



INDONESIA

DISTRIBUTION & ENVIRONMENT

The long journey to the kampung

Distribution is an art, especially in the vast archipelago of Indonesia, where innumerable small shops must be supplied under tough geographical conditions. The company manages to reach even the most isolated *kampungs* thanks to its ramified distribution network. Unilever offers products in small packs, making them affordable to Indonesians on a very limited income. Through a special project in Surabaya, Unilever is also trying to improve living conditions among this group.

PAGES 8-9 A refrigerated van transports Wall's ice cream through paddy fields in central Java. Thanks to an extensive distribution network, Unilever can bring its products to consumers in the farthest corners of the archipelago. In rural areas motorbikes are used to supply the *warungs* in towns and villages, such as here in the vicinity of Yogyakarta.



The distribution chain between the factories and the shops has up to ten links.

The revving of a motorbike disturbs the languid silence in Wiringin, a town in eastern Java. The driver parks his heavily laden vehicle in front of a *warung*. Without removing his helmet, he carries a cardboard box into the small shop.

‘Your Unilever products,’ he calls to the owner. He climbs back on his bike without waiting for an answer. On to the next customer.

In many places, motorbikes form the final link in the long distribution chain supplying the *warungs* with Unilever products – not just in East Java, but in the farthest corners of this vast archipelago with over sixteen thousand islands, six thousand of which are inhabited. Distribution is an art in this island nation. In some places, the task is made even more difficult by poor infrastructure and geographical obstacles. In spite of these problems, Unilever has mastered the art.

‘We’ve been doing this over seventy years,’ says a company sales manager.

Traditional trade

Supplying the traditional trade – the innumerable *warungs* and *pasars* (markets) in both major cities and remote *kampungs* (villages or districts) – is a complex and labour-intensive task. However, it is also an essential one. Unilever achieves a substantial proportion of its turnover in this market segment, in some categories, the lion’s share.

To supply this sales channel, Unilever has established two large distribution centres in different parts of the country, close to the consumers. Products are distributed from these centres via a chain of wholesalers, in progressively smaller quantities. Starting with Unilever

factories on Java, this chain may have up to ten links. Motorbikes are the final transport link in places unreachable by lorries or requiring only small quantities of products.

Remarkably, the majority of these distributors are independent entrepreneurs who choose to work exclusively for Unilever. In other countries, independent distributors do business with several clients simultaneously, and their dedication and loyalty are determined by product volume and profit margins. In Indonesia, the two parties have parallel interests, so Unilever can rely on the unconditional support of the distributors. In turn Unilever supports them in many different ways, such as by providing transport, storage and IT facilities. Computers are used for stock management and planning even in the most remote villages.

The extensive distribution network involves about 300,000 people and tens of thousands of lorries. These impressive figures indicate Unilever’s successful effort to generate more employment.

Modern shopping paradises

The traditional *warungs* still serve the large majority of consumers, but in the cities these shops are facing increasing competition from the inevitable growth of modern shopping malls. In the capital, Jakarta, one of the world’s largest cities with a population of over eleven million, these complexes are mushrooming.

Air-conditioned shopping paradises and many brand-new supermarkets and hypermarkets are symbols of increasing prosperity. They are hugely popular with a growing number of Indonesians with disposable income. On their



days off, they flock to the malls until late in the evening, marvelling at the overwhelming range of products. All conceivable types of shops and restaurants can be found in abundance. Competition is fierce and the public is happy. Modern trade in a modern *pasar*.

Traditional *warungs* can still be found among all these modern shopping facilities, even in Jakarta, but the balance is shifting fast. Nationwide, forty percent of Unilever’s turnover comes from modern shops, but in Jakarta the proportions are reversed, with sixty percent coming from modern trade and forty percent from traditional outlets.

Unilever also has a firm grip on distribution within the modern trade segment. The supermarkets and hypermarkets have their own purchasers who know they need Unilever products on their shelves. In contrast with the traditional trade, these stores are stocked in bulk directly from the Unilever factories on Java.

A Unilever representative promotes products in a hypermarket in Yogyakarta, Java. The company representatives display extraordinary motivation. Their slogan is ‘Grow and win’, and they view themselves as ‘little Unilevers’, according to one of them. They see it as their mission to fight off the competition like ‘gladiators’. Partly because of their efforts, Unilever has seen its turnover grow across the board by well over ten percent each year.



Strings of sachets containing Unilever products dangle from the entrance to a *warung* in Surabaya. The mini-packs bring Unilever products within reach of many poorer Indonesians. Despite the rapidly growing economy, the majority of the 220 million Indonesians belong to this economic category.

Cold chain

In the world of distribution, the management of the cold chain – the chain by which frozen products make their way to the customer – is a specialist field. Ice cream, for instance, is highly perishable and vulnerable in tropical countries, and has to be distributed under special conditions. Unilever's ice cream brands have a fleet of dedicated refrigerated vans to transport their wares. These vans ensure that the ice cream is delivered to the shops in perfect condition.

However, other aspects must be controlled as well. The shops require adequate refrigeration. Since the late 1990s, Unilever has been supplying shops with deep freezers to store ice cream properly. Twenty-one thousand of these freezers are now in place on the larger islands, with another three thousand being installed each year.

Unilever is experiencing a rapid rise in turnover, partly due to these deep freezers. The company

has now captured fifty-five percent of the ice cream market, with the local brand Conello accounting for more than half of this. The regional Unilever managers perceive plenty of opportunities for further growth. 'Ice cream consumption in Indonesia is relatively low,' one of them says, 'even compared to surrounding countries.'

Bottom of the pyramid

According to the managers, another attractive growth prospect is the low-income consumers who make up the majority of the population. Normally they would be unable to afford luxury products, but Unilever has found a solution to this challenge.

Give the consumer what she wants and needs in a form she can afford. This is the idea behind the small sizes in which virtually all Unilever products are sold. In the *warungs* and the stands at the *pasars* (the traditional markets)

hang long strings of sachets, containing five millilitres of shampoo, twenty-five grams of toothpaste or thirty grams of laundry detergent. Profit margins are low, but they are sold in such large quantities that they amount to sixty percent of the total turnover for these products.

More luxurious health care products, like Dove shampoo and Clear shampoo, are also available in small sizes, putting them within reach of most people at the bottom of the pyramid. No *warung* can afford not to stock these sachets. The motorbikes that supply the shops in the *kampungs* always carry some along with them.

Major environmental project

Unfortunately, there are still far too many Indonesians who cannot afford even the least expensive sachets. Half of the population lives below the poverty line as defined by the United Nations. In rural areas and city slums, poverty and underdevelopment are visible everywhere.

Unilever is trying to help improve living conditions in several ways. On the island of Java, where sixty percent of all Indonesians live, the company is involved in several projects aimed at improving the environment, living conditions, sanitation and access to health care and education.

The most high-profile activity is an ambitious project in the major city of Surabaya. In 2001 Unilever took the initiative to clean up the river Brantas, which slices through the city like an open sewer. The river is over three hundred kilometres long, originating in the mountainous region near the town of Malang. It becomes badly polluted as it passes through Surabaya, partly by industry but mainly by the inhabitants who use the river as a rubbish tip and a sewer.

Unilever's initiative arose partly out of self-interest. 'In our factory near Surabaya we need clean water for the production of soap and toothpaste. It became very difficult to get what we needed from the river,' explains an employee. 'In addition, as a corporate citizen of this country we have to bear some responsibility for the environment.'

Permanent solution

Right from the start, it was clear that simply cleaning a section of the river would be treating the symptom rather than curing the disease. The initiators were faced with trying to persuade the local population to change their perception of the river, in order to prevent pollution permanently. Consulting with local authorities and non-governmental and private organisations,

Unilever decided to initiate a trial in four neighbouring districts, formerly separate villages now subsumed by the rapidly expanding city. If this trial succeeded, the same method could be applied elsewhere.

The project is at its most advanced stage in the district of Jombangang, which has almost six thousand inhabitants. Sanitary facilities and refuse bins have been introduced, and gutters now handle domestic waste water. Refuse is collected separately, with compostable waste being processed and recycled, and items like plastic, bottles, cans and paper being sold.

In order to encourage the inhabitants to keep their village and river clean, Unilever has donated medicinal plants to transform part of the river bank plus many streets and gardens. The fruit from these trees should eventually provide the owners with a modest income.

The project signifies a turnaround in the lives of the residents. Collective community work, known locally as *gotong royong* and *kerja bakti*, had almost been forgotten, but has been reactivated with the project. It has strengthened the emotional bond among residents, as they now have a shared mission to keep their area clean

and green. 'This programme makes us better people,' says one of them enthusiastically.

The concrete results and renewed awareness in Jombangang are encouraging signs. Even though the Brantas is still far from clean, the inhabitants proudly show off their attractive district with well-paved streets, abundant plants and flowers, and a pleasing and stimulating sense of progress. [U](#)

A badly polluted section of the Brantas river demonstrates the importance of Unilever's Brantas project **[RIGHT]**. Waste processing in Jombangang and three other districts in Surabaya is now well-organised, partly thanks to the donation of composting units, waste bins and refuse carts by the company **[LEFT]**. The repaved streets and newly planted greenery enhance the living environment **[MIDDLE]**.

'The Brantas project makes us better people,' says a resident.





The long journey through the archipelago

UNILEVER PRODUCTS BEING UNLOADED IN THE HARBOUR OF NUNUKAN IN KALIMANTAN. THEY HAVE BEEN BROUGHT FROM JAVA BY PHINISI, A TRADITIONAL BUGIS SCHOONER.

The products come from Unilever factories in Rungkut, near Surabaya, and Cikarang, outside Jakarta. The Cikarang plant manufactures products such as sachets of Lifebuoy shampoo (top right). The low-priced mini-packs are aimed at the poorer segment of the population and are sold mainly in traditional local shops.

The products are stored temporarily in the impressive warehouse at the factory complex (middle right) before starting their journey through the archipelago by truck, boat or lorry, sometimes covering thousands of kilometres. Up to ten independent distributors and sub-distributors help bring them to the consumer. The last link in the chain connecting the factories with the traditional shops is often a sub-distributor, who transports the goods by motorbike, such as here in Yogyakarta on Java (bottom right).

Together with major distributors, Unilever is trying to further improve the efficiency of this supply system. Information technology is being offered to shopkeepers for better stock management. Many modern shops already possess this technology, but the traditional shops stand to benefit most. As a result, computers can be seen working in even the most remote *kampung*.





Small packs for small incomes

IN A KAMPUNG IN CENTRAL JAVA, A GROUP OF WOMEN DO THEIR WASHING AT A COMMUNAL WATER PUMP. THE WOMEN USE RINSO, A UNILEVER LAUNDRY DETERGENT SOLD IN SMALL PACKS, POPULAR AMONG LESS WELL-OFF INDONESIANS.

In countries like Indonesia, only a limited number of people can afford Unilever products in standard sizes. However, according to the company's sales representatives, it is a misconception that the broad segment of the population at the bottom of the income pyramid does not have money to spend on quality products. This is apparent from the success of small pack sizes.

In Indonesia, nearly all Unilever products are available in small pack sizes. Long strings of these packs hang above the counters in the traditional *warungs*, ranging from sachets of shampoo and toothpaste to small packets of soup and laundry detergent.

The cold chain

A UNILEVER SALESMAN SKILFULLY STEERS HIS ICE CREAM CART THROUGH A BUSY PASAR IN YOGYAKARTA, JAVA. HE IS THE LAST LINK IN THE COLD CHAIN BY WHICH UNILEVER ICE CREAM REACHES THE CONSUMER.

In tropical countries, producers and distributors have to cope with stringent requirements for perishable products like ice cream. If not properly frozen, ice cream spoils quickly and can pose a risk to consumer health. Thanks to its modern cold chain, Unilever can guarantee that its ice cream is delivered in top condition. 'Not everyone can make that claim,' says an employee.

Arctic conditions prevail in the coldstore at the modern ice cream factory in Cikarang on Java, where the ice cream is kept prior to distribution [BOTTOM RIGHT]. The employees work in a temperature of minus 28°C, sixty degrees colder than outside. They wear thick down coats and masks to protect them from the cold.

At present ice cream is only sold on the larger islands. It is distributed by land and sea



transport from Jakarta. It is then brought to the shops in dedicated refrigerated vehicles.

More and more shops have freezers supplied by Unilever, enabling the ice cream to reach the consumer in optimal condition. In Yogyakarta on Java, a boy sits next to a freezer and enjoys a Paddle Pop, a cheap ice cream marketed by Unilever especially for low-income Indonesians [TOP RIGHT].

A clean sweep

IN JAMBANGANG, A DISTRICT OF SURABAYA, A WOMAN DOES HER WASHING IN THE RIVER BRANTAS. SHE DOES NOT REALISE THAT THE RIVER IS BADLY POLLUTED AND SHE IS CONTRIBUTING TO THE PROBLEM. A LARGE-SCALE PROJECT AIMED AT COMBATING POLLUTION HAS BEEN INITIATED BY UNILEVER IN JAMBANGANG AND THREE NEIGHBOURING DISTRICTS.

The river Brantas is used by the inhabitants of this and other districts as a place to do their laundry, but also as a public toilet and rubbish dump. These practices, plus industrial contamination, cause serious pollution of the river, which is beautifully clean and pure at its source in the interior of Java [PAGE 19, BOTTOM MIDDLE].

Unilever realised that any attempt to clean up the river would be futile if the pollution was not tackled at its source. First off, the residents needed an alternative solution for disposing of waste. The company had two thousand refuse

bins placed in the four districts and supplied almost eighty carts to remove the waste [PAGE 19, BOTTOM RIGHT]. Organic waste is collected separately. With the aid of two hundred composting units provided by Unilever, this waste is processed into compost, which is used locally.

The infrastructure of the district experienced a gradual metamorphosis. Sanitary facilities were built or repaired, the narrow streets and paths between houses were repaved, and ditches were dug along the side of the road for the drainage of waste water and rainfall. The

residents themselves planted a rich diversity of plants and trees, which have transformed the district into a tropical urban garden [TOP MIDDLE]. Elsewhere in Surabaya similar ‘Green & Clean’ projects have also been set up, competing with one another to produce the best results.

The visible improvements have provided this initiative with its own energy and it has evolved into a broadly based social project. In cooperation with local non-governmental organisations, a health centre has been set up, plus an infant health clinic where children are weighed every

month and vaccinated against polio. Parents are also taught how to prepare nutritious drinks for their children using local ingredients such as coconuts, green beans, red sugar and the fruits of the *java noni* tree.

The outside world is becoming increasingly involved in the project. The wife of Surabaya’s mayor has engaged her family welfare organisation, and the local newspaper *Jawa Pos* has discarded its initial scepticism and now devotes regular attention to the progress being made in Jombangang and neighbouring districts.

Based on the insights obtained, Unilever and its partners hope to develop a model that can be applied in other districts of Surabaya and elsewhere in the country, so that in the future not only the Brantas, but also other rivers can be safeguarded from pollution. Children stand to gain the most [LEFT].



A fertile future

WOMEN IN A KAMPUNG IN CENTRAL JAVA EXAMINE THE SOY HARVEST AND SELECT THE BEANS THAT CAN BE USED AS SEEDS FOR THE NEXT HARVEST [TOP LEFT]. UNILEVER IS ENCOURAGING LOCAL FARMERS TO CULTIVATE BLACK SOY BEANS TO AVOID SOIL EXHAUSTION RESULTING FROM RICE OVERCULTIVATION.

Approximately a quarter of Java’s arable land consists of wet paddy fields, or *sawahs* [BELOW]. Improvements in rice cultivation methods have enabled Indonesia to meet

its own rice needs, whereas several decades ago it was the largest importer of rice in the world. However, there is the danger of soil exhaustion. Based on a five-year plan, Unilever is trying to persuade rice farmers to alternate rice cultivation with soybean cultivation. The company processes the beans into soy oil, a common ingredient in Indonesian cuisine [BOTTOM LEFT]. Unilever hoped to interest two thousand farmers in the project, but widespread enthusiasm helped them exceed this number.

At the same time, many farmers in the region are switching to organic farming. Artificial fertiliser is too expensive, and they are also concerned about the consequences of using pesticides. The transition to sustainable agricultural methods is being encouraged by non-governmental organisations, and the Indonesian government has become more receptive to the idea. Another positive development for the farmers is the growing demand for organic produce.



Protecting the environment

PLASTIC WASTE FROM UNILEVER IS PROCESSED IN A LARGE RECYCLING FACTORY NEAR THE CITY OF SURABAYA ON THE ISLAND OF JAVA. THIS IS ONE MEASURE BEING TAKEN BY THE COMPANY TO SPARE THE ENVIRONMENT.

All the plastic waste from Unilever’s production centres goes to the Modern Plastic Industry, a company specialising in recycling. There the waste is sorted manually, washed and melted [BELOW & TOP RIGHT]. It is then used to make articles such as plastic cups, spoons,

baskets, flowerpots and caps for shampoo bottles [BOTTOM RIGHT]. The manager of the business foresees many additional uses in the near future. ‘Besides, this process can be repeated endlessly,’ he says. ‘Plastic can be recycled again and again.’

Plastic waste collected by scavengers after consumer use is treated the same way. However, up to now only a fraction of the plastic used in Indonesia is recycled. Environmental protection remains a big challenge, as it requires educating Indonesian house-

holds to recycling possibilities. Unilever is trying to promote the recycling of its products’ plastic packaging materials.

The company is constantly taking measures to reduce or prevent the burden on the environment. In the ice cream factory in Cikarang, soiled water is cleaned and reused – a cost-saving measure. Plans for introducing similar environmentally friendly production methods to the other factories are currently being developed.

