

# Chococam, Cameroon – Economic benefits of standards – Case study

September 2011 – April 2012

# Content of this presentation

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- Production of chocolate & Chococam's value chain
- Use of standards at Chococam
- Quantification of the impact of standards
- Additional qualitative considerations

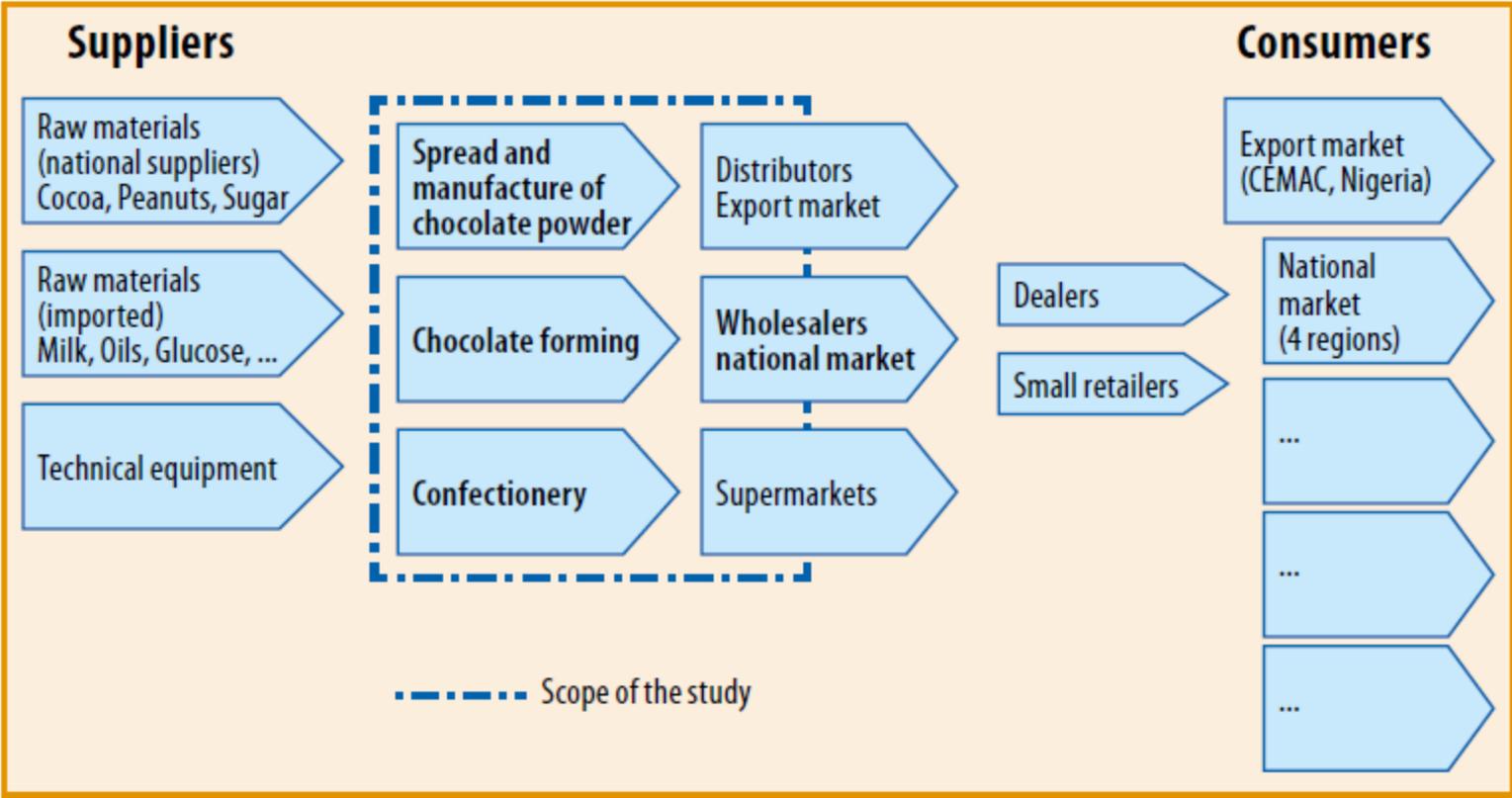
# Chococam – Company overview (1)

- Founded in 1965, the company began operations in 1967
- Chococam was part of the Swiss group «Barry Callebaut» (worldwide manufacturer of bulk chocolate) until 2008
- Majority shares of Barry Callebaut were purchased by the Tiger Brands Group, a dynamic brand of consumer packaged goods operating mainly in South Africa and in some emerging markets
- The company specializes in the manufacture of chocolate-based products and various sweets from cocoa mass.

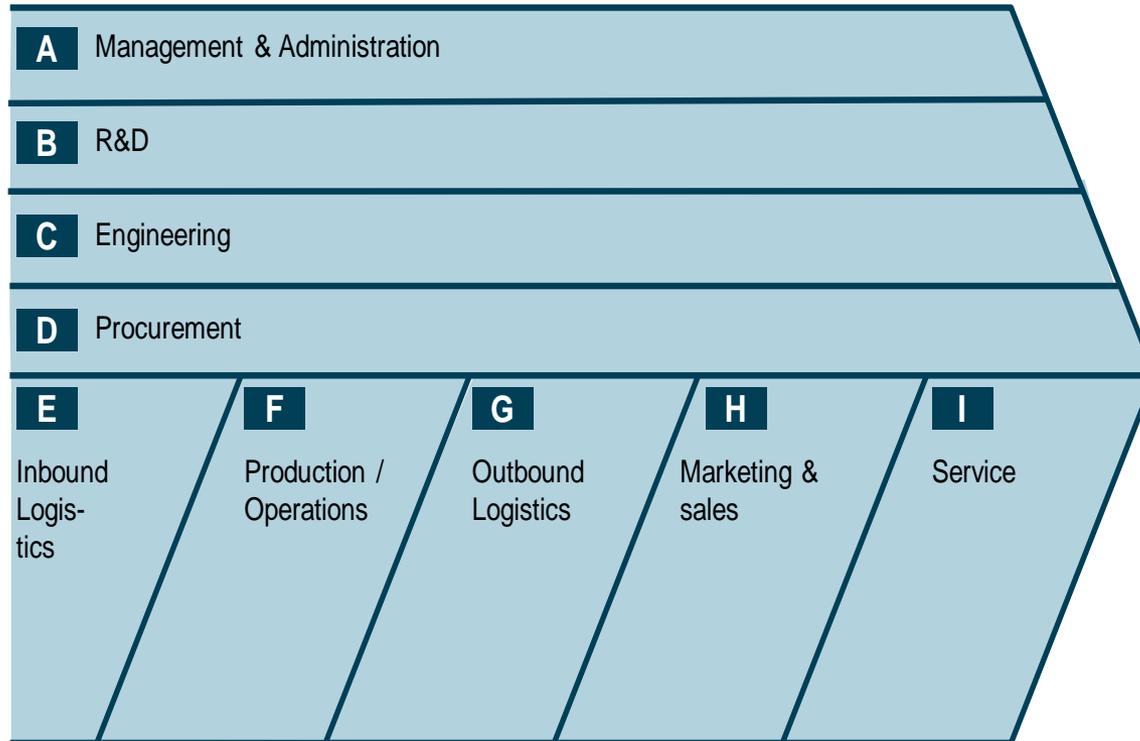
# Chococam –Company overview (2)

In 2011	Description
4 product lines	<ul style="list-style-type: none"><li>• Chocolate</li><li>• Chocolate spread</li><li>• Pure cocoa powder</li><li>• Confectionery</li></ul>
Production	~36 tons per year
Market share	55%
Capital share	74.41% Tiger Brands 25.59% National stakeholders
Average annual turnover	~XAF 19 billion
No. of employees	470
Customers	Cameroon, Nigeria and other countries of Central and West Africa

# Production of chocolate – Industry value chain



# Model of a company value chain (M. Porter)



The “value chain” is used as a tool in the assessments to structure and analyze the activities of companies

# Key value drivers at Chococam

- On the basis of information gathered through interviews and documents, four major value drivers have been identified:
  - Quality and product safety
  - Effectiveness and efficiency of processes (particularly manufacturing and sales)
  - Attractiveness of Chococam products for the customer and for customer satisfaction
  - Training and motivation of the workforce

# Attitude of Chocam towards standards

- The company uses a number of product and testing standards (product specifications and analysis methods)
- ISO 9001 has had a key impact on Chococam's operations
- Certification to ISO 9001 was renewed in 2008 and since acquisition by Tiger Brands, the quality system has been reorganized and its implementation now plays a key role in the company's focus on operational improvement
- Performance indicators are defined for all business processes and related business functions that are regularly monitored and new goals are set based on a philosophy of continual improvement

# Preliminary analysis of the Standards Impact

- The scope of the evaluation is limited to those business functions for which quantifiable benefits, arising from those operational improvements supported by the implementation of the quality system:
  - Marketing
  - Sales (including planning)
  - Procurement
  - Operations (including raw material warehouse, confectionery, chocolate spread and powder making)

# Procurement

- Improvements in 2011 compared to 2010, driven by the implementation of the quality management system in the purchasing of raw materials:
  - a decrease by **30%** in cases of nonconformity
  - a decrease in raw material shortages by **42%**
  - an increase by **25%** in the completion rate of corrective and preventive actions
- Better stock management:
  - between 2010 and 2011, the total mean value of stock decreased from XAF 400 million to XAF 60 million

# Operations

- Product and test standards are used to evaluate the various categories of products against quality criteria set by standards, for example, for chocolate, properties such as texture, weight, fat, wrapping
- Management system standards are used as the basis on which to structure the description of processes and activities, define indicators, measure performance, and define and monitor corrective and preventive actions.
- The main improvements achieved in 2011 compared to 2010:
  - a decrease in cases of nonconformity by **57%** representing a saving of XAF 195 million
  - a cost saving in production costs of **7.5%**
  - better maintenance techniques resulting in cost savings of **49%**
  - an increase in the smooth running of machines by **14%**

# Marketing and sales

- It was not possible to quantify the contribution of standards for these two business functions.
- Chococam's sales increased over 5 % in 2010 and process improvements underway focus on the gap between forecasts and orders and availability of the forecast for the following month during the third week of the current month

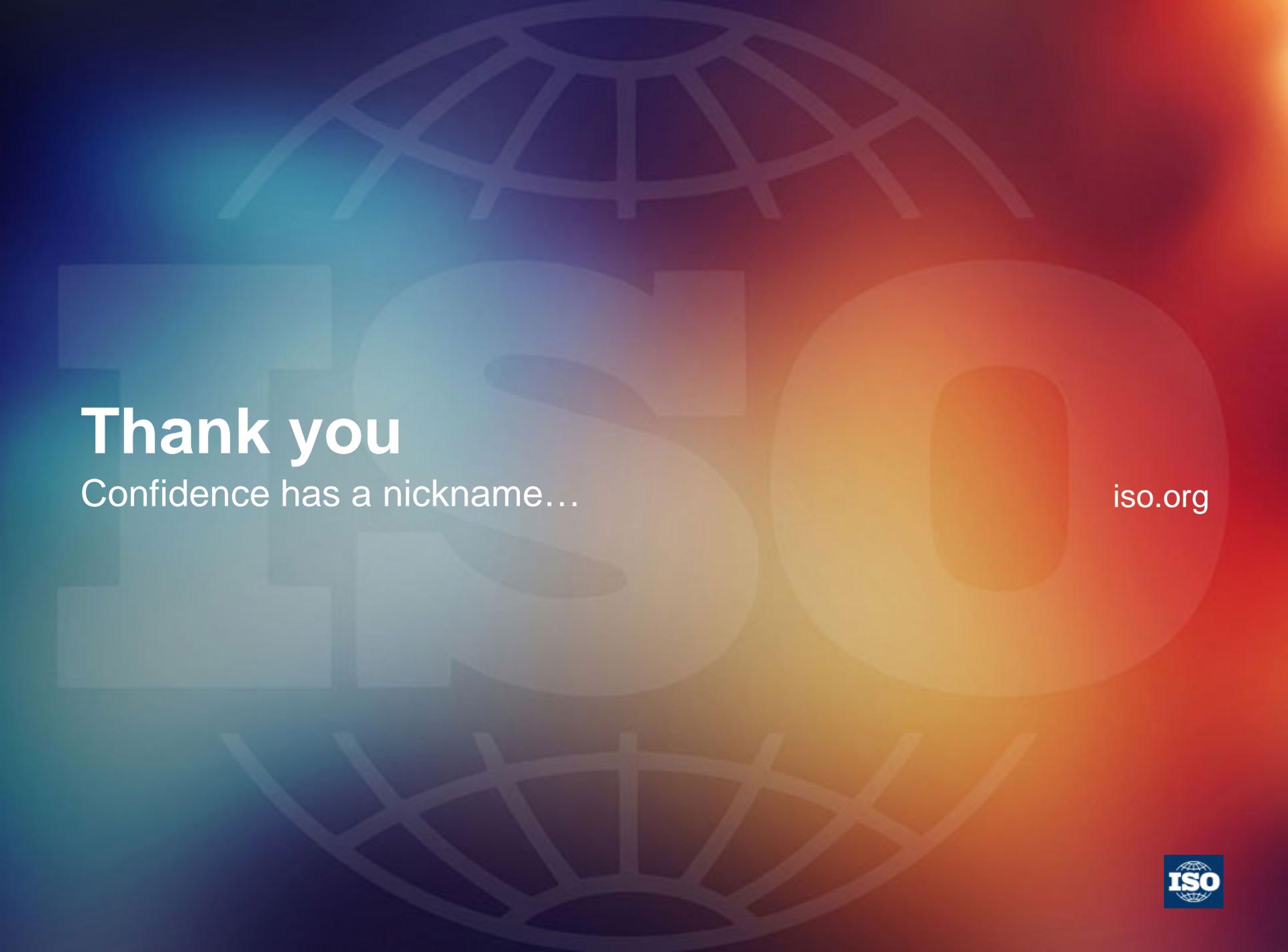
# Conclusion: Impact of standards on the company EBIT

Assessed Business Functions	Indicators	Savings
Marketing		N/A
Procurement	Stock management – nonconformity of raw material supplied	187 000 000
	Purchasing costs	300 000 000
Operations – Spread and manufacture of chocolate powder	Contamination	195 000 000
	Amount of temporary work in relation to production volume	225 750 000
Operations – Chocolate forming		
Operations – Confectionery		
Operations – Maintenance	Maintenance costs	84 000 000
Total contribution to the company EBIT (in XAF)		991 750 000
Total contribution to the company EBIT (in EUR)*		1 517 377
<b>Contribution to EBIT as a percentage of total sales</b>		<b>5.2 %</b>

\*Fixed exchange rate with the Euro: 1 000 XAF equal 1,53 EUR

# Some additional qualitative considerations

- Marketing: the main consequence of a customer survey conducted in March 2010 has been the improvement in product quality and the purchase of new equipment
- Sales: despite its position of market leader, Chococam does not yet cover the entire Cameroonian market. Improved sales planning and optimal management of the sales calendar would allow the company to serve the market more efficiently
- Operations: Efficient energy consumption is an important driver of value creation. Some results have been achieved but further improvement needs to be pursued
- NOTE – The value addressed by this study can be further increased, following the continual improvement philosophy that Chococam has adopted.



**Thank you**

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