



Health & Well-being for the Global Supply Chain

Executive Summary

Hong Kong & Ho Chi Minh City, Vietnam | May-June 2017

Introduction



GLP participants on the 51st Global Leaders Programme in Ho Chi Minh City, Vietnam.

The **Global Institute For Tomorrow (GIFT)** is an independent Hong Kong-based think tank and executive education provider focused on advancing a deeper understanding of global issues.

The **Global Leaders Programme (GLP)** is GIFT's internationally-recognised two-week executive education programme rooted in Asia which combines intellectual rigour, a beyond-classroom methodology and an output-driven approach to leadership development.

In May - June 2017, 23 participants from 15 companies and representing 9 countries joined the 51st GLP in Hong Kong and Ho Chi Minh, Vietnam.

In partnership with iCare Benefits (iCB), a successful Vietnam-based for-profit social enterprise addressing the healthcare, financial, educational and lifestyle needs of workers in industrial zones through an innovative employee benefits programme – participants worked to produce business recommendations to support the development of the company's **Healthy Living** business, aimed at providing its members with access to a whole suite of essential and affordable healthcare products and services.

Through field-research, stakeholder interviews and site visits, participants gained deeper insights into Vietnam; the country's prominent manufacturing sector; the challenges faced by supply chain workers in acquiring access to affordable healthcare products and services; and the opportunities for iCB to explore new partnerships, distribution channels and offerings which appeal to this widely untapped customer base.

The following pages are an **Executive Summary** of the business plan. More detailed analysis can be found in the full report which is available upon request.

Global Supply Chains

Global supply chains have become a common way of managing investment, production and trade in the global economy. In a majority of countries, they have boosted employment and created opportunities which have driven economic and social development.

The International Labour Organization (ILO) estimates that over 450 million people work in supply chain-related jobs. This represents more than one-fifth of the global workforce. However, work-related accidents and diseases are estimated to account for 2.3 million deaths every year and costs 4% of the world's GDP.



Investing in workers' well-being is in the best interest of factories and companies. Research shows that profitability and productivity are significantly higher in factories with better working conditions, greater compliance with labour standards and effective human resource management practices.

Vietnam's Manufacturing Sector

With a stable political environment, low labour and operating cost, as well as promising economic prospects, Vietnam presents a dynamic market and an attractive destination for both foreign and private investors to participate in the economy.

Among a number of rising sectors in Vietnam, manufacturing distinguishes itself with the largest share of the total investment received.

Electronics Manufacturing

Electronics and mobile phone manufacturing sectors, in particular, have shown high-potential in Vietnam in recent years. Foreign firms are the growth engine for Vietnam's high-technology exports, which reached 27% as a percentage of its total manufactured exports in 2014.

Apparel & Footwear Manufacturing

Vietnam has approximately 6,000 apparel and footwear factories and is the second most important source of Vietnam's exports, currently accounting for 13.9% of goods being sold overseas. The industry directly employs over two million employees, while related businesses employ an additional one million workers — accounting for approximately 6% of the entire labour force.

80% of workers are women who have migrated from rural to urban areas in search of better economic opportunities.

Profile of Supply Chain Workers in Vietnam



80% of factory workers in the garment sector are women.



84% of female workers and **82%** of male workers come from rural parts of the country.



Male workers have on average **one more year** of schooling than female workers.



54% of female workers are or have been married. **44%** of female workers have children.



66% of the workers who are mothers have at least one child who is younger than 5 years old.



Just over half of workers are between **18-25** years of age. 75% are below **30**.



Majority of workers earn an average of **US\$ 6.70** per day (The Economist Intelligence Unit)

*Data from
Better Work Vietnam
(unless otherwise noted)*

Project Partner: iCare Benefits

iCare Benefits (iCB) is a successful Vietnam-based for-profit social enterprise addressing the healthcare, financial, educational and lifestyle needs of workers in industrial zones through an innovative employee benefits programme.

iCB is a pioneering intervention that effectively bridges the accessibility and affordability gap between product's manufacturers, service providers and workers. This unique employee benefits programme enables workers to purchase essential products and services with market competitive prices paid over 3-6 monthly, interest-free payments.



The Four Product & Service Pillars of iCare Benefits

COMFORT LIVING



Comfort Living provides access to essential household goods to improve the quality of life for workers and their families.

HEALTHY LIVING



Healthy Living gives access to essential healthcare products and medical services to workers and their families to improve their well being and quality of life.

SMART LIVING



Smart Living helps workers gain instant access to education products and services that enhance opportunities for self-development and career advancement for themselves and their families.

PROSPEROUS LIVING



Prosperous Living allows access to personal finance tools, loans, and saving plans.

iCB Member Profile

- ✓ Up to 85% of iCB members are women and over half are domestic migrant workers.
- ✓ Typically, they work in a factory 6 days a week, 10-12 hours a day, earning from US\$ 70 per month in Bangladesh up to US\$ 500 in Thailand.
- ✓ In Vietnam, workers earn between US\$ 170 – US\$ 400 per month.

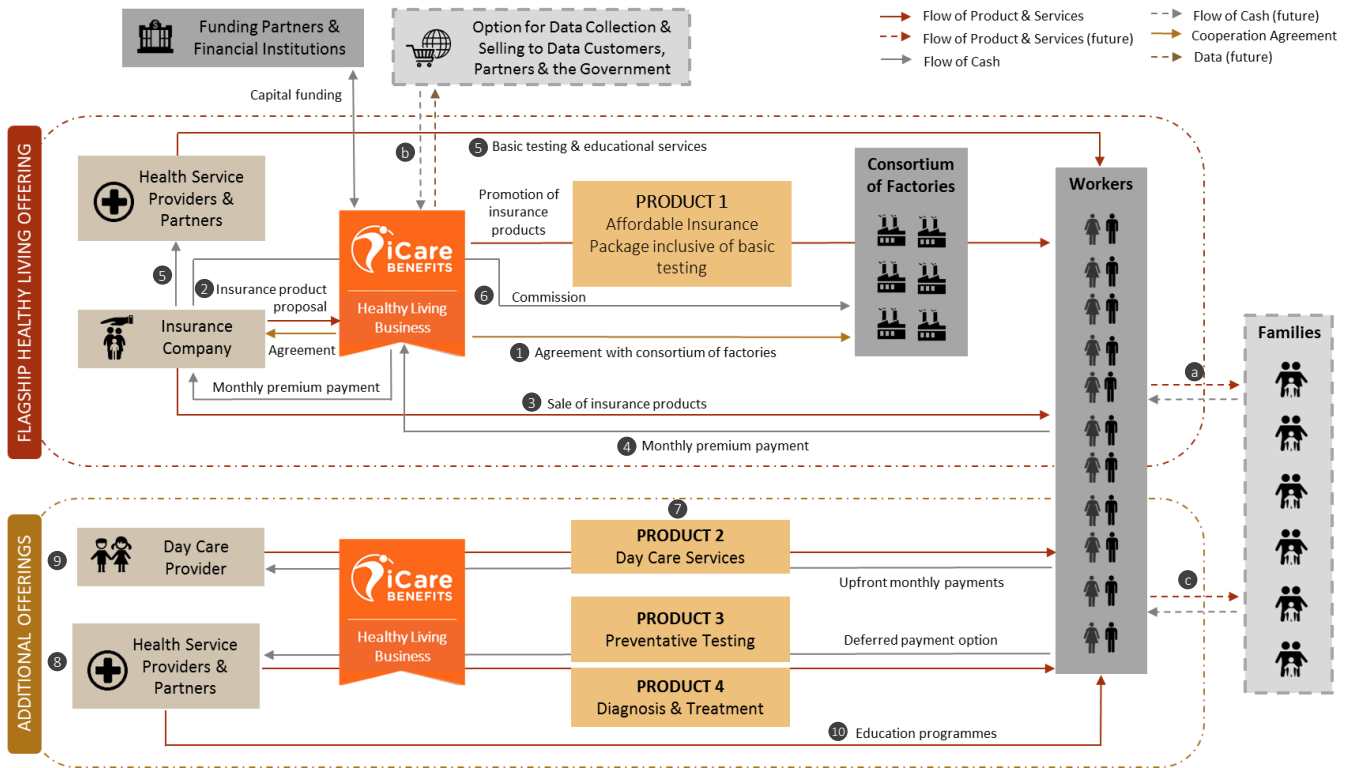
iCB's **Healthy Living** Business

Even with labour reforms like social security and minimum wage, frontline factory workers typically earning US\$170 – US\$400 per month still struggle afford essential healthcare for themselves and their families. At the same time, health product producers and service providers have not found effective ways to reach this untapped market.

Vietnam has performed better in recent decades on delivering health and education services to both genders. However, cultural norms still place women at greater health risks than men as women continue to put their family's needs before their own – this is especially true among supply chain workers.

Building on the success of the Comfort Living business and its potential to reach millions of factory workers, iCB is now looking to expand its portfolio to include affordable, relevant healthcare and well-being services for its members and their families through its **Healthy Living** business.

Proposed Business Model for iCB's **Healthy Living Business**



Affordable Insurance: The Flagship Healthy Living Product

- In order to leverage the strength of iCB network, the company will sign agreements with 15-20 factories across Vietnam to develop a consortium of factories which will serve as a captive market.
 - Once the consortium has been assembled, iCB will call for a bid from insurance companies to create an applicable and price competitive insurance product for supply chain workers which has a one-time (free) basic test (urine and/or anemia) embedded in the package.
 - The insurance company's sales agents will be responsible for conducting information and sales sessions at factories and will be supported by the iCB insurance sales team. iCB will coordinate information sessions during which the insurance sales agent will be able to deliver a one-time sales pitch to a large group of potential customers. The iCB sales team will also be responsible for coordinating and facilitating the insurance package registration process.
 - Monthly premiums are paid by workers to iCB through auto deduction from their salaries.
 - The insurance company will arrange and pay health service providers and partners to conduct basic testing offered in all insurance packaged for workers. Select health service providers and partners will additionally provide educational services around healthcare and well-being.
 - Insurance Co will pay a commission to factories to incentivise them to join the consortium. The commission payment will be facilitated via iCB.
- Future Revenue Streams for Consideration & Further Development**
- A ripple effect can be generated by allowing workers to buy insurance packages for their friends and families.
 - Data on consumer behavior and healthcare practices can be sold to data consumers.

Additional Healthy Living Business Product & Service Offerings

- In addition to the Affordable Insurance Packages, it is proposed that iCB offer 3 additional products and services to its **Healthy Living** business members:
 - Day Care Services:** To support female workers to return to their jobs after having a child
 - Preventative Testing:** This will build on the basic testing offering which is embedded in the insurance package and will enable early detection of illnesses
 - Diagnosis & Treatment:** This service will be for treatment required outside of the insurance package and/or on an need basis by workers and their families
- In order to deliver **Diagnostic & Treatment** and **Preventative Testing** services, iCB will establish partnerships with local healthcare providers. The agreement with these providers will give workers the option to pay for healthcare services via deferred payment system.
- For the **Day Care** Service offering, iCB will contract an established third party operator to manage and run the facilities. Payments will be made on a monthly basis to the operator via iCB. iCB will take a percentage from the monthly fee. No deferred payment option is offered for this service.
- In Vietnam, awareness of preventative healthcare, treatment options and overall knowledge of health and well-being remains low, especially amongst supply chain workers. Educational programmes in partnerships with health service providers and NGOs are important tools for promoting behavior change, encouraging practical steps towards positive practices and the success of the **Healthy Living** business.

Future Revenue Streams for Consideration & Further Development

- To increase impact and access, future plans can include offering workers families access to Daycare services, Preventative Testing and Diagnostic & Treatment offerings.

Affordable Insurance: The Flagship Healthy Living Product

In developing economies, health shocks play a significant role in instigating and sustaining poverty. The impact of high out-of-pocket health expenditure also fosters a culture in which people decide not to use services because they cannot afford either the direct costs, such as for health check-ups or consultations, medicines or laboratory diagnostic tests, or the indirect costs, such as transportation to the care provider or special dietary requirements.

To address this challenge, fill the current gaps in the market and to reach its growth target, iCBs **Healthy Living** business will offer the following **Affordable Insurance** packages and stand alone products to its members:

	Cover	Premium	
BUNDLED PRODUCTS	Basic Insurance (For Men & Women) <i>Free:</i> Urine Test (one-time, included in price of insurance package) <ol style="list-style-type: none"> Basic Life Insurance for policy holder Critical Illness coverage for policy holder 	US\$ 3/ month	
	Insurance for Women <i>Free:</i> Anemia Test (one-time, included in price of insurance package) <ol style="list-style-type: none"> Basic Life Insurance for policy holder Critical Illness coverage for policy holder Breast and Cervical Cancer screening (once a year) 	US\$ 5/ month	
	Insurance for Woman + 1 child <i>Free:</i> Urine and Anemia Test (one-time, included in price of insurance package) <ol style="list-style-type: none"> Basic Life Insurance for policy holder Critical Illness coverage for policy holder Child education cover 	US\$ 12/ month	
STAND ALONE PRODUCTS	Urine & Anemia Test	One-time urine and anemia tests	US\$ 3
	Life Insurance	Basic Life Insurance for policy holder	US\$ 1/ month
	Critical Illness	Critical Illness coverage for policy holder	US\$ 3/ month
	Child Education Saving Scheme	Child education saving scheme	US\$ 3/ month
	Cervical & Breast Cancer	One time breast and cervical cancer screening	US\$ 10
	Personal Accident	Personal accident insurance for policy holder	US\$ 12/ month

Note: The above proposed products are based on focus group sessions and stakeholder meetings with supply chain workers, factory management, insurance companies, NGOs etc. Proposed products, premiums and payouts will require further due diligence from the insurance company in consultation with actuaries and management.

Sales Force Training, Development & Licensing

While the sales of insurance products and services will be conducted by agents from the insurance company, it is proposed that **15 members from iCB be identified, trained and licensed to serve as an in-house health insurance sales team.**

Training and development will be important to prepare iCB's 15 insurance sales agents in addition to the wider iCB sales force for the implementation of the proposed business model. The new focus on **Affordable Insurance** packages means that new strategies and partnerships will come into play and it is important to ensure that all parties involved in customer outreach understand and are aligned on iCB's vision.

Additional **Healthy Living** Product & Service Offerings

Preventative Testing

- Preventative health check ups and screenings are key to assessing and reducing risks for numerous diseases and conditions. Being educated about what causes these problems and what can be done to prevent them is the first and most important step to preventing common health issues.
- It is proposed that iCB offer **Preventative Testing** in partnership with select healthcare providers, NGOs and international aid agencies operating in industrial zones.

Diagnosis & Treatment

- In developing countries, the cost of seeking health and obtaining care can be considerable because of the prevalence of fees or charges for services both official and unofficial, and the long distances people often have to travel to obtain care. The consequent expenditures for those who do seek care can often result in financial catastrophe while at the same time, untreated illnesses can have both financial and health implications.
- To meet the demand for financing solutions for **Diagnostic and Treatment** services among supply chain workers in Vietnam, it is proposed that iCB offer healthcare **Diagnostic and Treatment** services for workers and their families in partnership with select healthcare providers, NGOs and international aid agencies operating in industrial zones.



*A health worker examines a baby at the on-site health center.
Photo: Nguyen Khanh/World Bank*

Day Care Services

- In Vietnam, an estimated 40% of female supply chain workers quite their jobs after giving birth and many factories do not have child care facilities on their premises. And those workers that choose to continue working often have to send their children to the homes of family to be cared for.
- To meet the growing need for suitable, accessible and affordable child care services, it is proposed that iCB consider partnering with a local day care provider to support workers return to their jobs.

Promoting Health & Well-being Through Educational Programmes

- Awareness of preventative healthcare, treatment options and overall knowledge of health and well-being remains low in Vietnam, especially amongst supply chain workers. This is a key hurdle that the **Healthy Living** business will need to address in order to be financially viable and socially sustainable.
- Educational programmes is an important tool for promoting behavior change and involve working closely with communities, studying existing beliefs, defining motivation strategies, and encouraging practical steps towards positive practices.



*Mothers and caregivers in Trung Son Commune attend a workshop on nutrition provided by local health workers.
Photo: Nguyen Khanh/World Bank*

Key Strategic Partnerships

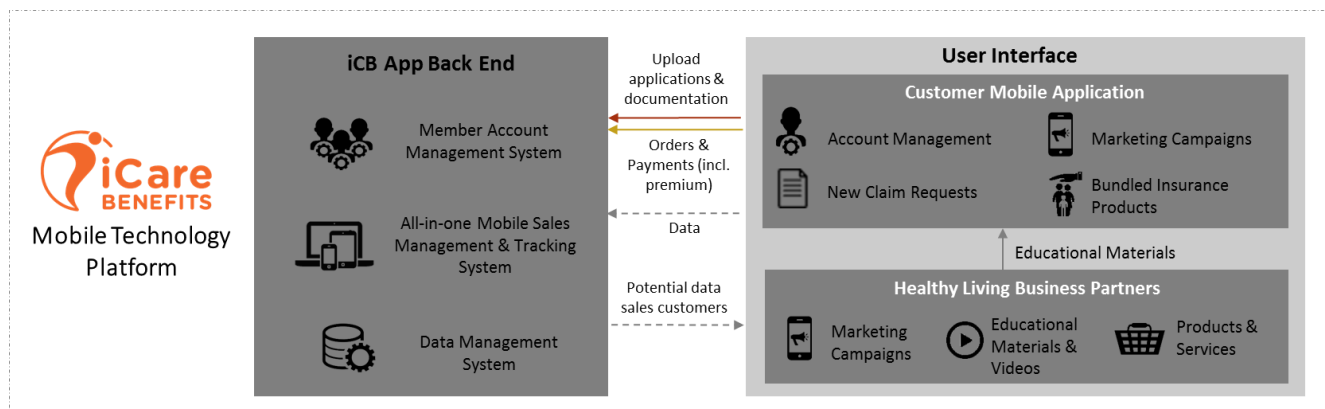
In order to provide healthcare and well-being services in addition to educational offerings around the benefits of its **Healthy Living** business offerings, iCB will leverage existing partnerships in addition to identifying and developing additional key partnerships to successfully deliver and promote its businesses offerings.

Category	Value Proposition
Insurance Company	<ul style="list-style-type: none"> Access to a largely underserved, homogenous pool of potential customers with great growth potential Potential workers to purchase additional insurance products (Homeowners insurance, auto insurance, etc) in the future
Healthcare Providers	<ul style="list-style-type: none"> Access to a largely underserved, homogenous pool of potential customers with great growth potential
NGOs, International Aid Agencies and the Government	<ul style="list-style-type: none"> Fulfills social development mandate of NGOs, international aid agencies and the Vietnamese government Make positive impact on the country both socially and economically
Day Care Operators, Schools & Community Centers	<ul style="list-style-type: none"> Potential partnership with schools to support Day Care Center offering in addition to spreading message about other products and services
Brands, Factory Owner & Labour Union	<ul style="list-style-type: none"> Improvement in supplier performance as the workforce is healthier Supporting the development and provision of social and community building services
Banks & Financial Institutions	<ul style="list-style-type: none"> Contribute to national efforts to improve access to healthcare services while gaining access to a largely untapped group of potential customers

iCB's Mobile Technology Platform

As iCB looks to launch the **Healthy Living** business, the company will need a more integrated technology solution to connect its members and to manage its operations, sales and insurance claims processes.

- It is proposed that the current iCB mobile application be developed into an all-in-one mobile app which will support the sales of its new **Healthy Living** business products, online marketing initiatives and streamline operations. The system will include a new insurance application and claims interface which will allow instant scanning and uploading of documentation, customer services, etc.
- The mobile app will also allow members to manage their account, browse new products and services, connect their bank account to allow for easy payment, view status and receive services and promotions directly to their mobile phones.

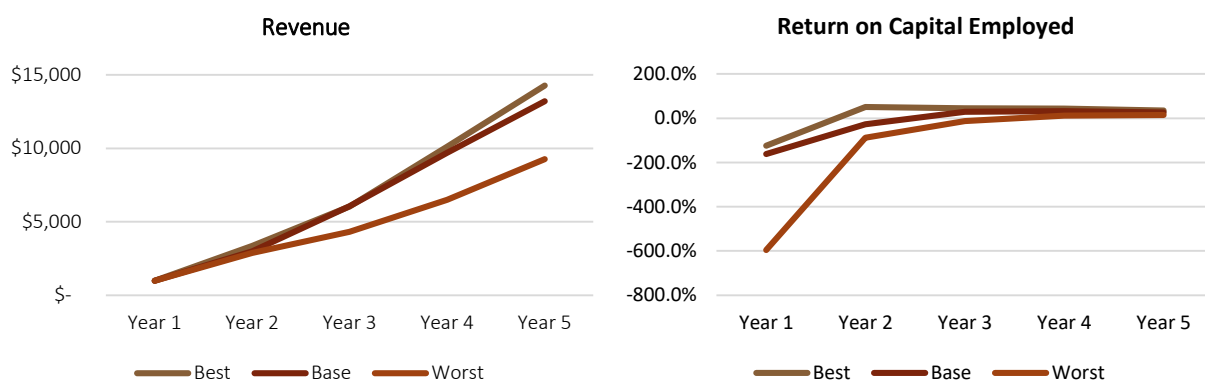


Healthy Living Business Financial Projections

iCB's **Healthy Living** business presents an excellent opportunity for investors and strategic partners who wish to create significant impact on and help to build a more inclusive healthcare sector in Vietnam.

Over 5 years, total investment of US\$ 350,000 required for deployment of **Affordable Insurance** product and the development of the iCB mobile app to further streamline processes and develop a robust mobile interface

The financial model shows that iCB's **Healthy Living** business offers investors an IRR of 3.3% over a 5 year period. The business has a Net Present Value of US\$ 551,724 with a payback period of 4.8 years.



Commercial Entity Driving Social Impact

- iCB is well-positioned to build on learnings and success to date, leverage its knowledge and exiting partnerships to launch the **Healthy Living** business and become a market leader in the provision of healthcare and well-being products and services for supply chain workers across the country.
- The potential social and economic impact of iCB and its **Healthy Living** business is immense. The business will meet the growing healthcare and well-being needs of supply chain workers, currently not being met by existing government schemes and providers. With every **Healthy Living** business product and service sold and utilised, iCB not only grows the company but also contributes to solving a pressing public health need amongst households, communities, and workplaces.
- Furthermore all awareness-raising campaigns and programmes developed and implemented by iCB and its partners will contribute to advancing efforts in the area of health and well-being. The very nature of the company's business model directly contributes to the overarching mission to create lasting social value.



For more information on the Global Leaders Programme please contact us at enquiry@global-inst.com

Tomorrow Matters.

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