

## **KIZITO EVOLUTION AND SUCCESS**

KIZITO Company is one of the biggest food processors and retailers in Tanzania. The company was found in April 1978 and serves East African market with a variety of products ranging from food items to consumer sundries. The company`s product lines include breads, African fast foods, beverages, toys, wines and many other consumer goods. The Masaptasapta-plant, located at Dar es Salaam is the largest KIZITO plant producing all the products for East African market. Another four plants located in Mbeya, Mwanza, Arusha and Dodoma only manufacture various kinds of beverages. The company uses various chain stores in which vendor-made products from suppliers or manufacturers as well as all company-made products are delivered according to the vehicle routing schedules through appropriate Distribution Centres (DCs). However, Less than 20 per cent of vendor-supplied products such as ice creams are delivered to the chain stores directly because of low transport costs and lack of refrigerators at DCs

By 1993, KIZITO had opened 70 chain stores, including 50 regular (company owned) chain stores and 20 franchise arrangements. These chain stores were almost located in densely populated areas in Tanzania. They had total sales of approximately 400 trillion in 1991, 500 trillion in 1992 and 600 trillion in 1993. Consequently, the company achieved an average of 20 per cent growth in annual sales. Each chain store provided the customer with round-the-clock service. The company also actively participated in various benevolent activities, such as enhancing environmental protection, helping police officers in search of missing children, and donating money or food to aid many charity institutions. The company`s participation in benevolent activities helped it to earn a fairly good reputation in Tanzania. Over the last few years, KIZITO was awarded a certificate of being recognized as an *Excellence food processor* in Tanzania. Limited store space was the general challenges with the company chain stores whereby each chain store had generally less than 2,000 square feet because of the high land price and costly rent. Therefore, each store was limited to cramming no more than 2,000 product items. Laser scanners could scan most of the company`s products because of the high percentage of bar-coding. It represented over 90 per cent of the source marking and less than 10 per cent of the in-store marking. Each store allocated a small space to a stock room for storing the best-selling products. These products needed additional space besides the shelves to maintain the

required service level. The stocking requirement for each best-selling product was determined according to a two day normal demand level because the average order cycle time was two days.

The number of competitors challenging KIZITO increased and therefore top management found necessary to maintain at least 95 per cent service level in such a drastically competitive market. In order to attain the service level target, the company carried out an assessment of logistics performance challenges that affect each chain store in order to find out the areas for improvement. The main challenge revealed by the assessment was lack of store`s automation whereby store clerks used hand-held terminals to enter replenishment orders in which all replenishment orders and business documents were transmitted between chain stores and company headquarters manually. The fact was that less than 20 per cent of a chain store`s orders were not electronic orders, which were allowed to be filled by the vendors directly and therefore KIZITO obtained strictly competition from company`s which had already advanced in term of technology. In improving inbound and outbound logistics operations, KIZITO`s Executive Director appointed a store automation committee composed of technical and logistical experts as well as staffs from marketing and distribution services departments. The committee was given twelve months from January, 1999 to December, 1999 to accomplishing the objectives of store automation. The committee managed to use only six months to accomplish the objective whereby up to June, 1999 all chain stores were electronically connected with distributors, suppliers and potential customers. The automation also enhanced close relationships between the company and other supply chain partners hence outperforming competitors.

After automation each DC could handle more products and easily connected to global logistics networks for carriers. Due to existence of a well established global logistic networks for carrier, KIZITO`s batches were put together for delivery to a particular set of chain stores easily. Since the company adopted electronic distribution system, aggregate batches were loaded onto designated trucks and finally to DCs while shipping information and documentation delivered to the company`s headquarter electronically. The evolution of company`s logistics function continued and by the end of 2001 the storehouse and distribution functions were coupled with well-designed electronic storage and handling equipments respectively. Any product, no matter

whether it was KIZITO-made or vendor supplied, was charged a distribution cost of 5 per cent of the sales price before 1999. After the beginning of 2002, this figure increased to 15 per cent in order to maintain a gross profit margin of about 20 per cent and each DC reported an estimated value of outbound goods at 700 trillion. Meanwhile, each DC often held the average inventory at a level of 10 trillion. The KIZITO Company owned two truck fleets, each with 20 trucks for one DC to ship goods by a vehicle-routing schedule generated electronically by the company's vehicle route and scheduling software. Unfortunately, the major disadvantage was that the industry-specific Electronic Data Interchange (EDI) standard had not yet been established. Due to lack of EDI standards which could enhance proper communications among key partners, the company opted for long transport contract and concentrate to its core function