

KRAFT FOODS

SOUTHERN AFRICA

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CORPORATE BROCHURE





From good **to great**

Kraft Foods Southern Africa is in the spotlight as the region becomes an increasingly important revenue stream for the world's second largest food company



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Kraft Foods is renowned across every continent as the powerhouse that punches with the tastiest and best-loved snacks. Forty of the 100 or so brands that Kraft holds in its global portfolio have been in existence for over a century and the company now ranks as the second largest food company in the world. Through a clutch of iconic brands that include Cadbury, Jacobs, Oreo, Oscar Mayer and Philadelphia, not forgetting Kraft itself of course, the company markets an eclectic mix of biscuits, confectionery, beverages, cheese, grocery products and convenient meals in over 170 countries.

Last year, Kraft had revenues of \$49.2 billion—more than half of which was earned outside North America. As disposable incomes rise across the developing world and instantly impact on food budgets, emerging markets are a priority and the company is eyeing the African continent with a new zeal.

Kraft's presence in Southern Africa received a major boost through its recent amalgamation with Cadbury. The Cadbury brand became part of Kraft in February 2010, with both companies already having an established presence in Southern Africa. The integration of the two companies into a single legal entity—Kraft Foods South Africa—was formally completed on March 1, 2011. Cadbury had the larger presence and the move dramatically and instantly gave Kraft a much more sizeable footprint in the region, particularly in confectionary markets. The company now manufactures and markets candy,

Nampak Flexible 'Krafts' a strategic relationship with the world's second largest food company



Kraft is well known as a company that pours their heart into creating foods that are wholesome, delicious and loved by people worldwide; it's a company that's always been there with the brands that people know and trust. So when it comes to something as inseparable from Kraft's products as packaging is, the supplier of that packaging needs to be just as dedicated. For Kraft, one such packaging supplier is Nampak Flexible, whose take on packaging reads much like Kraft's own position on foods.

This is because Nampak Flexible is a company that pours their heart into creating the very best packaging solutions, ones that their customers know and trust too. Being the World's second largest food company, Kraft's list of iconic brands is a long one, and as Africa's largest flexible packaging manufacturer, Nampak Flexible's role in helping maintain the reputation of many of these brands is crucial.

Currently Nampak Flexible supplies packaging for a range of Kraft's leading brands, including the Chappies wrappers, Royal Baking Powder sachets, laminated bags for the Endearmints and Manhattans



range, as well as moulded and count line wrappers for Lunch Bar, Cadbury Dairy Milk chocolate, Perk and P.S. chocolate bars to mention but a few.

In getting consumers' favourite brands 'out there', both Kraft and Nampak Flexible do not underestimate the value of their longstanding partnership and its advantage when it comes to ongoing innovation, building on past successes and developing better products for the future; and because both food and packing supplier are on the same playing field, the results are always impressive.

As a pivotal starting point, and of the highest importance to Kraft are the safety and quality of the company's products – as are the trust and confidence of Kraft's consumers and customers. As such, Nampak Flexible must meet all of the right certifications and accreditations - an area where the packaging supplier has not failed to deliver.

Amongst the company's many certifications, Nampak Flexible is a ISO 14001 - one of the highest international environmental management standards - HACCP (Hazard Analysis and Critical Control Points), AIB (American Institute of Bakers) and BRC (British Retail Consortium) certified supplier. This means that Kraft receives and subsequently delivers products with the highest

quality packaging. This Allows Kraft to maintain its own unwavering quality, environment and production process controls.

Recently, Nampak Flexible also became the first South African company to gain Oliver Wight Class A accreditation for Integrated Business Planning (IBP). IBP can be described as advanced sales and operations planning (S&OP), allowing Nampak Flexible to plan and manage their entire organisation over a 24 month horizon or more, aligning the strategic and tactical plans each month, and allocating critical resources - people, equipment, inventory, materials, time and money - to satisfy customers in the most efficient manner. The end result is significant reduction in inventory levels, faster lead times and ultimately closer partnerships with clients, which in turn reflects on Kraft's own very high standards of delivery down the line.

Ongoing innovation between the two companies has also seen numerous innovative products successfully hit the market, including the likes of the Lunch Bar 'Laduma' limited edition World Cup 2010 promotion and the re-launch of the Bournville chocolate range. More recently the two partners put their heads together and introduced a water based adhesive in 2010, as well as embarked



on another new product launch in May of this year which has seen the popular Perk chocolate product take supermarket shelves by storm. Prior to the launch of Perk, Nampak Flexible supported the machine commissioning and plant trials.

Another outstanding example of the excellent partnership between Kraft and Nampak Flexible is the local manufacture of the new Halls stick pack – a previously wholly imported product. With Nampak Flexible upping their capability to print, apply heat seal, hot melt and varnish in one pass – a process which has been extremely difficult for competitors to emulate – the Halls stick pack no longer needs to be imported. This achievement brings with it enormous supply chain benefits such as increased speed of the Halls product to local markets.

What the relationship between Kraft and Nampak Flexible ultimately proves is that quality and innovation are a result of working very closely together, with the overriding goal being that of maintaining the heritage and reputation of those brands that are such favourites amongst consumers.



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“ The Southern African confectionary market is very comprehensive in that there is both a developed market and an undeveloped market ”

chewing gum, biscuits, coffee and groceries.

Southern Africa, in keeping with its economic status, has the most keenly developed appetite of all for snack foods. The region has been added to the roster of 10 priority developing markets that will receive disproportionate investment from the company.

“The Southern African confectionary market is very comprehensive in that there is both a developed market and an undeveloped market,” explains Sean Murphy, managing director of Kraft

Foods Southern Africa. “This raises challenges in ensuring that we have a comprehensive premium portfolio to meet the needs of our more developed market as well as having a number of products that offer value for money.”

One example is the launch last year of the Cadbury Perk bar. It is a premium product; but Kraft managed to hit a R2 price point, making it far more affordable for consumers. “It's not about making lower value, lower quality products—it's about making the same premium Cadbury brands

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“ Kraft is set to invest US\$150 million into its African manufacturing operations over the next three years ”

3D Marketing

3D Marketing and Field Support Services (FSS) have been proud sales and merchandising partners to Cadbury SA (now Kraft Foods SA) for over 30 years. Our winning team partnership has seen us achieve record growth over the years. We are committed to the Kraft Foods strategy, which is to become a global snacks powerhouse and to have an unrivalled portfolio of brands people love. 3D Marketing Services was established in 1978 and provides award winning comprehensive tailor-made sales and merchandising solutions to manufacturers and trade customers. 3D is South African owned and based, offering national merchandising, field marketing, sales representation and management services to the fast moving

consumer goods (FMCG) industry. Optimal coverage and maximum exposure of manufacturers' brands are made possible through fully-fledged sales offices based throughout South Africa, servicing retail, wholesale and independent traders across rural and urban areas. 3D understands the value of lifetime partnerships and focuses on building these with manufacturers rather than establishing principal-agent-based relationships. The team works closely with its partners to allow for successful and effective representation of manufacturers' brands on-shelf, therefore supplying a vital link in the supply chain process, allowing manufacturers to effectively target and successfully communicate with their end consumers.

available at lower price points,” Murphy comments. Today, Kraft has a headcount of 2,400 employees in Southern Africa and operations are guided by a head office situated in Johannesburg, South Africa. The company has six manufacturing plants in Southern Africa: Port Elizabeth, South Africa for chocolate; Botswana for chewing gum; Swaziland for sweets; Tunney in Johannesburg, South Africa for biscuits, sweets and royal baking powder; Namibia for speciality chocolates; Kenya for powdered chocolate beverages; Nigeria for

sweets; and Ghana for powdered beverages. Kraft is set to invest US\$150 million into its African manufacturing operations over the next three years, targeting the operations that manufacture high-profile brands such as Stimorol chewing gum and Cadbury Dairy Milk chocolate. The company is also investing in increased capabilities and capacity for its research and development facilities in Johannesburg, which will serve as a centre of excellence throughout Africa. “Improving our cost base is of course

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our key objective, in addition to enhancing our people capability and being better able to meet our customers' and consumers' needs," comments Murphy.

The company's Port Elizabeth site in particular has been the beneficiary of targeted investment. "We have had a large amount of new equipment and capability put into the plant over the last three years, which was really driven around the areas of automation and improved production and process control. We have reorganised the

Afripack

Afripack Consumer Flexibles has a long standing relationship with Kraft Foods SA through its packaging of the Cadbury brands Tempo, Crunchie, Tumbles, Choc Eclairs and Hall's. The company recently installed Gravure printing technology as further commitment to supplying both Kraft Foods and the African market with top end flexible packaging. For more information, please see our ad and visit our website.



workforce to enable us to better invest in the development of skills sets and consequently provide a more sustainable cost base and produce high quality products that meet consumers' needs," he states.

Of all the improvements that are currently taking place, Murphy feels it is investment in relationships that will help Kraft Southern Africa to further cement its competitive advantage.

Woodlands Dairy

Woodlands Dairy is the manufacturer of First Choice dairy products and is also the co-packer for many blue-chip companies in South Africa. The production plant is situated in Humansdorp which is right in the heart of South Africa's thriving dairy region. Partner with Woodlands Dairy and become a part of the most admired dairy company in Africa.

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“We need to work very hard on our relationships with our partners—both our suppliers and our customers. As a leadership team we believe we have lost some ground in this area over the last 18 months due to the fact that we have been quite internally focused as we worked through the mechanics of the integration and some internal reorganisations. So we now need to refocus and rebuild our relationships, progressing them into partnerships.”

And that focus on relationships extends to the company’s dealings with local communities. “As a global food company, our corporate social responsibility extends to three key areas—hunger and poverty alleviation, healthier lifestyles and sustainable agriculture,” explains Murphy. “We recently launched our flagship Enterprise Development Project which speaks to all three

“ We have reorganised the workforce to enable us to better invest in the development of skills sets ”

pillars. The project has been made possible with funding of R2.3 million from the Cadbury Foundation which provides annual funding to Africa. The money will be used to empower communities to become self-sustainable through small and medium enterprise development.”

The initiative will see income-generating skills being taught to unemployed community members in the township of Tembisa, on Johannesburg’s East Rand. Around 30 unemployed community members have been identified to participate

in this enterprise development project, which comprises skills training in baking, sewing, nappy-making and vegetable gardening enterprises. The funding will be used to purchase infrastructure—including equipment and offices—as well as the provision of technical and business skills training. Depending on the success of the pilot project, Kraft plans to replicate the concept at other sites in South Africa and other parts of Africa where it has operations.

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