unilever should enter the market in all its core business sectors. In detergents, he singled out the Ha Noi Soap Factory (Haso) in the North and the Vietnam Soap Factory (Viso) in the South as possible partners. In the same year, Unilever signed an agreement with a British company located in Vietnam to carry out a study on the domestic market, customers, the economic performance of the country and consumption trends within a decade.

Soon afterwards, Jacques Ferriere, former Lever marketing director in Portugal and Turkey, was appointed to manage the business. The proposals were approved by regional management and a special committee, and negotiations with Haso and Viso were completed by the end of 1992. But then the local manufacturers of detergents and cosmetics in and around Ho Chi Minh City (HCM City) clubbed together to argue that they had the capacity to serve consumers' needs until at least 2000 and initially blocked Unilever's license application.

### Box 1: Timeline of Global Unilever

- ✓ 19<sup>th</sup> century Although Unilever was not formed until 1930, the companies that joined forces to create the business we know today were already well established before the start of the 20<sup>th</sup> century.
- ✓ 1900s Unilever's founding companies produced products made of oils and fats, principally soap and margarine. At the beginning of the 20<sup>th</sup> century their expansion nearly outstrips the supply of raw materials.
- ✓ 1910s Tough economic conditions and the First World War make trading difficult for everyone, so many businesses form trade associations to protect their shared interests.
- ✓ 1920s With businesses expanding fast, companies set up negotiations intending to stop others producing the same types of products. But instead they agree to merge - and so Unilever is created.
- ✓ 1930s Unilever's first decade is no easy ride: it starts with the Great Depression and ends with the Second World War. But while the business rationalises operations, it also continues to diversify.
- ✓ 1940s Unilever's operations around the world begin to fragment, but the business continues to expand further into the foods market and increase investment in research and development.
- ✓ 1950s Business booms as new technology and the European Economic Community lead to rising standards of living in the West, while new markets open up in emerging economies around the globe.
- ✓ 1960s As the world economy expands, so does Unilever and it sets about developing new products, entering new markets and running a highly ambitious acquisition programme.
- ✓ 1970s Hard economic conditions and high inflation make the 70s a tough time for everyone, but things are particularly difficult in the FMCG sector as the big retailers start to flex their muscles.
- ✓ 1980s Unilever is now one of the world's biggest companies, but takes the decision to focus its portfolio, and rationalise its businesses to focus on core products and brands.
- ✓ 1990s The business expands into Central and Eastern Europe and further sharpens its focus on fewer product categories, leading to the sale or withdrawal of two-thirds of its brands.
- ✓ 21<sup>st</sup> century The decade starts with the launch of Path to Growth, a five-year strategic plan, and in 2004 further sharpens its focus on the needs of 21<sup>st</sup> century consumers with its Vitality mission.

Source: website <http://www.unilever.com>.

“It took us months to fully understand our situation”, says Jacque Ferriere, “we had to start the whole process of negotiation again, but from a basis of rejection. It taught us that it’s all very well having the support of the central authorities, but if you don’t have the support of the local authorities, you’ll get nowhere”. After establishing why local industry had turned against Unilever, Jacques Ferriere eventually succeeded in resurrecting the official joint venture negotiations and the revised agreements were signed with the previous partners in late 1994. “We spent much of that time reassuring people that Unilever is a responsible long-term investor and reducing the fears of the entry of a major multi-national”, he says. “In the end, we were actually helped by the lifting of the embargo by the United States. It meant we were not entering the market alone; others formed joint ventures as well. Once we had negotiated a memorandum on the human resources in each company, everything started falling into place”.

**Box 2: Milestones in Development of Unilever Vietnam in its first 10 years in VN**

- ✓ 1994 Obtained Licenses for Lever Haso joint-venture (JV) (Laundry, Hair care, Skincare, PW, home and personal care (HPC))
- ✓ 1995 Obtained Licenses for Lever Viso JV (Laundry, Hair, PW, HPC) and started operation of the two JVs
- ✓ 1996 Obtained licenses for Wall’s Vietnam (ice cream) and Elida P/S JV (oral care)
- ✓ 1997 Started operations at Wall’s Vietnam and Elida P/S
- ✓ 1998 Obtained beverage license
- ✓ 1999 Obtained Foods license; started Beverage operation
- ✓ 2000 Formed Lever Vietnam (Unilever Vietnam Joint Venture company) by merger of Lever Haso and Lever Viso
- ✓ 2001 Formed UVN Bestfoods
- ✓ 2002 Turned Elida P/S into a 100 percent UVN owned company
- ✓ 2003 Merger of Elida P/S and Unilever Bestfoods

*Source: Unilever Vietnam.*

Although UVN has not been the only MNC to enter the market, it was among the first MNCs to establish its subsidiary in Vietnam. Lever Haso JV was granted its license in September 1994, while P&G - another MNC producing similar products - received its license in November 1994; Colgate

Palmolive MNC - producing body soap, toothbrush and toothpaste - started its business two years later in 1996. In February 1995, the second Unilever JV with a Vietnamese partner - Lever Viso - came into operation. Since then, the Company, referred in this report as Unilever Vietnam, has been growing rapidly with double-digit annual growth.

UVN can be viewed as a pioneer in exploring the Vietnamese market. The interest shown by Unilever in the Vietnamese market triggered other FMCG companies to investigate why Vietnam was so attractive to the Company? Although Vietnam was the country with the second largest population in South East Asia, per capita consumption of the goods typically produced by Unilever was only one tenth of that in Thailand. The timing of establishing a new business is also critical. The presence of Unilever in Vietnam was evidence that this was the right time for FMCG MNCs to enter the market, and that acted as a catalyst for other big FMCG companies to start opening businesses in Vietnam.

As a pioneer, UVN experienced many challenges while establishing its operation, but it also enjoyed the advantages of being the first significant player in this emerging market. The partnership with the producer of the established local laundry detergent brand VISO leveraged by the advanced technologies, brand name and management skills of Unilever enabled UVN's rapid double-digit annual growth since its establishment.

### **3.2. Profile of Unilever Vietnam Today**

Today, UVN is a group of two firms: Unilever Vietnam Joint Venture, producing hair care and skincare products, and Unilever Vietnam Company, working on Food and Oral Care. In 2007, the Company was the 27<sup>th</sup> largest business in Vietnam. UVN now owns a state of the art factory located in Cu Chi after having transferred two invested factories (one in Ha Noi and one in Thu Duc - HCM City) to the affiliates of its local partner, VINACHEM. The Cu Chi plant, construction of which was completed in 2006, is a modern, state-of-the-art facility. The head office is in HCM City, and there are sales branch offices in HCM City, Ha Noi, Da Nang and Can Tho. In May 2007, UVN opened the Country's largest goods distribution centre of 10 hectares in the Vietnam-Singapore Industrial Park in Binh Duong province. This acts as a transit point for goods en route to destinations nationwide as well as 18 foreign countries. This new distribution centre demonstrates UVN's strong commitment to expanding its investment and operations in Vietnam. Another

sign of this long-term commitment to Vietnam is the opening of its new Homebase in HCM City in March 2008.

UVN's total capital amounts to USD 130 million, while its chartered capital is USD 55 million. There are now 1,320 employees working directly for the Company at the head office and the main production plants in HCM City. Many more work indirectly in other local partner companies. Sixteen third party factories all over the country work on long-term contracts to produce UVN's brand products. UVN receives raw materials from 76 suppliers, out-sources packaging to 54 suppliers and has more than 200 distributors providing UVN's products to nearly 400,000 retail outlets nationwide.

UVN has continued to grow at a double-digit rate for many years, more rapidly than Vietnam's very own high-performing economy, becoming one of the fastest growing companies within Unilever in Asia, as well as in Vietnam within the FMCG sector. Its exports grew at an even faster rate of 43 percent per annum in real terms during the period 2000-06, recognition of the high, international standard quality products of UVN. Today, UVN enjoys the highest market share in the Vietnamese market for most of its product categories: oral care, skin care, hair care, instant tea, food seasoning and laundry detergent. Some of the product brands UVN produces in Vietnam are already well-known in the global market. These include Dove, Lux, Sunsilk, Knorr, Lipton, Lifebuoy, Pond's and Close Up.

UVN not only supplies Vietnam with its most popular personal care and food products, but also exports these. Most exports go to nearby countries such as Cambodia, Thailand, Singapore, Malaysia, the Philippines and Hong Kong, although products have been shipped as far as Australia, Mongolia and the United Kingdom.

Over the last 14 years, UVN has received many awards from the Government, the State and relevant agencies in recognition of the Company's contributions to Vietnam's development and its efforts in supporting the community (see Box 3).

### **Box 3: Awards Granted to Unilever Vietnam**

- ✓ “High quality products of Vietnam” as selected by consumers from 1997 to date for detergents and personal care products
- ✓ The Prime Minister’s Award in 2000 for “Excellent business achievement and social development contribution in education and community healthcare”
- ✓ Third-rank Labour Medal for “Excellent business achievement during the period 1996-2000 and contribution for the development of Vietnam” in 2001, awarded by then President of the Socialist Republic of Vietnam, Tran Duc Luong
- ✓ Company of the year 2001
- ✓ One of the best success stories of foreign companies in 2001
- ✓ Special award granted by Vietnam Economic Times for excellent business performance and significant contribution to the development of Vietnam’s foreign invested sector for four consecutive years 2001-2004
- ✓ Golden Dragon Prize every year during the period 2001-2007 granted by the Ministry of Planning and Investment (MPI) and the Vietnam Economic Times to foreign-owned enterprises for good business conduct, product quality and affordable prices
- ✓ Certificate in 2002 by Ho Chi Minh Institute for the programme “P/S protects Vietnamese smiles” for its investment, design, organisation and implementation of the programme on hygiene education and dental health in provinces
- ✓ Certificate in 2003 by the Federation of Vietnamese Women for the programme “P/S protects Vietnamese smiles” for its excellent achievement in dental health education and care among children and women
- ✓ Certificate in 2003 by MOH for the programme “P/S protects Vietnamese smiles” on hygiene education and dental care for children and the community
- ✓ Certificate of Merit from HCM City Taxation Department for satisfactory fulfilment of tax obligations in 2003
- ✓ Certificate of merit in 2004 from the National Father Land Front for contributions to the Fund for the Poor
- ✓ Certificate in 2004 from the Committee of Population, Family and Children for Unilever Vietnam for its achievement in activities for the Population, Families and Children
- ✓ Second-rank labour medal in 2005 for “Excellent business achievement during the period 1996-2000 and for great contribution to social activities”
- ✓ Awards for raising the standards of markets
- ✓ The first of seven companies in Vietnam awarded the “Environmental Standard” Certificate by the Ministry of Science, Technology and Environment
- ✓ Golden Star Prize from Viet Land
- ✓ Export bonus award granted by the Ministry of Trade

*Source: Unilever Vietnam.*

### **3.3. Missions and Philosophy of Unilever Vietnam**

Unilever is a MNC, but more than that, it is a multi-local company based in nearly 100 countries around the world. Unilever has a strong commitment to the development of the societies where it operates. “Unilever’s mission is to add vitality to life. The Company meets everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life”. The Company is determined to build a successful and reputable business with profitable growth, long-term value creation for consumers, employees, partners and shareholders and responsible contributions to the community.

As a MNC in Vietnam, UVN is considered as a foreign owned company. But in reality it does not operate like that. The total number of employees on UVN’s payroll is about 1,500. If all indirect employees are included, the number goes up to some 8,000 people. Of those only 11 are non-Vietnamese nationals, and this number is falling still further. Within the UVN value chain, the value-added is being created by Vietnamese people. Furthermore, despite the fact that the capital is currently owned by foreigners, it will increasingly become more open. In the future, Vietnamese will be able to buy stock all over the world. So, the ownership of UVN could become more Vietnamese.

UVN leaders emphasise strong linkages between the Company and the Country: “If Vietnam performs well, people will have more money to buy UVN’s products, and so we will do well. We want Vietnam to prosper, and we have a role to play in a variety of ways. The best contribution that we can make to the development of Vietnam is to build a healthy business. If we can contribute, even in a small way as a Company, to help Vietnam develop in a more sustainable way, then we will try.” In essence, UVN is deeply rooted in Vietnam, and whilst technically it is a foreign company, in reality, it operates as a Vietnamese company.

Marijn van Tiggelen, current Chairman of UVN, describes the UVN vision of “a company built by Vietnamese, run by Vietnamese and for Vietnamese people... I want UVN to become one of a select few companies in Unilever called Citadels. A Citadel is deeply rooted in the community where it operates with close connections to consumers, customers and those people who work with us in the factory, in the supply chain, etc. We will continue to

grow our role in Vietnam, building a company which is fully integrated with the socio-economic development of Vietnam.”

UVN is not an export company, and also has not come here to exploit the comparative advantages of the Country such as low wages or rich resources. When such things, that initially attract such companies, disappear they invariably relocate to other countries. However, as UVN’s products serve everyday needs for hygiene, health and nutrition of all Vietnamese people, the Company intends to be in Vietnam for as long as people brush their teeth and wash their clothes. As the Company intends to be in the country forever, so it is committed to only carrying out activities which benefit all the people of Vietnam. It is this intention that guides UVN’s behaviour and mindset.

Since commencing operations, UVN has continuously striven for business expansion, investment in technology, human resources training and development, close and mutually beneficial partnerships with local businesses, and strictly implemented safety and environment standards; it has also complied with all Government policies and legislation and actively contributed to social and community development activities.

The subsequent chapters discuss impacts of UVN at the macroeconomic level and on major stakeholders along the value chain (suppliers of production inputs, UVN employees, co-producers and co-packers, distributors, consumers and wider community).

## **4. IMPACTS OF UNILEVER VIETNAM AT THE MACROECONOMIC LEVEL**

A company can make impacts at the macroeconomic level of a country through affecting macroeconomic indicators such as wealth creation, employment generation, mobilisation of capital for investing in productive purposes, contribution to tax revenue, balance of trade and balance of payment. For a developing country like Vietnam, with an abundance of low skilled labour, and a shortage of capital and technology, job and income generation, as well as investment, have always been viewed as offering great contributions to development. This Chapter discusses the major impacts which UVN makes at the macroeconomic level.

### **4.1. Impact on Nation's Wealth and GDP**

The most obvious contribution of UVN to Vietnam is through its wealth creation, measured in terms of revenue and GDP. Indeed this is the Company strategy. UVN chairman Marijn van Tiggelen emphasised that the best contribution UVN could give to the development of Vietnam was to build a healthy business. In terms of gross revenue, UVN is among the largest companies in Vietnam, being ranked 27<sup>th</sup> in 2007 in a joint assessment by Vietnamnet and Ha Noi-Boston Analytic Group.<sup>4</sup> Within the foreign-invested FMCG sector, UVN is the largest, occupying the number one position.

UVN has been very successful in expanding its outputs. With the real annual growth rate for the period 1996-2007 averaging 32 percent per annum, the revenue in 2007 is 28 times that of 1995 in real terms.<sup>5</sup> UVN has been growing even faster than the country itself. Recently, the total value-added

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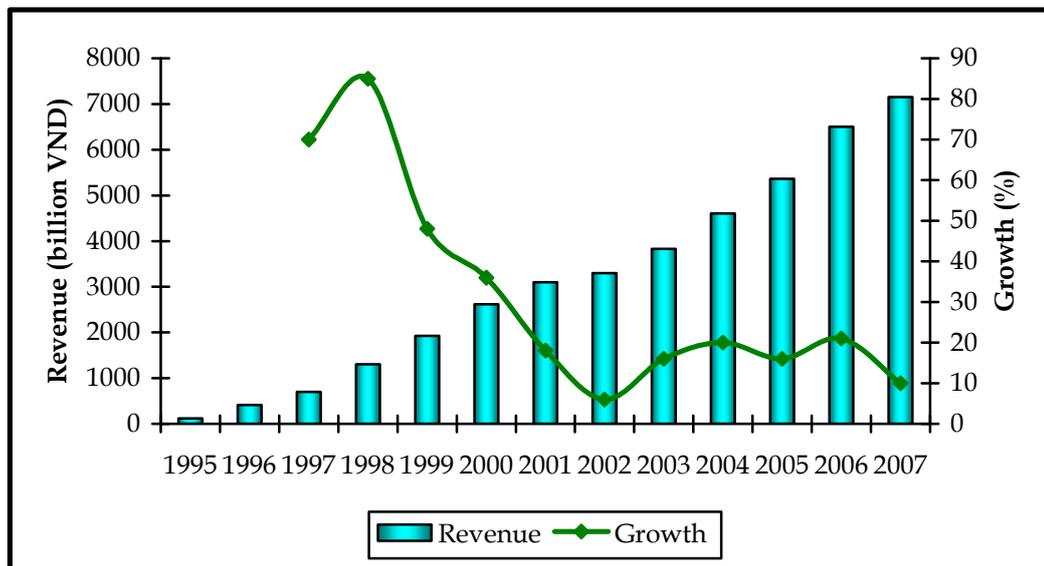
<sup>4</sup> Source: Website Top 500 enterprises in Vietnam: <http://www.vnr500.com.vn/>

<sup>5</sup> Accumulative revenue for the period 1995-2007 reached VND 40,936 billion with sales volume of 2.2 million tonnes, of which 205,000 tonnes was exported.

created by UVN was calculated as representing around 1 percent of GDP in Vietnam. In terms of profit, the Company is ranked 32<sup>nd</sup>.<sup>6</sup>

UVN has become the market leader in almost every category that it has entered. The joint venture with VINACHEM can be considered as a successful cooperation model, significantly contributing to Unilever’s substantial role as the leading company in the production and trade of detergent products in Vietnam. UVN’s detergent output reached 284,000 tonnes in 2006, accounting for more than 60 percent of the detergent market share in Vietnam. UVN’s brands have always been the market leaders in their sector and have been consistently selected as the highest quality goods by consumers since 1997.

**Figure 3: Nominal Gross Revenue and Annual Growth**



Source: UVN data.

Note: Both revenue and growth rates are in real terms.

#### 4.2. Impact on Investment and Technology Transfer

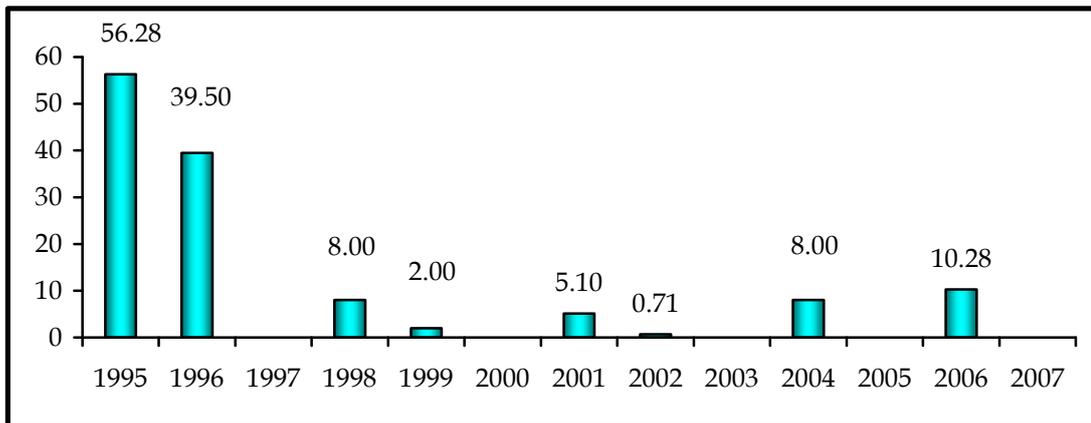
In 1993, when UVN was about to establish its business, Vietnam was a very poor country with 58 percent of the population below the poverty line. Domestic savings accounted for less than 10 percent of GDP. As with most other developing countries, Vietnam experienced a huge shortfall of capital for development and economic growth. FDI has been and remains an

<sup>6</sup> Source: Website Top 500 enterprises in Vietnam: <http://www.vnr500.com.vn/>

important source of capital for the Country. UVN has brought FDI to Vietnam, turning the investment into production assets that have contributed to wealth and income generation for the nation. As of 2007, UVN's accumulated realised investment amounted to USD 129.9 million.

One special feature of UVN, which is often not the case with many other FDI projects operating in Vietnam, is that the amount of investment actually realised often exceeds that originally registered. The actual disbursed investment by UVN is 81 percent higher than the pledged investment in the registration license. That suggests, on one hand, that Vietnam is a relatively 'easy place' for Unilever to do business, and, on the other hand, that Unilever is a responsible long-term investor, prepared to work closely with, and for the benefit of, the Vietnamese people.

**Figure 4: Disbursed Investment by Unilever Vietnam (million USD)**



Source: UVN data.

Unilever has invested heavily in research and development, upgrading technology and improving product quality to enhance its competitiveness in both the domestic and overseas markets. These trickle-down effects (or spillover effects), accompanying the investment made by UVN, may be even more important than the value of the FDI itself.

In terms of production assets, UVN is among the top 100 enterprises in Vietnam, ranked 97<sup>th</sup>.<sup>7</sup>

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<sup>7</sup> Source: Website Top 500 enterprises in Vietnam: <http://www.vnr500.com.vn/>

### **4.3. Employment Generation**

The direct employment generated by UVN seems to be relatively small when compared with other large enterprises. While UVN occupies the 27<sup>th</sup> position in terms of revenue and the 97<sup>th</sup> by assets, it is placed 180<sup>th</sup> in terms of the number of employees (2007).<sup>8</sup> However, it is important to note that UVN makes a significantly larger impact on indirect employment. The Company has successfully established and developed a network of local enterprises, including 76 input suppliers, 54 co-packagers and third parties who are subcontracted to produce Unilever's products, and 200 distributors with more than 400,000 retail outlets nationwide. If the number of employees of UVN's suppliers, third parties and distributors is taken into account, UVN generates up to 8,000 indirect jobs throughout the extended value chain.

Furthermore, through a number of CSR projects, UVN supports poor women to set up and operate their own micro-enterprises, generating jobs and income for themselves and others.<sup>9</sup>

### **4.4. Export, Import Activities and Contribution to Balance of Trade**

During the 1990s, a number of foreign investors established their businesses in Vietnam in import-substituting industries, to seek the premium brought about by the high level of protection. These businesses may have bought and imported machines, equipment and intermediate inputs to Vietnam, but then sold their products to the domestic market, seldom exporting. This has negative implications for the balance of trade and current account, which is often in deficit in Vietnam. However, UVN is not among these investors.

As discussed in Section 4.1 above and Section 4.6, most UVN revenue remains in Vietnam, as payments to local suppliers, distributors or retailers, advertisers, UVN employees or the Government. Figure 4 shows that the net investment disbursed by UVN is inward, spending on construction of its factories, distribution centres, head office and other production facilities. These contribute robustly to the capital balance and balance of payments.

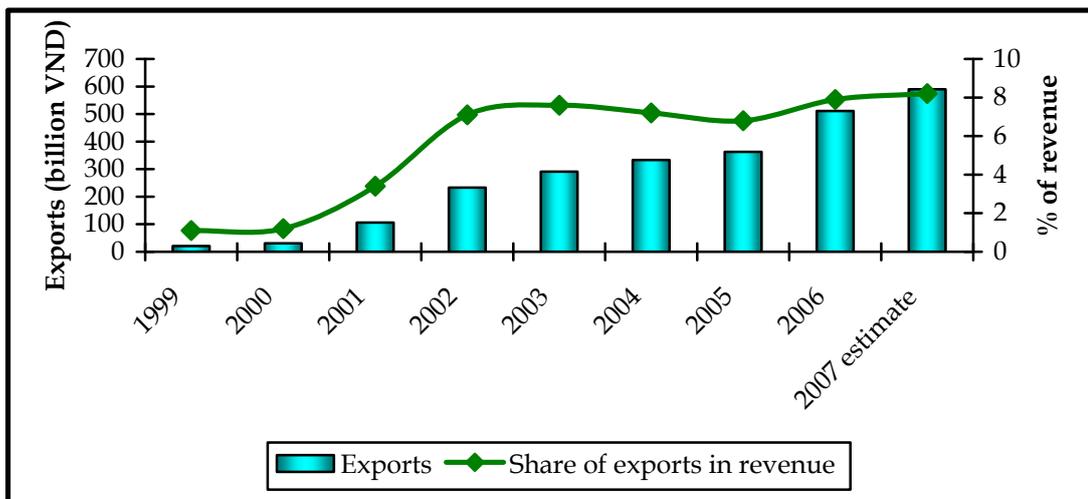
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<sup>8</sup> Source: Website Top 500 enterprises in Vietnam: <http://www.vnr500.com.vn/>

<sup>9</sup> See Sub-Section 9.2.3 for more detail.

With regard to the trade balance, the Company already began exporting by the third year of its operations. Exports have been increasing tremendously, especially since 2001, at a faster rate than the revenue, averaging 43.2 percent per annum in real terms for the period 2000-2007. As a result, the export share of revenue has risen from 0.7 percent in 1997 up to 8.2 percent of revenue in 2007. Although this share is relatively small, the growth has been very impressive and promising. Associated with such exports are the foreign exchange earnings accruing to Vietnam.

**Figure 5: Exports by Unilever Vietnam for the Period 1999-2007**



*Source: Unilever Vietnam.*

UVN's export activities also contribute to raising awareness of international standard quality products 'made-in-Vietnam'. One of the key exported products is toothpaste. UNV has been exporting Close-up toothpaste to Thailand and the Republic of Korea since 2002. With exporting output of 6,000 tonnes in 2002, Close-up became the most popular exported toothpaste in Vietnam that year. The exports to Thailand meet 100 percent of the demand for Close-up toothpaste there. Another export destination is Germany, which bought one million tubes. The product was also shipped to Japan and Singapore. Close-up export revenue accounted for about 40 percent of the total revenue for Elida P/S in 2002. Besides Close-up, UVN also exports OMO and Viso detergent to Australia and other countries such as

Malaysia, Singapore, Hong Kong, the Philippines and others in the region.<sup>10</sup> Recently, UVN has become one of the Asian manufacturing bases for Unilever<sup>11</sup>. To date, UVN already exports its products to some 30 countries around the world.

This raises yet another question; how do UVN's operations affect the import side of the balance of trade and current account? Statistics show that UVN has increasingly utilised a wide range of local materials for production and packaging. In terms of volume, in 2007, local raw materials accounted for about 60 percent in production and almost 100 percent for packaging. The Company only imports those inputs which are not available locally. For example, oil refinery chemical products are major inputs of Unilever production, but are currently not available in Vietnam, with most of them being shipped from China. However, in the near future, when a refinery plant comes into operation, UVN could annually buy up to USD 80 million of these products for its production from Vietnam.

Furthermore, UVN is very active in facilitating new local businesses to produce inputs for UVN's core production and ensure that these are available at competitive prices.

#### **4.5. Financial Contribution**

UVN has always complied with its tax obligations. From 1995 to June 2007 the Company contributed VND 3,027 billion to the State budget, which averaged 8.4 percent of the pre-tax revenue. The tax payment has risen steadily over time, with the contribution in 2006 being 47 times that of the 1995 level, in nominal terms. In 2003, 2004 and 2006, UVN was granted a Certificate of Merit by the HCM City Taxation Department for the satisfactory fulfilment of its tax obligations.

Tax payments from UVN and other businesses are a significant source of Government funding. In 2006, contributions by foreign owned enterprises

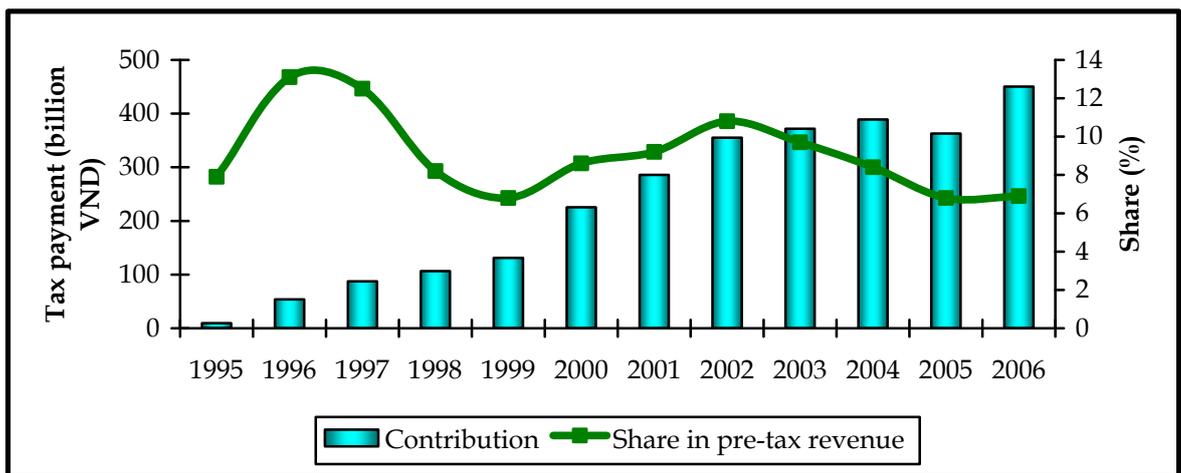
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<sup>10</sup> Source: Saigon Times Weekly, 10 September 2002. *Unilever Pins Big Hopes on Exports*. Website [http://www.usvietnam.com/news\\_archive.cfm?pubid=8f7e2d37-6516-4320-95a4-0a2e6e921705](http://www.usvietnam.com/news_archive.cfm?pubid=8f7e2d37-6516-4320-95a4-0a2e6e921705)

<sup>11</sup> A manufacturing base has to satisfy three requirements: (i) sufficient production capacity to meet domestic demand and generate surplus for exports; (ii) quick response to rapidly changing market demands based on plants that can produce a variety of products; (iii) low conversion costs.

made up 9.2 percent of the total budget revenue, while UVN's tax payments alone amounted to 0.6 percent of the payment from all foreign enterprises. The Government spends the revenue on infrastructure, improvement of the human resource (education and health), poverty reduction and other social activities. All these have favourable impacts on socio-economic development in Vietnam.

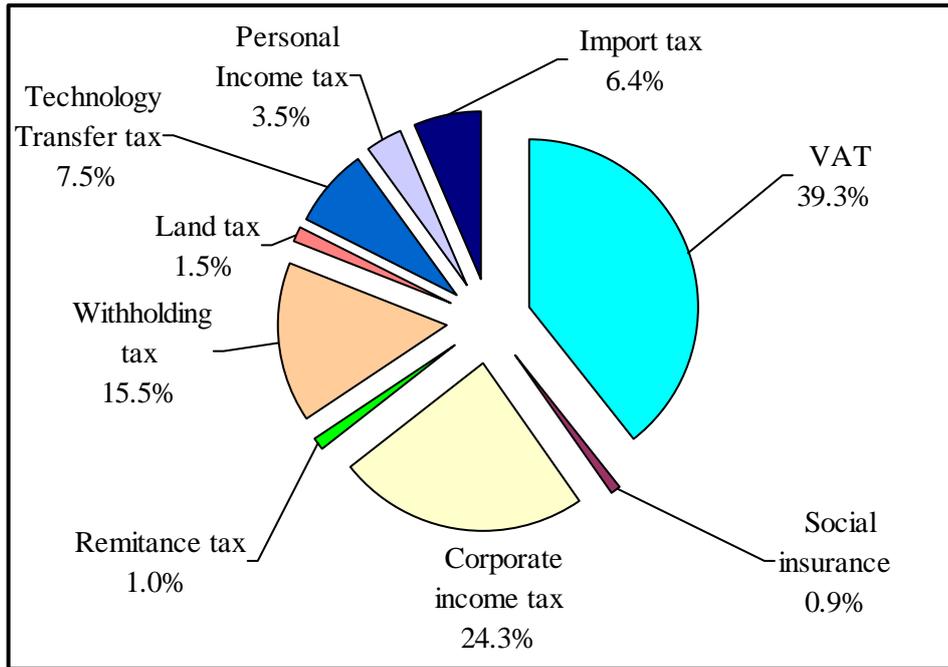
**Figure 6: Unilever Vietnam's Contribution to the State Budget for the Period 1995-2006**



Source: UVN data.

Of all the taxes and other contribution, value added tax, corporate income tax and withholding tax revenue are the three largest items, accounting for 79 percent of the total (see Figure 7).

**Figure 7: Composition of Taxes and Fees for the Period 1995-2006 (%)**



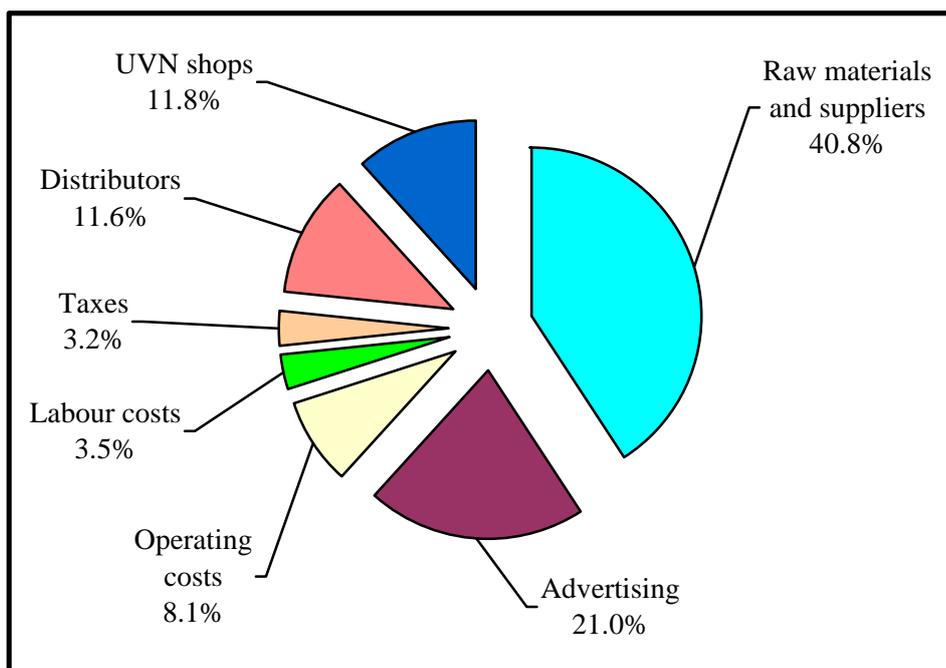
Source: UVN data.

#### 4.6. Distribution of Generated Value along UVN's Value Chain

Analysing the composition of the generated value along the UVN value chain is another way of evaluating the impacts that UVN has on each participant of the chain. This analysis would be even more accurate if detailed information on the value added were available.

Figure 8 and Table 2 show the composition of gross revenue by major components. It is immediately clear that UVN's direct production (e.g. UVN shops, labour costs, operating costs) accounts for a relatively small share (less than one quarter of total revenue). Upstream and downstream industries receive most of the revenue (almost two thirds).

**Figure 8: Gross Revenue by Major Components (%)**



Source: UVN data.

Suppliers, both domestic and overseas, receive the largest direct impact (40.8 percent of total revenue), which was VND 2,656 billion in 2006. As the majority of inputs for UVN products are manufactured goods, workers in manufacturing industries benefit more than farmers.

The second largest share goes to distribution, both via distributors and UVN shops, making up 23.4 percent of the total revenue (VND 1,526 billion). Advertising costs account for 21.0 percent, which is also significant (up to VND 1,346 billion). Employees working in the distribution network are often unskilled and semi-skilled, which are in abundant supply in Vietnam. Generating jobs and income for this section of the population is still among the top priorities of the Government.

The above three components combined make up 85 percent of UVN's gross revenue, suggesting that direct impacts of UVN on its suppliers, partners and distributors are overwhelming and noticeable. The fact that players in the economy are interdependent also implies that UVN has strong connections with, and relies on, local stakeholders along the value chain for supplying raw materials, co-manufacturing and co-packaging, distribution and consumption.

**Table 2: Distribution of Generated Value along UVN's Value Chain in 2006**

Value chain activities	Cost share (%)	Value (billion VND)
------------------------	----------------	---------------------

Raw materials and suppliers	40.8	2,656
Advertising	21.0	1,364
Operating costs	8.1	527
Labour costs	3.5	225
Taxes	3.2	207
Distributors	11.6	757
UVN shops	11.8	769
<b>Total generated value</b>	<b>100.0</b>	<b>6,505</b>

*Source: estimated by the Research Team using UVN data.*

UVN's direct employees and the Government (as the tax beneficiary) receive a similar and much smaller share of the pie (3.5 percent and 3.2 percent respectively).

## **5. IMPACTS ON DIRECT EMPLOYMENT AND ENVIRONMENT**

Job creation along the value chain, human capital improvement and non-pecuniary benefits are some of the greatest social impacts that MNCs can have on the communities in which they operate. UVN not only creates jobs for its direct employees, it also generates income indirectly for its suppliers, as well as for its wide network of product distributors. Human capital improvement is another impact that UVN makes on Vietnam, a country with abundant unskilled labour but relatively few highly skilled or trained workers. Employees working directly and indirectly for UVN have acquired relevant skills, improved their income, and made good progress in their careers. These impacts are a direct result of the Company's policies and practices with regard to its human resource. However, such impacts may be negative as well as positive.

The discussion in this Chapter will focus on UVN's employment policies and practices together with the major impacts that UVN has had on direct employment and the improvement of human capital.

### **5.1. Employment Policy of Unilever Vietnam and Implementation**

UVN applies high standards of corporate behaviour towards its employees, because the Company believes that its human resource is its most valuable asset and has played an important role in the development and success of the Company. UVN places the highest priority on human resource development. It recruits and retains the best people, providing them with the necessary training and knowledge to do their jobs successfully.

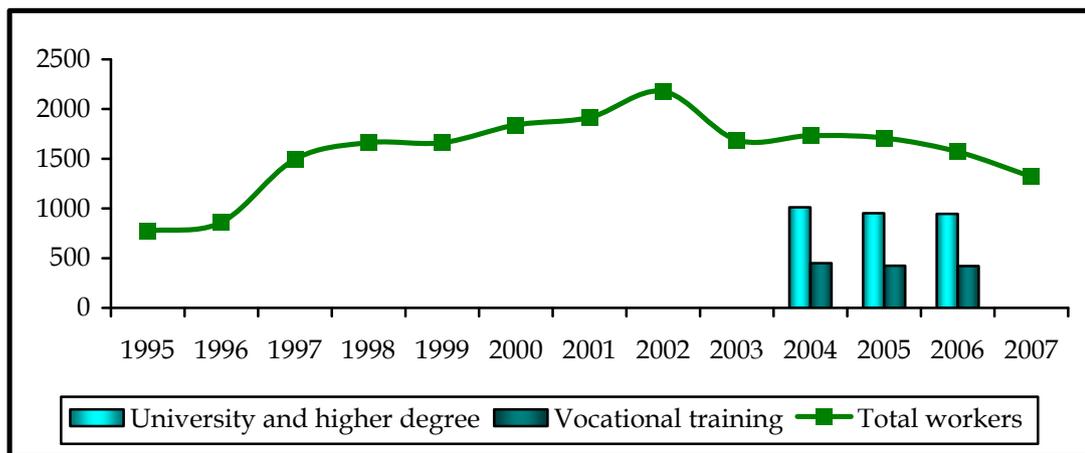
UVN has created, develops and secures a truly diverse and successful multicultural working environment which enables all employees to develop to their maximum potential and contribute to the success of the Company. It has a number of initiatives to help individuals and teams strengthen their leadership skills and take more control of their own careers.

Starting with 774 employees in 1995, this figure increased to 2,179 by 2002. In 2007, this figure dropped to 1,320, due in part to the outsourcing of non-core UVN business activities, such as warehousing and distribution. UVN has transferred operation of most of its distribution centres to Linfox, an

Australia company that specialises in warehouse management systems and logistics.

One notable feature of UVN employees is their high level of qualifications. In 2006, of the 1,570 people working directly for UVN, some 60 percent had graduated university or obtained higher degrees, and 27 percent are medium skilled workers. Most of them are young, with an average age of 33.

**Figure 9: Employees Directly Working for Unilever Vietnam (persons)**



Source: Unilever Vietnam.

UVN's direct employees are a diverse group including workers, technicians, skilled operators, supervisors, assistant managers, managers, directors and the board of management. An important feature of UVN's employment policy is non-discrimination, and the diversity of its employees is reflected in terms of nationality, region and gender. The employees come from all regions and socio-economic levels of Vietnam. Gender is also balanced, with 50 percent of the managers being female.

The Company is well ahead of other MNCs in terms of localisation, especially of its senior staff. More than 95 percent of its managers are local, together with 80 percent of its directors and even 40 percent of the board of management. UVN does not discriminate against local people when selecting its senior managers. The Company is proud to be multi-national in the sense that the majority of its staff are nationals of the host country, rather than from the countries of the parent company (i.e. UK and Holland). In its first days of operations there was only one Vietnamese member on the board, but this has now increased to four out of the ten. At middle management level the

replacement has been even more rapid. There is no discrimination or bias towards choosing management from the UK or Holland and, as a result, in practice, the Company is run by Vietnamese people.

**Table 3: UVN's Employees for the Period 2004-2006**

	<i>Unit</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
Share of Vietnamese in senior management positions	%	28	30	40
Share of Vietnamese in total management positions	%	75	85	86
Number of foreigners working for UVN	person	12	27	26
Number of Vietnamese working for Unilever abroad	person	0	7	15

*Source: Unilever Vietnam.*

The rate of employee turnover (labour leaving and being replaced) is low compared with other companies, but is now on the rise. The rate of turnover is highest for junior staff, who are often offered promotion opportunities in other companies, but not for senior staff. While this situation is not favourable for UVN, it may be beneficial to other businesses and the wider economy, where skill shortages are common.

### **5.1.1. Recruitment**

UVN recruits employees through its transparent selection process, where everyone has an equal opportunity to get a job. Criteria for staff selection as well as for promotion are based on candidates demonstrating sufficient capacity to meet the job requirements and to carry out the job. There are two types of recruitment: one is for meeting the production needs and the other is recruitment for the management trainee programmes (MTP) which have ran since 1998.

To disseminate information about employee recruitment, UVN maintains regular contacts with universities and holds career day events. Unilever Career Days provide potential graduate talent with 'face time' with Unilever's senior managers and representatives who are experts in their fields. This is an opportunity for students to ask questions and receive direct

and comprehensive answers from senior executives to gain a better understanding of the jobs and careers, and the learning and development opportunities available at Unilever and UVN's policies and remuneration offers. Students also have a chance to learn more about UVN's business, operations and social responsibilities.

### ***5.1.2. Working Conditions***

All Unilever companies comply with local laws while also adopting global Unilever standards for occupational health and safety, consumer safety and environmental care. This approach stems from the values outlined in Unilever's Corporate Purpose and governed by the standards in the Code of Business Principles (CBPs) and the Company's Business Partner Code. The Company has instigated many programmes to ensure the safety of its employees. All of its manufacturing facilities have received certificates on Occupational Health and Safety Assurance System (OHSAS) 18001. UVN also works closely with Trade Unions with a view to improving understanding of its employees on policies implemented by UVN.

### ***5.1.3. Training***

UVN training takes various forms ranging from training schools to on-the-job training for its employees. There are three types of training at schools: general skills, professional skills and leadership skills. While training for general skills mainly takes place at domestic training institutions, training for professional skills is provided by professional training institutions/companies or trainers from Unilever in other countries. As one of UVN's major objectives is localisation, fresh graduates, who have potential though not always necessary skills, are trained to develop their leadership skills through the MTP for managers and senior staff (see Box 4).

As an MNC, Unilever's international network provides overseas training as well as opportunities to visit and work for other Unilever businesses worldwide in the form of expatriate work, exchange programmes, and secondments for six months or one year for its managers. Through these programmes, UVN offers local staff international exposure with the overall objective that in the next five years, as Vietnam becomes one of the Asian leaders, so these managers too will become Asian leaders, not just Vietnamese ones. Under these training programs, the staff will develop their talent with a

depth and breadth of experience and skills. UVN has sent more than 500 senior and middle managers to attend long-term and intensive courses in the United Kingdom, Australia, Indonesia, Thailand, China, The Philippines, Malaysia and other countries.

#### **Box 4: Management Trainee Programme**

UVN's MTP is designed to help develop fresh talent to become future leaders for the Company in both Vietnam and the region as a whole. Starting in 1998, the programme is organised annually to recruit the best Vietnamese fresh graduates from different universities both in country and abroad.

In the recruitment programme, final-year students embark on a selection process that helps them to reveal their full knowledge, creativity and leadership potential. Recruitment decisions are based not only on academic results but also on students' social and extra-curricula achievements (e.g. logical thinking, language level).

Once recruited, UVN offers excellent training programmes that help graduates to develop the expertise and personal qualities they need in order to achieve their career goals. Each year 20-30 trainees attend the programme. The MTP gives fresh graduates sufficient space to develop their potential in their own way, which includes opportunities to work with and learn from the best in the business from many different nationalities. They experience a rich, diverse, challenging work environment, can contribute to an international business that is truly locally connected, and thereby feel good about their work, having fun and getting more out of life. They find new ways to add vitality to life and make real impacts on meeting people's daily lives.

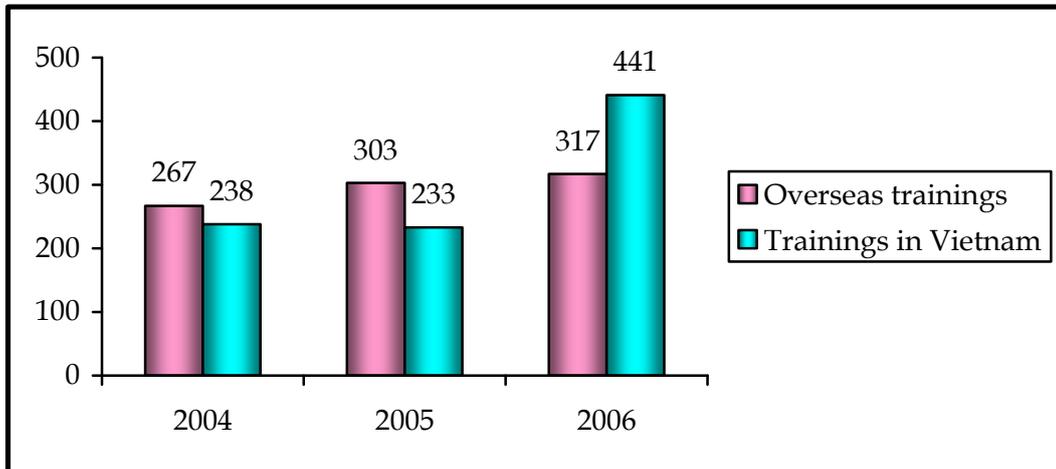
It is expected that within three to five years they should become a Unilever manager. Since the programme began, thousands of excellent candidates have been recruited by Unilever and are now working across functions and nations, holding key positions.

*Source: website: <http://www.unilever.com>.*

Training courses, both overseas and in Vietnam, covering professional courses, teamwork, communication, computer skills, English language and many others, provide the best conditions for UVN trainees to learn and develop their skills. Nevertheless, often the most efficient and relevant training is on-the-job training, where line managers coach their trainees to carry out their jobs in the most professional way. Learning from co-workers within teams is also important to fully develop the capacity of the trainees. To date, the Company has delivered over 55,000 training days to its employees at

in-house and overseas courses. While on average three out of ten employees received training during 2004, this figure rose to five out of ten by 2006.

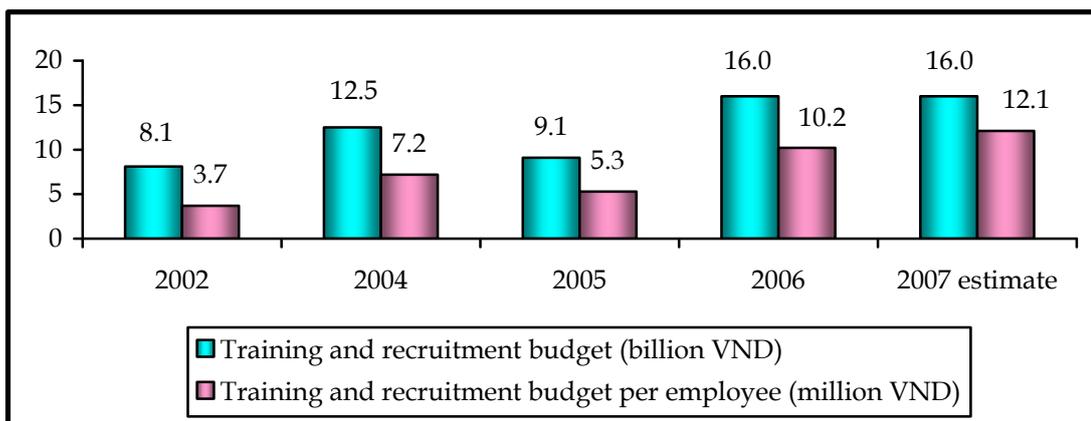
**Figure 10: Number of Vietnamese Receiving Unilever’s Technical and Managerial Training for the Period 2004-2006 (persons)**



Source: Unilever Vietnam.

Accordingly, UVN’s spending on training and recruitment has been rising, both in terms of the total budget and also per employee (see Figure 11). In 2007 alone, the Company spent approximately VND 16 billion on training and human development, an average of VND 12.1 million per employee. This spending is equivalent to 12.5 percent of the average salary, which is a relatively generous figure.

**Figure 11: UVN’s Training and Recruitment Budget**



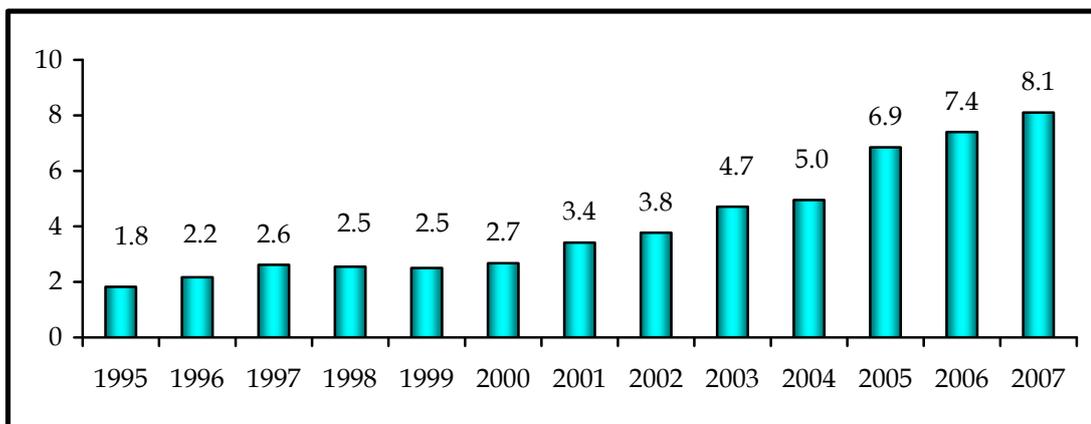
Source: UVN data.

#### 5.1.4. Salaries and Wages

UVN has designed and developed a competitive remuneration package. The Company carries out an annual salary survey, whereby an open discussion is held with staff about personal and career development plans in order to have proper remuneration adjustments.

The Company is one of the top five leading consumer MNCs in Vietnam that offer generous packages to employees. The average monthly salary of employees was VND 1.82 million in 1995, but this had increased to VND 8.1 million by 2007. As a result, UVN average salaries are more than three times higher than average salaries in foreign-owned enterprises (VND 2.5 million). Real salary growth for the period 1996-2007 averages at 6.4 percent per annum. Corporate gifts and bonuses in kind and cash are given to employees on holidays and special occasions. A retention scheme (including housing loans, pension schemes and variable pay bonuses) has been designed to secure managerial staff and those demonstrating significant potential.

**Figure 12: Average Nominal Monthly Salaries Paid to UVN Employees for the Period 1995-2007 (million VND)**



Source: UVN data.

UVN's remuneration packages reflect the high value that the Company places in their employees, as acknowledged by former chairman of UVN, Michel Dallemagne: "Like all businesses, people are our best asset. Our human resource policy is to recruit the best and retain the best, and this is

reflected in our remuneration and benefits packages. Our philosophy to respect Vietnamese values is first of all observed in our workplace."<sup>12</sup>

#### ***5.1.5. Retirement and Pensions***

A collective labour agreement has been signed between UVN and employees' representatives. The agreement covers policies on pensions, leave and other collective welfare benefits. UVN's monthly expenditure on these measures averages VND 900,000 per employee; this is in addition to their salaries. All UVN employees benefit from the retirement programme, which in many other companies may only benefit senior managers. The aim of this programme is to ensure decent living standards for the employees during their retirement, and/or insurance for their children's education up to 18 years old, in the absence of adequate Government-regulated pension scheme coverage.

In addition to the collective labour agreement and the Government-regulated pension, since 2006, the Company has offered a pension package for employees through their corporate pension plan. By being an initiator in this respect, UVN hopes that other companies will follow suit, as has been the case with medical insurance (see Sub-Section 5.1.6 below).

However, UVN faces difficulty in implementing the plan, as the corporate pension scheme has yet to be legalised, which would result in no tax deduction for the Company on that expense. Furthermore, no independent professional institution exists outside UVN to manage the fund.

#### ***5.1.6. Medical and Other Benefits***

Besides the attractive compensation and benefit packages, UVN provides many other benefits to its employees. All insurance benefits regulated by the Government are granted. Beyond that, since May 2001, UVN has been the first company in Vietnam to offer medical insurance to every employee. The new personal medical insurance packages, called the "Unikhoe" programme, is a new UVN initiative, which allows employees to use services at the best hospitals and clinics in Vietnam for health check ups and treatment. In 2007, the programme was extended to cover family

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<sup>12</sup> Source: <http://www.vnstyle.vdc.com.vn/viewDetails.asp?catId=4&PostId=22452>

members of the employees. UVN has been among the first companies in Vietnam to offer this kind of support. Now many other companies have followed suit.

The Company, in partnership with International SOS Clinic, researched and developed the mechanism and preventive methods for occupational diseases for UVN's employees. Medical examination programmes are carried out annually in order to properly identify, treat, or prevent occupational diseases for the employees. Dental clinics are available at all factories offering dental check ups, treatment and dental care education to all employees.

In response to Unilever's global policy on human immunodeficiency virus (HIV) care, UVN took the initiative to run a campaign to raise awareness of HIV to its employees. Measures included HIV/acquired immune deficiency syndrome (AIDS) training to all its employees, free anonymous HIV testing to the employees and subsequent counselling where necessary. Through the campaign, UVN has managed to make the Government change its policy regarding disclosure of HIV test results.

The Company has also developed the "UVN is your companion for your whole life" programme for its employees. Monthly gatherings are held to provide information, exchange experiences and raise awareness of related issues such as safety, health care, and the environment.

Financial support is offered to certain staff and managerial levels through interest-free motorbike and housing loans deductible from employees' monthly salaries. UVN also works with banks to offer concessional loans to employees for personal expenses. To help make the employees feel like they are in one big family, UVN creates a friendly environment for employees and their families. The Company co-ordinates with the Trade Union to organise annual holiday trips, sport events, family days for employees and their family members; all intended to create venues for improved communication, entertainment and mutual understanding.

To support the Government campaign on wearing helmets, UVN provides free helmets to its employees, and their children under five years of age, to ensure their safety while travelling by motorbike.

Thus, as noted above, UVN has been a leader or a pioneer of many welfare policy measures for its employees, such as medical insurance for every employee and their families, which make them better off. The welfare

support offered is generally higher than that in other companies. Through its actions, UVN has proved itself to be a caring employer; caring for each other as well as for the community.

## **5.2. Environmental Responsibility**

Unilever has demonstrated strong commitment to environmental protection and safety as a top priority, and has tried hard to ensure that its factories are as environmentally friendly as possible. The global parent company sets the same high environmental, consumer and labour safety standards for all its factories around the world. This approach stems from the values expressed in Unilever's Corporate Purpose and governed by the global company standards in the Codes of Business Principles and Business Partner Codes.

Following these standards, Unilever has developed an environmental strategy aimed at eco-efficiency (improvement of the environmental efficiency of supply-chain operations) and eco-innovation (incorporation of environmental factors into product design). The operational principle at all UVN factories is "no industrial waste to the environment". UVN has continuously invested in its equipment and facilities or set up, applied and improved international management systems at all its manufacturing sites to meet the environmental safety standards required by both Vietnamese regulations and global Unilever standards.

UVN factories have gained international accreditation for quality management, environmental protection and health & safety. All of its manufacturing facilities have received certificates on quality management systems ISO 9001-2000, environmental management systems ISO 14001 and total productive maintenance (TPM) programme. Implementation of the TPM programme enables minimisation of the use of natural resources such as water, energy and raw materials, while still increasing productivity.

These commitments have brought significant benefits to the development of the Company as well as enhancing the skills of employees. In 2006, UVN was granted first prize of the Green Factory Award from the Minister of Natural Resource and Environment, because its factory in Cu Chi had achieved very high environmental standards, even exceeding what was required by law. Marijn van Tiggelen, UVN Chairman, said: "If visitors walk in the factory, they would not know that they are in Vietnam. It is like

Unilever factories in any other countries, because the standards are the same”.

The environment in Vietnam, as in many other developing countries, is deteriorating. UVN’s leadership has been trying to raise employees’ awareness of the Company’s ‘footprint’ on the environment in Vietnam, through packaging and chemical use among other things, and how this pollution footprint could be reduced. UVN has then turned this awareness-raising discussion into action by adopting certain measures, for instance changing their own trucks or persuading suppliers to use trucks with higher diesel efficiency.

The recently opened new head office in HCM City applies five-star Australian environmental standards, which are much higher than the legal environmental requirements for office buildings. UVN hopes that other companies in Vietnam will follow their example, making the environment less polluted.

## 6. SUPPLIERS AND THIRD PARTY ENTERPRISES

This Chapter examines the impacts of UVN's activities on the backward linkages, in this case - domestic suppliers and processors. These linkages are of particular importance because they provide a means of diffusing valuable knowledge through direct flows to the partnering firms, facilitate access to capital, as well as offering indirect benefits to the domestic firms, resulting from the transfer of UVN's stronger knowledge and skills base. Linkages with UVN can thus help improve their dynamism and competitiveness, resulting in increased output, employment, income, improved production efficiency, technological, and managerial capabilities as well as market diversification.

The analysis will focus on three broad streams: quality control, environmental responsibility and social responsibility.

### **6.1. Overview of Development Milestones between Unilever Vietnam and its Local Partners**

#### ***6.1.1. Duration of Working Relationships***

The relationship between UVN and its domestic suppliers and processors dates back more than a decade, starting in 1994, when the license was granted for Haso Joint Venture Company. A year later, the Lever Vietnam Joint Venture Company was formed between Unilever and VINACHEM.

UVN's initial focus was to locate and commence business with those local suppliers and service providers that were considered the best in terms of their current supply status, experience, technical capability and willingness to establish long-term cooperation. Clear business needs were therefore the key factors in the formation of the partnerships with appropriate SMEs.

In addition to the business needs, another of the reasons behind UVN's key decision to choose VINACHEM as a partner, and no less important at that time, was to benefit from its existing relationships with local SMEs. They were suppliers of raw materials, packaging materials, service providers, traders and distributors of the finished products. It was hoped that

VINACHEM would act as the umbrella partner to facilitate UVN's cooperation with these local SMEs.

By the late 1990s, UVN had signed the first subcontracts with local partners. The main idea underlying these contracts was to utilise existing national resources owned by domestic producers. This was very challenging and not a conventional approach adopted by many MNCs, who would often build modern large-scale factories to achieve economies of scale. In such cases the existing capacity in the market would often be left unused, resulting in wasted capacity, and ultimately a loss of jobs from those businesses.

The approach that UVN chose took time, required joint efforts and other resources. The Company started its work with the local partners, most of whom were SMEs, which was not very economical from UVN's own perspective. They were not homogeneous in terms of their managerial skills, technology and systems; plus their access to finance, technology and know-how was limited. UVN was transferring technology in the form of mixing, filling and packing assets to produce international quality formulations. To perform efficiently, such assets required international quality standards of materials, which even the best local suppliers did not readily deliver. Working closely with them, UVN started to work on the most basic needs of quality, reliability and trust. The Company invested a lot of resources, provided technology to upgrade their factories, introduced experts in each of the material technologies employed to share knowledge and experience, identified gaps, and provided technical solutions and assistance to ensure high quality commodity brands to serve Vietnamese consumers.

UVN has always strived to enhance and compound backward linkages to reduce its dependence on intra-company trade. This is because UVN realises that if it follows a traditional approach of seeking efficiencies by allocating parts of its value chain to the cheapest production locations, relying on imports from its suppliers elsewhere, while it may overcome quality concerns, it still has to bear the cost of inflexibility in delivery times. Establishment of a strong supplier network in Vietnam can help UVN lower costs by allowing for closer monitoring and greater flexibility in developing new inputs and adjusting specifications, putting UVN in a better position to integrate itself into a local value chain and contribute to the manufacturing of products designed to satisfy local tastes. As inter-firm cooperation becomes more complex, spatial proximity to suppliers and customers becomes an

important advantage, confirming UVN's continued efforts to strengthen linkages with its domestic partners.

This strategy has been progressing successfully. It saves national resources, time, and, more importantly, it advances the local partners. UVN's interventions at that time actually helped target suppliers and processors to set up production capacity, upgrade technology, improve product quality to expected standards, and enhance managerial and organisational skills. The local partners have been progressing alongside UVN's growth; expanded their business, and created jobs and income. Now these partners produce most UVN outputs. Their managers now have skills compatible to international standards.

From UVN's perspective, the Company was well rewarded for its efforts. It did not have to wait for years for construction of new plants to be completed, and it has greater flexibility in business. UVN leaders acknowledge that the Company would not be as successful as it is without the cooperation of its local partners and associate businesses.

This strategy has also had another advantage. All low technology products, such as laundry product and soaps, are now made by the third party SMEs. UVN is able to save time and expertise that can now be channelled to high-value-added high-technology core activities (oral care, hair and skin liquid products). This has led to further linkages with SMEs of a highly strategic nature, where intimate knowledge, information and technology have been shared, and long-term commercial commitments and contracts have been entered into.

Under this strategy, the partnership network has been expanding over time, and is not only confined to those in joint ventures (JVs,) but also to suppliers of raw materials and third parties outside of the JVs, who have been subcontracted to produce and co-pack UVN products. This is contrary to the major concern expressed by the domestic producers at the time UVN was about to enter the Vietnamese market, that it would have a crowding-out effect, under which the local producers would face a declining share of the domestic market. UVN's operations over the past 14 years have shown that it has not taken the share away from the local producers, but quite the opposite, UVN's presence has made the market much bigger so that everyone could have a larger share. Nevertheless, since UVN's focus has shifted to its core business, where the Company has substantially better expertise, it has got

involved to a greater extent with third party companies than with raw material suppliers.

A natural question arises as to why UVN has chosen this way of doing business in Vietnam, rather than the other approach whereby a company would have built state-of-the-art factories, and subsequently crowded out most small-scale producers with its superior technology, know-how and skills. UVN Chairman Marijn van Tiggelen and the VPs explained the rationale behind this strategic decision. UVN could have built the capacity required, but then the local competitors (SMEs) would have lost their business. The Company decided not to do that because the most important objective of investing in Vietnam is to build a healthy business, to win local consumers by giving them more choice, not to kill competition.

To do that, UVN thinks it has to be relevant to all stakeholders. Otherwise, people neither buy its products nor want to work with the Company, and, as a result, it could not survive. Thus, building UVN's healthy business has been progressing alongside working closely with local partners, who are SMEs, so that both prosper together, which results in a 'win-win' situation.

UVN leaders reckon that one of the major factors that makes the Company so deeply rooted in Vietnam is its strong partnership network, which has been developed by building on the advantages that both parties can offer, and on mutual respect. Indeed, the factor determining the successes of UVN and its partners is the way in which both sides work together.

Over the 14 years of operations in Vietnam, UVN has formed a complex network of partnerships with local SMEs. To date, the Company works with 76 raw material suppliers, 54 packaging suppliers and 16 third party SMEs. UVN's senior leaders are fully committed to them, emphasising that if the local partners are dedicated to UVN, then they see it as their responsibility to reciprocate and take care of them. UVN's strategy is that as long as SMEs can maintain adequate capacity, it should continue to work with them, even though this might not be the most sufficient supply chain.

The joint venture with VINACHEM can be considered as a successful cooperation model, significantly contributing to Unilever's substantial role as the leading company in the production and trade of detergent products in Vietnam. UVN's detergent output reached 250,000 tons in 2005, accounting for over 60 percent of the detergent market share in Vietnam.

The above reveals that the backward linkages between UVN and its domestic partners are beneficial to both sides. In particular, UVN benefits from the backward linkages as the Company can reduce costs, enhance access to local tangible and intangible assets, increase specialisation, achieve flexibility in production and improve its adaptation of technologies and products to local environments.

### ***6.1.2. Form of Partnership Arrangements***

The majority of UVN's suppliers and processors have six-month or annual contracts with UVN, while their relationships with UVN are developed over a long-term basis. The field interviews and survey conducted by the Research Team reported no cases of breach of contract between UVN and its partners.

## **6.2. Quality Control**

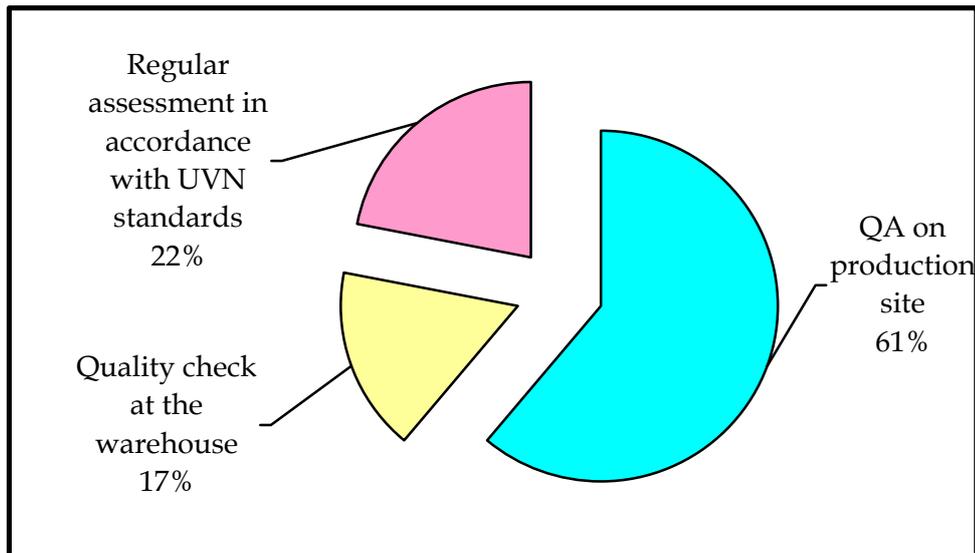
UVN expects that its partners produce quality products, and it takes responsibility for any UVN product, even if the product is produced by third parties. Therefore, UVN's task is to ensure that the standards and systems in place in the factories can reliably produce the products the Company demands, hence it audits these regularly.

Quality assurance (QA) is strictly implemented throughout the network of UVN's suppliers and processors and is considered as one of the top priorities to secure Unilever's international accreditation of QA and standards. When it comes to quality and safety, UVN has many compulsory standards and procedures. UVN itself is audited very strictly by global Unilever and by Unilever's external auditors to make sure that the Company and its partners are following these procedures.

All the partners surveyed reported that UVN applied quality control measures on the outputs they delivered to UVN. Figure 13 shows that the forms of quality control may vary according to product type, with due consideration given to input traceability; however, it can be said that quality control is conducted throughout the manufacturing processes, from sourcing to finished products, and even during the time products are consumed and assessed by its specialists, assisted by modern testing and certifying equipment. In particular, UVN always ensures that the third parties implement the right quality systems for the products.

While some partners failed, in general quality standards and reliability have increased, meeting UVN's requirements. 83 percent of the surveyed partners have obtained ISO 9001: 2000 certificates for their product quality. UVN has built up those suppliers who are able to deliver to all its quality standards, including some for export. In other words, the quality of their products has been increasing while the costs have come down. Consequently, the partners have created export opportunities, as well as becoming even more reliable to those domestic partners who use their output.

**Figure 13: Forms of Quality Assurance (% of all surveyed partners)**



*Source: Survey and interview, conducted by the Research Team in 2007.*

There have been relatively few cases of minor violations on destroying substandard products. One happened recently, and UVN is investigating the case to find the violators. UVN had a corruption case with one transport company, and the contract has been terminated.

### **6.3. Environmental Responsibility**

UVN expects its local partners to respect environmental standards and encourages them to adhere to Unilever's CBPs. All the third party firms surveyed reported that UVN recommended that they applied environmental protection measures such as implementation of Safety, Health and Environment (SHE) programmes, Manufacturing Sustainable Improvement Programmes (MSIP), treatment of liquid and solid waste by required procedures, improvement of energy use efficiency and reduction of oil and

lubricant leakages. With regard to the suppliers, the survey shows that while UVN has not required 31 percent of the surveyed enterprises to apply environmental measures, in fact all have put SHE programmes or treatment systems in place.

Surveyed partners confirmed that UVN had provided them with advice on protecting both occupational health and safety in the workplace and the natural environment. Since the cooperation with UVN, SHE programmes were quickly developed in the partners' factories. UVN has helped them to implement the right monitoring systems, recycling systems for their waste, and safety and health systems for their employees.

The majority of surveyed partners reported that they were participating in the SHE programme, where UVN has provided SHE training courses to their designated staff. In addition, eco-efficiency improvement training courses within the framework of the TPM programme have been held throughout UVN's partners' network. These training courses, among other things, have given their employees the tools, techniques and awareness needed to reduce the environmental impact of manufacturing operations, and provided a forum where good environmental practices could be shared and discussed for implementation. Special emphasis was placed on reducing water use, solid waste and energy consumption.

UVN requires overall policies and practices of every third party enterprise to be monitored annually. 60 percent of the partners and 75 percent of the suppliers said that UVN monitored and supervised their implementation of the environmental protection measures periodically. They mentioned a 'Win-Win' system that UVN applied in assessing environmental issues at their sites. Furthermore, UVN's personnel make regular visits to visualise environmental treatment layout and procedures in partners' production sites to ensure that environmental conditions are being fully met. They also recommend measures to solve pending problems.

All surveyed partners reported that they had met or exceeded national environmental standards. Some of them have received the international environmental certificate of ISO 14001. There have been no reported cases of Vietnam's environmental regulations having been violated by any one of UVN's suppliers and processors.

#### **6.4. Unilever's Expectations on Social Responsibility Borne by its Suppliers and Third Parties**

CSR is a business-driven voluntary initiative and refers to activities that are considered to exceed compliance with the law, but shows the attitude and responsibility of a business towards its stakeholders and society as a whole. CSR is clearly integrated in Unilever's CBPs<sup>13</sup>. UVN operates in a way that complies with these principles.

When UVN partners with suppliers and distributors, it expects them to work in a similar way by incorporating CSR into their own activities through the contract between UVN and them. CBPs are considered as a compass for UVN to establish sound business principles with the local partners. The basic principles of the CBPs have been elaborated and developed into the Business Partner Code in 2003, aiming to ensure that mutual economic benefits are integrated with social and environmental responsibilities towards sustainable development.

Unilever's sustainability principles require its suppliers: (i) to ensure fair working conditions in the supply chain and respect for human rights; (ii) to ensure that suppliers meet minimum standards on health, safety and environmental protection; and (iii) to foster good sustainability practices in the sourcing of raw materials. The Business Partner Code specifies the principles to which Unilever expect its business partners to adhere, covering business integrity and responsibilities relating to employees (labour, health and safety standards at work), consumer safety and the environment (as illustrated in Box 5).

UVN pays special attention to safety and working conditions in all of its partners' production facilities and considers that their commitment to ensure a safe working environment is compulsory in maintaining cooperation with UVN. All surveyed partners, except one local supplier and one foreign-owned enterprise, confirmed that UVN required them to implement safety measures for their employees and supported them in doing so. Training and exercises on work safety and fire regulations are regular activities carried out by each firm.

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<sup>13</sup> The Unilever CBPs were issued in April 2002 and consist of a set of principles and values that aim to disseminate and maintain good business practice within the organisation.

#### **Box 5: Principles Outlined in Unilever's Business Partner Code**

- There shall be compliance with all applicable laws and regulations of the country where operations are undertaken.
- There shall be respect for human rights, and no employee shall suffer harassment, physical or mental punishment, or other forms of abuse.
- Wages and working hours will, as a minimum, comply with all applicable laws, and rules and regulations, including minimum wage, overtime work and maximum working hours in the country concerned.
- There shall be no use of forced or compulsory labour, and employees shall be free to leave employment after reasonable notice.
- There shall be no use of child labour, and specifically there will be compliance with relevant ILO standards.
- There shall be respect for the right of employees to freedom of association.
- Safe and healthy working conditions will be provided for all employees.
- Operations will be carried out with care for the environment and will include compliance with all relevant legislation in the country concerned.
- All products and services will be delivered to meet the quality and safety criteria specified in relevant contract elements, and will be safe for their intended use.
- There shall be no improper advantage sought, including the payment of bribes, to secure delivery of goods or services to Unilever companies.

*Source: Unilever Vietnam.*

Currently, CSR initiatives involve audits of all partners to ensure common codes of practise for labour, business ethics, business conduct, corruption, etc., which will also become contractual commitments. Indirectly UVN obtains reliable information on employment and working and living conditions of workers at its key suppliers and processors through a variety of measures such as regular contacts or through individual assessments of trainees in a series of UVN-led training courses, and discusses whether change is needed.

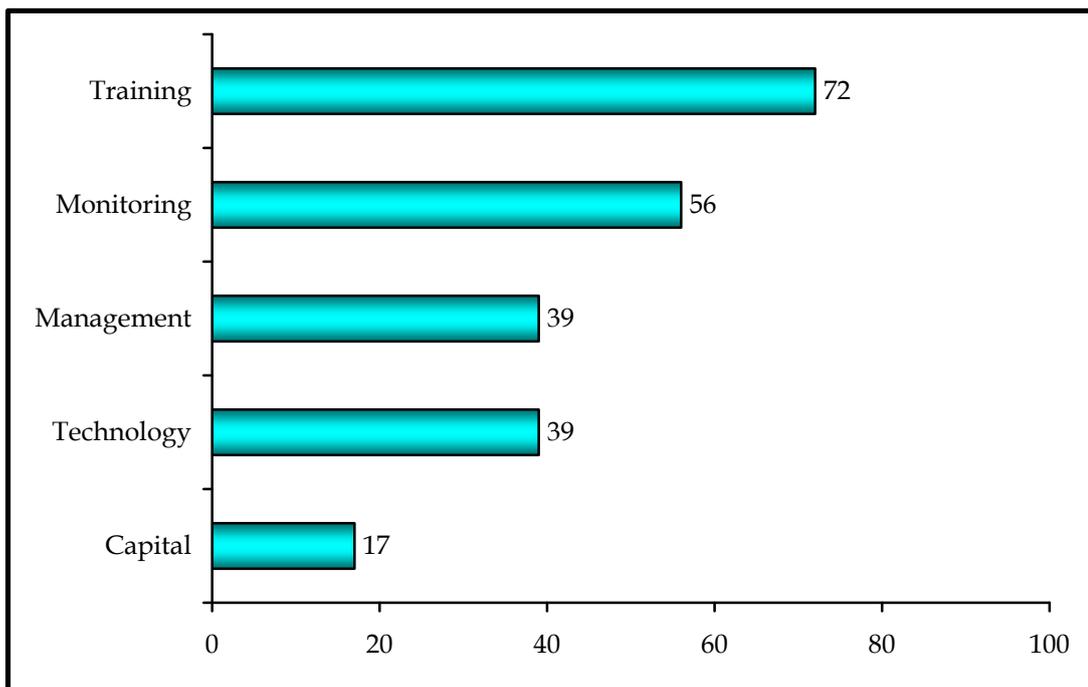
Through encouraging the partners to implement CSR, UVN indirectly helps to lift the behaviour of the partners, creating competition to behave in a socially responsible manner, whereby the economy and the society can develop in an enhanced way. This is good for both business and consumers. CSR is therefore another important contribution that UVN makes. As the partners see UVN operating in an ethical way, they can learn from it and adopt some of this behaviour. UVN cannot impose such behaviours on its

partners, but it does have the leverage to cease the partnership if it is felt that they are not operating in an ethical way. Thus, leading by example can help to improve the overall economic behaviour of partners for the benefit of society as a whole.

### 6.5. Assistance and Support Provided by Unilever Vietnam

UVN provides various types of support to help its local partners grow together. In particular, the Company supports them in upgrading equipment, technical assistance, technology transfers, productivity expansion; improving staff skills to control quality and enhancing management capability; defining quality standards; providing or facilitating access to finance and material resources; and ensuring the growth of suppliers' outputs.

**Figure 14: Support Provided by Unilever Vietnam to the Local Partners**  
(% of respondents)



*Source: Survey and interviews conducted by the Research Team in 2007.*

Of the partners surveyed, 44 percent felt that the level of assistance provided by UVN is greater than that provided by others, while none of them thought the assistance was less significant. The support can be classified broadly into four groups as discussed below.

### **6.5.1. Technical Advice and Technology Transfer**

To ensure that the inputs supplied by the local partners meet its strict technical requirements, UVN provided suppliers not only with specifications but also with assistance in raising their technological capabilities. The Company has devoted resources and a third-party team within UVN to manage all these local partnerships. The team contains experienced production managers, engineering managers, QA managers, distribution managers, safety managers, quality managers and other relevant experts.

Surveyed partners stated that UVN had provided technical advice and documents to help them in upgrading their production systems to comply with requirements for quality, quantity, timeliness of deliveries, and protection of occupational health and safety in the workplace. UVN's approach is to improve performance, rather than relying on enforcing compliance, by working closely with its partners over time to achieve and maintain standards for mutual interests. Of the surveyed partners, 39 percent acknowledged UVN's support in technology (see Figure 14).

It is clear that UVN has invested in building local capabilities only when the investment can be expected to yield returns over a reasonable period. Where potential suppliers lack the minimum base of skills and know-how needed to absorb technologies and management practices, UVN may find it too expensive or risky to try and bring them up to the necessary international standards. Primary attention has therefore been focused on a limited number of key suppliers that provide the most complex and strategically important inputs, requiring close interaction between UVN and domestic suppliers. Technical advice and technology transfer by UVN to its domestic suppliers has taken various forms as follows:

- Technical consultations. UVN provides advice to the local suppliers on product characteristics or parameters to help them adopt and absorb new product-related technology, i.e. helping them to master new technology. First, UVN carries out an assessment to find out which areas need improvement. Then, an output contract has to be agreed and signed between them on the output volume that the third party has to produce over a certain time period. To achieve this level of output, specific areas of the plant usually have to be upgraded to meet certain standards, and sometimes new or additional investment is needed. UVN also supervises any upgrading and/or new investment. Workers are also screened to find out to what extent they can do the required tasks, what skills need to be

trained or re-trained, and what skills UVN needs to provide to its own staff. UVN audits all these local partners every quarter against its checklist of standards.

- Feedback on product performance. UVN meets with the third parties formally on a monthly basis to gather feedback and help them to improve. Such regular feedback helps the suppliers to improve their performance as well as strengthen relationships between UVN and its suppliers.
- Technical support on production planning, quality management, inspection and testing. Such support includes assisting the supplier firms to improve their manufacturing processes, quality control methods, and inspection and testing methods. UVN also advises the supplier firms on the selection/use of processing equipment/technology. UVN seconded its QA people to the third-party factories to ensure that the products pass quality standards. Those seconded perform two functions: quality control and QA (auditing the process and checking the final products). They have the authority to hold or release the products. The level of UVN's assistance depends very much on the capacity of the third parties. In some factories where UVN finds the skills capacity is lacking, the Company has to devote more resources, such as warehouse keepers and engineers to help them with their engineering problems. In some cases, UVN even provides production support. This involvement is aimed at capacity building and training the employees in the third party factories so that UVN can eventually leave them to manage their own business. In some cases UVN has trained staff, who have subsequently left and, in such cases, it has had to stay longer in that factory. Having ensured product quality, the focus then shifts towards the productivity improvements necessary for survival in a competitive environment.
- Field visits to supplier facilities. UVN's technical personnel pay regular visits to the local partners' premises in order to provide advice on factory layout, installing machinery, production planning, production problems and quality control. Such visits may take place weekly or monthly, or whenever the need arises. Sometimes it may also involve sending UVN's engineers to the supplier's factory for a few days.
- Assistance in implementing environmental assurance systems. UVN offers support to local suppliers in designing and implementing environmental assurance systems.

- Transfer of product designs and technical specifications. This kind of technology transfer takes the form of detailed technical specifications and designs to enable local suppliers to produce the required inputs. A major element of technology transfer is the training of local employees at all levels of the business, from low-skilled workers through supervisors to technically advanced professionals and top-level managers. The training may be provided through formal training courses or on-the-job training in close contact with expatriates or trained local staff.

### ***6.5.2. Human Resource Development***

Given its in-depth knowledge of skill needs and training methods, UVN has played a significant role in helping its local partners to screen their human resources, pinpoint weaknesses and design effective upgrading programmes delivered via a variety of methods:

- Holding training courses for partners' personnel. UVN organises several forms of training courses for local partners' personnel, ranging from technical advice to organisational and managerial practice. Depending on the targeted purpose, trainers may be foreign or domestic technicians/experts or UVN staff. Training courses may also be held in collaboration with public institutions/agencies such as universities or institutes at regional or national level. In particular, TICO stockholding company noted that UVN had also sent their employees on courses in Thailand and Singapore. Figure 14 clearly shows that training is the most popular type of UVN support offered to the local partners. 72 percent of the surveyed enterprises received various training courses provided by UVN.
- Sending teams of experts to partners to provide in-factory training. Such visits can provide training on improvements in technology or process management. As part of the training at the partners' site, the trainees may be taken on a field visit to one of UVN's plants.
- Providing the partners with materials and reading references on technical, managerial and economic issues.
- Promoting cooperative learning among suppliers. This has been done through field visits or study tours to encourage the exchange of business information among suppliers and UVN.

Reflecting the continued strong support for the development of suppliers, who need to be especially prepared for Vietnam's increasing international economic integration, as well as for the realisation of UVN's ultimate goal, to become a "Citadel" company within Unilever, the Company has proactively participated in the establishment and operation of the first Business Linkage Centre (BLC) in Vietnam to support SME development (see Box 6). This is a joint effort between UVN, the MPI's Investment Promotion Centre of the North, the United Nations Conference on Trade and Development (UNCTAD) and the Royal Melbourne Institute of Technology (RMIT).

#### **Box 6: Business Linkage Centre**

The Business Linkage Programme aims to connect large companies with dependable business partners in developing countries. Empirical evidence shows that strong business linkages can be one of the most effective ways for businesses to integrate, grow and secure footholds in emerging markets. The Business Linkage Programmes currently operational in Brazil, Uganda and Vietnam build on UNCTAD's research and practical experience in the area of SME development and entrepreneurship. Based on a unique behavioural change methodology, UNCTAD, together with its EMPRETEC\* network, provides policy advice and business training in the countries where it operates linkage programmes. The key activities of the programme include:

- Upgrading local businesses to meet international standards;
- Strengthening small businesses to become dependable partners for large companies;
- Providing policy advice on improving the environment for sustainable business linkages;
- Sharing effective international business linkage strategies with the various stakeholders;
- Involving companies in cost-sharing with a view to operational sustainability.

UVN is the first and currently the only MNC to engage in the BLC, committing funds and human resources to manage linkage programmes with UVN's key suppliers since the beginning of 2006. The training programmes delivered to date have focused on two key areas: (i) Sustainable productivity improvement through the TPM methodology adopted by Unilever's own manufacturing units worldwide; and (ii) safety and quality.

The stated objective of the BLC in Vietnam is "to promote economic and social development by enhancing local productive capacity and the efficiency of the local business sector through the creation and deepening of fair and sustainable linkages between affiliates of MNCs and local SMEs. This allows SMEs to reach competitiveness, increase employment opportunities and income through their

growth. Foreign affiliates of MNCs also gain from effective and efficient business linkage with SMEs.”

Through this programme, UVN has employed a full time expatriate (UVN’s former director) who is teaching these companies’ managers and workers. UVN expects that these SMEs will soon meet Government standards. For instance, the Government has approved a standard called Hazard Analysis Critical Control Point (HACCP), which will be mandatory for all food factories by 2010. UVN is trying to apply the standard in all its partners’ factories by 2008.

Through UVN training, the SMEs have improved their technical skills and their ability to produce products and specifications that UVN requires; but their management skills, especially in planning, remain inadequate. Recognising this, UVN has started to work with them on improving these skills.

Mr. Phan Quang Hoa, General Director, Net Detergent Company, which sent employees to BLC, reflected that “the TPM programme has brought considerable changes to our factories, such as a cleaner factory environment. In addition, the most important thing is to create a new mindset in the workers. They now feel more closely bound to their factory because they now believe they have more of a stake in the success of the company.”

*Source: UNCTAD, Business linkage Programme.*

*Note: \* EMPRETEC is UNCTAD’s integrated capacity-building programme that helps promising entrepreneurs build innovative and internationally competitive SMEs. There are 27 EMPRETEC Centres in operation.*

### **6.5.3. Information Sharing**

For each firm, the importance of the timely acquisition of accurate and reliable information rises with accelerating innovation, rapid market changes and an intensifying competition. UVN acknowledges that a continuous flow of information from UVN is necessary for local suppliers and processors in their production coordination, investment planning, transaction costs reduction and delivery optimisation. Thus, the sharing of information with its local partners is a common feature of ongoing UVN-led linkage programmes. The Company considers it as an essential element in the matching of suppliers’ capacities with UVN’s requirements.

For example, frequent exchanges of information on business plans and future requirements have proved to be particularly significant to UVN’s partners as these help them to make decisions on capital investment and their own business plans to meet the needs of UVN. This form of information sharing can be done through field visits by UVN’s representatives to their local suppliers to inform them about new market developments or future product development strategies.

#### ***6.5.4. Facilitation of Access to Capital***

Financial shortfalls can be a major constraint hindering the development of the productive capacities of local firms. Thereby, forming a working relationship with UVN has enabled many firms to gain access to funds through the formation of contractual commitments, which could then be used as guarantees for bank loans. In this regard, 17 percent of the surveyed firms also acknowledged UVN's financial assistance to help local firms' cash flow through advanced purchases and payments, prompt settlement and provision of foreign exchange, improving suppliers' liquidity situation. UVN's suppliers financing programme is indeed unique for Vietnam. The above measures are particularly useful for firms in financial difficulty. They could also be helpful in addressing exchange rate fluctuations that might affect the suppliers, especially if they are importing inputs to meet UVN's requirements.

### **6.6. Major Impacts of Unilever Vietnam on Suppliers/Processors**

The above makes it clear that through partnerships with UVN, local partners receive a variety of benefits. Highlights of the impacts that UVN makes on those partners are outlined below.

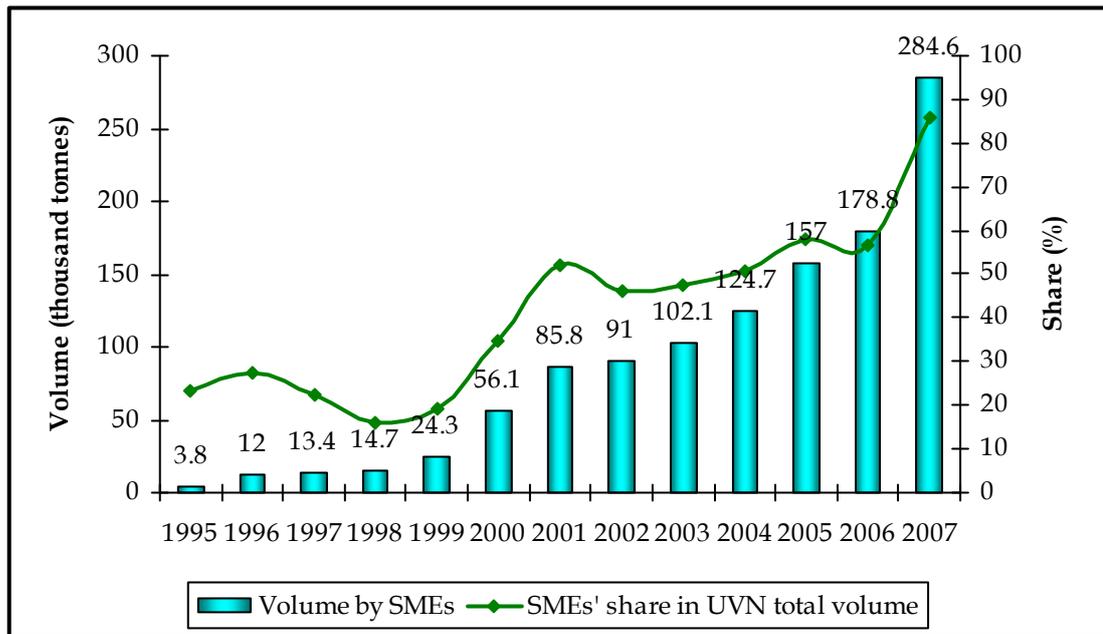
#### ***6.6.1. Business Opportunities for Local Suppliers, Especially SMEs***

By cooperating with UVN, Vietnamese partners have benefited from new business opportunities. UVN has signed processing contracts with eight domestic companies, which are affiliates of VINACHEM. Figure 15 demonstrates that outputs outsourced to the SMEs have significantly increased from just 3,800 tonnes in 1995 to 284,600 tonnes in 2007, an average increase of 43.4 percent a year. As the volume produced by the SMEs grew even more rapidly than that at UVN's own factories, the SMEs' share increased from just 23.2 percent to 86 percent during the same period. The SMEs now produce OMO and VISO washing powder, Lifebuoy soap, Sunlight washing up liquid, Comfort softener, Yellow Label tea and other Unilever brands.

The linkage between UVN and its domestic suppliers is particularly strong given that 60 percent of UVN's total volume of raw materials is

sourced locally, and this figure is rising. All packaging materials are sourced and produced locally. UVN has also been trying to facilitate the establishment of local businesses to produce its inputs, which create value added income and also benefit UVN in terms of lower production costs, independence from imported inputs and greater flexibility.

**Figure 15: Production Volume Manufactured by Third Party SMEs during the Period 1995-2007**



Source: UVN data.

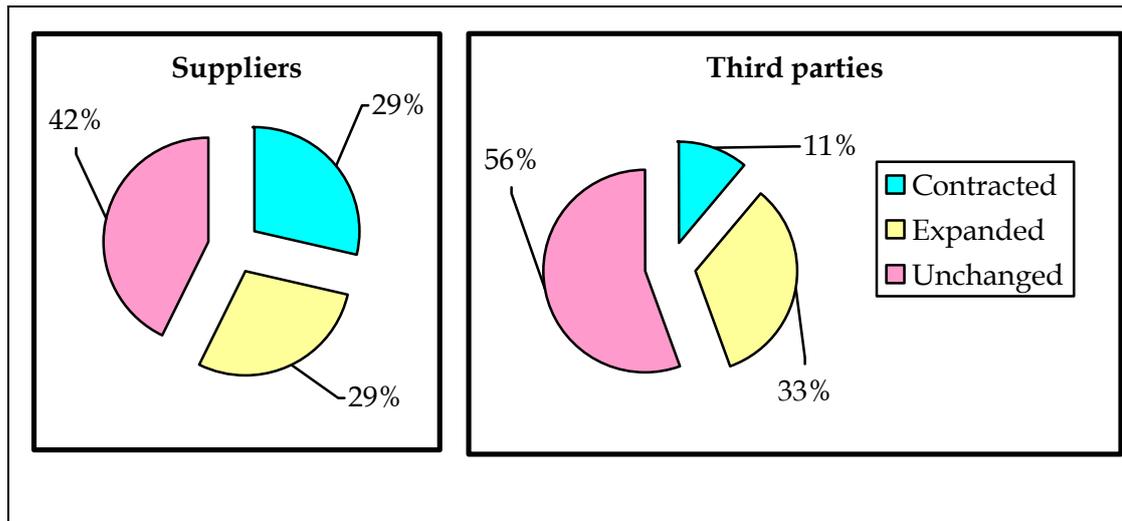
The growing value of the partnerships with UVN was also acknowledged by the partners during the survey and interviews with the team (see Figure 16). 29 percent of the surveyed suppliers and 33 percent of the third party SMEs felt that the share of revenue from their partnerships with UVN had increased. Less than 10 percent of the SMEs feel that the share had decreased.

### 6.6.2. Economic Impacts

Working together on long-term partnerships, SMEs can progress alongside UVN as it develops, and also benefit from UVN's success. SMEs in partnership enjoy higher remuneration when compared with others. The cooperation between UVN and its domestic partners creates jobs, assets, profits and tax revenues. One of the major benefits for UVN's suppliers and processors is a relatively predictable and stable market with a guaranteed

outlet for production, high volume sales and reliability of payment. Overall, working with UVN has helped its local partners to raise their productivity through generating net additional output and taking advantage of their spare capacity. The total gross revenue bought by UVN from its local suppliers and third parties is estimated at some USD 34 million per annum.

**Figure 16: Share of Revenue Accruing from UVN to its Partners during the Past 3-4 Years (% of respondents)**



*Source: Survey and interviews conducted by the Research Team in 2007.*

### 6.6.3. Social Impacts

UVN has helped create 5,500 additional jobs in its partners businesses. Indeed, several partners derive the majority of their income from their work for UVN. For instance, all 100 percent of the employees of the LSPACK Limited Liability Company and the Quoc Duong Limited Liability Company work on UVN contracts; while an estimated 65 percent of BICICO Joint-Stock Company employees and 60 percent of TICO Joint-Stock Company employees are producing products for UVN.

Surveyed firms indicated that they meet or exceed state regulations governing wages and benefits in Vietnam, but the payment and employment conditions for their workers vary between companies and are significantly lower than the conditions for UVN's direct workforce. Monthly incomes for a labourer range from VND 1 million to VND 3 million, the average being in a range of VND 2-2.5 million VND, which corresponds to 30-40 percent of the monthly income for an average staff member of UVN's direct workforce. However, a majority of the surveyed firms reported that their average income

level is 15-25 percent higher than the average income level of people working for other local firms.

In addition to higher incomes compared with other local companies, employees of UVN's suppliers and processors enjoy additional benefits. For example, they can receive an extra month of salary annually; they can be considered for loans for buying houses at zero or preferential interest rates; or they can use bus transportation free of charge. Through negotiations and frequent information exchanges, UVN has encouraged its domestic partners to exercise and maintain ethical standards and implement other social welfare policies, over and above legal minimums.

Safety and working conditions in all of its partners' production facilities are better than in its non-UVN partnering counterparts. Furthermore, workers in all of UVN's suppliers and processors are provided with adequate protective clothing such as gloves, footwear and comforter and necessities tailor made to specific working environment.

As discussed above, UVN encourages and provides assistance to its local partners to respect environmental standards and introduce environmental policies and programmes in their factories. This results in a positive environmental impact for Vietnam.

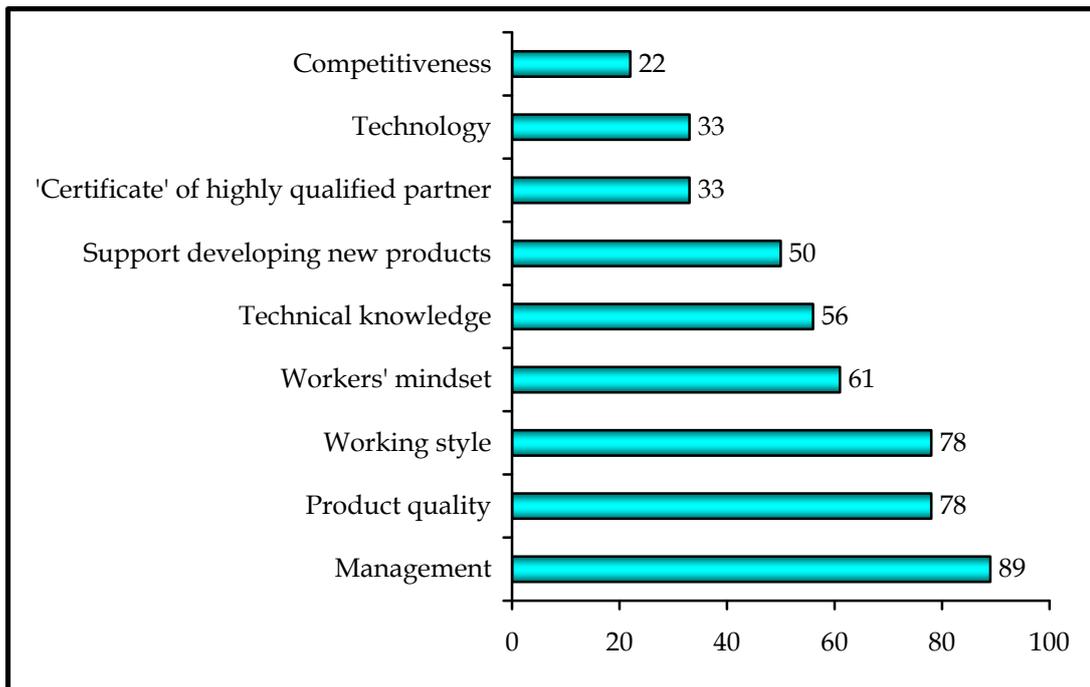
#### ***6.6.4. Trickle-down, Catalyst and Demonstration Effects***

Long lasting and sustainable impacts, trickle-down and catalyst effects from UVN's partnerships are extremely important. Supplier linkages with UVN create channels through which technology transfer, training, sharing of business information, financial support and market opportunities can be passed on to UVN's suppliers and processors in a sustainable manner. This establishes a substantial mutual interest between UVN and its domestic firms to create and deepen backward linkages. Figure 17 highlights some of the major benefits derived from the partnerships with UVN, such as management skills (89 percent of surveyed firms), working style and product quality improvement (78 percent), workers' mindset (61 percent), and technical knowledge (56 percent).

Those firms surveyed have provided an array of convincing evidence that UVN has actually improved the capabilities of its partners in various ways. For instance, frequent and close communication between UVN and its partners has provided ample scope for joint problem solving, plus exchanges

of opinions and technical information. Through such partnerships, technical assistance has been made available in a number of ways such as marketing information, promotions and rewards for productivity improvements. Furthermore, in numerous cases the partnerships between UVN and its partners have led to partner companies applying UVN-style managerial skills and know-how, especially in terms of personnel management and work organisation.

**Figure 17: Experience and Benefits Gained from the Partnerships with Unilever Vietnam (% of respondents)**



*Source: Survey and interviews conducted by the Research Team in 2007.*

Knowledge trickle-down as a result of working in partnership with UVN is often expected from demonstration effects (also called contagion/imitation effects). These effects are produced through direct contact between local suppliers and processors and UVN. After observing the technical initiatives or modern forms of organisation adapted to local conditions, a number of local firms have considered the feasibility of applying these, then imitated these advancements, some actually getting encouraging results from a 'learning through observation' process.

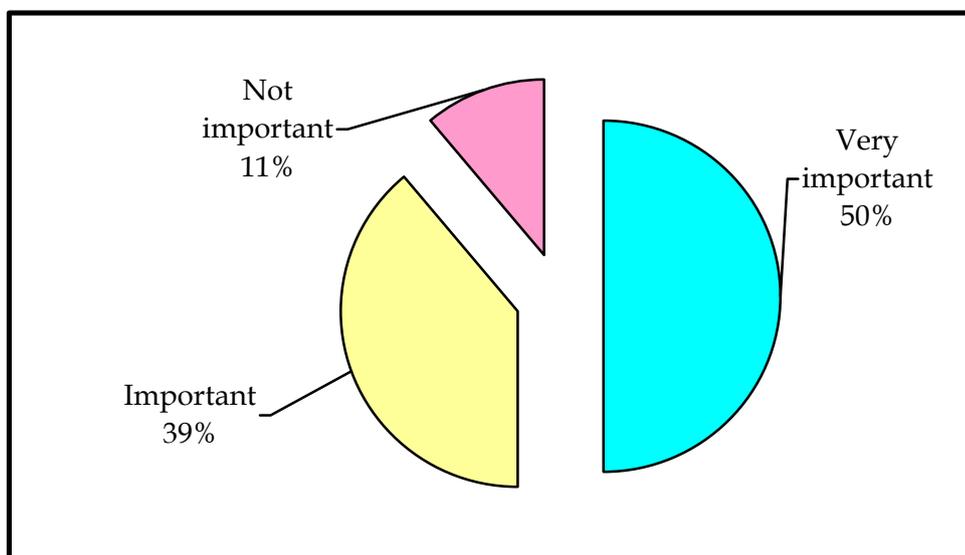
UVN's suppliers and processors have also acquired technical knowledge with regard to methods for quality measurement, monitoring and supervision. Quality control and assurance has significantly improved

workers' discipline and raised the awareness of product QA in all of UVN's local partners, as well as creating demonstration models of good practice for suppliers and processors to consider for practical application in the development of their own products and the production of quality products.

Third parties have learnt from UVN how to be more efficient, and that should benefit their companies. Cooperation with UVN has made these local firms become much more competitive, not only in their local markets but also in foreign markets, helping them to be able to export to markets which they might never have thought possible before. Some domestic firms have deeply acknowledged that their competitiveness has been significantly improved as a result of demonstration effects.

In assessing the overall assistance provided by UVN and the skills and experiences obtained in partnership with UVN, 50 percent of the respondents believed that the partnership with UVN and its assistance was very important for them in upgrading their skills and accumulating further experiences to improve their performance. Only 11 percent thought that it was not important, one of which was a foreign-owned enterprise.

**Figure 18: Importance of Partnership with Unilever Vietnam (% of respondents)**



*Source: Survey and interviews conducted by the Research Team in 2007.*

Through encouraging the partners to implement CSR, UVN indirectly helps to enhance the behaviour of its partners, creating competition amongst

them to behave more ethically. As a pioneer of the BLC, UVN will encourage more MNCs to participate in other sectors of the market as well.

To get an overall perspective of how UVN influences the economic, social and environmental dimensions of its domestic partners, two case studies, one representing UVN's processors and the other representing suppliers, are illustrated in Box 7 and Box 8.

**Box 7: Case Study 1. Economic, Employment and Environmental Impacts on Processors, the Case of LIX Detergent Joint Stock Company**

LIX Detergent Joint Stock Company (LIXCO) was established in 1992 and is currently a joint stock company (51 percent of state capital) under VINACHEM. LIXCO engages in the production and trade of such chemical products as detergent power, detergent liquid, dishwashing liquid, floor cleaner, fabric softener and toilet liquid. Since 2000, the Company has cooperated with UVN as a processor of detergent powder for UVN.

Working as a processor of detergent power for UVN generates approximately 10 percent of total revenues, which were VND 413 billion in 2006. LIXCO leaders acknowledge that they have benefited much from working in partnership with UVN. UVN's technical and managerial advice since 2000, plus systematic support through such technical assistance programmes as Win-Win and TPM, which were introduced in 2004, have greatly improved LIXCO's capability in both production and management for efficiency optimisation. Learning from UVN has enabled LIXCO to develop their own products with strong brands that are domestically competitive, and LIXCO is one of only a few companies within VINACHEM that are capable of exporting chemical products to such hard-to-please markets as Japan, Singapore, Australia and Korea, with an export turnover of VND 5 million a year. In this regard, the cooperation with UVN has facilitated LIXCO in promoting exports as well as helping LIXCO to improve its competitiveness in the domestic market, thanks to UVN's stringent quality requirements, imposed on LIXCO during processing work.

The monthly incomes of an average labourer are about VND 2.5 million. In addition to obeying state regulations on social welfare policies, the Company also provides its labourers with in-kind benefits such as night-shift free meals and bus transportation. Employees can be considered for support in their applications for bank loans through the Company's warranty.

Furthermore, it has acknowledged that UVN has paid great attention to ensure work safety. This is illustrated by the fact that safety reports are made on a monthly basis; at the same time subsequent discussions are made with UVN's safety personnel on problems arising and recommended actions. In terms of environmental protection, linkages with UVN have also influenced the Company, to a considerable extent, in installing an exhaust fume treatment system, the treatment and reuse of industrial waste water, and meeting the international environmental standards of ISO 14001.

*Source: Interview with LIXCO in 2007.*

**Box 8: Case Study 2. Economic, Employment and Environmental Impacts on Packaging Suppliers, the Case of Duy Tan Plastic Limited Liability Company**

Duy Tan Plastic company is one of the leading plastic companies in Vietnam, specialising in the production of plastic products. Founded in 1987, currently Duy Tan has 1,450 employees, generating total revenue of VND 500 billion in 2006. In 1997, the Company started working for UVN as a plastic packaging supplier for HPC products. The Win-Win programme has been conducted annually for a period of time, covering many things from management, to supplying and services to help deepen both sides' understanding. This programme has been audited on a quarterly basis. UVN has been the most important partner of the company, contributing 30 percent of total sales and a similar share to the state budget. For three recent consecutive years, Duy Tan has been awarded medals for its outstanding contributions to the state budget.

Although the basic salary level of an average worker is not high - around VND 1 million a month, Duy Tan's employees enjoy a lot of other in-cash and in-kind benefits beyond state regulations on social welfare benefits. For example, in addition to a bonus on national holidays, and at Tet, workers have been rewarded with an extra month of salary; they can be considered for gaining access to interest-free funds from the Company's budget to buy a house or some other necessity. Indirectly UVN has influenced the Company's employment and management practices through a variety of useful training courses such as the Win-Win programme and TPM programme, where UVN has taken opportunities to survey employment and working conditions, as well as to assess the technical skills of workers and encourage the Company to follow UVN's Code of Business Conduct as well as to provide further recommended actions.

In addition to these programmes, the active participation of the Company in the UVN-led SHE program has enabled the Company to ensure environmental quality in noise reduction and dust elimination. UVN also supports the Company in its desire to organise demand-driven technical and managerial training courses both at the factories and at UVN's office. Training courses should take in various forms such as the invitation of technicians/experts and the provision of other logistic support.

*Source: Interview with Duy Tan Plastic Company in 2007.*

**6.6.5. Impact of Unilever Vietnam's Bargaining Power**

Of those partners surveyed, 60 percent reported that UVN was their largest and most valued client. However, some suppliers and processors expressed concern that sometimes they felt they suffered undue pressure to reduce prices during price negotiations with UVN, possibly because of their perceived 'inferior' bargaining power, forcing them to inflict lower prices back down through their own supply chain, negatively affecting other raw material providers who had the least bargaining power in the value chain.

From UVN's own perspective, the Company felt that VINACHEM had been working actively on behalf of its third party enterprises with UVN, and that both sides had relatively equal bargaining power. UVN has clear demands and usually uses the tender process to satisfy those, providing reasonable competitive margins along the value chain. Indeed, 53 percent of the surveyed partners reported that they worked on a tender basis. This approach helps UVN to find the best suppliers who are able to produce at the lowest cost. UVN also noted that there was some room to negotiate upward adjustments on margins, particularly when prices of related inputs went up. The survey and interviews conducted by the Research Team supports this statement, revealing that 47 percent of the surveyed suppliers and 90 percent of the surveyed third parties responded that UVN agreed to adjust prices when input prices changed.

#### **6.7. Benefits Perceived by Unilever Vietnam in Cooperation with its Local Partners<sup>14</sup>**

As mentioned above, the partnership with local partners offers a win-win situation, whereby UVN also benefits. The benefits include: increased flexibility and specialisation, lower asset base, lower costs, better use of resources through enhancing access to local tangible and intangible assets, improved adaptation of technologies and products to local environments, SHE improvements in business and community, productivity and capacity increases, quality improvement, confidentiality, transparency of operations, improved business ethics, compliance with contracts.

#### **6.8. Challenges Facing Unilever Vietnam's Suppliers/Processors**

Despite substantial efforts by both UVN and its supplier and processor partners, the local partners still face many challenges when attempting to meet corporate requirements and international quality standards; including lack of experience and difficulties in providing and maintaining the necessary human and financial resources required for continued working with UVN. Furthermore, as global competition increases, UVN places higher demands

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<sup>14</sup> Source: UVN (2006).

on its partners; thus, SME partners must comply with international standards concerning product quality, price, and terms of delivery.

The BLC, operated through the joint efforts of UVN, MPI, UNCTAD and RMIT, is one way to overcome the above challenges, but it is insufficient. Each local partner has to try its best to build its capacity, increase competitiveness and meet various requirements and standards. They cannot rely solely on UVN's assistance and support, but they should utilise them to the most possible extent to mature and win in the market. Several of them, e.g. LIXCO, have already proved successful in this regard, and offer a good model for others to follow.

## 7. THE DISTRIBUTION CHAIN

### 7.1. Evolution of Unilever Vietnam's Distribution Network

UVN's distribution network has rapidly developed during its 14 years of operation in Vietnam, becoming one of the leading FMCG companies in the Country. Since its first day of establishment, UVN's distribution network has grown more than four-fold, reaching a number of more than 200 principal distributors by 2008. The total number of retailers in 2008 reached over 400,000 outlets nation-wide compared to the 30,496 outlets they had in 1995, also exhibiting a pattern of growth of more than 13 times. On average, 39 outlets that sold UVN products were established in each rural or urban commune in Vietnam by 2008.

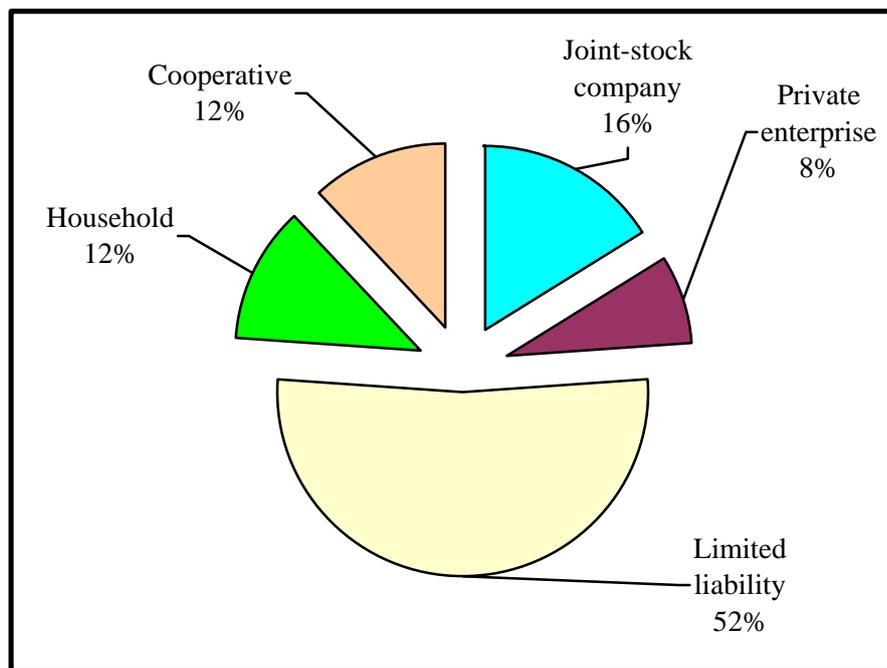
UVN distributes its products using two types of trade channels: general trade and modern trade. General trade is referred to as retail channels comprised of distributors (small enterprises), sub-distributors (big shops, medium and small supermarkets) and small retail shops. Modern trade includes wholesale and big supermarkets such as Metro, Big C, and Saigon Coop Mart. UVN's products are delivered by distribution companies to sub-distributors or supermarkets (i.e. retailers) and then to the end-users throughout the Country. Regardless of the transportation costs, consumers around the Country pay the same price which is printed on the product label.

During interviews and survey (referred to as survey below) carried out by the Research Team, eight distributors were involved in in-depth interviews and another 17 distributors were sent questionnaires in order to obtain additional general information regarding the components that make up UVN's distribution network.

The distributors were found to come in the form of SOEs, joint-stock companies where the State typically holds 51 percent of the share of the capital, and the remainder made up of privately invested (limited liability) companies. The summary of UVN's distributors is shown in Figure 19. As the sample of distributors was randomly selected, it suggests that limited liability companies dominate the distribution network of UVN, making up 52 percent of those surveyed. In addition, the interview revealed that they were also relatively more efficient than the other types of companies.

A special feature of UVN's distribution network is the inclusion of households and cooperatives (each accounting for 12 percent of distributors surveyed), which are often small scale operations. This shows another characteristic of global Unilever and its subsidiaries in pioneering income generation and services from 'the bottom of the pyramid'.

**Figure 19: Summary of UVN's Distributors (% of respondents)**



*Source: Survey conducted by the Research Team in 2007.*

## 7.2. Requirements to Be Qualified as a Distributor for Unilever Vietnam

To qualify as a distributor for Unilever Vietnam, UVN does not set out any specific requirements. However, there are some "implicit conditions" that need to be met in order to prove suitable business capacity. These are:

- Minimum capital requirement: Distributors should have enough capital for their demanded products. However, instead of setting out the minimum capital requirement, UVN asks for a deposit based on the quantity of products a distributor receives from UVN. Normally, deposit amounts range from VND 200 million to VND 1 billion depending on the size and scale of each distributor.
- Warehouse: The area of the warehouse is also contingent on the amount of sales or volume of products the distributors are capable of handling. Normally, a warehouse is at least 100 square meters per VND 1 billion

worth of products. All the distributors surveyed have a suitable warehouse with proper product arrangement and shelving to store their products appropriately before delivering them to their customers.

- Workers: Depending on the different positions in the company, the distributor has various types of workers, from dock labourers who require few skills, to accountants, salesmen/women and chief supervisors with considerable experience and qualifications.
- Experience of the distributor: When choosing a distributor, UVN prefers distributors with experience in distributing FMCGs for other similar companies, his/her seniority in the field and the mindset of the managers of the distributor.
- Other conditions: These include having good employment policies and providing employees with a suitable environment and working equipment such as computers, software, helmets, uniforms, etc.

The interviews with the distributors suggest that the conditions required by UVN appear to be slightly less rigid than those imposed by other FMCG companies. Of all distributors surveyed, some companies have had relationships with UVN since its establishment in Vietnam, most of them formed during the period of 1998-2001. However, some companies were so discreet at the beginning that they considered to become UVN's agents, not distributors. As their trust and transparency grew over time, strengthening the partnership, they eventually become distributors.

Each distributor is assigned to serve a specific geographic location which is specified in an annually signed agreement. It is agreed in the contract that no distributor can transgress the bounds of geographic locations of other distributors. This requirement creates favourable conditions for every distributor to serve their customers better within a specific location without competing with other distributors.

Currently, UVN products cover a large range from deodorants, skin care and feminine products, personal wash, fabric wash and softeners, dish wash, household cleaner to beverages and food. It is UVN's recommendation that distributors must sell all types of UVN's products and cannot select particular groups of products for sales. UVN requires its distributors not to sell products of other competitors similar to products of UVN. Therefore, of

all distributors surveyed, no UVN distributor sells similar products to those of UVN competitors.<sup>15</sup> All distributors surveyed have complied with this recommendation, acknowledging that it is not only a matter of compliance, but also as an understanding of their potential to profit.

### **7.3. Labour Policy and Working Conditions**

The number of employees hired by distributors may vary, depending on the type of distributor. SMEs often have less than 100 labourers (one typically has from 60 to 80 employees), while some of the larger supermarkets employ hundreds, or even nearly one thousand employees. Some limited liability companies surveyed use family members as labourers, especially in management positions because of the trust and honesty that comes with the relationship.

Unlike suppliers and third party enterprises, distributors require frequent workers rather than casual labourers. Most labourers are full-time and have long-term working contracts of more than one year with their employers. However, in a few cases, assistants to store managers or transporters are part-time or have short-term working contracts of less than one year. A majority of employees are unskilled or semi-skilled, thus distribution for UVN generates stable jobs and income for them.

For long-term contracts, employers are required to conform to working regulations and provide social benefits for their employees as regulated by Vietnamese law. Employees working under a formal contract are qualified to receive all social benefits such as social insurance, health insurance, sickness allowance, periodical health examinations, sick leave, maternity leave and annual leave as governed by law (Figure 20). It should be noted that UVN also requires its distributors to comply with all related laws and regulations with regards to their employees. For short-term workers, it is not compulsory by law that they be entitled to have the same social benefits provided to long-term employees. However, as a form of compensating and encouraging their employees, some distributors pay higher wages for this type of labour.

The average monthly wage of an employee in UVN's distribution network ranges from VND 1.3 million to VND 4 million or even higher,

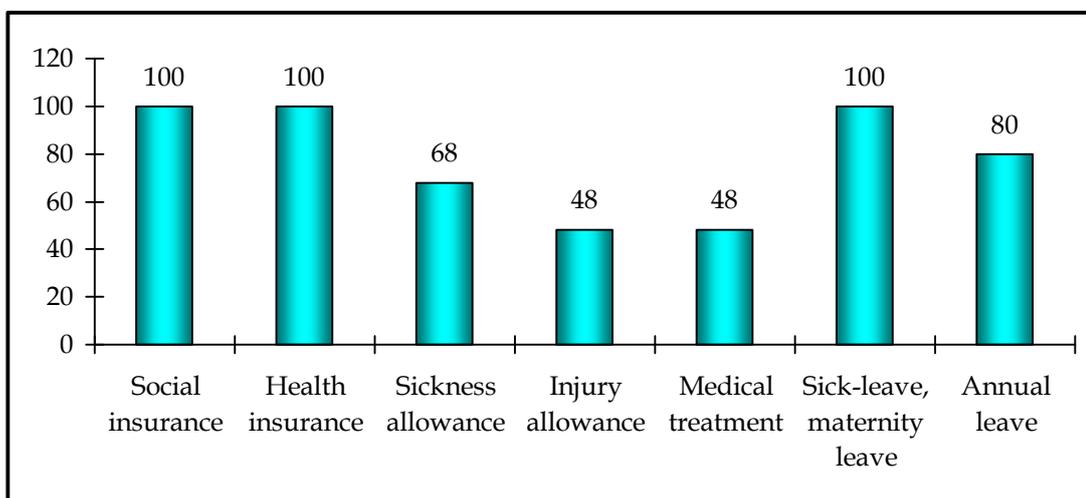
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<sup>15</sup> In fact, they can be distributors for other companies by creating another enterprise for other distribution.

although most of the surveyed distributors pay their workers an average wage of around VND 2 million per month. The wage level corresponds to the position employees hold and the location where they work. For example, the wage of a salesman/woman in UVN's distribution network in the North and the South is often higher than in Central Vietnam, because of the higher living standards, higher competition and higher wage levels of those areas. The salary of a salesman/woman is often higher than that paid to an accountant or warehouse-keeper, because of the level of difficulty in their job. Compared with the national average wage level in 2007 (VND 2.2 million per month), the wage level paid by most UVN distributors is quite compatible.

**Figure 20: Social Welfare of UVN's Distribution Network**

(% of respondents)



*Source: Survey conducted by the Research Team in 2007.*

Besides a monthly salary, employees may also receive additional income under various forms of: compensation for petroleum<sup>16</sup> for salesmen/women; telephone bills; overtime work (usually paid double the normal rate during regular working hours); bonus salary of an extra month in one year; loyalty bonus for people who have worked longer periods of time with the business; or bonuses for those who bring in higher sales. In addition to that, in-kind compensation such as working lunches, uniforms, working facilities (such as motorbikes and computers), and sometimes loans (for

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<sup>16</sup> Workers in Vietnam often go to work by a motobike and receive some financial support from their employer for transportation to and from work.

buying houses and vehicles) are provided to employees. One distributor in Central Vietnam has an initiative of operating a canteen, where lunch and drinks are provided for their employees during working hours.

### **Box 9: Case Study 3. Incentives for Employees of Distributors**

Many improvements have been made by distributors while cooperating with UVN in their distribution network. To keep qualified and dedicated employees in the face of competition, distribution companies have had to develop incentive mechanisms for their staff.

Ms. Mach Kim Y, Director of Vinh Tuong Hung Ltd., revealed during an interview that keeping devoted and dedicated staff, especially salesmen/women, has been an emerging issue. Through their partnership with UVN, Vinh Tuong Hung has gained beneficial experience in the management of its human resources and, more importantly, building an incentive mechanism for their employees in order to encourage them stay longer and remain dedicated to the operation of the company.

One of the special features that Vinh Tuong Hung has at the moment is its creativeness in retaining staff. In addition to monthly salary, annual bonus, and petroleum allowance for its staff, Vinh Tuong Hung has additional unique incentives for its employees:

- ✓ All employees that have worked for the company for more than one year participate in a scheme where they are paid an additional salary of one day per one working year from the second year;
- ✓ A small gift and party will be given to the employee on his/her birthday;
- ✓ Incentives are also given to employees who comply with the company's regulations, such as punctuality;
- ✓ Special incentives are given to salesmen/women. The company sets a target (or planned figures) of revenue and certain product volume for every salesman/woman for one month. If their performance exceeds that target, they will receive a reward equivalent to a certain proportion of sales set by the company;
- ✓ The company has a policy to support its employees in the purchase of motorbikes. Instead of lending money to its employees to buy motorbikes, Vinh Tuong Hung buys a motorbike for staff who cannot afford one. The employee who receives a motorbike from the company will repay it, which is normally proportional to one month's salary, during a certain period of time (one to two years). It is worth noting here that there is no interest on the amount that an employee "borrows" from the company.

These incentives, in fact, create favourable conditions for employees, encouraging them to stay longer and devote themselves to the development of the company. The Director of Vinh Tuong Hung ended the interview by concluding, "I can not do anything without the dedication of the staff. They have contributed a lot to the development of the company".

*Source: Interview with Vinh Tuong Hung Ltd.*

These kinds of hygienic and caring initiatives create the confidence employees need to keep their minds on their work. These initiatives are also considered to be one of primary factors when attracting effectual and dedicated employees in the condition of high competition amongst distributors. However, none of the distributors provide support for accommodations or picking-up buses to their employees.

Each UVN product brand provides uniforms (clothes, hats, helmets for salesmen/women) to all employees of its distributors. To encourage their workers, distributors also provide their own uniforms, especially to store keepers, janitors and clerical workers.

#### **7.4. Training Activities**

Distributors are one of the counterparts that receive an ample amount of training. UVN distributors receive more training and support in comparison to distributors of other FMCG companies. Training activities for distributors include:

- Improving management skills for directors of distribution companies, including human resource management, strategic management, governance and consulting for specific situations or difficulties;
- Providing computerised systems and software for distributors to improve management skills and information management;
- Training in stock and inventory management skills and its corresponding software;
- Enhancing projection abilities for more efficient ordering of products;
- Improving the sales skills of salesmen/women and beauty ambassadors;
- Training for accountants;
- Training for sales team leaders; and
- Creating and enhancing leadership skills.

These training activities are highly appreciated by distributors because they promote the development of the company and the distribution network. UVN provides its distributors with several managerial software packages for storekeepers, salesmen/women (SOLOMON), accountants and managers. To

support in the mastery of these software, UVN provides technical training activities to its distributors. A majority of distributors acknowledge that the performance of the company is more professional and systematic, and more importantly, the time taken for cross-checking is significantly reduced after using the software.

**Box 10: Capacity Building through SOLOMON Software**

Within the framework of the project, “Distribution Management System”, UVN has supported their distributors with the installation and use of SOLOMON software, which assists in capacity building with a particular focus on management. SOLOMON is highly appreciated amongst distributors because it can provide support in the management of (i) ordering products; (ii) sales management; (iii) stock management; and (iv) most importantly, human resource management.

Instead of being required to submit periodically written reports or prepare monthly orders to UVN whenever products are sold, the updated amount of the next product order will be automatically reported to UVN by this software. This helps reduce the number of reports that need to be prepared by distributors every month.

During the interview, directors of distributorships revealed that another advantage of using SOLOMON software was supervising employees, especially salesmen/women. As salesmen/women spend most of their time at sub-distributor or retailer sites, it is difficult to supervise them directly. With the support of SOLOMON, directors and managers can sit at their desks and manage the sales of products, preventing salesmen/women from cheating and reducing the effort it takes to supervise them, which then reduces the cost for supervision.

*Source: Survey conducted by the Research Team in 2007.*

**7.5. Commission, Revenue and Benefit for Distributors**

The surveyed distributors receive 4.7-6.1 percent commission for distributing UVN’s products. The little difference in the commission may depend on the region where distributors are operating. Our interviews suggest that distributors in the Central provinces seem to have a slightly higher commission than distributors in the North and South.

UVN provides another form of commission to distributors in the form of bonuses for early payment. Any distributor within UVN’s network will receive 0.9 percent of the contract value if he/she makes a full payment earlier than the agreed time specified in the contract. For some distributors, this is a considerable amount to put forth since it could also be used as a

means of employee motivation, such as social benefits, extra rewards, or in the purchase equipment for their employees.

In some special cases, UVN has provided specific support for extra commission to selected distributors, normally in the area of 0.5 percent. However, it has been found through interviews with UVN's staff and its distributors that in order to create an equal playing field for all distributors UVN halt its application. It has not been used recently.

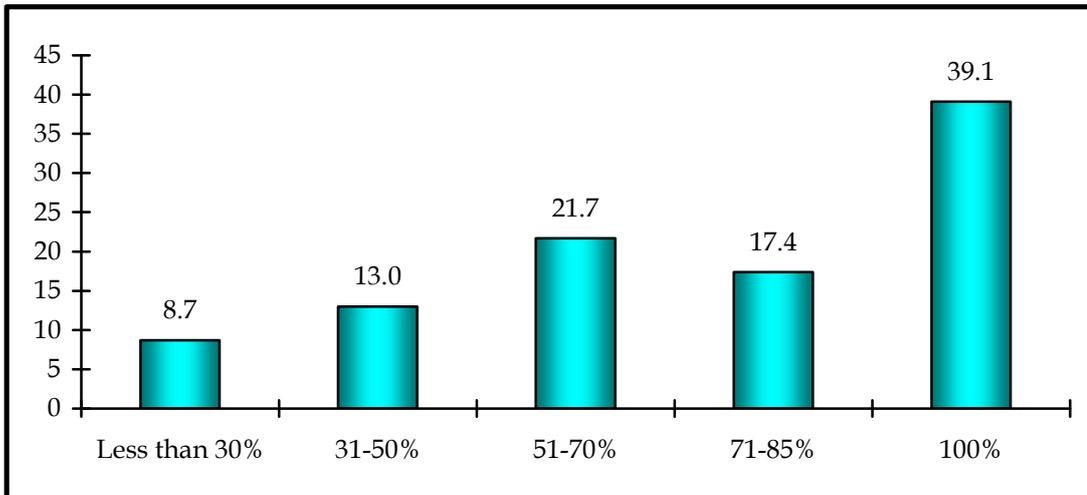
UVN's distribution companies discount 1 percent of their commission for sub-distributors and retailers. Some distribution companies revealed in their interviews that in some circumstances they gave a discount of more than 1 percent to sub-distributors and retailers to maintain a healthy relationship with them. However, as they increase the discount rate to sub-distributors and retailers, their profit, in turn, will be affected.

The commission that UVN's distributors receive is comparable to other FMCG companies. Of all those interviewed, 24 percent think that the commission is higher than its competitors, 44 percent reflect that it is the same, and 32 percent feel that it is a little bit lower. However, besides commission, UVN generally does not provide any benefits or rewards to distributors such as a study tours and out-of-commission benefits, with the exception of annual customer conferences or annual meetings for distributors to share experience.

UVN generates a significant proportion of distributors' revenues. Up to 39 percent of distributors derive their entire revenue from UVN products. Another 39 percent of them earn more than half of their revenue from distributing the products (Figure 21).

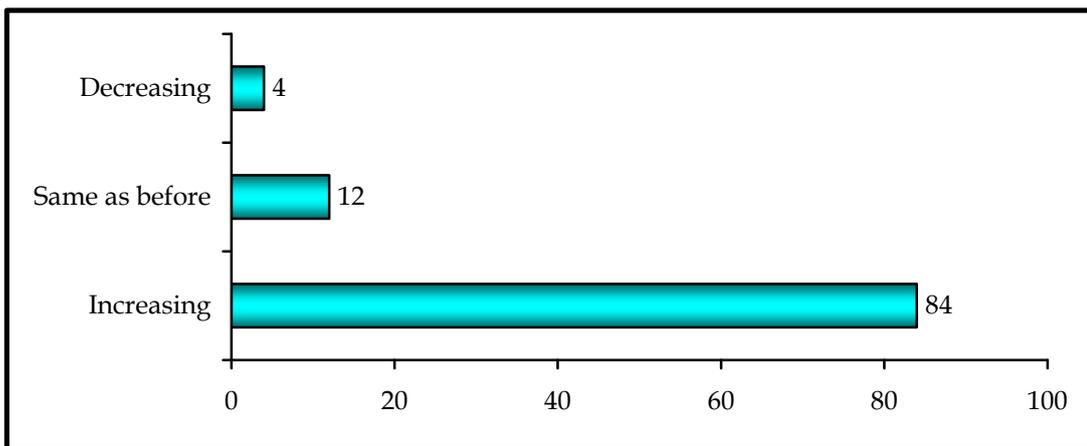
The average monthly revenue of distributors differs from region to region. The average monthly revenue of distributors in the North and the South ranges from VND 4 billion to VND 20 billion. This level is higher than that of distributors in Central Vietnam, which is about VND 2-3 billion. This is primarily because purchasing power in big cities (most of which are located in the North and the South) such as Ha Noi and HCM City is larger than provinces in Central Vietnam. Nevertheless, data from the survey shows that over time, most of the distributors in UVN's network (84 percent of interviewees) have enjoyed increasing revenue (see Figure 22).

**Figure 21: Share of UVN Products in Total Revenue of Distributor**  
(% respondents)



*Source: Survey conducted by the Research Team in 2007.*

**Figure 22: Revenue Trend of UVN's Distributors (% of respondents)**



*Source: Survey conducted by the Research Team in 2007.*

## 7.6. Stock and Supply

All distributors surveyed maintained that the products received from UVN were what they requested, and were provided on schedule. On a weekly and monthly basis, distributors prepare orders and send them to UVN through a computerised system, which is called “automatic” orders. However, some distributors complained that they received products that had not been ordered through UVN’s “allocation” mechanism without prior notice. This creates an excess of stock in the distributor’s warehouse and

sometimes causes difficulties in cash flow management for distributors if they cannot sell or return the products to UVN.

Taking this problem into account, UVN has a policy of returning the products. However, UVN has not experienced this problem very often since its establishment. For sub-standard products returned by the customer, UVN will replace them or return the money to the customer. For products that were damaged during transportation and storage, UVN has a mechanism in place to compensate its distributors. Regarding damaged products, UVN has an agreement with its transport agencies. If there is any problem during transportation, UVN's transport agencies will take full responsibility and compensate for any damages.

### **7.7. Pricing and Promotion**

All distributors in UVN's network participate in promotion schemes which usually occur on a weekly basis, depending on the performance and specific strategy of each product brand within UVN. Distributors revealed that their sales revenue increased significantly during promotional campaigns, and 88 percent of distributors surveyed believe that these promotional campaigns are very useful, speeding up sales and creating competitive advantages as compared to other companies in the sector.

UVN does not have specific regulations on price setting by its distributors, except that they respect the retail price that is printed on the product label. In reality, the wholesale price is lower than the retail price, but this is not printed on the product label. When referring to the issue of how UVN supervises the distributors' price charged to sub-distributors and customers, all distributors surveyed share the same answer of "no supervision". This reflects a flexible mechanism that UVN has created for its distributors so that any distributor who wants to attract a larger number of wholesalers or retailers can do so by lowering the price. However, none of the distributors have lowered the price because this would directly affect their profits.

Most of UVN's distributors complained about the unfair distribution mechanism between modern trade and general trade. In the emerging period of modern trade, UVN had several favourable policies for its distributors, especially in terms of its promotion mechanism, but this led to small retailers and even sub-distributors being able to purchase products from

supermarkets such as METRO instead of their direct distributors. This situation results in the declining revenue of general trade distributors.

### **7.8. Advantages of Working in Unilever Vietnam's Network**

The first advantage that received 58 percent agreement from the surveyed distributors is that they become more professional as a participant in UVN's distribution network. They benefit from professional ways of working, well-organised scientific systems and effective policies. Their professionalism is reflected through accumulated skills, increased revenue, created jobs, gained experience, and improved competitiveness. One distributor revealed that "after establishing a distribution relationship with UVN, I will not be afraid of being unemployed, because I have already achieved 'UVN's certification'. It means that, even if I am discharged from UVN's network, other companies will find me and establish relations with me." This is really an invisible asset that UVN, its employees and associates gain after 14 years of operating in the Vietnamese market.

Another advantage that 38 percent of the surveyed distributors reached consensus on is the financial guarantee and trust provided by the Company. UVN plays an important role in bridging its distribution network with banks, depending on the region and relationships with different banks, whenever they wish to borrow for their working capital. The size of the loan is proportional to the activity level that the distributors have with UVN. Distributors within the UVN network can receive a loan from banks that have a partnership with UVN without collateral because of UVN's guarantee. This means of attaining a loan has been evaluated by distributors as very important support.

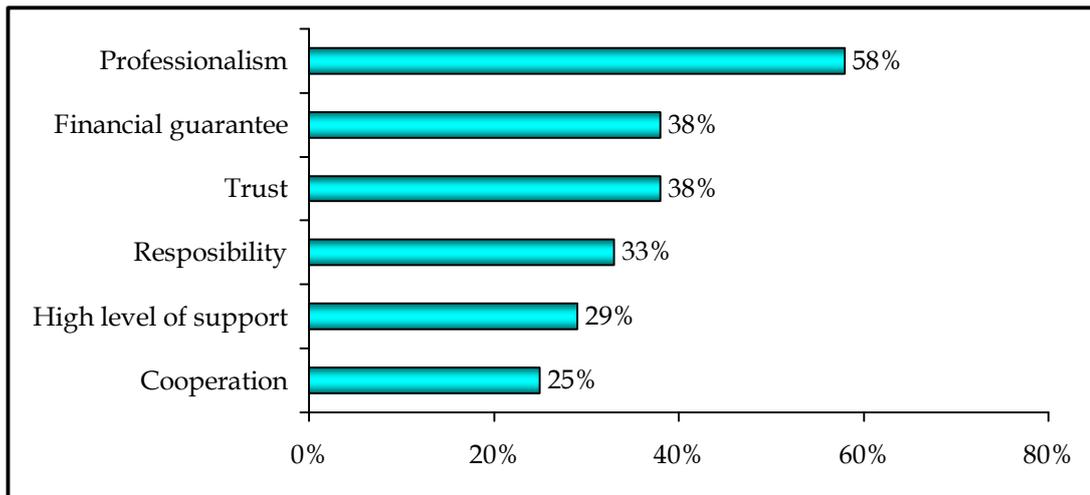
The trust given by UVN is reflected by UVN's commitments to its distributors. With the strength of a variety of products for different demands and layers of customers, it is relatively easy to encourage consumers to use UVN's products. This leads to stability and efficiency in business for its distributors, creating the necessary fundamentals for distributors to concentrate on developing sub-distributor teams within their networks.

Another advantage that 33 percent of distributors surveyed showed their agreement on is UVN's level of responsibility when working and relating with its distributors. They revealed that being an UVN distributor meant that they did not have to fret about their own operations when new

products appeared in the market. Distributors do not have to worry about what they will do if the product can not be sold and not accepted by consumers. UVN has built up a level of confidence and has systems capable of researching and designing products, therefore distributors believe in UVN's decisions.

**Figure 23: Advantages of Working in Unilever Vietnam's Network**

(% of respondents)



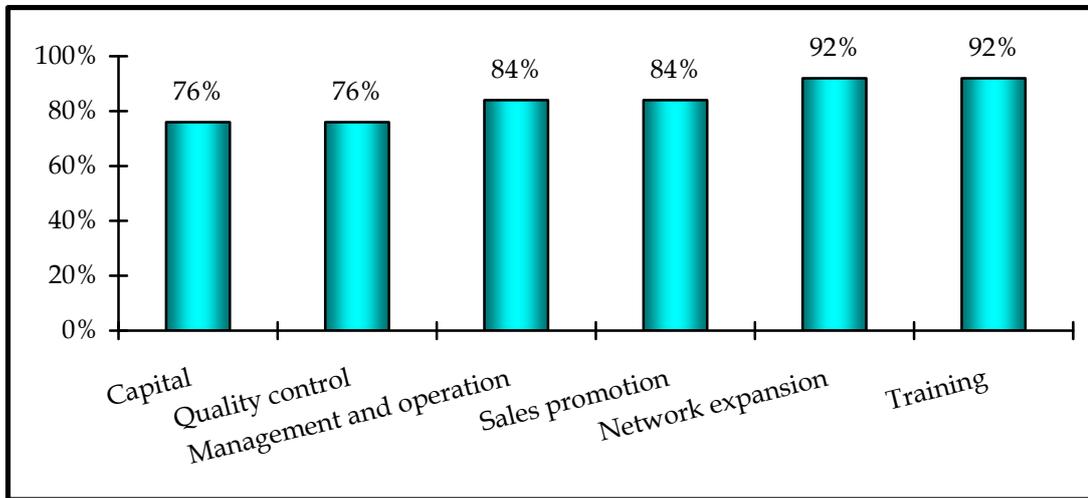
*Source: Survey conducted by the Research Team in 2007.*

Another advantage that 29 percent of surveyed distributors confirmed is a higher level of support received from UVN than other manufacturers. This advantage is discussed to some extent in previous sections. This can also be seen more clearly during promotional campaigns when UVN provides support for advertisement, venue, sales consultation and other related activities for its distributors (Figure 24). Each event is clearly scheduled, well-prepared and professional, therefore most distributors are appreciative and eager to participate in new events.

Moreover, 25 percent of distributors surveyed revealed that cooperation with UVN is another advantage enjoyed under UVN's distribution network. Cooperation is reflected through various kinds of UVN's supportive activities. For example, if a new product is brought into the market and it is not accepted by consumers, UVN has a supporting mechanism for its distributors to return the product and provide them with compensation for expenditures associated with collection. Another essential support is the consultation that distributors can receive whenever a difficulty

occurs. In most cases, UVN and the distributors hold discussions to find the best solution that is mutually beneficial.

**Figure 24: UVN's Supports to the Distribution Network (% of respondents)**



*Source: Survey conducted by the Research Team in 2007.*

In addition to the above-mentioned advantages, several other advantages mentioned by a number of distributors include having a better understanding of advanced technology, which helps managers produce more accurate statistics and extract other information about sub-distributors within their network, leading to better supervision and management; clear division of business activities, avoiding the competition between them.

A significant advantage that no distributor mentioned, but was ascertained by the Research Team during an interview with top leaders of UVN, is the strategic measures that UVN has adopted to reorganise UVN general trade distributors during the integration and globalisation era. UVN anticipated increasing competition between the modern and general trade, where supermarkets would grow at the expense of small shops. As a result, the business of some distributors would decline, and their financial situation would worsen. This is a primary concern of general trade distributors, which was reflected during the survey.

UVN has been changing the way the Company works with small-scale distributors to respond to this situation. Recently, UVN has been reorganising distributors in big cities, where small distributors have merged and unified to become fewer in number but larger in size. Afterwards, UVN has recognised that it could invest in them, which in turn would allow distributors to invest in the business, enabling them to compete with supermarkets.

## **7.9. Disadvantages of Working in Unilever Vietnam's Network**

To weigh the differences amongst other manufacturers, the Research Team asked distributors what might be some of the disadvantages of participating in UVN's distribution network. Only half of the distributors surveyed expressed their viewpoints, while others either did not have any ideas or could not find any disadvantages in cooperating with UVN.

The first disadvantage of working in UVN's network that was perceived by distributors was the difference between the general trade and modern trade channels of distribution. As mentioned earlier, UVN has recently started to develop a closer relationship with modern trade practices, which are an emerging trend in Vietnam. However, UVN's distributors see this as a disadvantage because of the more favourable conditions that encourage UVN to facilitate modern trade. This does not benefit the smaller enterprises competing with large supermarkets.

One complaint is that when using modern trade, consumers tend not to return products that are damaged or have defects. This is because of the complicated procedures required by the modern trade channel, such as retaining the receipt, or cases where only a specifically designated person is assigned to deal with the problem despite the fact that modern trade distributors are perfectly aware of the policies for collecting damaged or substandard products.

Furthermore, distributors complained that in some circumstances the promotional and commission policies differ between general trade and modern trade. For certain products, the commission is higher in modern trade than when using the general trade channel. When a particular type of product does not appear in the market, the modern trade network will occasionally still run promotional campaigns for it. This leads to "unequal treatment between the two distribution channels", as mentioned by one distributor.

UVN has already made some adjustments after hearing the complaints from the distributors. However, modern trade is a rapidly expanding element of the distribution network, which leads to an exertion of bargaining power on manufacturers like UVN. A discussion between the Research Team and top leaders of UVN led to the suggestion that UVN, to a certain extent, is also under pressure from Vietnam-based multi-national supermarkets. In order to

remain competitive, it is pertinent that distributors in the general channel improve their capacity and expand their activities.

Several distributors consider excessive warehouse stock as a disadvantage of participating in UVN's distribution network, especially for "allocation" orders. Because it is allocated, and if distributors do not place an order, the product is still shipped to the distributors' warehouse, which leads to slow sales and a high stockpile. The Research Team found that this situation not only occurs with UVN distributors, but with others as well.

Lastly, one distributor mentioned the reporting system as a disadvantage because it is not very user-friendly, and found it rather difficult and complicated to handle. However, in our point of view, this may be partly due to the complexity of the system together with the inadequate abilities of the user.

In general, the Research Team considers the disadvantages mentioned above are not only present in the UVN distribution network, but in other distribution networks as well.

#### **7.10. Issues to Be Raised with Unilever Vietnam**

During the interviews, the Research Team also asked about the aspirations of the distributors from UVN, which are summarised below:

- A vocational centre could be established by UVN to train professional salesmen/women for the distributors;
- UVN could support more training for distributors. Training could focus on: (i) management skills, leadership skills and efficiency for sales team leaders; (ii) management skills for supervisors or managerial positions; (iii) professional sales skills for salesmen/women;
- UVN could more closely monitor distributor's stock, especially when new products are introduced, and adjust delivery accordingly so that excessive stock at the distributor warehouse can be avoided;
- There could be meetings for salesmen/women to exchange information and share experience; and
- UVN could raise the commission for distributors.

## 8. CONSUMERS

This chapter focuses on the linkages between UVN and Vietnamese consumers of the wide range of household, personal-care and food products that UVN supplies. The linkages are complex and multi-dimensional, and the authors confine themselves only to the examination of consumers' access to UVN's products, the position of UVN's products in the domestic market, and the response of UVN to the rapidly changing consumer demand in Vietnam.

Unilever has a long history of conducting successful business in Asia. As in other countries, UVN began with distributing its very popular household products such as soap, powdered detergent, toothpaste, and shampoo. These products are all ones that have had a positive social impact, making hygiene and personal care commonplace. UVN's food products improve nutrition further by adding vitamins to them. With these features, UVN's products generate positive externalities to consumers, which not every product can do.

Making a conscious investment in Vietnam, the focus of UVN is its consumers. UVN's objective is to gain favorability among consumers by providing them with better products. The consumers are ultimately the ones who make the choice, voting when they go to the shop. UVN thinks in an ethical way that this benefits consumers because they receive better products at lower costs, and wherever they need them.

### **8.1. Unilever Products and their Position in the Domestic Market**

UVN produces a wide range of products of FMCG that cater to the various needs of different consumer groups. The products may be classified into three groups: (i) household products (detergent, cleaning products); (ii) personal-care products (soap, oral care, shampoo, skin care and deodorant); and (iii) food products (tea, taste enhancers, fish sauce and others).

The strong presence of UVN in Vietnam is felt when one visits a supermarket, marketplace, grocery store or upon entering a household. Every residence has at least five, if not more, UVN products in their house. Its core products are highly visible in the domestic market in both rural and urban areas.

Detergent, at the centre of the core business model, led the market with substantial market share in 2007, far higher than its next competitor. Comfort is the number one fabric softener in Vietnam with more than 55 percent market share since 1999. Comfort has long been winning the loyalty of many consumers over the years. Hair and oral care are also market leaders. Sunsilk is a favoured brand in Vietnam while Knorr is the leading brand in the granule market in Vietnam. In 2005, Knorr achieved a growth rate of over 100 percent. Nevertheless, a few of UVN's products remain at modest levels, such as toothbrushes and fish sauce.

## **8.2. Customers of Unilever Vietnam**

Almost all households, whether they are rich or poor, use UVN's basic hygiene products (powdered detergent, shampoo, toothpaste, and toothbrushes). Processed food (tea, bouillon powder), beauty products (skin care) and advanced products (fabric softener, hair conditioner and shower gel) are consumed by the more affluent population. It should be noted that UVN is the overall leader of producers in laundry, shampoo, toothpaste, fabric softener, dishwashing liquid, bar soap, granule, hair conditioner and shower gel.

There is a considerable difference in the usage prevalence amongst urban and rural consumers. While up to 70-80 percent of the people in urban areas use the advanced group of products, the share of rural areas is about half to two thirds of the urban ones. Reasons for the difference in levels of usage may vary. Low-income households may not be able to afford advanced products such as granule and shower gel. With regard to skin care products, UVN's goods have to compete with numerous cheap local or Chinese products of uncertain quality. In addition, availability of several products in rural areas such as hair conditioner, personal wash products, fish sauce and granule are not as popular as they are in cities, largely because these locations lie beyond the reach of the distribution network.

## **8.3. Access to Products**

UVN does its best to provide its products to all customers, whether they are low-income or not. To make their products more affordable, UVN provides consumers with what they want in forms they can pay for. As Vietnam develops, the demand for highly-valued products by those in the

top-income bracket has rapidly increased. At the same time, 70 percent of Vietnamese continue to live in rural areas with low, fixed levels of income, but they will slowly start to be able to afford those products that they did not previously. UVN works diligently to provide its products to the top income levels as well as to the lower ones despite the many challenges. UVN must constantly learn to adapt and improve its business to serve an increasingly wider spectrum of the population. This involves the whole supply chain and its distribution network.

UVN has recently sought the expansion of its products in order to reach low-income and rural households by creating better opportunities for them to consume. To do this, UVN had made an enormous effort to understand the consumers, their needs, their habits, lifestyle, consumption patterns, preferences, tastes and the local culture, so as to create the right products for them. The products are customised accordingly, as well as in a way that fits within the consumer's budget. UNV is also expanding its distribution network to reach the people with the lowest levels of income in creative and flexible ways.

Several key factors affect customers' access to products, which include price, package size and coverage of the distribution network. These are the areas that UVN has been focusing on. For low-income consumers the price of UVN's products is affordable for good quality, while for high-income groups of the population the price is reasonable and the quality is of international standard. Typical examples of this are the powdered laundry detergents, OMO and Viso (low-cost detergents, about 40 percent cheaper).

One might be concerned that having dominant market share for most products that UVN manufactures, the Company may abuse its market power for extra premium, which could result in higher prices paid by consumers. Investigations conducted by the Research Team revealed that despite many of its products dominating market share the FMCG market in Vietnam remains very competitive with many foreign and domestic producers of all sizes. Some companies are strong, such as P&G, Colgate Palmolive, Ajinomoto, My Hao and other local producers. Each of these producers competes with UVN on their core products.

While UVN has cost advantages over international competitors due to its large size, marketing and technology are UVN's advantages over the local competition. This implies that UVN has not abused its market power to affect consumers adversely by charging them higher prices, but rather cuts down its

costs and has decided to implement advanced technology instead. This, in contrast to the concerns above, benefits consumers by providing them with lower prices and better quality.

Small-sized products are another means of facilitating access to merchandise by making them affordable to even the poorest customers. One-wash packets of shampoo, small-sized soap bars or tubes of toothpaste can be found in small stalls selling basic goods on every corner, whether it is a large city or a small remote village.

Very few would believe that this packaging strategy would prove successful. Small packets of hair conditioner were big sellers that contributed to 88 percent of the total market share. Low-margin packets of shampoo made up 73 percent of the total product sales revenue in rural areas in 2007, as they were bought in such large quantities. Bars of soap in 100 and 125 gram packages and medium tubes of toothpaste (100-199 grams) dominated the rural market, with each having brought 76 percent of product revenue in the same year. Packets of fabric softener contributed to 60 percent of rural market share due to its affordability and convenience.

UVN has developed various ways to deliver its products to remote areas, some of which may be very specific and creative (Box 11). Thanks to the widest distribution network relative to other MNCs in Vietnam, UVN's products reach consumers in every remote corner of Vietnam.

## **8.4. Why Do People Buy Unilever Products?**

### **8.4.1. Brand Name**

Vietnamese are very selective about the personal care products they use, and both quality and image are very important criteria. Low-income consumers are also rather brand-image conscious. Furthermore, they tend to seek product security and often stay with one that they are happy with. UVN brands have succeeded in achieving a good brand image in the consumer's mind.

Some of the most established brands UVN produces and markets in Vietnam are OMO, Viso and Comfort for laundry products; Sunsilk, Clear and Dove in hair care; Close-Up and P/S in oral care; Lux, Lifebuoy, Dove and Rexona in personal care; Ponds and Hazeline in skin care; Sunlight and Vim in household cleaners; Lipton and Lipton Ice Tea in tea; and Knorr in food.

### **Box 11: Serving the Bottom of the Pyramid**

The floodplains of Soc Trang Province in Vietnam's Mekong Delta are a maze of rivers and canals dotted with villages so impoverished that local farmers earn less than USD 1 per day. It is not an obvious place to seek a fortune, but capitalism finds a way. Steering his ramshackle boat along the Ke Sat River, Nguyen Van Hon operates a floating sundries distributorship.

The wooden hold of his boat is heavy with boxes containing small bars of Lifebuoy soap and single-use sachets of Sunsilk shampoo and OMO laundry detergent, which he sells to riverside shopkeepers for as little as 2.5 cents each. Hon's first stop of the day is Xa Nhon village, where he ties up and makes deliveries to half a dozen small shops. The local farmers may be poor, but they have the same needs and desires as middle-class urbanites, and Hon's business is growing. He sells hundreds of thousands of soap and shampoo packets a month, enough to earn about USD 125 - five times his previous monthly salary as a state junior official. "It's still a hard life, but it's getting better," Hon says. "Now I have enough to pay my daughter's school fees. Soon I'll have saved enough to buy a bigger boat, so I can sell to more villages."

Unilever has been successfully selling household products in developing countries for more than a decade. Unilever's Vietnam subsidiary alone saw sales rise 23 percent in 2004 to more than USD 300 million because of aggressive efforts to reach remote parts of the country through an extensive network of more than 100,000 independent sales representatives such as Hon.

Despite their poverty, lower class farmers have the same needs as richer urbanites. "People want to look good, whether they're rich or poor," explains Arijit Ghose, marketing manager for UVN. "I've been to tiny villages where there is no electricity and no running water indoors, and yet there's Sunsilk and OMO."

*Source: Adopted from Johnson (2005).*

Results after interviewing its chief executive officers suggest that UVN is committed to raising the quality of life for people everywhere through the provision of branded products and services. These efforts have been acknowledged by Vietnamese customers. Manufactured by Elida P/S, a 100 percent foreign-invested company of Unilever, Close-up has been continuously selected among "High Quality Vietnamese Goods" by consumers.

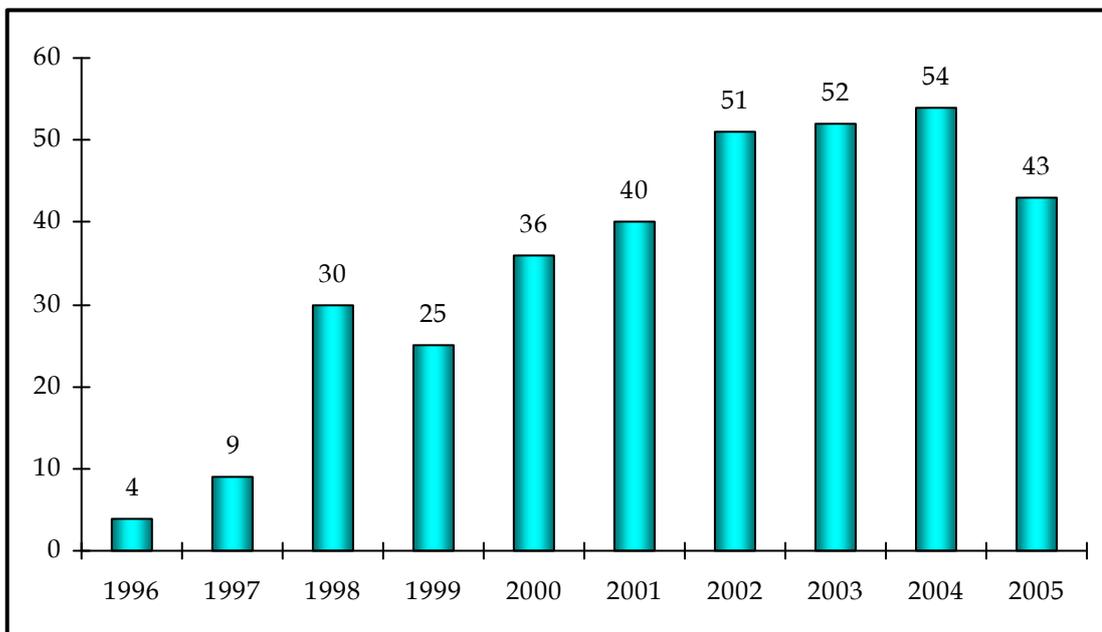
#### ***8.4.2. Responding to Consumer Preferences***

The needs of consumers have been changing over time. There are also significant cultural differences among people's attitudes towards FMCG

companies around the world. UVN has been working hard to combine the best of what the Company brings and of the country it operates in. It is especially true when it comes to developing brands. UVN learns from its experience working with new and dynamic groups, and aims to provide options that reflect people's diverse tastes and lifestyles. Thus, in sharp contrast with other companies that market other countries' products in Vietnam without adaptation, UVN's products are the outcome of a thorough study of its customers' predilection in each diverse region, and always contain Vietnamese culture, customs and sentiment. UVN tries its best to meet people's expectations, taking into consideration the smallest details of its products to create the most convenience for its customers. Additionally, UNV prides itself with incorporating tradition and culture into its products. This brings UVN's products to a level that wins the hearts of its customers.

To succeed in becoming an integral part of people's daily lives, the Company constantly carries out research to review and develop its products to ensure that they reflect the way Vietnamese people think, shop, cook and clean, as well as meet their healthy lifestyle, variety, quality, taste and enjoyment. The number of product innovations made every year has been growing (Figure 25).

**Figure 25: Number of Innovations for the Period 1996-2005**



*Source: UVN data.*

In less than 10 years, internationally-popular Unilever brands including OMO, Comfort, Dove, Clear, Lifebuoy, Sunlight, Knorr and Lipton have become the number one choices of consumers in Vietnam. Alongside its internationally-famous brands, UVN has maintained its efforts in incorporating local taste into its products, such as Sunsilk Bo Ket (honey locust); or create innovative local brands based on traditional dental care, such as P/S Tra Xanh (green tea), P/S Muoi (salty), Viso White and Knorr Phu Quoc fish sauce. Sunsilk Bo Ket has been UVN's big success, as it has been localised by adding honey locust, which Vietnamese women have long since used to keep their hair shiny and jet black. Another noted local brand innovation is P/S Green Tea toothpaste, which has received a warm response from consumers.

"We adopt international standards and formulas to produce products, but this will not guarantee success if we fail to grasp local beliefs, customs and desires," states Michel Pierre Dallemagne, former chairman of UVN.

This certainly does not mean that UVN has been successful in its every effort to serve Vietnamese consumers. For example, a state-of-the-art Wall's ice-cream production plant was sold to Kinh Do, a fast-growing local confectionery company; and an initiative to sell pre-packaged green tea was a mistake.

#### **Box 12: Adopting International Standards to Local Taste**

As a young girl, Dang Thi Hoa, a 60-year-old native of the Vietnamese island of Phu Quoc, heard stories of how her grandmother used to sail to nearby Cambodia to sell a popular sauce that islanders, including her family, made from fermented anchovies. Decades on, Mrs. Hoa, her close relatives and nearly 80 other island families still prosper by producing and selling the pungent, protein-rich sauce to households across Vietnam.

Salty fish sauce, or *nuoc mam*, is a daily staple and that from Phu Quoc is prized above all others. To make their traditional sauce, islanders ferment anchovies for a year in massive wooden vats in dark warehouses, a technique that is said to yield a rich, golden liquid with pungent flavour and nuances far superior to rivals from the Vietnamese mainland, where fermentation periods are usually shorter.

But while their faithful adherence to traditional production methods has made Phu Quoc *nuoc mam* a cherished Vietnamese household name, islanders have begun something new when it comes to peddling their wares, which were once sent in bulk to mainland traders. Today, Mrs. Hoa and other producers are selling their prized sauce to Unilever, which is using Phu Quoc's fame to establish itself in Vietnam's finicky food market.

Unilever began selling a Phu Quoc fish sauce - made by local producers such as Mrs. Hoa and bottled on the island - under its own Knorr brand in November 2002, backed by a marketing campaign with slick television advertisements - inviting Vietnamese consumers to "taste the legend". It was an audacious move, given the sauce's deep cultural resonance. But by marketing a product so intrinsic to Vietnam's culinary tradition, Unilever is betting that it can persuade sceptical diners that Knorr has a rightful place in Vietnamese kitchens, paving the way for future expansion in the country's foods business. "By starting to look at fish sauce and to connect ourselves with fish sauce, we will be seen more as a Vietnamese company and brand than as an international brand coming from Europe," says Michael Van Ettinger, managing director of Unilever Bestfoods Vietnam, the conglomerate's foods division. "It's about getting trust and getting the right to talk about food in Vietnam."

Initially, Unilever's Phu Quoc foray sparked a furore, with traditionalists accusing the multi-national of grabbing a national treasure. But in reality, much of Phu Quoc's fish sauce was being sold in bulk to bottlers on the mainland - an eight-hour boat journey - who routinely diluted it with lower-quality sauce. Unilever persuaded many islanders and local authorities that bottling the sauce on the island would protect the good name and purity of Phu Quoc fish sauce. The Company also vowed it would never "touch" the production process. "In this business, the savoir-faire has been transmitted from generation to generation in dark places, like a wine cellar," he says. The protests have since died down.

The Phu Quoc fish sauce sold under the Knorr name - a blend of sauces from many of the island's producers - is mixed and bottled at a plant built by 17 of the local producers, using a USD 900,000 interest-free loan from Unilever. For Mrs. Hoa - now selling 70 percent of her fish sauce production to Unilever - the days when her grandmother paddled off in a boat to sell sauce on the mainland are now just a memory. Yet she is delighted by the change, especially the television advertisements linking Knorr to the past of families like hers. "I am very happy. My fish sauce is being advertised to all the people in the country," she says. "It's the common happiness because it's my product, but it's also the fish sauce of the whole island."

*Source: Adapted from Kazmin (2003).*

In summary, UVN has put forth great effort with aims to serve its consumers better. In most cases the Company has achieved great success, and it continues to win the hearts of millions of consumers in Vietnam, accomplishing the mission of the Company by adding vitality to the life of its customers.

## 9. WIDER IMPACTS ON COMMUNITY AND SOCIETY

While existing literature focuses on the types of impacts discussed in the preceding chapters such as employment creation, investment, tax revenue generation and indirect impact, very few studies in Vietnam have so far attempted to examine the impacts that a MNC makes through its CSR contribution and its influence on the business community and government. Many foreign-owned companies in Vietnam simply believe their contribution to the socio-economic development of Vietnam is their payment of taxes.

UVN affirms that the Company could contribute more socially than it currently does through voluntary contribution and show stronger commitments toward CSR. UVN has remained conscientious in not sending all profits back to the source country, and has allocated a certain amount to benefit the country where the Company works. Since beginning its operations in Vietnam in 1995, UVN has been actively involved in CSR activities that contribute to the long-term development of Vietnam by raising people's living standards and improving the well-being of the Vietnamese people. This chapter discusses UVN's impacts on society via its voluntary contribution to the community.

### 9.1. Social Agenda of Unilever Vietnam

UVN's CSR activities can be classified into two broad types: projects that take a philanthropic approach and business linked projects. While the former come in the form of donations not related to the company business, the latter are far more sustainable, as they incorporate CSR into the business agenda of the Company. UVN prides itself as an excellent example that demonstrates through its business actions a company can make a real contribution that helps to both promote the business as well as benefit society. Understanding that "it is almost impossible for a business to be successful on operations alone. Businesses must strive to become part of the

community and play a role in solving its problems",<sup>17</sup> UVN has adopted a very note-worthy philosophy regarding CSR activities by stating: "It is not just about writing the cheque. It is about leveraging the core competencies of the Company to help address the country's and the society's needs and concerns". It is obvious that UVN has tried to leverage such core competencies as its brands, its scale and scope in Vietnam... for the objective of helping to improve the life of the Vietnamese people, especially the poor and the disadvantaged in rural areas.

Coherent with the country's objectives, UVN has tried its best to fit its business agenda within Vietnam's strategic and socio-economic development plans. UVN's platforms for CSR are selective, focusing on linkages between the business of the Company and Government priorities.

UVN's first platform for CSR activities is improving the health and hygiene of the population, which has been one of the global missions of Unilever and also a priority of the Government, especially in rural areas. Another Government priority is the education of Vietnamese children, which UVN has selected as its second platform. The third platform of UVN is the empowerment of women, which is also among the top priorities of the Government. Finally, the last platform for UVN's CSR activities is the environment, which has been worsening as developing countries such as Vietnam become more industrialised.

The rationale behind choosing these CSR platforms are linked to what UVN does as a business. Most consumers of UVN products are women; and according to international research, if money is placed into the hands of women, the economic impacts will be more than if it is given to men. UVN has designed and implemented programs specifically aimed at the development of women, including professional training and the encouragement of women in small business, family organisation, household expense management, health, and nutritional education.

Selecting the education of children as an UVN priority comes from the fact that many UVN brands relate to the habits of children, such as hand washing or brushing teeth. UVN believes that the Company can play a role in modernising education in Vietnam, which combines learning facts about

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<sup>17</sup> Source: [http://www.usvietnam.com/news\\_archive.cfm?pubid=8f7e2d37-6516-4320-95a4-0a2e6e921705](http://www.usvietnam.com/news_archive.cfm?pubid=8f7e2d37-6516-4320-95a4-0a2e6e921705)

hygiene, practicing them in everyday life and physical education. Box 13 demonstrates how UVN's social agenda integrates with its business agenda. The Company frequently leverages its brands to benefit particular programs such as health and hygiene, where gaps lie between the hygienic needs of the children and the realisation of accomplishing those needs, particularly in remote areas.

It is also noted that UVN has adopted a comprehensive approach towards CSR initiatives and activities through three key vehicles: (i) long-term strategic partnership cooperation with the relevant government agencies (MOH, MOET, and VWU); (ii) UVN's Annual Grants for Health and Hygiene Projects initiated and executed by the community; and (iii) contributions and donations, both financial and time, from UVN's employees.

**Box 13: Integrating the Business Agenda with the Social Agenda through Educating Hand-Washing Habits for Children**

Infectious intestinal diseases are most severe in developing countries, where two million children die each year from diarrhoea. Vietnam is not an exception where 35 percent of children have diarrhoea. The reason is very simple: millions of Vietnamese rarely use soap to wash their hands, or know the proper procedures of hand washing, especially children and people living in remote areas. The lack of hygiene results in diarrhoea, cholera parasitosis and infection, which causes sufferers to lose dangerous amounts of micronutrients.

As a result, the educational development of these children lacks, and they are not able to perform well in school. Without this valuable education good opportunities will be hard to come by when they enter the labour force, leaving them with difficulties in parting from their low-income lives.

This is where UVN can make a contribution. Its social agenda is to improve the habit of hand washing and eventually improve health and diminish the risks of diarrhoea in children. Educating children and their parents to understand the effectiveness of proper hygiene encourages them to use soaps, including Lifebuoy soap. This benefits both UVN business and society.

*Source: Interview with Marijn van Tiggelen, Chairman of UVN in 2007.*

Through these CSR initiatives, UVN has been interacting closely with social activities and Government strategies to promote the development of the Country, improve the knowledge of the people, as well as make positive impacts on their lives in a sustainable manner. For ten years up to 2006, with the support of relevant authorities, UVN has contributed more than VND 260

billion to Vietnamese society in a wide range of community projects throughout the country. Some of these projects are listed in Box 14.

**Box 14: List of UVN's Major Social and Community Projects**

***(i) Business-Linked Key Projects***

- ✓ Annual Grants from the UVF for Health and Hygiene Projects initiated and executed by the community since 2004, especially in disadvantaged areas
- ✓ Long-term strategic partnerships with the Government in three key CSR pillars: health and hygiene; children education and development; women empowerment for the 2006-2010 period, including:
  - Project "Strengthening community health through improving personal and environmental hygiene" implemented by MOH
  - Project "Improving clinic hygiene" implemented with MOH
  - Project "Playground and children's physical development" implemented with MOET
  - Project "Improving women's capacity through business development, micro financing and education" implemented with VWU.
- ✓ Project "P/S Protects Vietnamese smiles program" since 1997 till now, in collaboration with MOH and MOET
- ✓ Project "OMO - bright shirt, bright future" and scholarship for disadvantaged school children during 2001-2005
- ✓ Project "For the bright eyes of children" initiated in response to Vietnam's Children Protection Fund to revive eyesight of affected children for the period 2002-2005

***(ii) Philanthropy Projects***

- ✓ Project "Pride of Ha Long" for environment protection
- ✓ Project "Village of Hope" for orphans and disabled children
- ✓ Educational programme for HCM City students to pursue healthy living styles and avoid social vices
- ✓ Project "OMO gratitude house" which funded more than 300 houses for the poor in 2003
- ✓ Project "Nguyen Dinh Chieu School for blind children" in Da Nang
- ✓ Project "Vocational training centre for disabled children and orphans" in HCM City
- ✓ Project "Vocational training capacity enhancing" for capacity building of vocational trainers in Vietnam for the period 2002-2005
- ✓ Project to upgrade medical equipment for a clinic in Hoa Khuong Village, Da

Nang in 2005

- ✓ Drill wells and install clean water supply systems in Son Tra and Tra Bong districts of Quang Ngai Province in 2005
- ✓ Humanitarian programme "One heart - one world" to provide orthopaedic surgeries to disabled under an initiative by the Viet Nam Association for the Support of Orphans and Disabled
- ✓ Project "White shirts, green schools" to propagate a healthy life style for students in HCM City in 2005
- ✓ Project "Green field - clean village"
- ✓ "Gratitude Park" in HCM City to create more public entertainment space for local people

*Source: Unilever Vietnam.*

In 2004, with aims at synergising the community-involvement efforts of UVN, its brands and employees, UVN established UVF to synergise all of these CSR activities for greater impacts and results (see Box 15).

#### **Box 15: Unilever Vietnam Foundation**

The Unilever Vietnam Foundation was initiated by UVN in September, 2004. It is a vehicle that helps to coordinate and streamline community-involvement efforts of UVN, its brands and employees for greater impacts on the improvement of living standards by fulfilling the health and hygiene needs of the Vietnamese people. With the vision of "sharing with millions of Vietnamese hearts", UVF is the link to community support programs by UVN.

The primary objectives of UVF are:

- ✓ Getting involved in actively improving the life of Vietnamese people by meeting their everyday needs for nutrition, hygiene and personal care. These contribute to the realisation of Unilever's mission in Vietnam;
- ✓ Promoting and strengthening social and community activities of UVN, its brands and employees; and
- ✓ Linking the community support programs of all of UVN.

The activities of UVF focus on health, personal and community hygiene and education. Major beneficiaries are children and women, especially those who live in rural and remote areas.

UVF activities are non-profitable. UVF focuses on long-term programs and activities which make for long-lasting and sustainable benefits for the community. In implementing its programs and activities, UVF works in close collaboration with all stakeholders. All activities, programs and new initiatives funded by UVF must conform to its objectives.

*Source: Unilever Vietnam.*

In 2004, UVN officially donated VND 600 million to health, hygiene, education and community projects, and VND 200 million to the Vietnam Fatherland Front's Fund for the Poor. In 2006, the Company officially commenced partnership cooperation with MOET and VWU in targeting three key CSR pillars: children's education and development, health and hygiene, and the empowerment of women. These relationships illustrate UVN's strong commitment to actively contribute to the socio-economic development of Vietnam and helping to improve the lives of the Vietnamese people. In 2006, UVF provided a total of VND 2.9 billion (USD 181,250) to 14 healthcare projects. In 2008, UVF provided more than VND 5 billion (USD 280,000) to finance 25 projects on community health and hygiene. These projects, which were selected from 150 proposals that applied for financial assistance from UVF, focused on supplying clean water, improving living standards and increasing public awareness of hygiene in rural and mountainous areas.<sup>18</sup>

UVN has pledged to provide VND 70 billion annually (USD 4.3 million) through UVF for social and community projects to be carried out in the period of 2006-2010 to help improve the living conditions of Vietnamese people, especially women and children in rural and remote areas.

## **9.2. Business-Linked Activities and Projects**

Through a range of UVN funded projects such as the P/S Protects Vietnamese Smiles Program, the Lifebuoy hand-washing campaign, hygiene education for schools and community, the promotion of a hygiene and health message serves as awareness for millions of Vietnamese people. Below are summaries of several projects that are linked to the business of UVN, apart from the long-term strategic partnerships that it has developed with the key relevant government agencies (MOH, MOET, VWU) which is designed as the main vehicle to further integrate the social and business agendas of UVN.

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<sup>18</sup> Source: Vietnam Agency,  
[http://www.vneconomy.com.vn/eng/article\\_to\\_print.php?id=f65554a0f63bcc](http://www.vneconomy.com.vn/eng/article_to_print.php?id=f65554a0f63bcc)

### ***9.2.1. P/S Protects Vietnamese Smiles Program***

Sixty percent of Vietnamese children have yet to receive dental education or have not yet been checked and treated for oral problems. According to recent statistics provided by the Dental Institute, 84.9 percent of children aged 6-8 suffer from baby tooth decay, 25.4 percent have permanent tooth decay and 42.7 percent have gum disease. The Institute states that if tooth decay is not treated early, it is likely to affect the quality of life by causing individuals to suffer from severe tooth aches, cell tissue inflammation, and endocarditic and blood infection.

Well aware of the situation, and in collaboration with MOET, MOH and Operation Smile, UVN initiated the P/S Protects Vietnamese Smiles Program (PVS) in 1998 to increase awareness of dental care among kindergarten children, primary-school students and women around the country, particularly in remote areas.

Fourteen mobile dental clinics have been travelling throughout the country to spread the message of raising awareness of people's dental health care, especially the habit of brushing teeth after meals, before sleep and having periodic check-ups. Each year, an Operation Smile team of dentists and professors from the United States has partnered with Vietnamese specialists to provide clinical education and technical training for dental and oral hygiene professionals. Operation Smile conducts screenings and dental treatment for children at schools, using PVS vans equipped with dental treatment equipment and visits primary schools and orphanages to distribute P/S brand products and to demonstrate correct cleaning techniques. More than 150 affiliated dental hospitals and centres have co-operated with the organiser of the programme to provide free dental check-ups and advice, and provide free dental health care products.

Nguyen Thi Kim Thuy, VP of the Vietnam VWU, said: "The VWU highly appreciates UVN and its programme for active community development, educational activities, big investment and its support for the cause of public health care in general, and for women and children in particular."<sup>19</sup>

This program has sponsored VND 100 billion to date in offering free dental check-ups and treatment to more than 3 million people, providing 1

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<sup>19</sup> Source: Vietnam News (2006).

million dental education kits and 7 million tubes of toothpaste and toothbrushes to 22,000 schools nationwide, and giving a thousand “P/S Protects Vietnamese Smiles” scholarship awards to excellent pupils, students, and teachers nationwide.

In the first phase, the program reduced tooth decay among children by 30 percent in provinces where the program had been carried out. In the second phase, the program has participated in the progress of transferring expertise and equipment to local clinics in order to expand oral care activities to the community and to reach the target of reducing tooth decay among children by 40 percent within five years.

### ***9.2.2. Personal Hygiene for Kindergarten Children***

This project has been implemented in collaboration with MOET in 2005. The objective of this project is to diminish infectious intestinal diseases through improved personal hygiene.

Major activities of the project include educating children of kindergarten age and people in communities about the benefits of hygiene, teaching personal hygiene practices to children by hand-washing with soap; holding 30 training courses for 9,000 teachers on teaching personal hygiene to pupils; disseminating information on hygiene for children to 12,500 parents. Project beneficiaries were 12,500 children of 43 kindergartens in five provinces: Hai Phong, Bac Ninh, Thanh Hoa, Binh Dinh and Phu Yen.

### ***9.2.3. Collaboration with the Vietnam Women's Union***

VWU and UVN have had a long history of cooperation extending beyond ten years in the following CSR programs:

- Education and raising awareness of health care and oral care;
- Nutritional programs;
- Cooking contests and nutritional meals exhibitions;
- Periodical health care educational bulletins;
- Supporting some conferences organised by VWU;
- Giving presents to families that qualify for social policies; and
- Advocacy activities.

At the end of 2005, VWU and UVN signed a framework agreement for cooperation. Under the agreement, UVN will continue to support some activities of the project, "Improving women's capacity through business development and health care education", for the period of 2006-2010 with total committed funding of up to VND 13.35 billion per annum. The overall objective of this project is to:

- Increase income and to improve the living standards of poor women and people in the project areas;
- Improve women and children's health by improving the surrounding environment, to maintain and practice better treatment of personal and health care;
- Enhance capacity for VWU staffs and collaborators; and
- Build and maintain a cultural and personal hygiene lifestyle.

Currently, two sub-projects are being implemented, both dealing with establishing micro-enterprises and microfinance. The first project is regarding the support of poor women in setting-up a business. In order to become a beneficiary of the project, one should meet the following criteria: (i) poor woman, having an average monthly household income of less than VND 300,000; (ii) hard-working, (iii) have a recommendation from VWU; and (iv) possess enthusiasm and commitment to get involved in the project.

The purpose of the project is to educate poor women operating micro-enterprises. Initially, the project was implemented in the two Northern provinces of Ha Noi and Hai Phong. It has since been expanded to 17 other provinces nation-wide. These poor women act as sales agents for UVN, selling UVN's products. UVN supports them by providing them with bicycles, uniforms, transport containers and a small amount of capital (VND 300,000 when the program started and VND 600,000 currently) to the participants. Within this project, 49 poor women have benefited. This sub-project has made a positive impact on the living standards of poor women in terms of:

- Having a stable job;
- Increasing the monthly income of poor women and their families. In many cases, their average monthly income has improved better than expected (one woman can have an average monthly income of up to VND 2 million);

- Having better knowledge of doing business through participating in a variety of training courses delivered by UVN such as sales skills, pricing, marketing skills, accounting and using products properly; and
- Having a chance to exchange experience and information with other related people.

The second sub-project initiated by UVN is to provide microfinance services to women in selected provinces. With a total amount of VND 7 billion, five provinces, including Quang Binh, Ninh Binh, Lao Cai, Ben Tre and Thanh Hoa, have been selected for the activity. Out of a total VND 7 billion for the second sub-project, funding of VND 1 billion will be spent for micro financing services, and another VND 400 million will be used on capacity building through integrated activities such as personal hygiene, health care, nutritional programs, technology transfer and other activities carried out by VWU. This project is now collaborating with the Vietnam National Bank for Social Policies, who has more experience in providing small amounts of credit to poor women in each of the provinces involved. This project is highly appreciated among members of VWU because it meets the needs of disadvantaged women in provinces across Vietnam.

### **9.3. Philanthropy Projects**

Although UVN philosophy on CSR is “not about just writing a cheque, but about employing the Company’s core competencies to help address the country’s and the society’s concerns and needs”, UVN has funded quite a few such type of projects where it sees a real need for giving a hand to the community in need. Some of them are highlighted below.

#### ***9.3.1. Project “For the Bright Eyes of Children”***

In response to an appeal by the National Fund for Vietnamese Children, UVN sponsored VND 1.5 billion to the project “For the bright eyes of children” from 2002-2005 to help restore the sight of affected children. This project was designed to provide children from poor families with free eye treatment and surgery. A vital component of the program seeks to educate parents through awareness campaigns on how to reduce the rate of blindness among children. In the first stage of the project, 700 free eye surgeries for

poor children in six provinces took place as well as awareness programs on how to prevent eye diseases.

### ***9.3.2. Project “Enhancing the Capability of Vocational Training 2001-2005”***

UVN, in partnership with the General Department of Vocational Training and Labourer Newspaper, sponsored the project, “Enhancing the capability of vocational training 2001-2005”, with a total budget of VND 7.5 billion. This was the first long-term vocational training project of UVN that focused on enhancing the skills and knowledge of vocational trainers nationwide. They, in return, will train thousands of highly skilled technicians - the driving force of many industries and other companies. The project held many training courses and seminars on the most updated knowledge and new technology, upgraded seven vocational training centre libraries, and presented Nguyen Van Troi awards to 400 outstanding vocational trainers. In addition, UVN supported Hung Vuong Industrial Technology Center HCM City in establishing a Unilever training centre in Electronics and Mechanics. This centre began operating in March, 2005.

### ***9.3.3. Vocational Centre for Disabled and Orphan Children***

UVN has sponsored over VND 2.3 billion to help construct a vocational centre for handicapped and orphaned children in Hoc Mon district in HCM City. This centre aims to provide free vocational training to handicapped and orphaned children, creating more jobs for them. The centre will enable them to make and market their own products, earn an income for themselves and their families and thereby overcome their inferiority complex and confidently integrate into the community.

### ***9.3.4. Project “Green Field - Clean Village”***

The project, “Green Field - Clean Village”, was implemented by the Centre for the Poor in Ha Tinh from March 2007 until the end of that year with total funding of VND 172 million provided by UNV. The project included the following activities:

The first activity focused on the training of transferring technology in producing biological fertilizer for farmers. Under this activity, a total of 685 households, 86 percent of which were women, participated and succeeded in

producing biological fertilizer. UVN played a supporting role by providing the fermenting enzyme. This resulted in the following:

- A thousand units of fermentation enzyme was provided and delivered to farmers, leading to the production of more than 800 tonnes of biological fertilizer;
- More than 2,000 leaflets of how to process biological fertilizer properly was distributed to other beneficiaries in the village; and
- Three announcement boards for the purpose of advocating hygiene were built in the community to raise awareness of environmental hygiene and to remind people to keep the surrounding environment clean.

This activity was highly appreciated by all beneficiaries, because they previously had to either buy biological fertilizer at a much higher price or use muck which resulted in an unhygienic environment. Farmers were happy because they knew where to buy the enzyme at a reasonable price, and more importantly, they mastered the process of producing the biological fertilizer. Last, but not least, the project raised the awareness of environmental hygiene in the community in general and in each household in particular.

Within the framework of this small project, three other supporting activities were carried out:

- Raising awareness of environmental hygiene for villagers during seasonal and pre-harvest times;
- Creating policies on environmental hygiene for each community. For example, in Dong Loc commune, the new regulation on environmental hygiene of “not letting animals wander into the village” was adopted;
- Organising an annual environmental hygiene contest for women on the Vietnamese Women’s day of October 20<sup>th</sup>.

The general assessment of this one-year project was positive as compared to other projects implemented in the commune, because of the following aspects:

- The first priority was given to the environment and surrounding environmental hygiene, which was first announced here; and
- The project focused on direct beneficiaries, who were from poor and low-income households, which accounted for 70-80 percent of the beneficiaries. It was transmitted to other indirect beneficiaries, such as

people who did not participate directly in the training, but through shared experience and discussion among village meetings.

Moreover, the project was reported to have provided other impacts on different beneficiaries and counterparts:

- The management team: the team members were empowered with regards to their managerial levels. By empowering them they became more active and more dynamic in upholding and promoting their capacity, able to take on more responsibility and improved through better management activities.
- The environment of the community: (i) people in the village have a better understanding of the harmful effects if the environment is polluted after participating in the training activities; (ii) they obtained an improved awareness of the harmful effects of chemical fertilizer on daily lives; (iii) the farming costs are significantly reduced; (iv) pestilent insects were diminished due to the use of insecticides and pesticides; (v) the usage of biological fertilizer has positive effects on decreasing the usage of chemical fertilizers by reducing the amount of chemical waste moving through culverts and ditches in the community; and (vi) a reduction of foul odours and flies that affects the living environment.

### ***9.3.5. Project "OMO Gratitude House"***

In response to an appeal from the Vietnam Fatherland Front Committee, Unilever sponsored the project, "OMO Gratitude House", to build 300 houses in 37 districts in five of the poorest provinces in Vietnam. The project expresses the company's mutual affection for helping poor families stabilise their lives and eventually alleviate poverty.

### ***9.3.6. "Pride of Ha Long 2000"***

Unilever has always been committed to the protection of the environment where the Company operates. "Pride of Ha Long 2000" is a typical example. UVN worked in partnership with the Ha Long Youth Union and Pioneer Newspaper to organise a clean-up campaign. Thousands of young volunteers, members of provincial and city authorities and UVN staff joined to pick up rubbish and clean the beach. The campaign itself along with

help from the media raised awareness among locals and tourists regarding the importance of environmental protection.

For all of the CSR contributions to the community and to the socio-economic development of Vietnam, UVN has granted many awards and certificates to those who participated, as can be seen listed in Box 3.

## 10. CONCLUSIONS AND POLICY RECOMMENDATIONS

During its 14 years of operation in Vietnam, UVN has progressed a long way, from being a redoubtable competitor to a considerate partner for SMEs; a popular manufacturer with many well-known branded HPC and food products to “help people feel good, look good and get more out of life”. Today, UVN is deeply rooted in Vietnam, having established close connections with all its stakeholders and being fully integrated in the socio-economic development of the Country.

As Vietnam has developed rapidly, so UVN has progressed alongside the Country, and has been growing at an even faster rate. The Company is one of a handful of MNCs and foreign-owned companies that have demonstrated their willingness to make a significant contribution to Vietnam in many respects. This willingness has resulted in positive direct and indirect benefits to the Country in terms of creating decent jobs, raising technical and human capacity, facilitating implementation of the Country’s priorities through CSR projects and protecting the natural environment. For all its contributions to the social and economic development of Vietnam, UVN has been recognised countless times and received many awards from the Government and various agencies.

Vietnam is about to join the group of middle-income countries and aims to become an industrialised country by 2020. During the past three years, huge FDI projects have received licenses to operate in Vietnam. The core business of these projects are very diverse, but their focus has been shifting away from manufacturing and telecommunications in the first half of this decade and toward more mineral exploitation, real estate and hotels; businesses which may not necessarily generate relevant production capacity for the Country. The attitude of several foreign investors is also a matter of concern. In this context, UVN can be viewed as an excellent example and a role model for many other companies to follow.

### 10.1. Major Contributions and Impacts of Unilever Vietnam

This study aims to understand the impacts of UVN on Vietnam’s socio-economic development; moving along the value chain from local

suppliers and partners, UVN production, and distributors, to consumers, the broader community and the Government. The study has determined that the major contributions and impacts that UVN has made for Vietnam can be classified into five groups:

- Making impacts at the macroeconomic level through wealth creation, direct and indirect employment generation, investment mobilisation, contributions to tax revenue, balance of trade and balance of payments.
- Raising the standard of CSR behaviour towards employees (working conditions, training, salaries, retirement and other benefits) and the environment (eco-efficiency and eco-innovation). Indeed, UVN has become a leader in most aspects of CSR and a model for other companies to follow.
- Promoting partnership and production linkages with local SMEs and distributors through various offers of assistance and training. The 'trickle-down' effects in these areas are both significant and sustainable.
- Providing quality products to all customers, including rural and low-income people, with an aim to improve their hygiene habits and provide nutritional augmentation. UVN works hard to reflect local tastes in its products or to adopt international standards to local food to ensure their products appeal to local consumers.
- Making sustainable impacts on the community through voluntary CSR contributions that facilitate the implementation of priorities identified in the SEDP and Government strategy. UVN has worked hard to ensure that its business agenda complements the national strategy and socio-economic development plans.

## **10.2. Lessons Learnt**

On completion of this report, every member of this Research Team feels that they have learnt something special from UVN; a MNC which through all its activities and operations goes above and beyond many of the common impacts that are often referred to when considering the socially responsible things that foreign invested companies can do for their host countries. Below are some of the key lessons that the team learnt from the Study.

- Firstly, there are many different types of foreign invested companies. Unlike a number of them, UVN is a long-term investor, who has been deeply rooted in the economy, having strong forward and backward linkages and, by and large, serving domestic consumers. The Company recognises that it will prosper if Vietnam grows well and vice versa. This recognition makes UVN more closely concerned about the socio-economic development of Vietnam and the Country's development prospects.
- Secondly, not all foreign invested enterprises are competitors and crowd out local SMEs within the same industry. The UVN case is a real model of a constructive partnership and efficient collaboration between a MNC and local businesses, which results in a win-win situation for both sides. Through coaching and training by UVN, the SME partners obtain necessary skills, experience, techniques and working discipline to become even more efficient and competitive.
- Thirdly, 'trickle-down' effects may be far reaching, not only confined to capacity building and technology transfer, but also affecting social and environmental areas, where good conduct, influence and partnership requirements by the foreign invested enterprise have had the effect of raising awareness and improving the performance standards of local partners.
- Fourthly, enterprises can contribute significantly to national socio-economic development through their business operations. By incorporating selected national priorities into the business agenda and implementing them, UVN has achieved a double target of advancing both the national and the corporate agendas.
- Last but not least, despite being a large MNC, UVN does not forget to serve the needs of the poor majority who live in rural areas. The Company has developed and is implementing a strategy to serve them based on detailed studies. Despite tremendous challenges, UVN is determined to be successful in this aspect of its business.

### 10.3. Policy Recommendations

The Research Team would like to make the following policy recommendations to the Government:

- Encourage the dissemination and sharing of examples of responsible investors such as UVN. To do that, businesses should be willing to be studied and the results disseminated widely. If a company operates ethically, the outcome of the study should be favourable, raising its reputation and position in the business community.
- Improve the legal framework for the business environment, introducing a legal infrastructure (e.g. through tax deduction) that encourages businesses to re-invest, coach local partners, and provide social security and insurance packages to their employees.
- Promote development of business supporting industries and services such as professional superannuation trust funds, agencies training and providing professional personnel; development of competitive upstream industries to help businesses in general and MNCs in particular to cut down the production costs and compete globally.
- Introduce policies requiring the stringent fulfilment of CSR, including employment policies, working conditions and welfare benefits, product quality, and on protecting the natural environment.
- Introduce policy measures to encourage foreign-invested businesses develop long-term and comprehensive partnership with local SMEs through their backward and forward linkages in order to magnify trickle-down effects.
- Encourage businesses in general and foreign-invested enterprises in particular to contribute to national socio-economic development priorities. This may go through integrating the business agenda with the national development strategies.
- Introduce appropriate incentive policy measures for investors' good conduct and punitive sanction measures for violators.

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- Website  
<http://www.vnstyle.vdc.com.vn/viewDetails.asp?catId=4&PostId=22452>.
- Website Top 500 enterprises in Vietnam: <http://www.vnr500.com.vn/>

**ANNEX: LIST OF PEOPLE MET, INTERVIEWED OR SURVEYED**

<i>Name</i>	<i>Title/Post</i>	<i>Company/Agency</i>	<i>City/Province</i>
<b>Suppliers</b>			
1. Mr Dang Thong Tuan	Business Director	Can Tho Fertilizer And Chemical Co.	Can Tho
2. Mr Tran Duc Quynh	General Manager	LS Pack Company Limited	HCM City
3. Mr Nguyen Tien Dung	Financial Director	PTN Chemicals Co., Ltd.	Hai Phong
4. Ms Nguyen Van Lanh	Deputy Chief, Personnel Section	StarPrint Vietnam Co., Ltd.	Dong Nai
5. Ms Lai Thi Nhung	Chief, Personnel Section	Microbiological and Chemical Industry Joint Stock Company	HCM City
6. Mr Nguyen Dinh Huynh	Director	Da Nang Chemical Industry Joint Stock Company (CICO)	Da Nang
7. Mr Le Thanh Hai	Deputy Chief, Personnel Section	Tan Tien Plastic Packaging Joint Stock Company	HCM City
8. Ms Nguyen Thi Tinh	Director	Quoc Duong Fish Sauce Company	Phu Quoc
9. Mr Ly Van Thien	Director	Kim Anh Tea Joint Stock Company	Ha Noi
10. Mr Dao Huu Huyen	General Director	Duc Giang Chemicals Joint Stock Company	Ha Noi

11.Mr Truong Van Quang	Chief, Business Section	Duc Giang Chemicals Joint Stock Company	Ha Noi
12.Mr Dang Nguyen Duc	Chief, Planning Division	Tan Thanh Dong Company Limited	Ha Noi
13.Mr Ho Chi Cong	Director	TICO Joint Stock Company	HCM City
14.Ms Ngo Van Anh	Chief, Planning Division	TICO Joint Stock Company	HCM City
15.Mr Lam Anh Kiet	Director	LIX Detergent Joint Stock Company	HCM City
16.Mr Le Quoc Tuyen	Director	Bien Hoa Packaging Joint Stock Company	Dong Nai
17.Mr Le Quoc Tuan	Deputy Director	Duy Tan Plastic Co., Ltd.	HCM City
18.Mr J.V. Srinivasa Rao	Marketing Director	Nagarjuna International (Vietnam) Co., Ltd.	HCM City
19.Mr Pham Quang Hoa	Director	NET Detergent Joint Stock Company	Dong Nai
20.Mr Nguyen Van Dan	Director	Ha Noi Soap Joint Stock Company (HASO)	Ha Noi
<b>Distributors</b>			
1. Mr Nguyen Ngoc Cach	Director	Thanh Dat Company Limited	Bac Ninh
2. Mr Pham Phu Cuong	Director	Hanh Van Private Trading Company	Dak Lak
3. Ms Vu Thi Ngoc Lan	Director	Luu Lan Company Limited	Vinh Phuc
4. Ms Vu Thi Hoan	Director	Khanh Vinh Company Limited	Thai Nguyen
5. Mr Nguyen Thanh Hung	Director	Cu Chi Trade and Services Cooperative	HCM City

6. Mr Pham Hong Ha	Director	Pham Hong Ha Distributing Agent	Ha Giang
7. Mr Le Bac	Manager	Viet Tien Private Trading Company	Khanh Hoa
8. Mr Vo Tuan Ngoc	Director	Tan Binh District Trade and Services Cooperative Union	HCM City
9. Ms Huynh Nu	Director	The Phat Company Limited	HCM City
10. Ms Pham Thi Phuong	Director	Hung Hai Company Limited	Hai Phong
11. Mr Tran Duc Binh		Duc Binh Trade and Services Company Limited	HCM City
12. Ms Dong Thi Sang	Director	Dong Thi Sang Distributing Agent	Ba Ria - Vung Tau
13. Ms Nguyen Thi Thuan	Director	Thuan Hung Company Limited	Thai Binh
14. Mr Nguyen The Quyen	Director	Long Anh 2 Trading Company Limited	Thanh Hoa
15. Mr Pham Ngoc Quy	Director	Intimex Ha Noi	Ha Noi
16. Ms Do Thi Ngoc Tram	Director, Hoan Kiem Branch	Ha Noi Food and Foodstuff Export-Import Joint Stock Company	Ha Noi
17. Ms Pham Thi Luu	Director	Minh Tuan Company Limited	Ha Noi
18. Mr Nguyen Su	Director	District 3 Trading Cooperative	HCM City
19. Mr Mach Kim Y	Director	Vinh Tuong Hung Trading Company Limited	HCM City
20. Mr Nguyen Van Minh	Manager	Nguyen Minh Hoang Company Limited	Da Nang
21. Ms Vu Thu Ha	Chief, Accountant Section	Nguyen Minh Hoang Company Limited	Da Nang
22. Ms Tran Thi Thu Huong	Manager	Duy Thanh Company Limited	Da Nang

<b>Unilever Vietnam</b>			
1. Mr Greg Sullivan	VP Supply Chain	Unilever Vietnam	HCM City
2. Ms Nguyen Phuong Loan	VP Human Resources	Unilever Vietnam	HCM City
3. Ms Nguyen Thi Bich Van	VP Home Care	Unilever Vietnam	HCM City
4. Ms Dao Tuyet Mai	VP, Corporate Development	Unilever Vietnam	Ha Noi
5. Mr Ashok Mittal	VP Foods	Unilever Vietnam	HCM City
6. Ashok Ganapathy	VP Customer Development	Unilever Vietnam	HCM City
7. Marijn van Tiggelen	Chairman	Unilever Vietnam	HCM City
8. Thomas Grunzke	VP Finance	Unilever Vietnam	HCM City
9. Rowel Vijandre	VP Personal Care	Unilever Vietnam	HCM City
10. Tran Vu Hoai	VP External Relations	Unilever Vietnam	Ha Noi
11. Bui Thu Huong	CR Manager	Unilever Vietnam	Ha Noi
12. Ms Mai Hong Duong	Trade Supervisor	Unilever Vietnam	Ha Noi

<b>Governmental Agencies and others</b>				
1.	Mr Tran Xuan Gia	Honorable Chairman	Unilever Vietnam Foundation	Ha Noi
2.	Mr Do Duy Phi	General Director	Vietnam National Chemical Corporation (VINACHEM)	Ha Noi
3.	Mr Tran Quang Phuong	Director	Ho Chi Minh Public Transport Department	HCM City
4.	Ms Vu Anh Dao	Director	Vietnam Child Protection Fund	Ha Noi
5.	Ms Le Tuyet Mai	Chief, Campaign Division	Vietnam Child Protection Fund	Ha Noi
6.	Ms Tu Phuong Nga	Director	Development Centre for the Poor	Ha Tinh
7.	Mr Nguyen Van Thich	Director	Quang Ninh Preventive Health Centre	Quang Ninh
8.	Mr Nguyen Viet Phuong	Country Director	Operation Smile	Ha Noi
9.	Mr Nguyen Ngoc Dieu	Director	Centre for Paralysed Children	Vinh Long
10.	Mr Huynh Son		Bau Ham 2 Community Education Centre	Dong Nai
11.	Mr Tran Dac Phu	Deputy Director	Preventive Health Department, MOH	Ha Noi
12.	Ms Nguyen Thi Hoa Binh	Member	Vietnam Women's Union	Ha Noi
13.	Ms Bui Thi Me	Senior Advisor	Association for Disabled People and Orphan Children	HCM City
14.	Ms Nguyen Thi Cam Van	Chief, Planning Division	Natural Resources and Environment Department	HCM City
15.	Ms Dang Phan Thu Huong	Deputy Director	International Cooperation Department, MOIT	Ha Noi

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