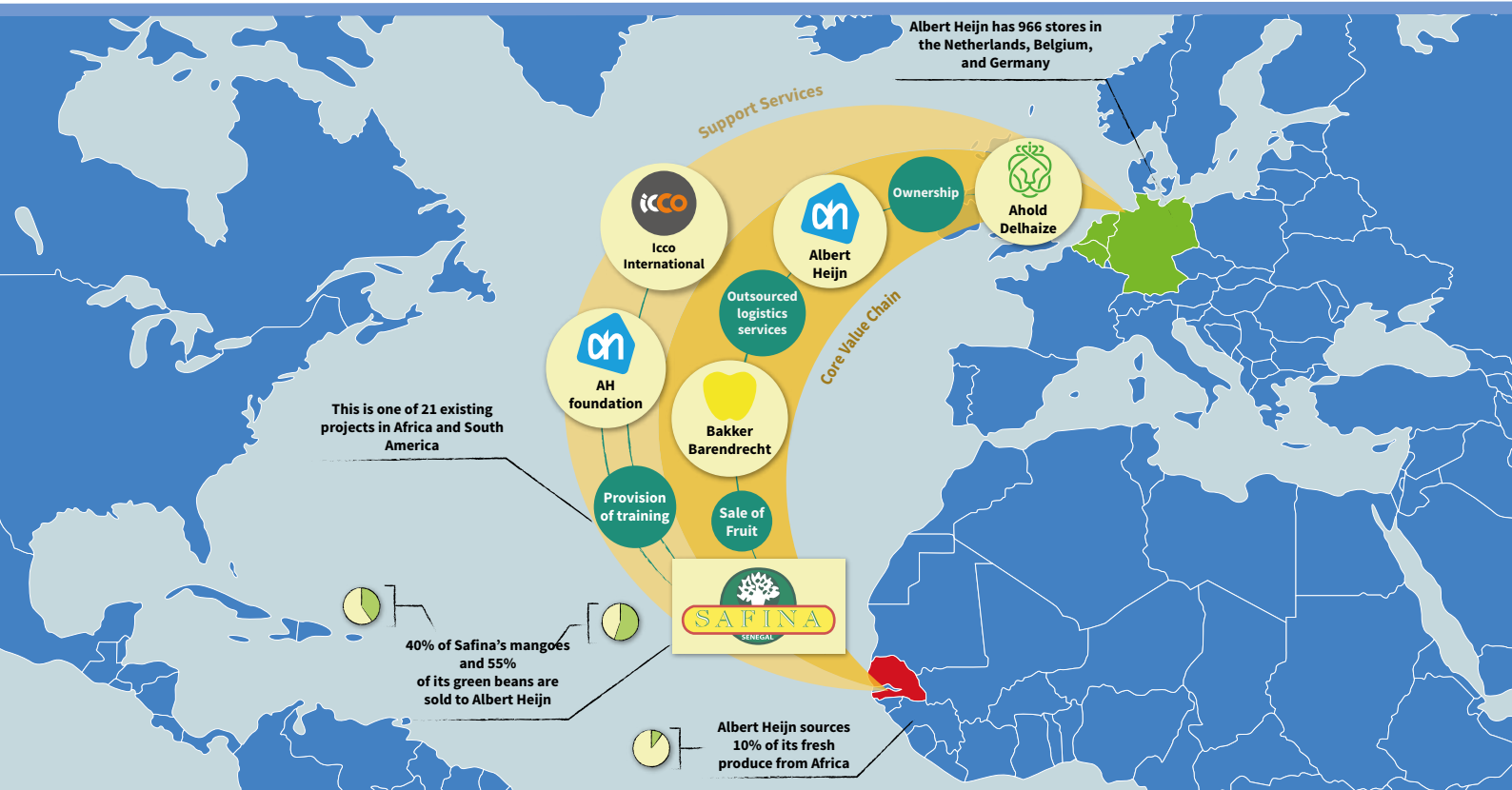




International
Labour
Organization

Albert Heijn

Fresh Fruits and Vegetables Sourcing in The Netherlands



This case highlights the procurement strategy by a Dutch supermarket company, Albert Heijn, and its procurement relationship with a Senegalese supplier for fresh fruits and vegetables (FFVs).¹

Background

Albert Heijn (AH) is a leading food retailer in the Netherlands that captures nearly €12 billion in annual revenue. Its parent company—Ahold Delhaize (AD)—is historically recognized for leading and participating in sectoral initiatives that promote responsible practices².

As part of its effort to promote itself as a responsible retailer, AD established the **Ahold Standards of Engagement**, which outline a set of minimum standards on quality and ethical practices for its suppliers. Included in these are the ILO's Fundamental Conventions and compliance with national laws and regulations, employment matters,

¹ This paper was prepared for the International Labour Office (ILO) by Carlo Maria Delù based on a case study by Victoria Kemanian (Latitude Consulting) (Kemanian V., 2016. Fresh Fruits and Vegetables sourcing at Albert Heijn (Ahold Delhaize) from SMEs in Africa, ILO Geneva) as part of the ongoing research by the International Labour Office's SME Unit on the impact of MNE's procurement practices on developing countries' SMEs. In addition to the case author(s), we would like to thank Ge Happe and the concerned companies for their collaboration in the data collection phase. Reference to names of firms, their practices, and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, practice, commercial product or process is not a sign of disapproval.

² Including the Global Food Certification Initiative, the Global Social Compliance Programme, the Business Social Compliance, Initiative (BSCI), the Roundtable on Sustainable Palm Oil, the Roundtable on Responsible Soy and GLOBALGAP.

and workers' rights. Additionally, AH implemented the Business Social Compliance Initiative (BSCI) program with its own suppliers in high-risk countries and committed to having 100% of their last-stage suppliers in high-risk countries audited on social compliance by 2015. By the end of 2015, AH had audited the full FFV supplier base and implemented corrective measures towards becoming BSCI compliant.

While prioritizing local sourcing (depending on availability and seasonality), roughly 10% of its fresh produce arrives from Africa. As part of its strategy to establish a sustainable supplier base, in 2007 AH formed the **Albert Heijn Foundation**, an investment arm specifically dedicated to improve the lives of the employees and families of its suppliers in Africa. The AH Foundation also works with **ICCO**³, a Dutch NGO that supports the foundation in the implementation of its supplier development programs (see map).

Strategy

Albert Heijn's procurement strategy consists of four main components:

Short supply chains: Recognizing the impact of direct relationships with growers in quality and food safety, AH decided to engage as directly as possible with its producers and exporters, by keeping the number of intermediaries to a minimum. Doing so enabled more efficient transactions and stronger communication regarding quality standards and supply specifications. More importantly, it allows AH establishing solid long-term relationships with its suppliers.

Programmed procurement: In an effort to ensure availability and sustainability of supply, while preventing wasted produce, AH works with an agreed procurement schedule that allows suppliers to more efficiently plan future seasons, taking into consideration the quality requirements and delivery timeline of the buyer. Spot-buying was thus minimized and a year-round calendar of varying origins and suppliers ensured a consistent supply and quality level.

Local sourcing: As mentioned above, to the extent possible, and depending on seasonality, AH tries to source its products locally, with 50% from Dutch origin and 30% from the rest of Europe. During the European offseason for FFVs, AH relies on suppliers from other regions, typically in the southern hemisphere. By prioritizing local supplier relationships, it helps facilitate and strengthen its direct relationships with growers and exporters.

Outsourced purchasing and logistics: AH outsources its FFV procurement for most of the products to Bakker Barendrecht (Bakker)⁴, a procurement specialist that purchases all FFVs on behalf of AH. Bakker helps strengthen the supplier base by jointly identifying, selecting, and developing suppliers together with AH and adds value to the products by handling a number of processes such as quality checks, sorting, ripening, and packing, and managing transport and logistics (including replenishing and warehousing).

When mentioned the sourcing activities in this report by Albert Heijn (AH), it is always a joint effort between AH and Bakker.

The supplier in Senegal: SAFINA

25 years ago AH initiated its commercial relationship with **SAFINA** —a family-owned and operated produce supplier in Senegal, following the basic value chain structure depicted on the map. SAFINA estimates that 40%

³ Headquartered in Utrecht, the Netherlands, ICCO is a global NGO for development cooperation. It currently works in 44 countries in Africa, Asia and Latin America. Available at: <http://icco-international.com/int/about-us/organization/>

⁴ Bakker Barendrecht (Greenyard Company) is one of the largest FFVs importers in the Netherlands. It employs nearly 500 people and handles close to 85 million crates of FFVs per year. For more information please visit Bakker Barendrecht's website at <http://www.bakkerbarendrecht.nl/show/en/page/1,21/Who-we-are> (14/12/15)

of its total mango production and 55% of its green bean production is sold annually to AH, an important client for the SME.⁵ The supplier employs 75 full time employees, including administration and field operations, and hires additional workers on a seasonal basis—up to 400 during peak harvesting months. The company sees itself as playing a key role in the economic and social development of the communities where it operates, largely in the Niayes region, expressing a strong sense of social responsibility towards the people that have contributed to develop the business throughout three generations of family management.

SAFINA reported that since partnering with AH, the enterprise has received a number of benefits, including annual revenue growth by at least 10%, an increase in capital and profitability, new jobs secured within the community—by 12-15 field workers each year, financial and job security for workers and families, improved product quality, and more efficient post-harvest processes, all of which SAFINA's management team largely attributes to its engagement with the Dutch buyer.

Complying with the buyer's social requirements presented some challenges for SAFINA. AH's recommendations to improve working conditions were perceived by some farmers as harmful to their overall well-being through potentially reduced income generation. For example, the minimum working age in Senegal is 15 years, but set as 18 by AH, causing some family members to be ineligible to contribute. Working time was also an issue; because many farm workers rely on the harvest season's income to last them throughout the year, limiting the working hours per day and days per week threatens that income. In Senegal, many women are relieved from childcare on Sundays and report enjoying going to work with other village women to earn an extra income. To honor the workers' concerns, a referendum took place, in which workers voted to extend working hours and work on Sunday with the consent of the worker over the harvest period. AH took into account these recommendations and used them to better position non-conformities to the BSCI requirements.

When asked about the main drivers of its successful relationship with AH, SAFINA indicated the following:

Transparency: Transparent and accountable interactions between AH, Bakker and the SME help ensure clear communication and trust within its commercial relationship.

Open dialogue: Regular and open communication become even more important when operating from a geographic and cultural distance. When encountering issues that negatively impact production, SAFINA flags them to Bakker and AH in order to jointly find solutions. Bakker and AH's procurement team and senior management visit the producer every year, and work together to ensure quality and food safety.

Security: Bakker and AH makes strong efforts to ensure that the supplier does not carry risk alone. In dealing with potential issues that could affect product quality, Bakker and AH proposes alternative solutions in order to diminish risk for the supplier when climate or diseases threaten production. The sense of security and stability elicited by the risk alleviation has a positive effect on company and workers' attitude towards the client.


Professionalism and rigour: Bakker and AH's work ethic and supplier relation policies, which include respecting commitments and deadlines, establishing systematic processes and valuing quality, makes them a reliable business partner and contributes to improve the suppliers' own management practices and systems.

Good Practices

According to experts, from a value chain dynamics perspective, the relationship between Albert Heijn and SAFINA seems semi-hierarchical due to the direct sourcing relationship and intervention of a dedicated procurement "arm" and the detailed specifications provided by the buyer (Gereffi et al, 2005)⁶. Both entities recognize this approach

⁵ Interview with Mr. Mounir Filfili, Owner and General Manager of SAFINA, held on January 13th, 2016.

⁶ See indicators in UNIDO, 2011, p 55, based on Humphrey and Schmitz, 2000; Gereffi et al, 2005 and Bazan and Navas-Aleman 2004.



as means to strengthen competitiveness, which has resulted in additional supplier-buyer relationships from which the supplier has benefited, largely due to the product quality and process upgrading developed through its dealings with AH over time.

Overall, the following features are indicators of good procurement practices:

- *An eco-systemic approach:* AH's sourcing strategy is closely aligned to its "responsible retailing" principles, which outline sustainable practices from the farm to the consumer's household in a systemic way. The buyer believes that procurement strategies in developing countries can have a stronger impact when deployed in a manner that can benefit the entire community of the supplier. In doing so, it works with the supplier on projects that support social and economic growth.
- *Focus on local context and tailor to local needs:* AH avoids one-size-fits-all approaches and instead customizes its procurement practices based on the local context in order to create relevant impact for the supplier. Furthermore, the AH Foundation intervention model pursues stronger impact by strengthening local competitiveness.
- *Entrepreneurial approach and shared-responsibility model:* In an effort to maintain the entrepreneurial vibrancy, Bakker and AH deploy a shared-responsibility model in the financing of programs, with the supplier contributing financially with an amount based on a small percentage of revenues, towards community and supplier programs.
- *Supplier management and administration:* AH's relationships with suppliers are governed by transparent guidelines and processes which are communicated to the supplier upfront.
- *Technical support:* While the buyer acknowledges that the attainment of certifications should be part of the business strategy of the supplier, AH provides technical support through Bakker experts in those areas where it can support suppliers' capacity development.
- *Quality assurance & traceability:* To ensure the quality of its products, Bakker and AH incorporate strict quality verification ahead of distribution, including checkpoints during production and phyto-sanitary tests, thus diminishing risks for both itself and the supplier.
- *Verification of compliance:* The adoption of the BSCI audit system and having completed the audits for all suppliers in high-risk countries has enabled the buyer to improve visibility and ensure a supply network compliant with labour standards, including child labour.
- *Pricing: **Although not explicit**,* Bakker and AH's pricing is above market average, which strengthens loyalty from the supplier and enables reinvestment in quality and productivity.

Conclusion

Albert Heijn, appears to have included the support to developing country SMEs in its strategic planning, and has gone further by developing a series of internal guidelines (the "Ahold Standards of Engagement") to guide the choice of its suppliers. Additionally, AH covers the 'trinity' package of good procurement practices in its offering of high prices, stable orders and use of standards, making it a strong example of how SMEs can benefit from lead firm procurement practices. The way of working together with Bakker is professional and secures availability of quality fruit and vegetables, grown in a sustainable way, with a long term perspective.

