ALMARAI : THE TASTE OF GULF
(A CASE STUDY OF ALMARAI STRATEGIES)

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ABSTRACT

Almarai is very popular and familiar brand of dairy industry in Gulf. But today it’s not restricted to dairy products only, in fact it is diversified to bakery, poultry and infant drinks. It recognized as market leader and capture major share of market in all its products. The present case study is an effort to critically review the various strategies and try to give suggestions and recommendations to certain extent. The case is mainly covers the Marketing and Financial strategies of company.

The first part covers the overview, profile and objectives of case, on the other hand second part is consist of the critical analysis of Marketing and financial strategies of company.

Key words: Product portfolio, Mergers and acquisitions. Corporate Social Responsibility.

OVERVIEW

From morning to evening the people of Saudi Arabia enjoying the various edible consumables products of Almarai and it become the part and parcel of their life.

Today Almarai is well known recognized brand in food Industry with outstanding infrastructure incorporating centralized farms and advanced processing plant. The Arabic word ‘Almarai’ means Pastures. The growth of company is based on infrastructure mix that incorporates world class farms, production, operations and distributions systems. As per the data available and quoted in the company website that
the company Holstein cows produces almost double the amount of milk of the European cows. They have fleet of almost 1,000 tankers, tractors heads, trailers and nearly 3000 vans undertakes over 100,000 trips annually. The companies vehicles covers more than 190 million kilometers to deliver dairy, juices, bakery and poultry products to 89 sales depots and almost 48,000 customers across six GCC states.

Backdrop

The genesis of Almarai is not very old, the journey begins in the year 1977. The Chairman H.H Prince Sultan Bin Mohammed bin Saud Al kabeer, identified the opportunity to transform Saudi Arabia traditional dairy farming to meet consumer needs of Saudi Arabia markets. His vision was to expand the market not only to domestic but also to International markets. Under his guidance and supervision number of projects related to agriculture and dairy products, initiated with fresh milk and laban processing, the volumes of these initiatives soon expand to incorporate modern dairy farms and state of the art processing plant.

Profile: The key highlights of the company can be reviewed from the following snapshot of company.

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Almarai Co. Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td>Public</td>
</tr>
<tr>
<td>Industry</td>
<td>Consumer Products</td>
</tr>
<tr>
<td>Sub –industry</td>
<td>Food processing</td>
</tr>
<tr>
<td>Sector</td>
<td>Consumer staples</td>
</tr>
<tr>
<td>Year of Foundation</td>
<td>1977</td>
</tr>
<tr>
<td>Registered office or Headquarters</td>
<td>Riyadh ,KSA</td>
</tr>
<tr>
<td>Products</td>
<td>Dairy liquids, juices ,poultry, bakery, infant drinks</td>
</tr>
<tr>
<td>Revenue from sales (as per year 2013)</td>
<td>SAR ‘000’ 11,219,182</td>
</tr>
<tr>
<td>Profit /Net Income (as per year 2013)</td>
<td>SAR ‘000’ 1,502,207</td>
</tr>
<tr>
<td>Share capital (as on 31st DEC. 2013)</td>
<td>SAR ‘000’ 6,000,000</td>
</tr>
<tr>
<td>Dividends Paid (in the year 2013) per share</td>
<td>SAR 1.25</td>
</tr>
<tr>
<td>EPS (as per year 2013)</td>
<td>SAR 2.56</td>
</tr>
</tbody>
</table>

(Sources: Consolidated financial statements, Annual Reports, www.almarai.com)

Objective of the case study

The main objective of the present case study is to analyze the Marketing and Financial strategies of Almarai and attempt has been made to depicts how these strategies give competitive advantage to Almarai not only in GCC but also in the other parts of the world.

The sub objective of the case is to highlight-
(a) Marketing strategies of company mainly focused on product mix, packaging and packing and retailing and distribution strategies.

(b) Financial Strategies are mainly analyze Mergers and Acquisitions, capital expenditure, Corporate governance and profit distribution policy.

The secondary objective of the case is analyzing the contribution of company in the field of corporate social responsibility and Community welfare.

Marketing Strategies

For any company, Marketing strategies are the most important tool to generate the revenue and to maintain the turnover of company consistently. Marketing strategies may differ from company to company depending on the unique situation of the individual business. In the present case study, it will analyze mainly the products strategies, packaging strategies, retailing strategies and distribution strategies.

(a) Product Strategies: In case of manufacturing companies product is one of the most important ‘P’ of Marketing Mix. Almarai is known for its dairy and food products with par excellence in quality and its product range. The product strategy will be analyze about the product portfolio/product mix, product line, product width and product diversification.

Product Mix: In other words it may be known as product portfolio or product assortment, in more simple words, it can be defined as the total variety of products a firm sells. In case of Almarai company product mix includes dairy liquids, yoghurts, foods, juices, bakery products, poultry products, desserts and infant drinks.

Product Line: A product can be defined as a number of products grouped together based on similar characteristics.

Product line length: The product line length shows the number of different products in a product line.

Product line depth: The product line depth shows how many subgroups the products line contains.

Product Mix Width: A product mix width is the number of product lines in the product mix. Almarai company has vast line of products and each line has its depth. The company initially started with the daily products and later on diversified to bakery and poultry products.

Almarai is quality conscious with premium quality of food beverages that are fresh, nutritious, healthy and irresistible. The efforts has been made to sketch the products portfolio of Almarai company in the (figure 1.1) as below-
The figure depicts the product Mix of company which is consist of product line, product depth, product width and also explain product line stretching. The overall product strategies of Almarai includes the product innovation and product adaptation.

**FIG.1.1 PRODUCT PORTFOLIO (PRODUCT MIX) OF Almarai**

- **Product line Dairy products**
  - PRD. Type Dairy Liquids (length)
    - Fresh Milk
    - Fresh Laban
    - Milkshakes
    - Evaporated Milk
    - Vetal Laban
    - Flavored Milk
  - PRD. Type Yogurt and Desserts
    - Yoghurts
    - Custard
    - Cream Caramel
    - Flavored Yogurt
    - Sour Cream
    - Fruit Yogurt

- **Product line Fruit Juices**
  - PRD. Type Cheese and Ghee
    - Cream Cheese
    - Spread Cheese
    - Slice Cheese
    - Butter
    - Ghee
    - Cheese Squares
    - Cooking Cheese
    - Cheddar Cheese

- **Product line Bakery**
  - Pomegranate
  - Mango
  - Strawberry
  - Mixed fruit juice
  - Apple
  - Kiwi Lime
  - Guava With Pulp
  - Mock tails * Banana + strawberry
  - * Mixed Apples
  - Sliced bread
    - White
    - * Brown
    - Croissant
  - Puffs
  - Sandwich Biscuit
  - Wafers
  - Cup Cakes
  - Waffles
  - Crispy Sticks

- **Product line Infant Formula**
  - Enfragrow

- **Product line poultry**
  - Chicken

(Source: Fig.1.1 is outline from annual report of Amrani, company)

**PACKAGING AND PACKAGING**

Packing and Packaging played a vital role, especially in the food manufacturing company. In case of Almarai company, the life of the product is very short and it required technical and scientific packaging and packing. Almarai fresh milk is well known for its packaging, that is in plastic bottles with red and blue color lid for fat free and full fat, even the label is removed, but you can still identify Almarai milk with its packaging ergonomics, this is also the excellent example of brand recognition for company. The company is using the finest quality of plastic disposal bottles, which is nicely labeled. The milk is available in various packs ranging from 200 ml to 2 liters ranging from SR 7 to SR 1. Almarai is selling juices in different packs from 200 ml to 1000 ml in different flavors. On the other hand, desserts have small sachets for custards in
various flavors for kids. The company has very simple strategies for packaging that it is selling its products in family packs, in small denominations and even in the sachet packing.

RETAILING AND DISTRIBUTION STRATEGIES

The company has very simple network for its retelling. It is selling mainly through big retailers, like Othaim, Carrefour Panda, and Lulu etc. and also through small general stores (in Arabic general stores known as Bakala) in every street of the city.

The company do not have any parlors for its products. The products are distributed through the insulated vans locally and internationally through air ways.

Almarai fleet comprises of more than approximately 800 trailers and 66 tankers that transport products from the manufacturing facilities to about more than 90 sales depot in the GCC. The company is also establishing depots in Oman and Kuwait. It had about more than 3000 vans serving approximately 50000 retail outlets on daily basis.

Financial Strategies

This is the another important functional area which comprises various strategies to maintain the bottom line of the company.

In the present case following are the analyses of financial strategies of Almarai as follows-

Capital Expenditure

Almarai known for its commitments through investment it can be observed that during the early 1990’s, Almarai entered a period of restructuring and reinvestment that took it from a decentralized structure to centralized structure. The aim of the company is to established themselves as a low–cost producers so that their customers can enjoy high quality products at a affordable prices. According to the report of Audi Saradar investment bank(entity of Audi Saradar group), it stated that ‘Almarai’ is following a generous capital expenditure and more than 34 % of total revenue were ploughed back into the business during the last three years.

According to the annual report of Almarai “The company replaced five decentralized processing plant with their first central processing plant. They also replaced ten small decentralized dairy forms with four large dairy farms in Alkhajr in central region. In late 2005 they commissioned a second large central processing Plant, in cooperating a new cheese plant. They also commissioned two new super farm. In the same year, they moved from being a privately owned company to publicly listed company. At the end of 2011, their market capitalization exceed more than billion (in SR) with generous capital expenditure as follows-
(a) Poultry expansion
(b) Development in the infant nutrition facility.
(c) Establishment of the dairy and food polytechnic in Alkharj.
(d) Improvement of company distribution capabilities.
(e) Backward integration with the acquisition of blue Yulan and fondomonte.

Mergers and Acquisitions

Almarai followed the way of mergers and acquisitions and takeovers for its expansion and increasing business. In the year 2007, the company acquired the Jeddah based western bakeries. In the year 2009, Almarai acquired Hail Agricultural development company (HADCO) in order to expand in the poultry segment. In the same year Almarai formed a 48:52 Joint venture with Pepsi Co. pooling respective expertise in dairy and other products to facilitate the expansion in GCC and outside of GCC. The company is also entered in the infant nutrition formulae market by establishing a 50:50 J.V (named the International peadratics nutrition company, IPNC) with Mead Johnson nutrition, and commenced the construction of the region first farm in Alkharj in 2010. Also in 2010, the company started construction of new bakery facility in Alkharaj. From the above we analyze that company adopt a diversified strategy encompasses through innovation, geographical expansion and organic growth.

Corporate Governance

As per the published reports of Almarai company, “The company is dedicated to maintaining the highest standard of quality and performance in all of its activities. The Board of Directors, with the assistance of sub-committees like the Audit and risk committee, continually support strong corporate governance parameters and regularly review the company governance and control parameters.

For the purpose of implementation of proper corporate governance, the company has sound Audit risk committee. The Audit and risk committee of Almarai company committed for strong corporate governance. The committee maintains a close oversight of financial governance and risk related matters in the group, and monitor audit activities in order to gain sufficient comfort in the adequacy of internal control system, the safeguard over the assets of the groups.

The company also committed for the timely statutory payments including custom duty, Zakat and Income Tax, GOSI, Ministry fees and others.

For the payment of Zakat, It follows the conditions laid down by department of Zakat and Income Tax (DZIT), where ZAKAT is calculated at the higher of net adjusted income or Zakat base as required by the department of DZIT.
PROFIT DISTRIBUTION POLICY

Almarai company adopting a balanced distribution policy. According to the report published by Almarai it stated that as per article 44 of Almarai by laws, after deducting all general expenses and other cost, the company annual net profit shall be allocated as follows:

(a) Approximately 10% of the annual net profit shall be spent aside to form a statutory reserves. The board of directors, set aside a percentage of the annual net profit to form an additional reserves to be allocated for the purpose or purpose decided by the ordinary general assembly. The company may distribute semi annual and quarterly profits after it has completed the necessary procedure put in place by the competent authorities.

Risk Management

Almarai broadly categorized risk into operational risk and financial risk. Almarai approach to risk management leverage the scales and diversity of over business activities and balances central coordinated with well defined risk Management responsibilities within each operational unit. Risk Management tools such as review, policies procedure and reports are in place on all major categories of risk including, but not limited to overall business risk in company operation, treasury risk (including currency and borrowing risk) procurement, insurance, and litigation.

Corporate Social Responsibilities

Almarai is very intense to uplift and develop the society. The company pays attention to the concept of social responsibilities. From the following contribution we can sum up the role of Almarai in the field of Corporate Social Responsibility (CSR)-

(1) Almarai launches its 2012 philanthropic programme: The programme includes distribution of blankets to needy families in the cold village of Saudi Arabia.
(2) The company has undertaken numerous initiatives to conserve water.
(3) Almarai devotes considerable resources in helping to address unemployment in the kingdom, including the offering of wide variety of employment opportunities to all member of Saudi societies.
(4) Almarai is also involved in the university student cooperative training programme.
(5) In 2010 Almarai launched a new scientific award (The Almarai veteran award) to support the veterinary professionals.
(6) Almarai contributes to a number of social, humanitarian, example contribution to orphan welfare society (Ensaan) down syndrome charitable association and the Saudi breast cancer society (Zahara).
(7) Supporting the prisoners care society.
(8) Helping orphans to perform Hajj.
(9) Supporting the charitable Health society for patient care.
CONCLUSION

The present case is an effort to analyze the major strategies of Almarai company specially for the marketing and financial areas including the role of company in the field of corporate social responsibility. There are many information are lacking because of non availability of facts and that is way it is one of the major limitation of the case study. In case of financial matter the facts are taken only from the published reports. There is a scope of future research on this topic especially on the Human resource strategies and manpower planning focusing on the expatriate manpower.

REQUIRED

(a) Critically examine the marketing strategies of Almarai and give your suggestions and recommendations.
(b) Through mergers and acquisition do you think that company adopted a diversified strategy encompasses through innovation, geographical expansion and organic growth.
(c) Justify that Almarai is fulfilling the role of the CSR in Saudi Arabia.

REFERENCES

(2) www.almarai.com
(3) www.banqueaudi.com