

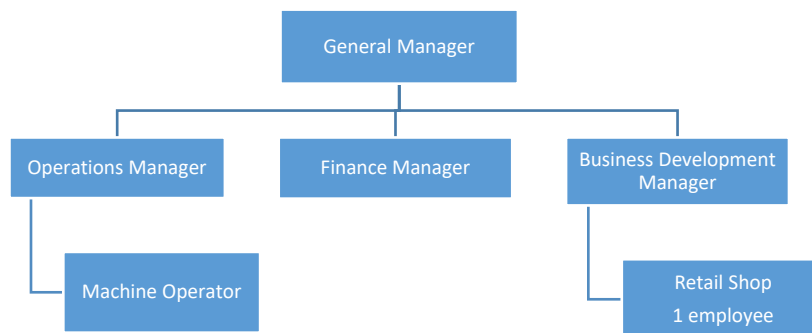
## Recommendations-Asili Foods and other groups

### Donna Rosa, CRS Volunteer

#### Asili Food Business

##### 1. Organization

Rahema is essentially managing the entire business herself. This is not sustainable. The business needs a proper management structure along functional lines as follows:



Ideally these positions will be filled with group members, who will assume these responsibilities without payment until the business is profitable. Finding qualified people will be a challenge, and if they are on salary, this must be carefully evaluated.

I have developed some spreadsheets for financial recordkeeping, but basic bookkeeping training should be provided if needed for the finance manager. Help is needed to determine and record the true manufacturing costs. I could only make estimates due to lack of proper records. This is very important in order to establish profitability.

The business development manager should know English in order to work trade shows and obtain new customers. The operations manager may need training in planning and scheduling as well as equipment training.

##### 1. Product Mix

The retail shop sells around 18 products. A sales and profit analysis showed that some items had small sales and/or low profit margins. The line was classified into 3 categories based on profitability and sales: 1) Promote 2) Sell to round out line but raise prices if possible, and 3) Drop or raise price. See business plan for specific products.

##### 2. Profitability-Milling

The milling business is not as profitable as the retail business. This is partly due to excessive maintenance fees for aging equipment and partly due to not charging enough. Asili offers the extra service of cleaning in addition to milling for the same price as others charge for just milling. While this undoubtedly brings business as it represents a good value, they are making less than 1 shilling profit per kg of product. I recommend either charging 6 shillings for the service or separating the two services 4 shillings for milling and 2

for cleaning. If they cannot get into a better profit position they are better off abandoning the milling and focusing on the retail with unique new products.

### 3. Packaging

Some of the items in the store do not carry the designed label sticker. Labels should be printed and used on ALL retail bags to reinforce branding.

### 4. Store Location and Stock

The store is not in the center of town and people can't find it. In retail, location is everything and it is critical to move near the other businesses to increase traffic. In addition the shelves should be stocked at all times, nicely displayed, and all bags must have printed labels.

### 5. Positioning and Promotion

#### Retail

Promotion for the retail line should focus on the following to create differentiation:

- stability of the dry products (food security)
- nutritional value
- local sourcing/support of local farms and enterprises
- unique custom flour blends
- natural status (no preservatives or artificial ingredients, minimal processing)

Low cost local signage, brochures, sampling, seasonal sales, special events, and other creative promotions should be used to stimulate sales. Education of the consumer is likely to be an important component of the sale, and recipes and cooking demonstrations should feature the products.

The overall story should include the fact that Huruma does a lot to benefit the community. This is a good selling point.

#### Milling

The added services of cleaning and threshing should be used to differentiate the service business, creating value for the consumer. Business development should be via personal sales calls on businesses such as restaurants, bakeries, etc. The same techniques for the retail market can be utilized for promotion of milling to individuals, as well as special discounts for larger quantities.

### 6. Capacity Utilization-Dryer

The solar drying facility is underutilized, and the milling operation causes many problems due to equipment malfunction. Offer other dried products (besides mangos and greens) that do not require milling. Seek locally produced fruits and vegetable such as tomatoes, peppers, bananas, orange peel, carrots, onion, garlic, spices, and eggplant. Slice or dice the produce and dry. This allows for year-round consumption and food security as well. Training in properly drying these other products may be necessary.

## 7. New Products

In addition to the dried products mentioned above, consider other value-added products such as baking mixes with spices. There may be other local foods that have not yet been utilized, such as toasted and salted pumpkin seeds, juices, and chocolate sorghum beverage. Other possibilities that may require equipment purchase include nut and seed pastes and basic canning for jams with long shelf life. These can be attractively packaged and sold at a premium. Feasibility must be determined.

## 8. Meeting Demand

Monetary and time losses are ongoing problems. New milling equipment should be acquired and has been promised by the county government.

## 9. Facilities

The current facilities for the milling business are inadequate and unacceptable. The county government has promised a better facility near the drying operation. This would allow the possibility of KES certification. Quality control is also needed for certification.

## 10. Operating efficiency

Improvements are needed in the milling operation. Suggestions are:

- There are times when demand cannot be met. Run two shifts or another half shift when demand is great. This requires training and paying another operator, so those costs need to be balanced against the sales opportunity. There is a desire to run two half shifts in place of one full one, and this is fine.
- A more orderly order system is needed. There have been instances when customers' raw materials have been lost when the operation is busy. An ordering system needs to be implemented, and the order should be filled in the order they are received. Expedited service can be offered for an upcharge.
- Orders should be brought to the shop and not called in.
- Volume discounts should be applied when customers pay upon service completion. This encourages fewer larger runs which are less costly. The exception is the school business because Asili must wait 4 months for payment, so no discount should be applied.

## 11. Costing

Asili needs to get a better handle on the manufacturing costs. All costs in my calculations for the business plan were based on estimates and they could be very wrong. I recommend that over the next two months Asili document the true cost of each product it manufactures for the retail store. Do the following for every product sold in the retail store.

- 1) Start by weighing how much raw material they start with (say, 10 kg) and discard what is not usable. (skins, seeds, stones, etc). Weigh the usable material.
- 2) Write down the cost for the 1kg raw material. Let's say 100 KES per kg.
- 3) Grate and dry the material (if applicable) and weigh again.
- 4) Process into flour or crisps and get the final weight. This is the yield. If only 5 kg finished product is produced, you have lost 50%.

- 5) Calculate the labor involved in making that 10 kg. Be sure to include all the labor steps. If it takes a total of 2 hours and the workers **combined** earn 10 shillings per hour then it cost 20 shillings to produce. If it cost 20 shillings to make 5 kg then the manufacturing cost for that product is 4 shillings per kg. This factor can be applied for all the kgs of this product until the costs change.
- 6) Adjust the cost in step 2 to reflect the yield. In this case we paid 100 KES for 1 kg, but the yield was only ½ kg, so the real cost is 200 KES per kg.
- 7) Add the cost in step 6 to that in step 5 (200 + 4= 204 KES cost per kg. That is the total cost to produce that product. Add in the packaging cost and price the final product according to how much profit is desired and what the market can bear

## 12. Market Research

Longer term, consider doing some very basic market research to make sure that product offerings are what the market wants. This can be nothing more than informally asking customers for feedback on the products, services, etc.

## Other Recommendations

### 13. Nutrition

Everywhere I went, people were asking for better understanding of nutrition. I gave some guidelines, but they need more information on what to eat, how to prepare foods, etc. in light of what they can get locally. I imagine the agriculture department has this info but apparently it's not getting out.

### 14. Other Groups

I met with other groups who asked for support. CRS should look into their situations and determine if they can help, or refer them to another organization who can.

**Esikya Women's Group**-Composed of 60 members, this group started by supporting AIDS orphans by supplying food and clothes. Later they were trained by the government and certified in midwifery, as it is a long distance to the hospital. They receive financial support for AIDS drugs and there are far fewer deaths now.

Orphans are forced to drop out of school due to lack of money for school fees, clothing, and uniforms. They have basic needs for decent housing and sanitary towels.

Hope Worldwide has supported them with money for school fees and uniforms, but due to funding shortages it will end at the end of this year. The World Vision office in Nairobi apparently has no one to assist.

The group needs a way to generate income so they can be self-supporting. They do make crafts for sale, but other skills training are needed unless a market can be found for the crafts.

### **Safua Women's Group CBO** (Community Based Organization)

This group was formed in 2003 and registered in 2004 to assist HIV orphans. First funding was in 2005 and they were trained on handling people with HIV AIDS. Initially there were 120 members but due to drug availability there are now 50. They say there a still some who attach a stigma to the disease.

They buy “medicinal foods” from Huruma-sweet potatoes, wimbi, sorghum, pumpkin, and soy bean flours. The group does advocacy, care and support.

They are working with Hope International and AMREF- African Medical Relief-Safa-KANCO- to reduce TB. Since last year USAID provides funds for orphans for uniforms, mattresses, shoes, school fees.

There are actually two groups-Safua Care Group and Safua Support Group, There is no orphanage for OVCs (orphans and vulnerable children). They take them into their homes but find it hard to support with little income.

They do local jobs and collect and sell charcoal. Most are widows and single parents.

They cannot afford training on detergent making and marketing. They grow amaranth for their own consumption and wanted to sell to Huruma, but Huruma gets what they need from agriculture dept.

The group needs to speak to Huruma to establish if Safua can supply Huruma with amaranth or if they can grow something else for Huruma. Water is a challenge; they can grow pumpkin once a year during the second rainy season but they need something year round.

Communication is needed between Huruma and Safua on how they can support each other, and perhaps an initial supply of seeds from a donor to get Safua started. Perhaps the agriculture department can donate and provide training on what and how to raise other drought-resistant products. Eventually they would like business management skills on how to manage money and create other businesses.

### **Young Mothers Women’s Group**

This group of 10 was started last year as a subgroup under Huruma. . It was formed to reduce poverty and help members when needed. They were trained to make 4 types of detergents and disinfectants, and they also sell baked goods (snack items such as cakes, samosa, donuts, and bjiyas) and beadwork as well catering services. They sell to individuals, small shops, restaurants, and schools. They have a Certificate of Registration of Self- Help Group from the County of Makueni. They registered with Office of Social Development (SDO) on Jan 16, 2013

The group is well structured and disciplined. They have a charter, officers, and strict rules that members must adhere to. Members are fined for not attending or being late at meetings, and they make loans with interest and late fees. They keep detailed records of their business transactions and make 45% profit on detergent. They also have an emergency fund for members in need, which they replace from their own pockets. Production tasks are systematically assigned and carried out.

They would like training on entrepreneurship, running a business, how to maximize profits, and produce better products. They also need a facility and baking equipment (oven) as they are making the products in their homes. They would like to eventually expand their business beyond Kibwezi.

I provided some general business advice, especially to establish a brand first and foremost.

**\*\*I highly recommend that CRS support this group\*\***

### **Calabash Farms**

This farm supplies Huruma with pumpkins. The owner, Peter Nzau Kimotho, is a refugee from tribal wars in eastern Kenya. He lost everything and restarted his life near Kibwezi. He has the ability and deep desire to produce more than he currently is, but needs equipment such as water piping, a water pump, and a larger tractor. He would like training in agricultural practices and a source of funding if possible. He is also attempting beekeeping with little success, so training is needed.

I recommend that CRS evaluate the situation and if this does not meet your criteria, refer him to another organization that can provide help.