

Case Study

Unilever: Partnerships for Supplier Capacity-Building

As corporate supply chains grow ever more vast and global, smart business strategists must equip themselves to anticipate and manage an array of environmental and social impacts, dilemmas and trade-offs outside the company's direct footprint.

Unchaining Value, a report by SustainAbility, the UN Environment Programme, and the UN Global Compact, explores a variety of best practices, drawn from different sectors.

The report illustrates how multinationals like IKEA, Unilever and Hewlett-Packard are working with suppliers towards a shared understanding of the role of sustainability in supply chain management and the mutual value to be achieved.

Included in the report are several case studies that illustrate a range of benefits that companies – and their supply chain partners – can realise from a collaborative, proactive and sustainability-minded approach to management across the chain, such as improved engagement & communication, capacity building, efficiency improvement, resilience, and risk avoidance.



Case Study Unilever

Project Farmer field schools and Lipton tea

Illustration Capacity-building

Unilever is the world's largest buyer of black tea and purchases 12% of the global supply each year. It sources from a variety of growers: independently owned estates, smallholder farms and its own estates. In 2002, Unilever published sustainable agriculture guidelines for tea cultivation and has been working to roll these out, but faced difficulties in reaching geographically widespread smallholder farmers, particularly in Kenya, the world's largest exporter of black tea.

Some 60% of Kenyan tea is grown by smallholders, whose output is almost 40% lower than large estate yields, largely thought to be due to the high cost of farm inputs, poor husbandry practices and low farmer morale. Adoption of good practices to improve yield was slow as the main communication route to farmers was via the Kenyan Tea Development Agency (KTDA), where each 'field officer' dealt with at least 1,000 farmers.

Unilever developed a program to work with KTDA to transform its outreach to smallholders by developing farmer field schools, which would serve to roll-out Unilever's tea sustainability guidelines and help smallholders achieve better financial returns as a result. The program is managed and funded in collaboration between Unilever, KTDA and the UK Department for International Development (DFID).

Before launching the three-year program in March 2006, Unilever spent five years building the relationship with KTDA and seeking a public sector funding partner, which was not easy given the scale of the initiative. Part of DFID's contribution has been funding for a baseline study and experienced trainers to enable Unilever to expand the scope of the initiative to a far wider audience.

The first farmer field school was started in August 2006, with another 20 launched over 2007, with sites chosen for their geographic reach and accessibility. Over the next three years, Unilever will assess the impact of the farmer field schools against the DFID funded baseline study. So far, three of the four established farmer field schools have shown substantial potential for generating higher income, with the fourth being fairly successful from the start. Unilever also believes the initiative has helped imbue a sustainable agriculture philosophy throughout its operations.

On the back of the success of the farmer field schools, the Unilever black tea sustainability program added another commitment in the summer of 2007: to achieve Rainforest Alliance certification of its Lipton brand tea globally by 2015. Believing that consumers now see sustainability as a brand enhancement, Unilever's Lipton marketing team decided to find a way to communicate credibly to consumers the work that the organisation was already engaged in.

It chose Rainforest Alliance for its comprehensive approach to social and environmental issues, its ability to work on an international scale with both large plantations and small farmers, and its market-based approach.

The existing relationship between Lipton and KTDA helped to facilitate discussions on Rainforest Alliance certification, as KTDA did not initially trust the certification process. Rainforest Alliance auditors have begun making site visits to Kenyan growers, and other tea farms in Kenya, Tanzania, Malawi, Indonesia, India and Sri Lanka will follow.

Insights:

- Indigenous expertise can be greatly enhanced with the right type of thoughtful corporate intervention.
- Effective capacity building needs to combine locally relevant initiatives and partners with the benefits of scale and reach.
- Successful supply chain sustainability initiatives can lay essential ground for developing brand-enhancing partnerships that will help drive consumer loyalty.