



## **Growing Inclusive Markets**

Business Works for Development • Development Works for Business

CASE STUDY

South East Asia • Vietnam

### **Mai Vietnamese Handicrafts: Crafting a brighter tomorrow for disadvantaged women and minorities in Vietnam**

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Sector • Artisanal Goods

Enterprise Class • MSME



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### **Executive Summary**

Mai Vietnamese Handicrafts (MVH) is a small and successful business, founded in 1990 by two passionate and energetic women from a group of social workers in Ho Chi Minh City. Since 2005, this well established and successful business has undertaken a profound change in their corporate strategy in order to modernize the perception of handicrafts in Vietnam and attract more innovative young artisans to this traditional sector.

Building on the belief that social development is intricately tied to economic self-reliance; Mai Vietnamese Handicrafts reaches out to artisans in underserved areas and employs them as producers. Besides being the primary marketing agent for neglected women in rural areas, MVH is also actively involved in product development, marketing activities and design to offer quality, environmentally friendly and trendy products.

As a member of the Worldwide Fair Trade Organization, MVH trades handicrafts produced by a network of artisans (in majority women) in small remote villages. The company has set up a decentralized network of 21 producer groups operating mainly in the Southern provinces: HCMC, Binh Duong, Tien Giang, Bien Hoa, Ben Tre, Ninh Binh, Tra Vinh. The network counts 1,101 artisans, 70% of which are women. Each group is specialized in a range of products, which they sell and deliver to MVH. The company, as a trading agent, negotiates with international clients and ensures the conditioning, trading and shipping of the items.

Originally an income generating and educational project, MVH was established with the objective to generate direct income and promote self-reliance for the poor and disadvantaged minorities through fair trade. Today, MVH is a profitable socially driven business, employing 25 direct staff and partnering with 1,101 artisans who are paid fair wages. The business generated substantial annual turnover of US\$1.75 million from commercial activities in 2008. Global profit represents 10% of the annual turnover and is reinvested for the artisans, to empower and leverage their skills as well as in funding social projects in their communities. Since 2005, the business has instituted notable changes in the structure and market approach in order to attract younger artisans and offers newly innovative and environmentally friendly products.



# Introduction

In Vietnamese, the word ‘Mai’ has several interesting meanings: literally it translates to ‘Tomorrow’, while Mai also embodies a small yellow apricot flower with five to eight petals which grows in Southern Vietnam. As the symbol of spring and good luck, a bush of ‘hoa mai’ flowers therefore always decorates every Southern Vietnamese household during the New Lunar Year ‘Tet’ celebration period, bringing prosperity and well-being. Tradition holds that the longer a bush of hoa mai lasts, the more prosperous the family will be in the coming year.

Mai Vietnamese Handicrafts (MVH), a small business started by a group of social workers back in 1990 is meant to represent all this. *“We wanted to induce social change through on the ground action and started this activity first as a social project for impoverished youngsters in Ho Chi Minh City. We decided to name our shop and company Mai after the ‘good luck’ and ‘tomorrow’ meanings, but also because phonetically you will say in English ‘My (Mai) shop’ and it feels familiar and convivial. The last reason is because our foreign customers usually say my name ‘My’ with the English pronunciation,”* Ms. My, the co-founder smiles.

MVH trades artisan products crafted by a network of producers and artisans in small remote villages, located mostly in Southern Vietnam. Today, the business employs 25 direct staff and works with a network of 21 producer groups. MVH provides employment to more than 1,100 artisans (70% are women), giving them the chance to earn a living, helping them to send and keep their children in school and to come out of poverty (as the artisans were poor and socially disadvantaged when they joined MVH). By definition of the Ministry of Labours, War Invalids and Social Affairs (MOLISA) the 2009 poverty line in Vietnam was a monthly average earnings of less than VND 200,000<sup>1</sup> (US\$11) in rural areas and VND 260,000 (US\$14) in urban areas.

The associated artisans are earning *“two to three times the sector average salary”* according to MVH analysis. MVH therefore also plays a role in the rural economy in difficult areas, as many artisans are able to work from their homes or in small workshops instead of seeking work in Vietnam’s factory industries.

Each group is specialized in a range of products, which they sell and deliver to MVH. The company is then ensuring the quality control, conditioning, trading and shipping of the products. Exports represent 98% of the sales. In terms of sales value, the main customers are

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<sup>1</sup> Currency exchange used in the case: 1 US\$ equals 18,200 VND (Vietnamese dong)



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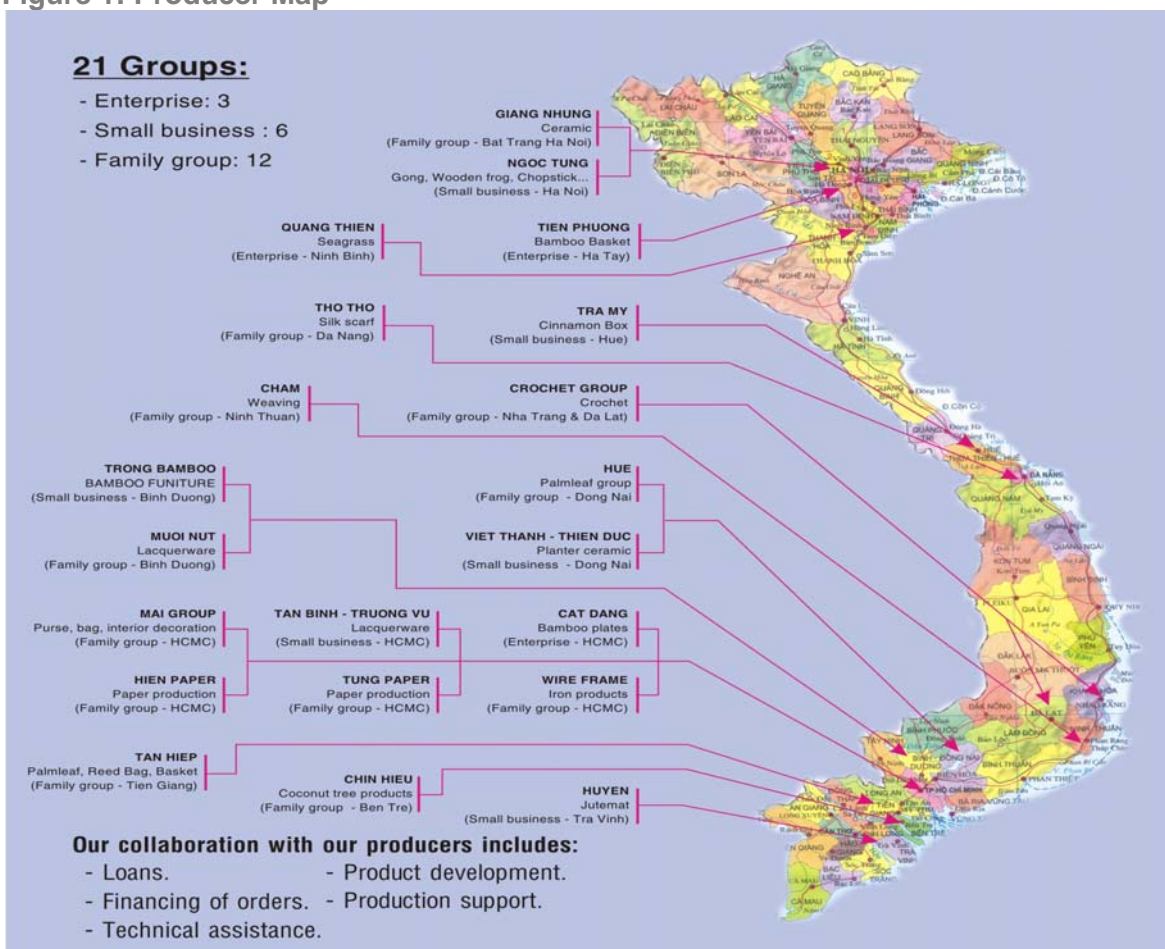
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in Europe (59%) and in the US (34%). The company is also providing assistance and training to, and financing social and funding educational projects in the local communities.

## Market and Location Context

MVH operates in Ho Chi Minh City (HCMC), the Southern economic heart of the country and has set up a national production network comprised of 21 groups of 1,101 artisans, representing a total of 300 to 400 families. Historically, the artisans were mainly located in Southern Vietnam: HCMC, Binh Duong, Tien Giang, Ben Tre, Tra Vinh. MVH has also expanded the network to Central and Northern villages: Danang (cinnamon box, silk painting), Nha Trang and Hanoi (ceramic, gong). However, the number of producer groups in the MVH network has never exceeded 26.

Figure 1: Producer Map



Source: Extract from MVH 2009 Brochure



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*“We are often asked questions on the size of our production network. The answer is we need to provide enough employment for all the groups; that is why we deliberately chose to keep our network size reasonable and manageable.”* Ninety eight percent of all products are exported while domestic sales represent only 2%. On the domestic market, direct sales come from the Mai owned shop which is set up on the ground floor of the head office while indirect sales are generated from airport souvenir shops.

## Description of the Business Model

The story of Mai Vietnamese Handicrafts started with two dynamic and committed women willing to bring durable social change to disadvantaged communities through their action. At the origin of this private initiative are Ms. Thai Thi Le Khanh and Ms. Le Phuong My. Both ladies graduated with degrees in social work studies in Ho Chi Minh City before Vietnam’s Independence in 1975.

*“You should know that social work was at that time not well recognized in the Vietnamese society. For instance back in 1975, Ho Chi Minh City only counted two universities teaching this science to some 200 students... After graduation, we worked in several organizations and companies; and the jobs we could find were sometimes not directly linked with our background. Note that today, even if social work is codified as a branch by the Ministry of Labour, the profession of social worker itself still not is.”*

In 1989, Ms. Khanh and Ms. My joined a social research group founded and led by the late, renowned sociologist Ms. Nguyen Thi Oanh<sup>2</sup> in Ho Minh City. In the framework of their research, after having conducted various studies on street and disadvantaged children, Ms. Khanh and Ms. My decided to implement on the ground actions for education. In 1990, the association opened a workshop for disadvantaged youngsters in Phu Nhuan District teaching handicraft skills (sewing) in the morning and basic school classes in the afternoon. The main objective was to keep the youngsters away from street dangers and temptations.

Out of the 75 youngsters joining the program, 15 attended the handicraft workshop where they learnt how to produce small objects and souvenirs (wallets, coin purses, glasses cases

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<sup>2</sup> Ms. Nguyen Thi Oanh (25/12/1931 - 1/5/2009) was one of the most famous sociologists in the South of Vietnam. As the first woman to gain a Master Degree in Community Development in the Philippines, she introduced this brand new subject to Vietnam in the 1960s. After working for the Catholic associations in Vietnam, she served as an Academic Manager of Saigon National Social Activities University (1971-1973). By 1992, she was a pioneer in establishing the faculty of Women study (precursor to the faculty of Sociology) at Ho Chi Minh city Open University, where have been trained the Vietnamese successive generations of BAs, MAs, PhDs in new sociology.



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etc...). The items were then presented to hotels, souvenir shops, NGOs etc., with limited success, however. Ms. My co-founder analyses *“at that period, our products were not trendy or matching with the market taste; we didn’t know how to market our creations and even if our contacts were really willing to support, we could only get very few orders, amounting to US\$500 at maximum. We were quite struggling.”*

In 1993, after three years of relative financial difficulties, the group conducted an assessment of activities and was even considering closing down the workshop. However, they decided to hold on and indeed that first business decision proved right soon thereafter. In 1994, the Ten Thousand Villages - the fair trade programme of the Mennonite Central Committee (MCC) - came to visit Vietnam and met with Ms. Khanh and Ms. My.

The Ten Thousand Villages began over 60 years ago when the wife of a Mennonite Central Committee (MCC) administrator - Ms. Byler - bought some needlework products from disadvantaged women in Puerto Rico and began selling them to her friends and neighbours in Central Pennsylvania. By 1952, MCC made this programme official and named it the Overseas Needlepoint and Crafts Project. In 1968, this program was renamed SELFHELP Crafts and finally Ten Thousand Villages in 1996. In 2002, Ten Thousand Villages was incorporated as an independent non-profit, charitable organization (501(c) 3), wholly owned by MCC. Ten Thousand Villages purchases crafts from developing world artisans and crafts persons and makes them available for sale in North America. All sales revenue generated by Ten Thousand Villages and any surplus earned by operations is retained within Ten Thousand Villages. Surpluses are used to finance the growth of the Ten Thousand Villages retail network and to increase purchases from artisans.<sup>3</sup>

Mennonite Central Committee (MCC) held its first official meeting in September 1920. The Committee was formed as the result of a meeting held earlier that year, when 13 church leaders met in Elkhart, Indiana to talk about how North American Mennonites could respond to the needs of hungry people in the former Soviet Union. MCC's development work around the world focuses on the areas of education, health, agriculture, peace and justice issues, and relief work and job creation.

Interested in the concept and approach and willing to support the association, MCC sponsored the participation of MVH at a handicrafts fair in Hanoi and a study tour afterwards in Thailand. Participating at these events opened a broader prospect to Ms. My and Ms. Khanh by enlarging their approach to handicrafts, as they were until then merely focusing on embroidery and lacquering. *“This trip really opened up our minds; we indeed discovered the diversity of the handicrafts products and skills,”* explains Ms. My.

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<sup>3</sup> Ten Thousand Villages, [www.tenthousandvillages.com](http://www.tenthousandvillages.com), accessed on 1 October 2009



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Moreover, MCC also sent a marketing consultant to assist the association in their trading effort. *“When working with this consultant, we realized how much it was necessary to improve both the design of our products and our marketing and communication effort so as to promote our products and find clients,”* Ms. My reports. The MCC consultant also explained to MVH the principles of fair trade and encouraged the association to join the fair trade network.

By definition, fair trade standards comprise both minimum social, economic and environmental requirements, which producers must meet to be certified, plus progress requirements that encourage continuous improvement to develop farmers’ organisations or the situation of estate workers. The World Fair Trade Organization (WFTO) is the global representative body of over 350 organizations. The goal of the WFTO is to enable small producers to improve their livelihoods and communities through sustainable fair trade. WFTO operates in 70 countries across five regions; Africa, Asia, Europe, Latin America, and North American, and the Pacific Rim, to create market access through policy, advocacy, campaigning, marketing and monitoring. It is the only global network whose members represent the fair trade chain from production to sale. WFTO members are organizations differentiated by their 100% fair trade commitment to eradicate poverty through sustainable economic development; pioneering social and environmental policy and practice and continual reinvestment in marginalised artisans, farmers and producer communities. Hundred and ten million artisans, farmers, growers, producers, and supporters are driving fair trade through cooperatives, networks, brands and businesses with a 100% fair trade commitment delivering US\$2.2 billion in fair trade sales worldwide.<sup>4</sup>

At first, the founders were a little hesitant to get more actively involved in trading and commercial activities as they viewed their social work as independent and isolated from a commercial prospect. After further consideration, they realized that *“social impact can be combined with a commercial activity and that the two concepts were not mutually exclusive.”* After meeting and discussing with artisans, *“we found out how difficult it was for a small local artisan to deal directly with international customers, how they sometimes had to sell at a very low price to big local exporters and why they needed our commercial support and assistance. We started then to get organized,”* Ms. Khanh says.

After initially adhering to fair trade standards, the association changed its target producer group from youngsters to the parents. As youngsters usually dropped out of school in order to work and earn money to help their families, the founders understood that shifting the familial mentality and introducing a more profound and structural change was required. Ms. Khanh

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<sup>4</sup> World Fair Trade Organization, [www.wfto.com](http://www.wfto.com); accessed on 1 October 2009



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and Ms. My then decided to approach the adults (the mothers) and talked to them about the work, offering vocational training and fairly paid employment. These women could thus gain professional skills and earn a regular income while working at home and keeping their children in school.

The association started to work with 20 families in Phu Nhuan, who were easily convinced to join the project. *“We did observe an interesting impact on the familial cohesion as well: while a wife makes the handicrafts, a husband often helps with the packing and delivery. This also changed positively the role of the women in their families, as they were financially actively contributing to the household.”* Ms. Khanh explains: *“the fact that women are working and earning a regular income also strengthens the familial ties; women play a more prominent role within the family; they can decide on the household expenses and speak with a stronger voice. I saw a profound change within the families. For instance, we have the case of a senior couple: the husband was retired from his job while the wife was producing handicrafts with Mai. She was used to show him her order book, asking him to calculate her production revenue, even if she knew how to do it. He was aware of her income and quite demanding. We said to her that we didn’t agree; we encouraged her to calculate on her own, so that she knew exactly how much she was producing and earning. She could take control and decide on her own income. The husband was upset and it was very difficult at the beginning, but we explained to him why she should calculate and manage on her own. We had to do it tactfully and of course couldn’t say that we didn’t want him to control his wife’s income! We teased him and said we would pay her only when she was able to calculate on her own and it worked!”*

During that period, the founders visited dozens of remote and impoverished villages and groups all over Vietnam, identified by other social workers from the research group. It took Ms. My and Ms. Khanh more than six months to select the first producer groups. Clear selection criteria were applied: existing or potential skills (meaning enthusiasm and thoroughness in the crafting activities), quality of products, respect of deadline and no child labour. No exclusivity was required from the producer groups, who can supply handicrafts to other companies or get involved in other occupations.

Having structured their production within fair trade standards and developed a wider range of products to present to potential clients, in 1998 MVH received its first big order amounting to US\$20,000 from FTO Netherlands, a partner from the Fair Trade Network and ever since their largest client.





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### Constraints and solutions

Over the years, MVH was developing and increasing their sales but they also faced and overcame two main constraints:

- Knowledge and skills of the producers were limited: MVH focused on leveraging the strengths of the poor. Twenty percent of the generated profit is dedicated to training producers on product development, health, safety and environmental projects. Trainings are organized for the groups several times a year and the participation fees and expenses are covered by MVH.
- Poor physical infrastructure was also an issue: MVH decided to adapt the products and processes and to combine the resources and capabilities. Each producer group selects a representative, responsible for managing the relations with MVH. Given the decentralized model of production, each group takes care of purchasing the raw materials, producing the items and delivering the orders to the MVH warehouse. MVH then proceeds with the quality and quantity check, conditioning, packaging, and dispatch and shipping to clients.

In 2002, Ms. My and Ms. Khanh took their crucial second business decision to change their initial status from an association to a limited private company in trading activities. The rationale behind this structural change was to gain in commercial efficiency and autonomy. As a matter of fact, as an association, MVH was not allowed to export directly their products from Vietnam and had to go through the state-owned agency Artex Saigon. Going through a third party had obvious impact on the cash management as MVH was dependent on the payment term of the state trading agency.

### Financial model

The 500,000,000 VND capital (equivalent to US\$31,000 in 2002) to set up the company was entirely self-financed by MVH from their activity surplus. Ms. Khanh and Ms. My were both registered as the owners and directors of the new limited private company but in reality, they decided to only get a salary from the company and not to hold any shares. The company was set up as a private company, not a cooperative. MVH is working as a trading agent on a collaborative mode, no ownership from the artisans. Corporate governance is complying with fair trade standards as they are a member of the WFTO network (transparency on financial results and use of profit, annual general meeting etc.). Every year, MVH calls for a General Meeting with all the representatives from the artisan groups. The participation at this annual



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meeting is fully sponsored by the company (including air tickets, transportation, accommodation and food).

Managed under the full transparency principle, MVH presents during the annual meeting on their global results, accounts, activity and strategy; the delegates also report on their respective group results. The meeting also serves as a forum for the groups to raise questions to MVH, share best practices and experiences and discuss practical issues.



Meeting with producer groups, 19 September 2009  
(Source: MVH Annual General, Photo Credit: courtesy of MVH)

As Ms. My highlights: *“being a member of the WFTO, we do not bargain with the artisans; we buy products at the price offered by the producers. Each group is responsible for calculating their selling price, based on the raw materials and labour / production costs. The price adjustment is made by the producers themselves when they judge necessary. One very simple and clear indicator is their sales performance compared with other groups and the mainstream*

*market. The WFTO has also provided us with their software to calculate from the selling price the final net income for the producer, after deduction of the cost of raw material and labour. We are now sharing this software with all our groups and helping them to use this program to calculate fair and appropriate selling prices.”*

Price adjustments are often decided by a group during the annual meeting when analysing their own financial results in light of the reporting and results from other producer groups. *“Our dual objective is to help each group to grow and become independent and autonomous both in the business and social senses.”*

MVH as a trading agent, represents the groups, introduces their creations, negotiates, collects and dispatches the orders to the producers. The producers are fixing freely their prices; the adjusting indicator is the market demand. Prices are self-regulated: the producers aim at developing their activity and increasing their sales.



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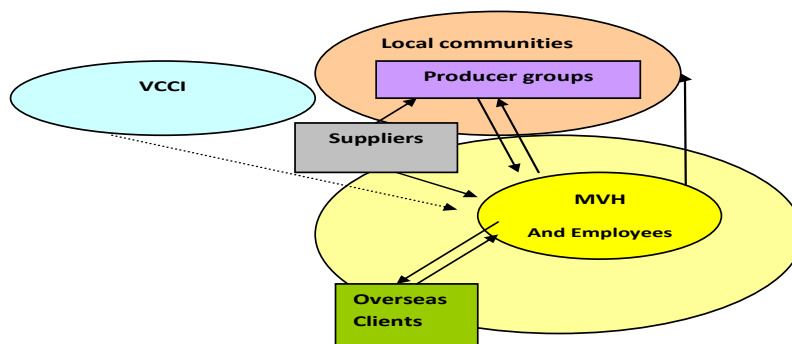
Producer groups sharing results and calculating selling costs at the annual general meeting (19 Sept 09) (Photo Credit: Courtesy of MVH)

In this regard, MVH acts like an incubator, providing support and advice to the partner groups as well as bringing favourable business conditions and market access. *“Actually, some groups MVH was working with grew considerably; they are now bigger than Mai Vietnamese Handicrafts and went out of the network to set up companies and operate on their own on a larger scale.”* This is the case for instance of two former producer groups Cac Dang (furniture, lacquer) and Hung Huong (lacquer).

## The Business and its Relationships

MVH business model has been shaped and structured by four key actors:

Figure 2: Stakeholder Matrix within MVH business model



Annual general meeting September 2009 (Source: Courtesy of MVH)

1. **The poor and disadvantaged as producers** with direct benefits and revenues for their families. The relations set between MVH and the producers are both transactional and collaborative. The coordination bears a cost for MVH in terms of time and logistics (MVH visits each group at least twice a year) as these small groups work from their



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homes, located in remote areas. On the other hand, mutual benefit is observed among the two parties in terms of productivity, loyalty and scale as artisans get more professional and skilled.

*“We are aware of the higher evident cost and complexity involved in running a decentralized model compared to a centralized model of production,” the founders say. “However, this decentralized approach is the very fundamental of our business model, as we aim to reach out to ethnic minorities and isolated villages with traditional savoir-faire in handicrafts.”*

On a standard basis, the orders are ready for shipping within three months. MVH contractually ensures the production is delivered to their warehouse by the producers in 75 days, so that the company can proceed with the quality check and the packaging within 15 days. The most common quality issue lies in the finishing work of the goods. So far, the company has not experienced any major deadline issues; and if exceptionally a deadline cannot be met, the producer group in charge always makes sure to inform MVH at an early stage to allow smooth coordination with the international client.

The payment scheme adopted by MVH is also designed to favour the producers and encourage respect of quality and deadline: unlike the common practice to pay producers only upon reception of the merchandise by end-clients, MVH settles a prepayment from 30% to 50% at the order, and pays the remainder under 48 hours at reception of the merchandise in their warehouse, right after the immediate quality check. This feature reduces considerably the payment term (as opposed to a standard 30 to 60 day waiting period). As producers are ensured to get paid immediately upon quality check, they can work with a constructive mindset and focus on high quality standards and on time delivery.

Mai also distributes rewards to the groups for on-time delivery and good quality. The 21 production groups of the MVH network are divided into three categories, with a distinct model of cooperation:

- 3 enterprises (more than 60 people)
- 6 small businesses (not more than 30 people)
- 12 family groups

2. **The local communities (villages) as indirect beneficiaries** on a collaborative mode: Ten percent of the company profit is indeed used to fund local social projects.



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The Tay Ninh case is one example among others of a social project carried out by MVH. MVH has been working with the Tay Ninh producer group since 1996 and has contributed to the community development. Home to 26 ethnic minorities, the Tay Ninh province is located in the South East area of Vietnam; some 100 km away from Ho Chi Minh City. The Tay Ninh group is composed of individuals in social difficulty, supported by the Catholic Church and social programs. Together with the church, MVH taught the initial ten-people group how to sew dolls. The artisans started to work from their homes to improve their living. Today, the group has expanded to 30 people, earning between 1,000,000 VND and 2,000,000 VND (US\$55-US\$110) per month (as compared to the Vietnamese national average income at 1,500,000 VND or US\$82 per month in 2008<sup>5</sup>). Besides, the artisans have also diversified their products and now offer environmental friendly creations made from tape measure and recycled paper.



Tay Ninh kindergarten facilities  
(Source: Courtesy of MVH)

MVH has provided their support to the community effort for education, helping the families to pay the children's tuition and funding the community kindergarten renovation and sanitary installation.

3. **The World Fair Trade Organization and other foreign trading partners** as customers, providing guidance and advice to the business. Relations with MVH are both transactional and collaborative. As a member of the World Fair Trade Organization, MVH gets access to a platform of information and relevant partners and customers.
4. **VCCI (Vietnamese Chamber of Commerce and Industry)** as facilitator, giving information and assistance to MVH in a collaborative mode.
5. **Suppliers of raw materials** to the artisan groups, indirect transactional relation.
6. **Employees of MVH**, both transactional and collaborative mode.

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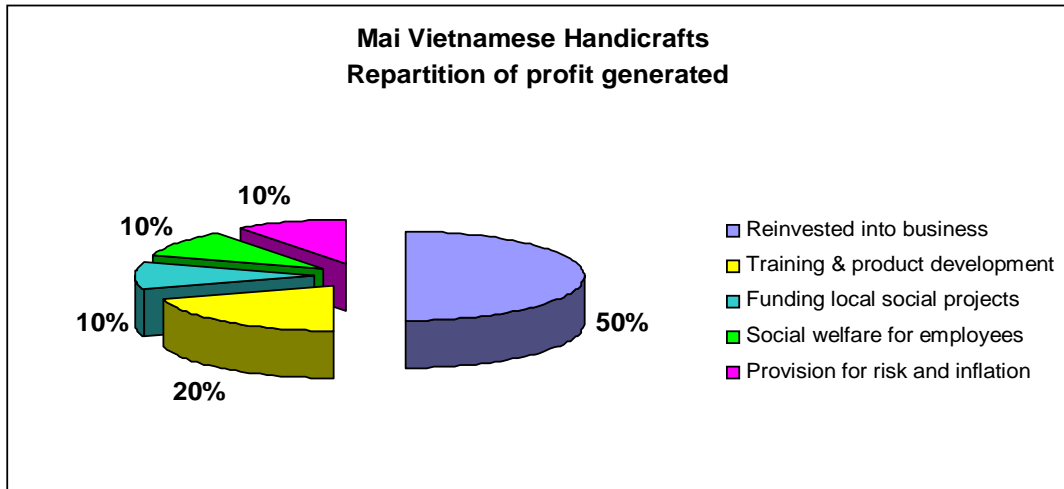
<sup>5</sup> Vietnam General Statistics Office (GSO), Statistical Yearbook of Vietnam 2008.



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Figure 3: MVH repartition of profit generated



## Results Created by the Business

### ECONOMIC RESULTS

Today MVH has set up a national network of 21 local groups counting 1,101 producers, of which 70% are women. Each group is specialized in a range of products, which they sell and deliver to MVH. The company is then ensuring the conditioning, trading and shipping of the items. In terms of sales value: MVH sells products to 18 wholesalers, 80% of which are partners from the Fair Trade network.

Ninety eight percent of all products are exported (mainly to Europe (59%) and the US (34%)), while domestic sales represent only 2%. In the domestic market, direct sales come from the Mai-owned shop which is set up on the ground floor of the head office while indirect sales are generated from airport souvenir shops.

Sales evolution is on a remarkable increasing trend: +18% year-to-year in 2007-2006 and +11% in 2007-2008. Sales to Europe in particular grew strongly from 2006 to 2008. In 2008 MVH turnover was US\$1,750,580, coming from commercial activities. Profit globally represents 10% of the annual turnover and is split as follows: 50% of the generated profit is reinvested into business, 20% is dedicated to training producers in product development, health, safety and environment projects, 10% is funding local social projects, 10% is used in social welfare for employees, and 10% kept for risk and inflation.

### SOCIAL RESULTS

The economic results of the business are intrinsically linked with their social impact. In terms of value analysis, the value creation and distribution is both direct and indirect:



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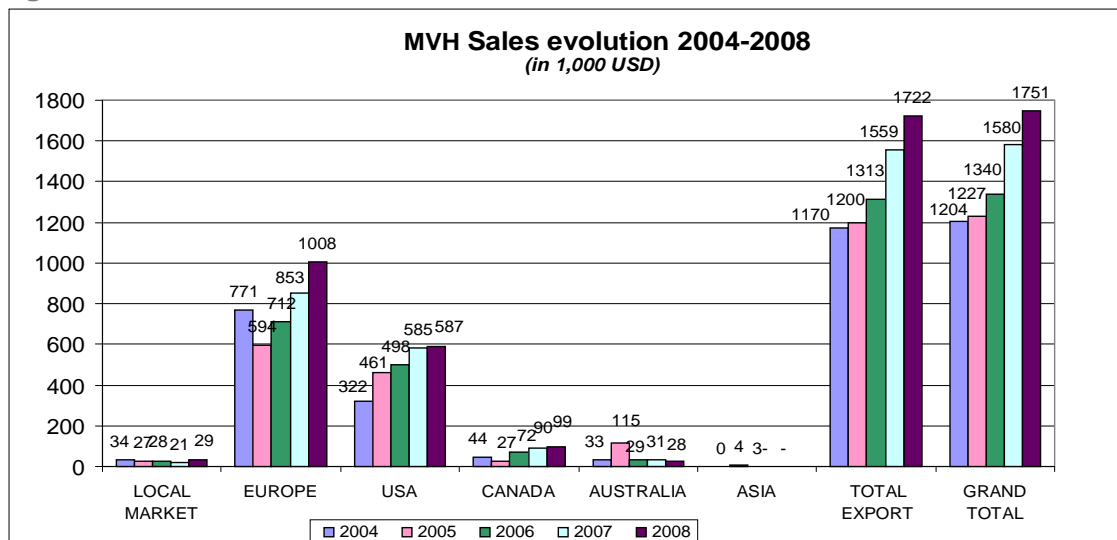
### *Direct value is created and distributed through the income received by the producers*

The estimated national monthly average income of the handicrafts sector varies from 450,000 VND – 625,000 VND (US\$25 - US\$34) to 750,000 – 1,100,000 VND (US\$41- US\$60) for ceramics (or other higher skilled works).<sup>6</sup> In comparison, the average monthly income for a factory worker in the manufacturing sector ranks from 1,600,000 VND (US\$88) to 2,200,000 VND (US\$121).<sup>7</sup> In 2008, the average annual income per capita (GDP) for Vietnam was US\$1,024<sup>8</sup> (circa 18,636,800 VND) equivalent to 1,547,000 VND (US\$85) per month.

The average income for an artisan in the MVH network is US\$140 per month (around 2,548,000 VND), varying in fact between 1,000,000 VND (US\$55) and 3,000,000 (US\$165) depending on the products. This therefore means that an artisan earns with MVH on average at least two times the salary of the sector. On a daily average basis: an artisan working with MVH earns 50,000 VND (US\$2.75) per day in the provinces, 80,000 VND (US\$4.40) in the cities and 100,000 to 120,000 VND (US\$5.50 to US\$6.60) for lacquer products (as lacquer ware involves higher skills and savoir-faire).

*“We don’t request exclusivity from the artisans, it means they can also sell their goods to other clients or they can get involved in other occupations (The multiple occupations could*

**Figure 4: MVH Sales evolution 2004-08**



Courtesy of MVH: Annual general meeting Sept 2009

<sup>6</sup> As handicraft manufacture is not categorized separately by Vietnam General Statistics Office but part of a large “non-state owned sector”, salaries are estimated based on press reports crossed with interviews from artisan groups.

<sup>7</sup> Vietnamese Shoe and Leather Association statistics for 2008, internal report to members’ full reference of the publication brought out by them.

<sup>8</sup> Vietnam General Statistics Office (GSO), Statistical Yearbook of Vietnam 2008.



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*be farming, cattle and poultry rearing, dairying, providing services). Currently, half of the 21 groups are fully employed throughout the year.” The other half complements their income with other occupations.*

Besides, MVH also works with groups of elderly retired people offering them both a social occupation and an additional income. They gather everyday to craft together small silk wallets, purses etc. and they earn the same salary as other artisans working within the MVH network.

### ***Indirect value distribution***

MVH also plays a role in the local economy in difficult areas, as many artisans are able to work from their homes or in small workshops instead of seeking work in Vietnam’s factory industries. Besides, as different members of the family contribute to the artisanal production (wife sewing / husband getting raw materials or delivering), families and to a larger extent communities also gain in cohesion. The social results induced by MVH also include: greater equality in the gender relations, improved health and education status of the family due to increased income, greater involvement in the community life. Besides this, being associated with the MVH network the artisans are given the opportunity to understand the larger global economy of the artisanal goods business and to participate in the annual meetings and to share experiences and learn from other groups.



Tan Hiep house back in 1996 and entirely rebuilt in 2007; and the family group with Ms. My and Ms. Khanh (Source: courtesy of MVH)

From the generated profit, MVH is also funding local social projects (10%) and providing continuous trainings to the artisans (20%). For instance MVH runs a ‘Safe and Healthy Environment Programme’ with the producers, focusing on improving the working conditions and environmental protection. Especially for groups using paints, MVH provides advice and assist in implementing work safety measures (wear protection masks etc). The economic and social impact of MVH can be concretely illustrated by the example of the Tan Hiep group specialized in reed, palm leaf, water hyacinth, recycled plastic and paper weaving.





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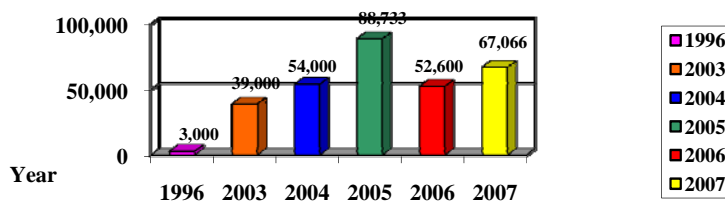
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### *The Tan Hiep group*

Located in the Tien Giang province, 60 km from Ho Chi Minh City, Tan Hiep is a family group, weaving baskets, bags and placemats. The artisans work from their homes and earn between 1 million VND and 1.5 million VND (US\$55 - US\$82) a month.

Originally producing items for the local market, Tan Hiep started to work with MVH in 1996. With the help of a designer from the World Fair Trade Organization, the group developed models for export and gained their first contract in the same year. As orders grew, the founder got her neighbourhood to work with her to meet the demand and create new products.

**Figure 5: Tan Hiep Sales 1996-2007 (USD)**



The group's focus on product development and material diversification has permitted it to gain more orders and create more jobs for the neighbour families. The group today employs 30 full-time permanent workers; sometimes the number can reach up to 200 workers depending on the orders. With the support from MVH, fair trade standards also apply when the existing groups expand their size and employ permanent workers. As the groups are paid on an order basis, they also need to self plan their workforce to meet the quantity and deadline requirements.

After more than ten years working with MVH, Tan Hiep could set up a production area and step by step rebuild their house, from a small bamboo frame house to a large house with brick walls and aluminium roof. Their children have graduated from university and are back home to help. *"I didn't get rich but I can say we are comfortable now and our work with MVH has enabled us to rebuild our house brick after brick and improve my family's living. We are very happy to see that our products are used in many countries. We are proud of what we have achieved."*

Working with MVH has not only improved their familial own living, but has also created more work and income for their community.



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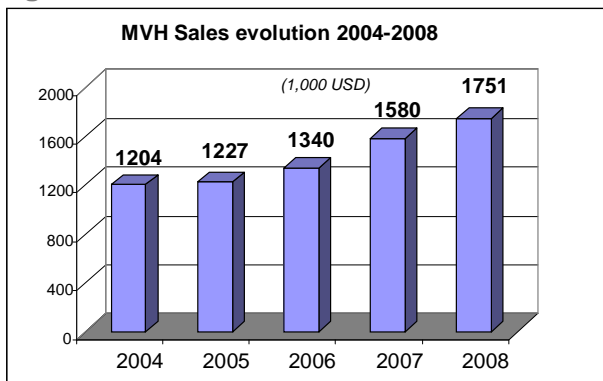
### ENVIRONMENTAL RESULTS

The 1,101 MVH artisans produce specialized regional handicrafts: traditional silk, ceramics and lacquer ware go along with environmentally friendly products made from the creative and innovative use of renewable resources like bamboo, recycled paper, or other natural fibres (sea grass, jutemat, water hyacinth). The environment is a strong concern for MVH and as a matter of fact, 30% of all their products are environmentally friendly made from recycled materials. Where possible, MVH introduces the use of recycled material to the groups: for instance the Tay Ninh group has diversified from the initial dolls and now offer environmentally friendly creations with tape measure and recycled paper.

Moreover MVH also runs a 'Safe and Healthy Environment Programme' with the producers, focusing on improving working conditions and environmental protection. Especially for groups using paints, MVH provides advice and assists in implementing work safety measures (wear protection masks etc.).

## Growth Strategy and Future Outlook

Figure 6: Sales evolution 2004-2008



Source: Vietnam Handicrafts Research and Promotion Centre

The growth perspective for both the handicrafts sector in Vietnam in general and the MVH company in particular looks promising. The global economic downturn in 2008-2009 is expected to slightly deflect the market growth.

Statistics from 2007 from the Japan International Cooperation Agency (JICA) indicated there were 2,700 craft villages through Vietnam (totalizing some 1.4 million people), with 1,200 of them relying on

handicraft production as a subsistence trade. The annual export turnover for Vietnamese handicrafts has increased on a regular trend since 2002, reaching US\$752 million in 2007.

As for MVH, the sales evolution is on a remarkable increasing trend: +18% year-to-year for 2006-2007 and +11% for 2007-2008. Despite the global economic slowdown, MVH sales

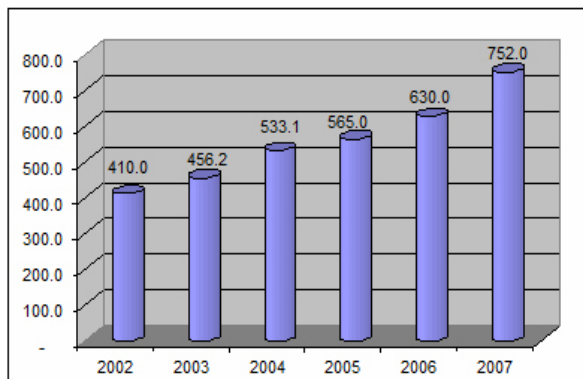


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results for 2009 up to the month September were not impacted and even higher than the 2008

**Figure 7: Annual export turnover of handicrafts (Millions USD)**



Source: Vietnam Handicrafts Research and Promotion Centre

actual year to date figure.

On the organization side, the business has achieved a professional set up and functioning. MVH can count on a committed and loyal team with very low turnover, which is quite rare in fast growing countries as Vietnam. Ms. My and Ms. Khanh have also been preparing the team to manage and develop the company when they retire. They are spending too much time recruiting and keeping the right employees. *“Strangely enough, we know immediately if an employee shares the mindset and understand the*

*objectives of MVH. Therefore, if they decide to leave they do it very quickly after their arrival. However, if they decide to stay, we know this is for long term cooperation.”*

Since 2005, the business has been enforcing their third crucial business decision and has engaged notable changes in their structure and market approach, in order to attract younger artisans and offer new innovative and environmentally friendly products. On the operational side, MVH now focuses on design and marketing, detected as a business lever and area of development. *“The company has recently recruited two colleagues Ms. Phuong and Ms. Tam in charge of our Marketing & Sales activities; this is quite new in our approach. We currently concentrate our efforts on promotion, design and marketing.”*

All the more as anticipation in design is a challenge well identified by MVH: *“fashion and design trends are always evolving and our company needs to anticipate and to keep pace.”* MVH regularly attends handicrafts fairs and studies carefully the trend books sent by their clients, with special attention to the colours, which are very distinctive from Vietnamese to Western tastes.

As Ms. My explained: *“This commercial activity has opened our minds and we have understood that the products need to be adapted to the taste of the clients. Therefore we had to adjust ourselves, because as you know, our own taste is very different from the client taste! For instance, in Vietnam, we usually like very colourful articles while this is not the case overseas. But we have the opportunity to catch up when our clients visit us; they explain the colours they like, or they indicate which colours are more adequate for the winter as opposed*



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*to the summer collection...in Vietnam, we don't have this distinction and can use any colour in any season! Then our perception has gradually changed and we also explain to the artisans, who can sell more products when they are adapted to the client taste."*

*"We also try to innovate from traditional handicrafts items: for instance we were selling the traditional cinnamon box produced in Central Vietnam and were sending samples of everything to our clients and contacts. An Italian distributor came back to us recently and explained that he never has paid much attention to this cinnamon product until he opened his sample cabinet and was suddenly struck by the warm and pleasant scent of cinnamon. We then worked on new variations from this product and developed with him fashionable cinnamon bag charms; and mobile charms; and as you can imagine, they sell very well in Italy!"*

The other main challenge comes from the structure of the artisan groups: Young people from the villages may have other professional interests aside from handicrafts. MVH has been working with the mothers (first generation) to provide them with employment and income so that they can take care of their families and keep their children in school. Ms. My and Ms. Khanh are now working to attract young people to join and have successfully contributed to the development of the Hien Paper group specialized in objects made with misprinted newspaper and founded by two female IT students.

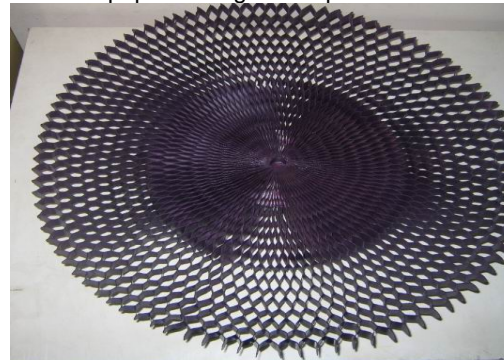
### THE HIEN PAPER GROUP

The group was set up in the outskirts of Ho Chi Minh City in 2006 by two unemployed students from Tuy Hoa province, Ms. Hien and Ms. Binh, freshly graduated from IT studies. Fond of art works and manual creation, the young ladies started to create items with the bee nest paper folding technique such as hats for sport events and vases for decoration.

Paper rolling technique



Bee nest paper folding technique



(Source: courtesy of MVH)



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From left to right: Ms. Binh (Hien Paper), Ms. My, Ms. Hien (Hien paper), Ms. Khanh (Photo credit: courtesy of author)



Gluing process of fold paper strips (Photo credit: Courtesy of MVH)

Looking for a way to earn their living, they approached MVH to propose their creations. Interested by their folding skills, MVH supported the initiative and presented their creations to clients. Ms. My and Ms. Khanh also provided design consultancy to the Hien Group, as the initial design was not adapted to international markets. In early 2007, after having redesigned their models and created home ware and decoration products such as bowls and dishes, the group gained their first two orders. End of 2007, the group was introduced by the Fair Trade Organization (FTO) with a new paper rolling technique. Hien Paper was able to provide FTO with samples within only two working days and gained an order within one month. As sales increased, more people immigrated from the village of the founders, located in the central province of Tuy Hoa, to work for the Hien Group. After three years of successful operations, the Hien group decided to set up a company in April 2009, mainly for administrative and financial purposes (to issue official invoices for suppliers and clients and proceed with bank transfers etc.).

The company employs today 30 full-time direct workers earning from 2,000,000 VND to 3,500,000 VND (US\$110-US\$192) per month. Hien Paper in fact guarantees a minimum monthly wage of 1,200,000 VND (US\$66) and provides free accommodation to their workers.

The raw materials used are from misprinted newspapers and magazines, purchased from printing companies. “We produce environmentally friendly items out of newspaper and use around 500 to 600 kilos of misprinted paper every month,” Ms. Hien says. The paper rolling



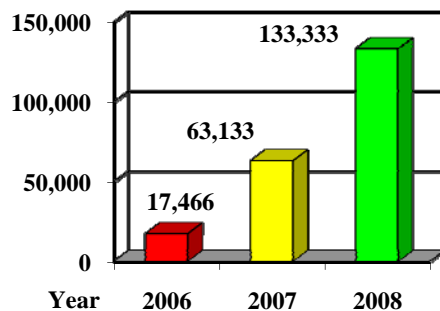
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technique consists in the humidification and rolling of thin dried glue fold paper strips on a hard mold. The wet paper strips are rolled and stuck together adopting the mold shape. The folding of the thin paper strips is outsourced to some 50 people (mainly seniors and women) working from their homes and paid on a per piece basis (unit 100 paper strips).

*“MVH was crucial in making our project come true; Ms. My and Ms. Khanh helped us to design our products and access to clients. Since we have been working with MVH, we have of course grown financially but also above all professionally and humanly. We are glad we can earn our living and create jobs thanks to our passion for art works. We are very proud of our team, their committed work and involvement; working is simply every day a great fun,”* said Ms. Hien and Ms. Binh.

**Figure 8: Hien Paper Sales 2006-08**



Source: Courtesy of MVH

The successful and creative above example from the Hien Paper group founded by two female IT students can therefore be a good reference and provide hints on how to attract young people into handicrafts.

One last possible improvement lies in building and increasing the local marketing and domestic awareness. The company is today mainly focused on international markets and now realizes that their business and social impact can be strengthened if more locals (who can become potential partners and customers) know about their proximity action.

When looking back over their 20 years of existence, Ms. Khanh recognizes that Mai’s biggest challenge is the people: *“We permanently put all our efforts in training and leveraging*



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*people’s skills, whether our employees or our artisans. Human management is so time and energy demanding.”*

*“But at the same time, the people are our greatest reward,” continues Ms. My. “We are proud to see how working and crafting together has concretely improved day after day and step by step the living of the artisans and their communities.”*



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# **References**

### **INTERVIEWS**

- Ms. Thai Thi Le Khanh, Director and co-founder, September/October 2009
- Ms. Le Phuong My, Development and Production Director and co-founder, September/October 2009
- Some of their staff: the seller at their showroom, the Marketing team Ms. Phuong and Ms. Tam, September/October 2009
- Representatives from the Hien paper group: Ms. Hien and Ms. Binh, co-founders, September/October 2009

### **WEBSITES**

- Ten Thousand Villages, [www.tenthousandvillages.com](http://www.tenthousandvillages.com), accessed on 1 October 2009
- World Fair Trade Organization, [www.wfto.com](http://www.wfto.com), accessed on 1 October 2009



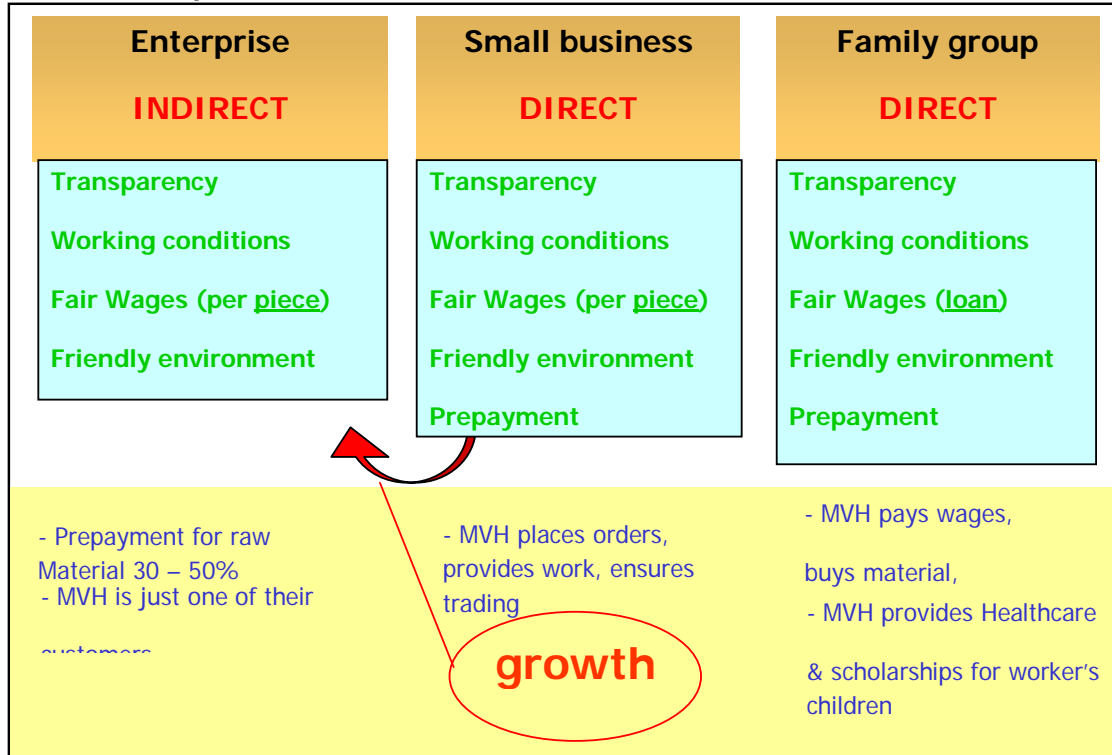


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## Annexes

### Annex 1: Cooperation models of MVH



Source: MVH General Meeting, 19 Sep 2009



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### Annex 2: Sale figure for MVH 2004-08

<b>SALE FIGURE FOR MVH 2004-2008</b>											
US\$ 1,000 <span style="margin-left: 100px;">New customer</span>											
NAME	COUNTRY / CONTINENT	2004		2005		2006		2007		2008	
		US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
LOCAL MARKET		34.12	2.83	26.9	2.23	27.68	2.30	20.95	1.74	28.87	2.40
	EXPORT										
FTO	NETHERLANDS	498	41.36	220	18.27	264.36	21.95	271.10	22.51	473.30	39.31
CTM	ITALY	122	10.13	190	15.78	208.72	17.33	312.87	25.98	215.13	17.87
C.A	ITALY	18	1.49	15	1.25	13.18	1.09	3.27	0.27		0.00
AQ	ITALY	43	3.57	38	3.16	40.49	3.36	27.11	2.25	19.42	1.61
ROBA	ITALY	10	0.83	17	1.41	5.60	0.47	2.30	0.19		0.00
SHARED EARTH	UK	6	0.50	5	0.42	2.68	0.22	4.22	0.35	5.50	0.46
TRAIDCRAFT	UK					15.37	1.28	62.46	5.19	110.47	9.17
EZA	AUSTRIA	30	2.49	28	2.33	51.66	4.29	45.08	3.74	36.68	3.05
GEPa	GERMANY	44	3.65	81	6.73	42.06	3.49	49.40	4.10	46.36	3.85
ELPUENTE	GERMANY					35.80	2.97	27.89	2.32	29.33	2.44
IDEAS	SPAIN	49	4.07	96	7.97	31.73	2.64	47.43	3.94	9.31	0.77
SOLIDAR' MONDE	FRENCH									53.47	4.44
AFROART	SWEDEN									1.03	0.09
CLARO	GERMANY									5.34	0.44
UGOLO	NETHERLANDS									2.20	0.18
<b>TOTAL EUROPE</b>		<b>771</b>	<b>64.03</b>	<b>594</b>	<b>49.33</b>	<b>711.65</b>	<b>59.10</b>	<b>853.12</b>	<b>70.85</b>	<b>1,007.54</b>	<b>83.67</b>
TTV	USA	115	9.55	199	16.53	163.89	13.61	249.57	20.73	272.52	22.63
SERRV	USA	75	6.23	61	5.07	82.72	6.87	78.72	6.54	134.99	11.21
LANTERN MOON	*	101	8.39	162	13.45	220.80	18.34	217.53	18.07	123.68	10.27
OVERSTOCK	*	20	1.66	27.5	2.28	12.18	1.01	16.38	1.36	12.01	1.00
KEY IMPORT	*	11	0.91	11	0.91	18.00	1.49	22.09	1.83	13.33	1.11
WORLD OF GOODS	USA									24.37	2.02
GLOBAL EXCHANGE	USA									6.57	0.55
CHARITY	USA							1.10	0.09		0.00
<b>TOTAL USA</b>		<b>322</b>	<b>26.74</b>	<b>460.5</b>	<b>38.24</b>	<b>497.59</b>	<b>41.32</b>	<b>585.38</b>	<b>48.61</b>	<b>587.46</b>	<b>48.79</b>
TTV	CANADA	42	3.49	24	1.99	66.98	5.56	86.04	7.15	96.50	8.01
GLOBAL VILLAGE	CANADA	2	0.17	3.3	0.27	4.53	0.38	3.80	0.32	2.63	0.22
			3.65		2.27		5.94		7.46		8.23
OXFAM	AUSTRALIA	<b>33</b>	2.74	<b>115</b>	9.55	23.37	1.94	28.64	2.38	27.58	2.29
ROVAN	*					4.67	0.39		0.00		0.00
VALERIE	*					0.99	0.08	1.00	0.08		0.00
MCQUADE	*							0.90	0.07		0.00
DHARMA DOOR										4.85	0.40
<b>TOTAL AUSTRALIA</b>		<b>33</b>	<b>2.74</b>	<b>115</b>	<b>9.55</b>	<b>29.03</b>	<b>2.41</b>	<b>30.54</b>	<b>2.54</b>	<b>27.58</b>	<b>2.29</b>
PEOPLE TREE	JAPAN	<b>0</b>	0.00	<b>3.5</b>	0.29	<b>3.00</b>	0.25		0.00		0.00
<b>TOTAL ASIA</b>		<b>0</b>	<b>0.00</b>	<b>3.5</b>	<b>0.29</b>	<b>3.00</b>	<b>0.25</b>	<b>-</b>	<b>0.00</b>	<b>-</b>	<b>0.00</b>
TOTAL EXPORT	2004 = 100%	<b>1,170</b>	97.17	<b>1200.3</b>	99.68	<b>1,312.78</b>	109.02	<b>1,558.87</b>	129.46	<b>1,721.71</b>	142.98
GRAND TOTAL		<b>1,204</b>	<b>100.00</b>	<b>1,227</b>	<b>101.92</b>	<b>1,340.46</b>	<b>111.32</b>	<b>1,579.82</b>	<b>131.20</b>	<b>1,750.58</b>	<b>145.38</b>
* Mainstream market		166.12	13.80	227.4	18.89	284.323	23.61	278.85	23.16	177.88	14.77



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### Annex 3: MVH Producer Groups 2009

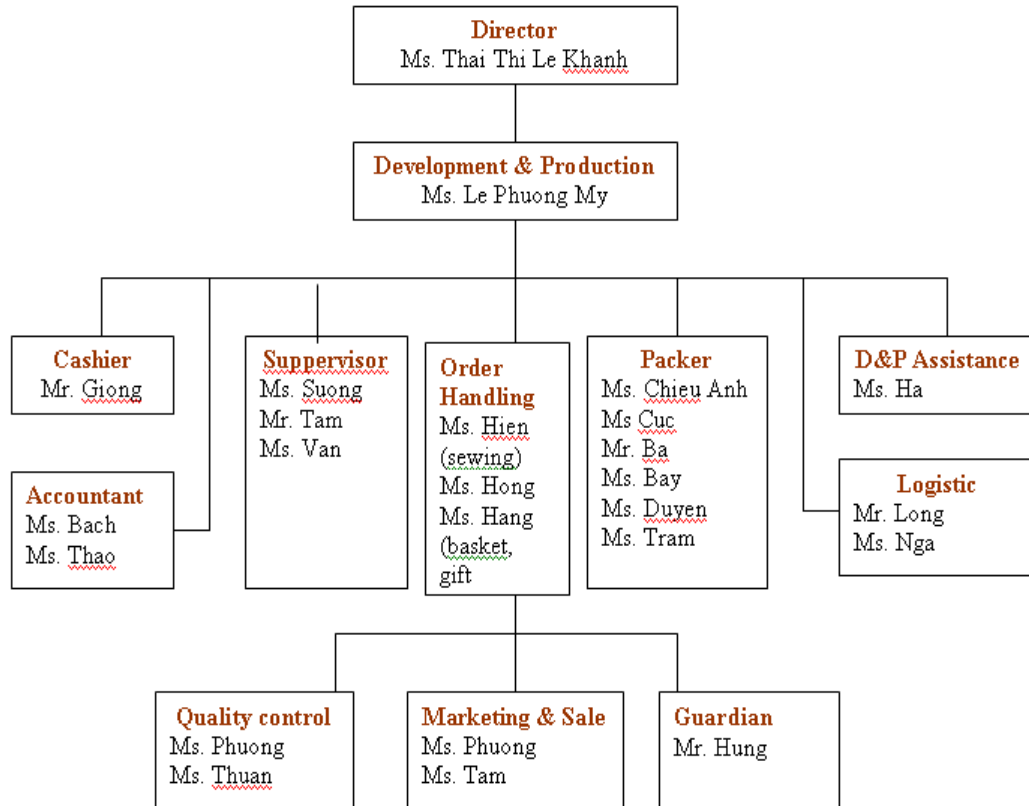
No.	Distance from HCMC	Products manufactured	Number of people involved	Female	Male	Does supplier belong to Mai handicrafts Yes/No	Working with Mai handicrafts since	Yearly purchase from Mai (2008) US\$
1	20	Bamboo plates	150	20%	80%	No	1998	57,880
2	60	Rattan, Bamboo weaving Basket	100	100%	0%	Yes	1998	39,790
3	40	Palm leaf weaving Basket	30	100%	0%	Yes	1998	
4	40	Planter ceramic	60	50%	50%	No	2000	1,430
5	1650	Ceramic Vase, bowl, plate	60	80%	20%	Yes	1998	181,730
6	2	Lacquer paper weight	30	20%	80%	No	2001	43,096
7	1620	Bamboo basket	100	90%	10%	No	1996	60,482
8	1000	Cinnamon box	60	50%	50%	No	2001	15,354
9	1	Frame of Gong	10	0%	100%	Yes	1996	2,960
10	1650	Gong, photo album, wooden frog,	60	40%	60%	Yes	1996	40,117
11	1600	Sea grass bag, floor cushion,..	100	90%	10%	No	1994	70,665
12	160	Jutemat, water hyacinth bag	20	100%	0%	No	1998	12,246
13	350	Cham material	20	100%	0%	Yes	1991	3,555
14	1000	Painting Silk scarf	20	100%	0%	No	1997	2,986
15	100	Coconut wood products	20	30%	70%	No	2000	4,704
16	150	Sewing, embroidering Purse, bag, table cloth, pillow cover, Making doll, ornament, Crochet	100	100%	0%	Yes	1990	269,962
17		Paper and recycle can products	80	100%	0%	Yes	2005	38,113
18	30	Lacquer products	10	60%	40%	No	2009	
19	8	Recycle Paper products	45	80%	20%	Yes	2006	78,399
20	2	Claydoll, nativity	6		100%	No	1991	1,373
21	30	Furniture	20	40%	60%	No	2008	9,300



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### Annex 4: Organizational chart (September 2009)





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The case was completed in February 2010 and released in 2011.

The information presented in this case study has been reviewed by the company to ensure its accuracy. The views expressed in the case study are the ones of the author and do not necessarily reflect those of the UN, UNDP or their Member States.

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