

Chapter VI

Nazar Foods Company: Business Process Redesign Under Supply Chain Management Context

Vichuda Nui Polatoglu
Anadolu University, Turkey

EXECUTIVE SUMMARY

Nazar Group of Companies has been a leading producer and distributor of cookies, crackers, cakes, chocolate, and other products in Turkey for more than 40 years. This case is about the group's management roles in transforming the companies into a more consumer-focused orientation using supply chain management philosophy as a strategic framework. Descriptions of supporting business systems were summarized along with the challenges and problems facing managers in effective utilization of these systems in practice.

ORGANIZATIONAL BACKGROUND

Nazar Cookies Company (NCC) was founded in 1961 by an entrepreneur who had seen a business opportunity in providing new cookie varieties for Turkish consumers. Having graduated from a European university with a management degree, he was expected to manage the family business

of flour milling. After a short stay in his father's business, however, he decided to go on his own way with a clear vision of bringing new tastes to Turkish consumers at the highest possible quality. He also decided to establish his company in his hometown, which is a strategically located central Anatolian city that already had considerable industrial activity.

After a year of intensive work both in product and process development, NCC could begin production in 1962 with a capacity of three tons per day of a few varieties of products that already existed in the market. Since NCC was essentially a production-focused company, and since there had not been any other marketing companies to work with, the products were sold in bulk (4-5 kg boxes) to individual merchants at the factory door, who would then distribute them to retail shops in their own territories.

During the first few years, workers, foremen, engineers, and the owner were all working together very closely and with high motivation toward getting a share in the market, which was

dominated by three major players, all of which were located in Istanbul, the heart of trade in Turkey. In addition to his quick learning ability, the owner/president was very successful in transferring a few critical people from competitors and bringing know-how through his European friends and their networks.

The company established the first semi-automatic production line in Turkey in 1967. NCC grew rapidly by the addition of new production lines and new brands. In 1971, NCC became a family-owned company under the trade name of Nazar Food Company (NFC). In 1975, together with its major competitor today, NFC successfully employed the packaging machines, which were able to produce individually wrapped portions in its process lines. This led these two companies to differentiate their products and earn strong consumer acceptance in the marketplace. Also, in the same year, management decided to lease a computer from IBM to handle personnel files and payroll, which marked itself in history as the first private organization using a computer in Turkey. In 1979, a machinery company (Nazar Machinery Company) was established in the city industrial zone to produce special bakery machines both for Nazar companies and others. Also, during that time, the accounting activities were fully computerized.

As NFC was about to become the market leader in 1980 with sales reaching 39,400 tons, the country experienced its strongest social unrest, which created unfortunate problems with worker unions. The operations had suffered for almost a year, during which the two companies faced grave financial problems. In 1981, the president decided to establish a new production company (Bonjuu Food Company) in the industrial zone and a new marketing company (Nazar Marketing Company) in the city, both with the minor partnership of a big industrial conglomerate.

Until 1990, the Nazar Group of Companies experienced stagnation. Computerization reached operational levels in each company. The market-

ing company organized wholesalers across the country and executed its sales operations through them. There were about 50 large wholesalers who sold Nazar products to more than 2,000 smaller local wholesalers, who also could procure directly from NFC. The transportation between the factories and wholesalers was outsourced.

In 1993, the president decided to establish a new and modern production facility for NFC in the industrial zone and to transfer the production in the old factory entirely to the new one in time. This new plant started production in 1995 with one highly automated production line. In 1997, the marketing company was moved to Istanbul, and the sales operations were reorganized under a new distribution system where individual and exclusive distributors were hired as business partners. Most of the old wholesalers became exclusive distributors of Nazar brand products.

Between 1990 and 2000, the business grew on the average of 5% every year, reaching about 74,000 tons annually (see Exhibit 1 in the Appendix). Until that time, export business had been given little attention. In 2000, however, the export directorship was formed within the marketing company, and exclusive distributorships were initiated in about 40 countries. In 2001, a new approach to production planning was implemented, which transformed then predominantly production-focused system into a sales-driven system.

The Nazar group management decided to enter into the chocolate business, and a new chocolate factory was built in 2003 in the industrial zone under NFC. By the end of that year, the marketing company sold about 111,000 tons of about 80 different Nazar brands, including cookies, crackers, digestives, light products, baby biscuits, specialties, cakes, pies, wafers, and breakfast cereals, out of which 21,000 tons were exports. The revenue exceeded \$250 million US, while the group had almost no debt (see Exhibit 1). Nazar brand became one of the top five brands recognized in Turkey.

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