

Exacting Woolworths standards

By [Sasha Planting](#)

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Woolworths has a steady supplier base. It has teams of scientists developing new products. Woolworths's reputation as a tough and demanding buyer of products and services precedes it. Suppliers confirm this and CEO Simon Susman concedes that working with his company "can be challenging".

Today Woolworths operates a tightly integrated network of retail suppliers ranging from farmers to IT firms, from furniture designers to machinists.

They are expected to meet exacting quality standards but, once signed up, get strong support from Woolworths, which invests heavily in new product and process development.

The company also has selective access to Marks & Spencer's intellectual property — such as production and process technologies and new product ideas — which it shares with its suppliers.

Over the past 60 years Woolworths's technical investment in its suppliers has aided in the development of multimillion rand businesses, such as Seardel, SA's largest clothing manufacturer, and Chubby Chick, a fresh-chicken supplier that started supplying the Woolworths Potchefstroom store in 1955 and is today a R1bn business in its own right.

The quality of its supplies have been integral in building Woolworths into one of SA's leading retail brands, with an annual turnover of R20bn this year.

The food business alone has doubled turnover from R4,7bn in 2004 to R10,3bn in 2008.

Chubby Chick, for instance, has invested R200m in new capacity and will invest another R300m in the coming years to cope with expected demand.

More recently, Woolworths has been assisting a new generation of black-owned and community-driven organisations. It took three trying years to transform a sewing project in Uitenhage into a business unit capable of supplying 7000 reusable fibre bags a week to Woolworths. Upon winning the contract in January 2006, the 27 women, many of whom had never had a formal job, wept tears of joy.

Today they hold bank accounts, do banking on the Internet and are discussing ways of broadening their business, says Nafeesa Dinie, SMME business unit head at the Uitenhage Despatch Development Initiative, which helped the co-operative land the contract.

This Greater Uitenhage Sewing Co operative is just one of at least 50 small business initiatives that the retailer supports. Another is a group of rural farmers from Umbumbulu in KwaZulu-Natal who grow organic amadumbe, the indigenous potato-like vegetable that Woolworths stocks.

Woolworths has outsourced its desktop maintenance to Reagola, a black-owned IT start-up. “Part of the black economic empowerment strategy is that every year Woolworths adopts a start-up and assists it in becoming sustainable,” says Reagola CEO Fareed Regal, who once worked for Woolworths. “They hold your hand for a year — even signing surety for a business loan — and the difference that this makes for a start-up is priceless.”

Yet Woolworths does not give handouts merely because the cause is worthy. Susman is interested in just three things when it comes to suppliers: price, quality and whether the suppliers have the stomach and passion to form a lasting relationship with the retailer.

This focus has not changed since 1952 when then MD David Susman (father of Simon), recognised that the only way to rise above the variety store it was at the time was to transform itself into a supplier of innovative, high-quality products.

“Supplier relationships lie at the heart of the Woolworths difference,” says Susman. “To get quality, you have to work with a supplier to build a store of common knowledge and capacity.”

Woolworths employs two teams of scientists — more than 100 people in total — one specialising in clothing and homewear, the other in food science.

It has outsourced its laboratory services to Microchem Lab Services, which tests its foods for pathogens and antibiotic residues, as well as the water used to irrigate its fresh produce for heavy metal traces left by pesticides, such as mercury, cadmium and arsenic.

The teams of in-house scientists do not simply provide input on hygiene standards and shelf life, but proactively focus on new developments. “Knowledge,” insists Susman, “has to be science-based.”

Its laboratories have come up with a number of innovations in the agricultural industry:

- It initiated the planting of SA's first commercial-scale trial crop of organic cotton, which could foster the growth of a new industry;
- It encourages its suppliers to produce fresh milk and yoghurts that are free of the rBST hormone and has reformulated its entire yoghurt range to have only natural flavours and colours, with no preservatives and artificial sweeteners;
- It has invested R1m in laboratory equipment to allow it to include the fatty-acid profile on nutritional information labelling, and suppliers have replaced trans fats in their readymade pies, pizza, sauces and other convenience foods;
- It has developed the practices that led to the sale of badger-friendly honey — virtually a standard in SA today.

Woolies scientists work particularly closely with farmers. “If I did not have a constructive long-term relationship with Woolworths, I would not plant trees that give me fruit only four years down the line,” says the MD of Fruition, Hans Christian Muylaert. “And Woolworths would not offer new varieties of fruit without this long-term view.”

The two companies interact on average about 35 times a day. “It is tiring but stimulating,” Muylaert says. Though about 20% of the fruit and vegetables produced by Fruition is organic, the aim is for 30% of Woolworths's total fresh produce range to be organic by 2012.

This is part of what the retailer terms its “good-business journey”, a five-year plan to 2012 that focuses on accelerating transformation, protecting the environment and mitigating climate change.

Says the manager of the plan, Justin Smith: “If we reduce the use of potentially harmful pesticides and chemicals by

increasing our organic food and clothing offering, preserving natural resources and changing the way we think about packaging, we will reduce our impact on the environment.

“We're also committed to eliminating a third of our clothing packaging and 20% of our food packaging, using more recycled materials and reducing our water consumption by 30% by 2012,” he adds.

Suppliers are cajoled onto the journey, too. Woolworths is working with its farmers to help them incorporate biological farming practices into the way they work. “Such farming methods will protect water supplies and ensure safe fresh produce,” says Smith.

Similarly, Woolworths encouraged Chubby Chicks to try free-range chicken farming, and then organic chicken farming. “I did not agree with the free-range idea,” says CEO John Fourie, “but I agreed to try it out. Today 30% of our volume is free range — it is a success story.”

Organic chicken has, to date, been less successful, he says.

“At a cost of R100/kg it was not economically feasible.”

The company's relationship with suppliers has not gone unnoticed by investors. “Support from Woolworths has resulted in its manufacturing partners investing more in their businesses, in comparison with its peers,” says Sanlam Investment Management analyst Andrew Kingston “This supports both of them and strengthens the relationship.”

“What we don't want,” says Susman, “are suppliers who are in it because they can negotiate seven-day terms with us. We have a passion for our business and we want to see that same passion in our suppliers.”

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