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Dala Foods Nigeria Limited: Effective Product Development and Management in Nigeria

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Abstract

Dala Foods Nigeria Limited is a resilient indigenous food company founded in 1980. Their innovative business strategy has resulted in the successful launch of five unique instant food drinks into the Nigerian marketplace. Dala Foods has made some traditional foods and beverages which were once difficult to prepare, much easier. They have won numerous awards both locally and internationally and become successful through proactive product development and innovative niche marketing strategies despite a harsh business environment of inadequate energy supplies and occasional political and civil unrest.

Keywords: tea, Kunu, food drinks, innovation, Nigeria

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Company Background

Dala Foods Nigeria Limited was incorporated with an initial investment of N400,000[1] by the late Alhaji Safiyanu Madugu, a visionary and innovative entrepreneur who also served as chairman. The company, solely owned by Nigerians, is located in the North Western State of Kano. Operations began in 1980 in a rented apartment with a staff of 35. Today, they employ 135 with a capital base of over N 100 million ($625,000 based on N160 per USD), with N 250 million ($1,562,500), annually.

Dala Foods has a well-equipped laboratory manned with an experienced food scientist, technologist and qualified laboratory attendants. Its flagship brand, *Dala City Tea*, is a house- hold name in Kano (a state with a population above nine million people), and has competed with local and foreign brands for 32 years.

The tea market in Northern Nigeria and Kano is attractive and viable due to the dense population and stable demand. People in this area prefer to drink tea (*shayi* in Hausa language) any time of day. This opportunity is what attracted both local and foreign brands such as: Lipton, Top Tea, Tiger Tea, Highland Tea, Akbar and Tea King to the Nigerian market. Tea is also affordable to the mass market. For less than N10 you can get one or two tea bags to quench your thirst.

Market performance the tea was encouraging. The brand name, Dala City Tea emanating from the famous Dala Hill in the ancient city of Kano, a well-known landmark, made the brand name easy for people to pronounce and remember. The company followed by launching an aggressive campaign of radio and television jingles for the tea. They also sponsored a popular Indian television show in the evenings. Consequently, the brand gained massive acceptance from 1980 -1989 while sales and market shares grew steadily. Gradual population growth and better disposable income continued to increase demand for tea from 1990 – 2010, as sales for made a significant move upward.

Following the success of Dala City Tea, the company introduced instant *Kunun Tsamiya* in 2001. Immediately, sales of Kunun Tsamiya (a Hausa term for Tamarind millet gruel, started to grow as it followed and even better growth trend as Dala City Tea. This was because Kunun Tsamiya had no competitors in the market except for some local, informal businesses that were inherently insignificant. Another key factor in the success of Kunun Tsamiya was that the unique forumulation has relieved consumers (primarily housewives) from the chore of dehusking, winnowing and grinding the millet in the process of making local Kunun Tsamiya. The traditional method takes more than five hours- from start to finish-but with the instant Kunu , the time is reduced to just five to ten minutes. That is why Dala Foods at present, cannot adequately meet the demand for this product.[2]

Similarly, the company introduced Diet Kunu to serve the market sector of diabetics.

[1]Approximately $ 2,460 USD

[2]Kunu (also known as kunun tsamiya) is a popular drink consumed throughout Nigeria, mostly in the north. It is usually made from a grain such as millet or sorghum, although it can be made from maize.

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This is quite innovative and timely since there is a sizeable number of diabetic patients in Kano who are largely old and incidentally, consumers of traditional Kunu. In general, we can confidently say that, currently, instant Kunu is swimming in blue ocean waters as the only brand of its type in Nigeria. Other brands produced and marketed by the company are instant Fura (cooked, ground millet) and instant *Biski* (local couscous). All these brands have become accepted household names. Dala Foods has made some traditional foods and beverages which were once difficult to prepare, much easier.

Moreover, Dala Foods produces another food product called *Action Meal* – a food supplement for malnourished patients and children which has been formulated by the Institute of Human Virology, Nigeria (IHVN). It is a product comprised of maize, soybeans and groundnuts manufactured for global relief organizations. These contracts have increased sales and revenue while giving Dala Foods experience in sourcing other grains processes in meeting the need for this ready–made niche market. This initiative has given them easy access to foreign markets through donor organizations. Similarly, Dala Foods receives free promotion and corporate recognition in all areas served by the donor organizations through raising awareness and humanitarian aid for malnourished children. These products are registered and certified by the National Agency for Foods Drugs Administration and Control (NAFDAC) and Standard Organization of Nigeria (SON).

This innovative drive has garnered numerous awards over the years, including: the Quality certificate from SON in 1988; a gold medal in 1989 as one of the best product exhibited in Leipzig International Trade Fair; a Global Food Industry award in 2008 from the International Union of Food, Science and Technology (IUFoST); and the Nigeria50 Awards as a fast growing company in 2013 by the Tony Elumelu Foundation.

Current Management Structure

The company is governed by a five-member Board of Directors, headed by a chairman and four active members comprising of the Managing Director–CEO, Executive Director, Director of Production, and Director Marketing and Sales. Together, they form a Senior Management team and manage all staff through their respective managers. The directors are degrees in their chosen fields with more than twenty years cognate working experience.

Alhaji Aliyu Abdullahi, is Chairman and Chief Executive of Dala Foods. He is an experienced business mogul who worked with Lever Brothers Nigeria Ltd. for over three decades and rose to the position of Senior Manager. Later he started a hospitality company called Royal Tropicana Hotels in Kano. The hotel is now a highly successful business in the hospitality industry in Nigeria.

Alhaji Ali Safiyanu Madugu, has been the Managing Director and CEO of Dala Foods for 20 years. He is an excellent manager with an ability to successfully reposition businesses. He holds an MBA from Bayero University, Kano and is a member of numerous professional organizations.

Management and staff are all located in one central office located on the Sharada industrial estate in Kano. Employees are adequately remunerated based on the prevailing pay package in the industry. This is one of the secrets of the company's survival and its ability to withstand the harsh business environment where hundreds of other companies have failed.

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Key Success Factors

The success story of Dala food is attributed to its ability to practice and maintain its core mission: "To produce clean, cheap and quality products that meet our customers need". This is achieved through developing locally relevant, quality products that are not only affordable but also scalable. The company has been able to create a strong value proposition for its products at the right price points through a combination of product re-engineering, smaller package sizes and low-cost operating models.

Another important driver of success has been an effective brand-building strategy. Building brand recognition with consumers is important in emerging markets such as Africa. Armed with this knowledge, Dala Food vigorously built *Dala City Tea,* instant *Kunun Tsamiya, Biski* and *Fura* to acquire an indelible position in the consumers mind through aggressive promotion and marketing strategies. Similarly, the company has painstakingly developed a method of servicing customers through efficient account management, delivery, payment and in-store merchandizing. The late Chairman, Alhaji Safiyanu Madugu took some strategic steps to build a powerful and profitable route to the market, a feat that is being religiously implemented by his heirs today. The route to market (RTM) model combines the benefits of direct customer relationships with the cost advantage of outsourcing to achieve distribution economies. This strategy works because of a well-developed succession plan, which is reviewed periodically, keeping the original plan in mind.

Efficient management of the distribution network within Kano and outside the state has been another victory. By effectively developing a compelling retail value proposition led to increased volume, improved efficiency, and outlet loyalty. The distribution network for convenience products like food and beverages in Northern Nigeria is intensive—from the company to the distributor, retailer, and final consumer. This is done with a goal to make products readily available and accessible to the target market. However, this channel may likely change in the near future, when the company starts exporting its products to the neighboring West African countries like Niger, Cameroon, Chad, Togo and Ghana. To achieve this, Dala Foods intends to use indirect export, first, through domestic based export merchants and reliable export management companies. As the operation grows they will either: establish a home-based export unit to market the products directly, utilize export sales representatives to sell the products in foreign countries, or appoint a reputable but reliable distributor in the host country.

Furthermore, the company has absolute control of the production process. It is worth noting that the production process of Kunu, Fura and Biski was pioneered by the company and is the only entity producing these products using such technology, therefore giving them an advantage making it difficult for others to enter the market without permission from the company—thus creating a strong market entry barrier. Another critical success factor is the availability of raw materials which is sourced locally: fresh tea leaves, millet, ginger, cloves and pepper; all natural with no additives or artificial preservatives. This gives the company a competitive advantage by providing high-quality products which are readily available and affordable.

In a nutshell, the success of Dala Foods Nigeria has resulted from their instrumental role in supporting local agricultural produce, proactive product development, unique product line, management strategy, and the strategic marketing of niche operations.

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Strategic Issues

The Nigerian food and beverages industry is very large with many local and foreign companies such as Unilever, Nestle, Promosidor, Dansa Foods, Nigerian Flour Mills, etc. But Dala Foods has a strong market niche with a strong base in Kano and surrounding areas. The company is now trying to fully cover the 19 states of Northern Nigeria, serving a population of 80 million. This is part of the company's current business expansion program. In the same vein, Dala Foods Nigeria Limited intends to target the malnourished children with its Action Meal Formula with technical support from Institute of Human Virology Nigeria. This promises to be a highly lucrative and socially-responsible effort, especially with the added opportunity to expand to West African Markets made possible by the Economic Community of West African States (ECOWAS) protocol. Dala Foods Nigeria Limited is looking for co-investors to provide the funding needed for expansion and meet the growing demand from the market. In other words, the expansion is planned to be funded by a bank facility and shareholders' equity or both.

However, these opportunities notwithstanding, Dala Foods faces some daunting challenges for doing business in Nigeria. Foremost in these challenges is the lack of a constant power supply. Power is undoubtedly the back bone of any manufacturing industry. But in Nigeria today, manufacturers' only get an average of eight hours of power supply, per day, and the remaining power requirements are met through using generators using LPFO or AGO. This is pathetic as it increases the cost of production. Other disturbing challenges include the influx of cheap foreign goods due to smuggling, high interest rates, corruption, double taxation, inconsistencies in government policy, uneasy access to finance and growing buyers bargaining power.

Looking Ahead and Future Plan

The market for Kunu beverages is expected to grow both in production, sales and market share to about 200% in the next five years. Therefore, the company is working on an instant Zobo drink (made from Hibiscus juice) which it will introduce to meet the growing demand for it in local and export markets. It is estimated that by 2020 this market will grow to achieve at least 100% of its projected market. However, as the market grows the demand of clean, hygienic and affordable locally processed food products is critical. The most important question is whether Dala Foods can meet the consumer needs amidst these challenges.

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