

BUSINESS

Chairman Vu, Vietnam's Coffee King

Karl Shmavonian Former Staff
Forbes Asia Contributor Group ⓘ

Jul 25, 2012, 10:23am EDT

🕒 This article is more than 9 years old.

BY SCOTT DUKE HARRIS

It's ten minutes before eight on a mild morning in Hanoi, and the philosopher-king of Vietnam's potent coffee industry is down to the last 2 inches of his first cigar of the day.

Chairman Vu, clad casually and crowned in a Panama hat, is said to prefer Cohiba, but this one's a Davidoff, "a German brand," he says through an interpreter. He offers one, but it seems a bit early in the day.

When Dang Le Nguyen Vu isn't running Trung Nguyen Corp. from its base in Ho Chi Minh City, he might be found at his vast retreat in the coffee-growing Central Highlands, where he has a choice of 120 horses in his riding stable.

Westerners doing business in Vietnam estimate Vu's personal worth at north of \$100 million, a mind-boggling sum in a country whose



Vietnam's coffee king, Dang Le Nguyen Vu / Photo credit: Catherine Karnow

per capita income is \$1,300.

On this particular day Chairman Vu, as he is often addressed, has come to Vietnam's capital to see the prime minister and the agricultural minister to discuss the nation's coffee policy. So he takes his morning cup and smoke at Trung Nguyen's cafe that is near the seats of power. So near, in fact, that a few weeks later it would be cleared to make way for construction of a new National Assembly building.

Like many of his countrymen, Chairman Vu has his own bust of the man the Vietnamese call "Uncle Ho," entombed not far from us this morning. But what would a communist revolutionary make of this 41-year-old capitalist?

Ho's ghost might enjoy what Chairman Vu calls his "coffee doctrine." Vietnam and most other coffee-growing nations, Vu points out, are poor, tropical countries that typically receive only \$1 out of every \$20 earned in the global coffee industry, with the bulk of profits going to the likes of Nestlé and [Starbucks](#). "Why should we just follow that order?" he asks. With Trung Nguyen now exporting to 60 countries and reaching deeper into China and the U.S., Vu says, Vietnam can keep moving up in the multibillion-dollar industry's value chain.

Uncle Ho wanted prosperity for Vietnam, says Dang Xuan Minh, who is both a member of the Vietnamese Communist Party and the founder of AVM, a firm that advises on mergers and acquisitions. Dang notes Oct. 13 is now Vietnamese [Entrepreneurs](#) Day, dated to coincide with a letter that Ho sent to Vietnamese businessmen in 1954, thanking them for their financial support of the revolt against the French.

Vietnam's pro-business spirit, he points out, was recently celebrated in "Entrepreneur's Life," a song and video that features the chairman of the company that makes Bulls Head Fertilizer crooning: "The country cannot be powerful without its people being rich."

Chairman Vu stands out among a cadre of capitalists who are becoming inspirations for risk-taking in a changing society. Closely held Trung Nguyen won't provide many financials but had sales of \$151 million in 2011 and is clocking 78% growth this year, a spokeswoman says.

As its instant coffee wins customers in the potentially huge Chinese market—amid a culture that, like Vietnam, has long favored tea—Vu talks boldly of a major expansion that includes a two-year timetable to take his company public, not on Vietnam's modest markets but on an international bourse. Within the company Vu pushes a battle plan envisioning investment of \$800 million in factories and such over ten years.

Acknowledging that chronic tensions between China and Vietnam could complicate such plans, Vu points to the West's stance. "We wish that every Chinese person would spend \$1 per year for our coffee products," the spokeswoman explains.

Vu's humble roots are another reason he stands out in a country where liberalization is often blamed for producing crony capitalism. He "went from zero to hero," said Nguyen Viet Khoi, a professor at Vietnam's University of [Economics](#) and [Business](#).

Vu was a high school student in 1986 when Vietnamese authorities recognized that central economic planning wasn't working in a nation devastated by decades of warfare and dependent on a

weakening Soviet Union. A country of rice paddies was importing rice to feed the hungry. Vietnam's reforms, known as Doi Moi, have moved its economy in fits and starts toward what its government calls "market-oriented socialism."

In Vietnam business heft is said to require an "umbrella" of protection from influential officials. Vu may now have a few umbrellas, but his childhood was typical of the rural highlands —tending his family's crops and pigs, helping his mother make bricks for a nearby kiln. He excelled in school and was admitted to a pre-med program at Tay Nguyen University in Buon Ma Thuot, the coffee capital.

Vu and fellow students drank a lot of joe. During his third year of studies, Vu says, he realized he didn't want to be a physician. His mother shed tears as he told her of his plans to strike it big in Vietnam's budding coffee industry.

On the small, single-room building that housed his first roaster, Vu painted the first sign for Trung Nguyen (or roughly, central highlands). His initial capital, he says, was the "trust" of growers who gave him their beans on the promise that he would share his proceeds. He made cafe deliveries by bicycle before upgrading to motorbike. Fifteen years later Vu's company can claim 3,000 employees and a truck fleet.

Vu's parents now live at his home outside Buon Ma Thuot, where Trung Nguyen's "Coffee Village" features a museum and conference hall. In addition to his horses, Vu also has collected dozens of busts of such luminaries as Mao, Napoleon, Balzac and Beethoven. Why? "Big changes are usually brought about by individuals, not a group of persons," he explains.

Vu's rise has not come without controversy. He was singled out in a book by Vietnamese academics (not Khoi) with a title that translates as *Talented and Deservingly So* (National Political Publishing House, 2008). Of ten Vietnamese profiled in the book—[Bill Gates](#) and Thomas Edison were among the foreigners featured—all but Vu were historical figures. The authors devoted 42 pages to Vu, compared with 25 for Ho. “Shocked With the Book Putting CEO of Trung Nguyen With Great Man,” declared one headline among many. In a letter Vu denied accusations that he “bought” his acclaim and also thanked the critics, saying that open discussion was good for the nation.

Seen by some as charismatic and eloquent, by others as polarizing and worse, Vu has helped to train other entrepreneurs and has emerged as an unofficial ambassador of Vietnam's economic evolution. He has spoken before groups such as MIT's Sloan Fellows and hosted international coffee confabs. Harvard professor Peter Timmer, a food-security scholar who often visits Asia, says that he and Vu have had several long conversations.

“My sense is that Vu is very smart and also a real leader in the business sense. He has a vision about what the company can do, and he can communicate that vision to the entire staff,” Timmer says. “They buy into it and become highly effective employees, thus helping to bring about the vision.”

He adds: “Henry Ford was like that; George Eastman was like that; Steve Jobs was like that. I'm not sure it's appropriate to put Vu in that category quite yet, but he does strike me as one of the most successful entrepreneurs in Southeast Asia.”

In 2007 Vietnam got membership in the World Trade Organization.

Before a recent slowdown from efforts to control rampant inflation, its economy had been growing at a 7% annual clip, enabling its populace to edge into “middle income” status in 2011 as measured by the World Bank. The coffee industry, fueled by World Bank loans, went from being a minor exporter into the world’s second largest after Brazil.

In his talks with Vietnam’s leaders, Vu says he is nudging forward a “clustering” strategy to move the nation up from a grower of raw beans to a bigger role as a roaster, processor and exporter. “While you can see the economic growth in the numbers, I don’t think the old model will work in the future,” he explains. “We will need a new formula for success.”

Trung Nguyen recently added its fifth processing factory to support instant coffee exports to Korea and China, where it says its business has been exceeding 25% annual growth.

At home Trung Nguyen owns 42 cafes and its brand is featured at 1,000 others, as well as prominently at grocery stores. According to ACNielsen, it trumps Nestlé’s Nescafé and Vina-cafe Bien Hoa, held by Vietnam conglomerate Masan Group.

Vu has a model plantation that aims to increase the quantity and quality of Vietnam’s coffee by employing an irrigation system from Israel and special fertilizer from Finland. A goal is for Vietnam, the world’s top producer of harsher, cheaper Robusta beans, to boost acreage for smoother, pricier Arabica.

Embedded in Vu’s doctrine is his faith that coffee has a way of liberating thought, stimulating creativity and fueling progress. It’s a bit like crediting Seattle kiosks for Microsoft, Amazon and grunge

rock. “The notion that coffee consumption is the lead indicator of progress and innovation is absurd,” Timmer says, “but he does seem to believe that.”

Packaging for Trung Nguyen’s premium Legendée coffee features the image of Honoré de Balzac and this quote: “When we drink coffee, ideas march in like the army!” Like many Vietnamese, Vu seems reluctant to talk politics. “What we stress,” he says, “is creativity and the creative energy of what people can do to change their lives.”

He concurs, however, with the view that Vietnam’s greatest obstacles to progress are corruption and its often backward schools. The two are related, he says: “Well-educated people would not tend to be corrupt people.”

Quan Hoang Vuong, an American-educated economist who has consulted for Trung Nguyen, considers Vu a friend. While Vu has some expensive tastes, Vuong says that the chairman is more interested in Vietnam’s economic and cultural progress than material wealth.

The chairman’s sensibilities are reflected in Trung Nguyen’s bilingual menu. One list of coffee selections are labeled Thoughts, Discover, Idea, Creation and Success.

As the morning chat turns, Vu warms to a suggestion that, instead of the Taoist concept of yin and yang, Vietnamese culture might be better expressed through two folkloric creatures—the turtle and the dragon. The turtle is tough, patient and perseverant, outlasting adversity. Think of the soldiers in the fabled Cu Chi tunnels, turtles by day and dragons by night, who 40 years ago turned back U.S. forces. The dragon, a fanciful symbol of luck, dares to dream and

take action. “If you don’t dream, how can you turn it into reality?” Vu says, his cigar long since stubbed out. “Without action, we shouldn’t expect a good result.”

But the turtle, he adds, is important, too. “So do you want me to give you the ratio for Trung Nguyen?” A grin. “I’d say we are two-fifths turtle and three-fifths dragon.”



Karl Shmavonian

I'm editorial director for Forbes Asia and compile Thoughts on the Business of Life.

[Editorial Standards](#)

[Reprints & Permissions](#)

ADVERTISEMENT