

Fact Sheet

University of Stellenbosch
The BOP Learning Lab

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Safmarine – Providing tools to develop businesses in the BOP

A visitor to almost any South African township cannot fail to notice how many businesses are run from a recycled or converted shipping container. Across the country, old shipping containers are used to house enterprises as diverse as phonestops, barbers, convenience stores, video renting outlets and even bank branches. Shipping containers are practical, demand minimal maintenance and can be moved fairly easily if needed. A typical example of a tools provider is Safmarine's Community Container programme, through which over 8,000 retired shipping containers have been deployed across South Africa in a large variety of projects. Many of these projects directly facilitate business development, and direct employment to 5,000 entrepreneurs has been created.

Our factsheets so far have provided focused on a dozen different initiatives by companies to develop and unlock the economic potential at the base of the economic pyramid. Through our first series of factsheets, we have been able to get a glimpse of just how much is already being done by businesses of all sectors to approach the BOP, but also how much more potential still remains to be unlocked. After a dozen case studies, what is striking is not only the diversity of the initiatives; it is also how some issues are common across economic sectors: these include access, training, and developing suitable business models to reach the BOP.

In the present and a number of upcoming factsheets, we propose to approach the BOP from a slightly different angle, and look at the tools that the private sector can provide to unlock economic potential at the BOP. "Tools" in this context are defined as the means through which economic development can be facilitated. This may include hardware and equipment, but also intangibles such as training and consulting services which constitute essential knowledge and intelligence.

The community container programme addresses several issues: it provides individuals at the BOP with cost-effective premises to shelter their activity, and at the same time addresses environmental issues, with shipping containers being recycled rather than scrapped. In this factsheet, we will describe Safmarine's programme and provide a brief look at some of the problematics surrounding the "business in a box" concept.

1. Corporate ID¹

Safmarine was formed in 1946 as the South African Marine Corporation by American shipowners and South African industrialists. It has since grown to become one of the largest operators of container and breakbulk shipping services in the world. In this regard, it has played an instrumental role in helping to develop South Africa's position as a major trading nation.

As South Africa's political situation started normalising in 1990, Safmarine was able to build on its expertise and began expanding into many other parts of Africa, as well as into Europe, most notably with its takeover of the Belgian shipping giant CMB in 1996. Three years later, Safmarine became a member of the Danish AP Moller-Maersk group, the world's largest container shipping operator. While Safmarine has joined the Maersk group, it is run as a separate business entity. Its corporate headquarters are in Antwerp, Belgium, and most of its operations are run out of Cape Town.

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¹ Source : www.safmarine.com

Key figures :

- Safmarine (Pty) Ltd.

Turnover :	consolidated within AP Moller Maersk Group
Employees :	1,700
Fleet :	40 vessels

- AP Moller Maersk Group²

Revenue :	47.17 billion USD
Employees :	117,000 worldwide
Fleet :	500 container vessels
Containers:	1.9 million

2. Background:

Intense exposure to the elements and the sea limit the service life of shipping containers to an average of around 15 years. Once they become unsuitable for use in maritime transport, the choice is to sell them as scrap metal, or convert them to alternative uses on land. In the early nineties, as South Africa's political and economic landscape was transforming, Safmarine started looking at ways in which it could meaningfully contribute to the economic upliftment of low-income communities. The company commissioned a survey in the targeted groups, which established that recycled shipping containers would be well received within lower income communities for use as classrooms, libraries, shops and health centres.

This led to the community container programme, which now forms one of the core elements of Safmarine's Corporate Social investment programme.

A decade and a half later, recycled and refurbished containers have become a normal part of the landscape in many townships around the country. In fact a recent study on informal businesses Khayelitsha, the main township in the Cape Town area, has highlighted the remarkable diversity of economic activity in lower income segment areas. In some township areas, around 30% of businesses are

operated out of shipping containers.³

The community container programme has not only been an extremely useful tool as providing material and tangible support to economic development, it has also at the same time presented an environmental advantage: A standard container is made up of about 2 tonnes of steel, which would otherwise have been scrapped or sold within a few years. Safmarine's programme therefore contributes to solving environmental and socio-economic issues simultaneously.

3. The programme and its impact

The basic model used by Safmarine involves donating used shipping containers to support various projects across Southern Africa in 5 categories: Education, health, welfare, environment and job creation. While all of these categories indirectly provide economic development tools for the BOP, the job creation programme is the one that has the most significant direct impact on the BOP. In some but not all cases, Safmarine's initial contribution will, in addition to the containers themselves, also involve covering the costs of refurbishing the containers in order to convert them into health centres, school classes, businesses and the like.

Overall, the community container programme has so far been able to distribute 8,000 containers in 3,000 diverse

projects, for an overall investment of about 90 million rands. According to company figures, these programmes have directly benefited an estimated 300,000 people, including 80,000 schoolchildren.⁴

A typical example of a flagship project is a business-cum-school run from containers⁵: the Eziko Cooking School and restaurant in Langa, Cape Town.⁶ The school was established in 1996 and provides basic cooking and catering skills to unemployed young people. More than 80% of students get offered permanent positions after graduation, and the students also get crucial business management skills by running a restaurant composed of 12 retired containers. As of date, a little under 1,000 cooks have been trained and are now employed as chefs across the country, including in some of South Africa's top establishments.

Across the country, the community container programme has provided direct and indirect employment for 16,000 micro-entrepreneurs in a wide variety of projects.⁷

Through what was initially conceived as a Corporate Social Investment programme, the community container programme has, over the past decade and a half, contributed to transforming the business landscape and infrastructure in many of South Africa's lower-income communities. The "business in a box" model has become part of the standard mix of the informal and formal ventures encountered in townships and rural areas across the country. The success of the model has now reached the stage where some micro-entrepreneurs are selling their container businesses once they move higher up the entrepreneurship and social ladder. The MEDS study has found that in Khayelitsha, Cape Town's biggest township, a typical business in a box such as a hair salon or a restaurant, can be sold for anything between 20,000 to 30,000 rand to new entrants, including the contents and use of a brand.⁸

2 www.maersk.com

3 CHARMAN A.J.E et al., Informal Economy Study, Final Report for the Provincial Government of the Western Cape, Department of Economic Development and Tourism. Sustainable Livelihood Consultants, Cape Town, November 2007, pp10 & 31

4 Fred Jacobs & Nada Mxube, Safmarine presentation on 09 October 2008, BOP Learning Lab, USB, Bellville.

5 www.safmarine.com

6 Ibid. 7 Fred Jacobs & Nada Mxube, Safmarine presentation on 09 October 2008, BOP Learning Lab, USB, Bellville. 8 CHARMAN, op. cit., p84

7 CHARMAN, op. cit., p84

8 CHARMAN, op. cit., p82

4. Challenges and opportunities

- Start-up capital needed for the purchase and conversion of a container

The capital investment needed to purchase and convert a container is clearly an entry barrier for would-be entrepreneurs from the BOP, as reported by the MED report. Donating the infrastructure therefore constitutes a very useful « one-off » source of capital investment. In this regard, Safmarine in effect offers a form of venture capital to help new businesses take off.

- Scarcity of containers

Given their success, used shipping containers are in high demand and scarcity has become an issue over recent years, not least because it has pushed prices higher. As a result, Safmarine has looked at more innovative ways of optimising the use of available containers and sometimes limiting the number of containers assigned to one project or venture. Fundamentally, however, this challenge does not stop any project or venture from materialising. It encourages the use of containers as a base only, with add-on structures possible by using alternative construction materials, including prefabricated panels and support structures.

- Conversion and maintenance

While it does not present great technical difficulties, converting containers involves certain levels of expertise and equipment. The conversions need to be customised depending on the type of project for which the containers are destined, whether it is a hair salon, a bank branch or a phone repair shop. Safmarine currently outsources the conversion of containers to specialised companies, with which it seeks to build long term relationships in order to keep costs down and ensure the maintaining of building standards. Several such companies exist in South Africa, and given the popularity of the concept, more and more sophisticated designs and uses are becoming the norm.¹⁰

At the same time, the conversion costs and maintenance also presents big opportunities. Containers need to be maintained, painted, repaired and

refurbished at regular intervals. Unskilled or semi-skilled people from lower income segments can develop a new class of services and this can constitute an entry point into the economic value chain around used containers.

5. Conclusion and findings

The business in a box model presents a great number of advantages for would-be micro-entrepreneurs. As an easy-to-use and flexible piece of basic infrastructure, it offers immediate and cost-effective solutions from a policy perspective as well, as also confirmed by the MEDS report.¹¹ What perhaps needs to be highlighted is that the container model, which came into being essentially as the result of private enterprise, can be usefully complemented by a more visible level of involvement and support by public authorities, especially at local and provincial level. These authorities need to provide the necessary kind of infrastructural support, including water and power supplies, cleaning and maintenance services for the public areas and ensuring public safety. In many instances around South Africa, the container businesses are clustering in nodes where retail stores, repair shops, banks and telephone facilities in containers become de facto “shopping malls” servicing thousands of residents. The up and down business linkages, where one type of service tends to feed another (a barber shop’s customers may want to meet for a drink in the container next door, and all of them may need to make phone calls or access banking services from yet more outlets in the vicinity, and so on). For all these reasons, containers seem likely to remain part of South Africa’s small business landscape for quite some time.

Once again, the business in a box model serves to illustrate that tangible economic development and tools for the BOP will have far more leverage if there is closer cooperation between the stakeholders involved: corporates, business development councils, and all branches of government, especially at local level.

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Do you want to submit a project to Safmarine and benefit from the community container programme?



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9 CHARMAN, op. cit., p82

10 As an example of firms specialising in container conversions : www.containers.co.za, or www.containerworld.co.za

11 CHARMAN, op. cit., p84