



Local procurement strengthens a hotel’s business base

Executive summary

Spier Leisure, part of the Spier Group, is one of the oldest vineyard and farm estates in South Africa, with agricultural activities on the estate dating back to 1692. It operates the mid-priced 155-bed Spier Hotel and conference centre in the winelands of South Africa’s Western Cape. The operation includes accommodations, restaurants, conference facilities, a picnic area and a delicatessen. Spier continuously assesses its supply chains with the aim of sourcing as many of its products locally as possible.

This case study demonstrates how a medium-sized company can restructure its procurement activities to be more inclusive and locally sourced, in the process helping to ensure long-term financial sustainability.



COUNTRY
South Africa

NAME
Spier Leisure

TYPE
Wine farm and hotel

FIELDS OF INCLUSION
Maintenance and services,
food and beverage,
natural conservation



How the business model works

Spier's approach to sustainability informs all of its operations. Its mission statement is "to find innovative ways for business to succeed in balance with (the) environment and communities". Spier is owned by a South African family with a history of engagement in social and environmental initiatives.

Making local procurement a priority

In 2004, Spier shifted its business model to incorporate more local businesses and businesses owned by previously disadvantaged groups (racial and gender groups disenfranchised during the apartheid era in South Africa) into its supply chain. Previously, Spier's approach to inclusiveness had been limited to a series of ad-hoc donations to social projects and a number of small-scale interventions, which it realised was not a proactive way of achieving sustainable development.

At the time, Spier's leisure business had a significant annual purchasing power of around USD 3 million. The company's managers realised that this power could be used to influence the local market, improving the quality and range of products available to them. It could also be used to encourage the company's existing suppliers to conduct similar reviews of their own supply chains.

Between 2004 and 2007, Spier systematically assessed and adapted its procurement system. By 2007, 79 new jobs had been created by the company's new suppliers, and USD 12.6 million in contracts had been issued. Of these jobs, 40 were held by women, and 59 by people who were previously unemployed.

Increasing procurement from local suppliers

Today, 98.7% of Spier's total procurement budget is spent on 288 suppliers either in the local region or which qualify under the country's Black Economic Empowerment Act (BEE). Products and services purchased include but are not limited to fresh produce, beverages, building materials, construction and maintenance services, hotel room suppliers, furniture, petrol and transportation. Contracts have been agreed for wooden-deck construction, fuel-wood collection and vegetation management with local businesses predominantly staffed by previously unemployed local residents.

Supporting supplier development and partnerships

Spier also supports the development of new local suppliers. Its laundry services, for example, were previously fully outsourced. However, the company constructed an in-house laundry centre that is today managed and operated by a local business. This helped cut Spier's costs by 25%, increased the number of people employed within the laundry business by five, and created a new and profitable small enterprise. Another such example is the joint-venture partnership created between Spier's transportation services and a previously existing transport contractor. This partnership helped Spier to satisfy its BEE requirements, while in turn providing the joint venture with 40% of Spier's non-bulk transport business.

Increasing employment of local staff

Spier has also placed a high priority on employing local residents and members of previously disadvantaged groups. At present, local residents make up a majority of the staff within each of the company's three business branches, including wine (75% local staff), leisure (88%) and farming (100%). Members of previously disadvantaged groups work within all branches of the business (wine, leisure, farming) and at all levels, from housekeeping to marketing management.

SPOTLIGHT

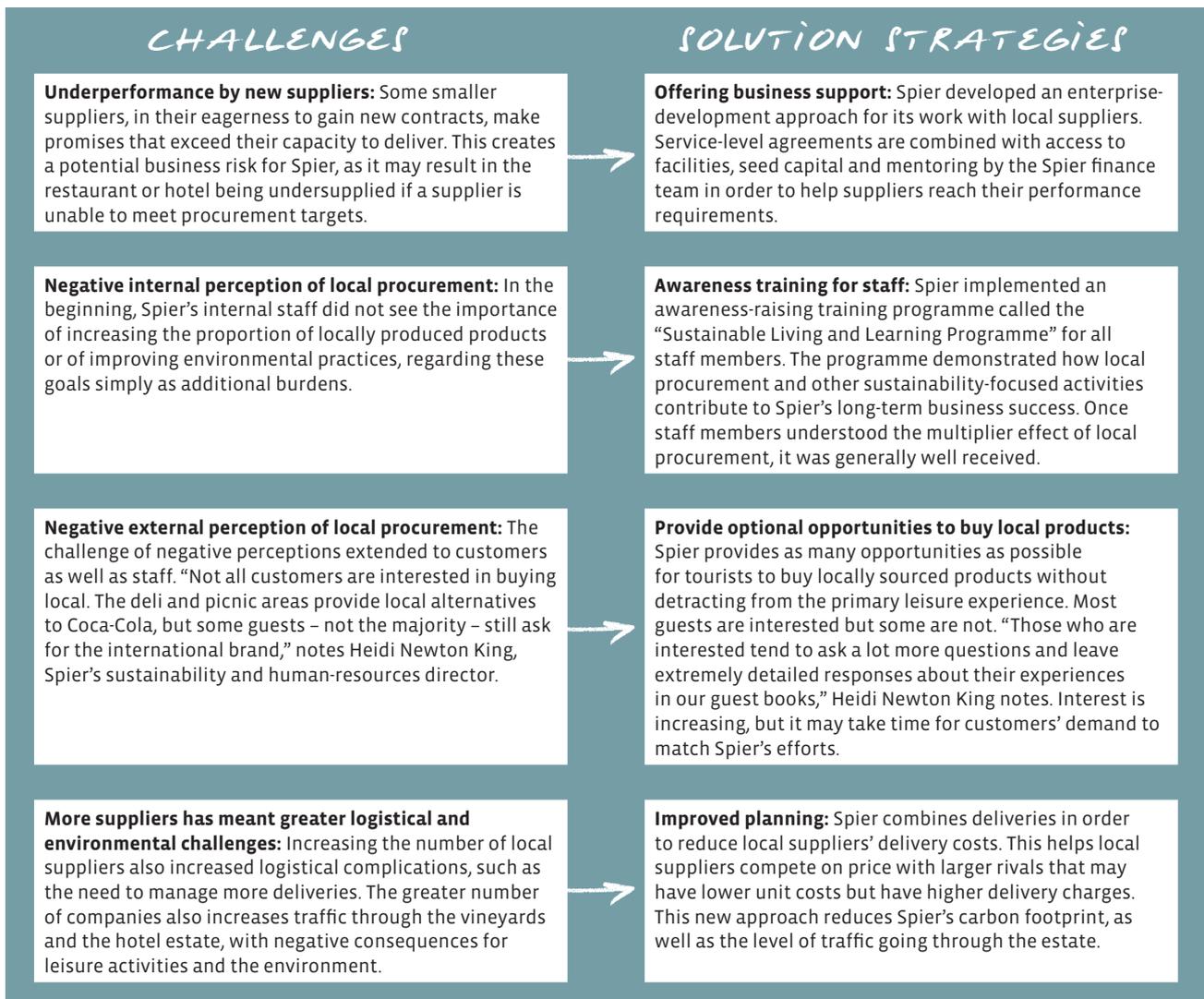
Bernie Samuels runs a successful laundry enterprise



In 2004, Spier shifted from using laundry services provided by an external company to employing a local business entrepreneur working on-site. Using two containers as a workplace, local businessman Bernie Samuels, a previously unemployed father of four, today runs a successful enterprise called Klein Begin (small beginnings). He employs

five people from the local community. Samuels works hard to meet operational demands, but the creation of the business has changed his life.

Challenges and solution strategies



Spier Leisure employs previously disadvantaged people at all levels and provides excellent training and career-development opportunities.

Mutual benefits

Business benefits

Spier procures locally primarily in order to gain community support and hence enhance its long-term sustainability. Short-term cost savings are therefore not the main driver of the strategy. That said, some initiatives have demonstrated a rather quick financial return on investment.

Although requiring an initial outlay of financial and technical support, replacing suppliers with local businesses has provided long-term cost savings and improved reliability for Spier. One example in this regard is the provision of laundry services. While Spier initially had to invest more than USD 11,000 to set up the laundry facility, it saved around USD 27,000 on its service contract in the first year of operation alone. At the same time, a new enterprise with multiple jobs was created, and earnings in the local community increased fourfold.

Development benefits

The development impact associated with this business model has also been significant. The 2014 wage bill associated with the leisure business's 488 local staff members is forecast to reach USD 6.4 million. Contracts with 288 local suppliers totalled nearly

USD 2 million for the first half of 2014. Spier's additional focus on training and career-development activities within local communities has provided benefits for both the company and its employees.

As an element of this latter strategy, Spier has introduced various training programmes. In consequence, a number of second-generation employees working for Spier have reached higher positions than their parents. One such example is Letitia Mouton, a farm worker's daughter who started at Spier in an administrative function and now is a junior brand manager responsible for the leisure business. This enterprise-development approach has also helped kindle staff members' broader aspirations, empowering them to become business owners and providing Spier with new, trusted local suppliers.

Additional development benefits include the creation of a medical clinic on Spier's premises to ensure staff members are healthy and productive. Finally, with regard to the environment, Spier aims to reduce its carbon footprint by 30% by 2017. It is encouraging all staff and suppliers to contribute their emission reductions, identifying mutually beneficial strategies to reduce environmental and business costs.

Outlook

Spier's future aim is to strengthen its level of inclusion by going beyond local employment to deal with a bigger issue, unemployment amongst South Africa's youth. The company's aim is to support 18- to 25-year-olds who have graduated from high school but have not yet managed to find employment. Spier is partnering with a not-for-profit organisation that will provide a bridging programme for these young people before they join Spier.



By combining deliveries from local suppliers, Spier Leisure reduces greenhouse gas emissions and the traffic going through the estate.

REFERENCES

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INTERVIEWS

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PHOTOS

Courtesy of Spier Leisure