

# Fact Sheet

SEPTEMBER 09

University of Stellenbosch  
The BOP Learning Lab



## Sourcing from the base of the Pyramid – Woolworths' Beaufort West hydroponics project

By establishing a niche for itself as South Africa's pre-eminent up-market retailer, Woolworths has developed a strong brand synonymous with the supply of quality produce. Owned by Woolworths Holdings Ltd., the company holds 8.5% of South Africa's retail food market and 14.5% of the country's clothing market. The success of the business is due in large part to the retailer's ability to innovate and modernise in order to gain a competitive advantage in its sector.

As a response to a mixture of legal, social and economic drivers, Woolworths has consolidated existing and new social transformation projects it was running under a holistic empowerment programme it calls the "Good Business Journey". Through this programme, Woolworths endeavours to promote the principles of:

- transformation acceleration,
- social development,
- Enhancing its environmental focus;
- Addressing climate change.

This factsheet focuses on the first pillar of this programme aimed at leveraging Woolworth's endeavours to be an agent of social transformation, notably through the encouragement of enterprise development and preferential procurement. As is the case with other large South African firms, Woolworths has realised that subsistence farmers could be integrated into its supply chain, helping them expand their economic opportunities while ensuring Woolworths satisfies its customers' expectations and its own economic bottom line. In such, Woolworths has begun sourcing supplies made organically or with a low level of environmental impact

from traditionally rural and poor areas of South Africa, embodying all aspects of its "Good Business Journey" while concurrently addressing the desire for enterprise development and preferential procurement of locally made goods.

One of several examples of where Woolworths has been able to advance its retail interests and simultaneously promote enterprise development is the Beaufort West Hydroponics<sup>1</sup> initiative, through which Woolworths sources a significant proportion of the fresh herbs it sells in its retail outlets : Basil, coriander, spinach, tomatoes, and by-products such as jams and jellies.

<sup>1</sup> Hydroponics refers to the production of produce without the use of soil and manipulating growing conditions to maximise production. Also see [www.freshherbs.co.za](http://www.freshherbs.co.za) for details on the hydroponics initiative.

## The Beaufort West hydroponics initiative : Sourcing quality produce from the base of the pyramid

### • The background

Beaufort West is a medium-sized town situated a good four hour's drive out of Cape Town on the main road to Johannesburg. With little industry and limited farming, poverty is widespread among its population of 34,000. Unemployment is estimated at around 80% and no less than 13,000 people depend on state grants for an income. In such an environment, it is crucial to develop initiatives aimed at creating employment and expanding economic opportunities in order to prevent a downward economic spiral and migration towards bigger cities.

### • An elaborate partnership

The hydroponics project was initiated through a partnership involving Woolworths and several sectors of government and society, including the Council for Scientific and Industrial Research (CSIR), the Provincial Department of Economic Development and Social Services (PDEDSS) and the National Department for Science and Technology (DST). The University of Stellenbosch also made a contribution in the form of staff

training. Today, the hydroponics project employs an average of 50 people and has added a significant boost to Beaufort West's industrial area, with five greenhouses covering an area of 8500m<sup>2</sup>. Woolworths not only provides a stable and consistent market for the BWH produce by *sourcing from* the project, but the retailer also provides financial support.

The project is not without its challenges, notably in the field of training and people management, as well as occasional cash flow difficulties which led Woolworths to provide a small bridging loan to BWH. Such challenges, though, are not insurmountable and have not stopped Woolworths from developing its relationship with the BWH, and confirming its commitment to advancing the sustainable development of the enterprise.

### • Results

The hydroponics initiative has had a clearly positive overall social and economic impact for its direct beneficiaries in the form of employment and an income, while simultaneously ensuring a steady supply of quality produce for Woolworths. With a staff of about 50, BWH is one of the largest single employers in the Beaufort West area. Furthermore, as illustration of increasing success, annual sales

increased 25-fold from R24 000 to R600 000 from the year 2003 to 2007. This increase in sales suggests the opportunity for an expansion which could provide as many as another 60 jobs and an injection of R2 million into the town's economy. The project has further acted as a catalyst for two other ventures in the area, producing scented oils and leather, which have created a further 40 jobs.

The hydroponics project is another example of how established businesses in South Africa, especially in the retail sector, are increasingly realising how they can leverage the strengths of the poor and source quality products from lower income segments in a sustainable way. There is further potential for scaling up such initiatives and replicating around the country, and Woolworths has been the driving force behind several other projects which will be described in coming factsheets.

**Pierre Coetzer & Michael Bridgman, Reciprocity**

### Key figures

Annual Sales R 600,000 +  
Permanent jobs created 50  
Initial investment R 2 million

Your Contacts at the BOP Learning Lab in the Southern Africa:



University of Stellenbosch Business School  
Prof. W. Thomas  
T: +27 21 82 770 9694  
E: [wthomas@usb.ac.za](mailto:wthomas@usb.ac.za)  
Norma Sayman (Secretary)  
E: [ns5@usb.ac.za](mailto:ns5@usb.ac.za)  
W: [www.usb.sun.ac.za](http://www.usb.sun.ac.za)



Reciprocity  
Nicolas Pascarel  
T: +27 (0) 21 424 4488  
M: +27 (0) 82 319 8404  
E: [info@reciprocity.co.za](mailto:info@reciprocity.co.za)  
W: [www.reciprocity.co.za](http://www.reciprocity.co.za)

Our Contact at Woolworths:



Woolworths  
Mr Kenneth Carden

T: +27 21 407 2224  
M: +27 83 441 9749  
E: [KennethCarden@woolworths.co.za](mailto:KennethCarden@woolworths.co.za)  
[www.woolworths.co.za](http://www.woolworths.co.za)  
[www.freshherbs.co.za](http://www.freshherbs.co.za)