

# Juhayna Food Industries S.A.E. – Egypt – Economic benefits of standards – Case Study

November 2011 – June 2012

# Content of this presentation

- Juhayna Food Industries S.A.E.– Basic company information
- Juice production & Juhayna's value chain
- Use of standards in Juhayna
- Quantification of the impacts of standards
- Additional qualitative considerations

# Juhayna Food Industries S.A.E. – Company overview (1)

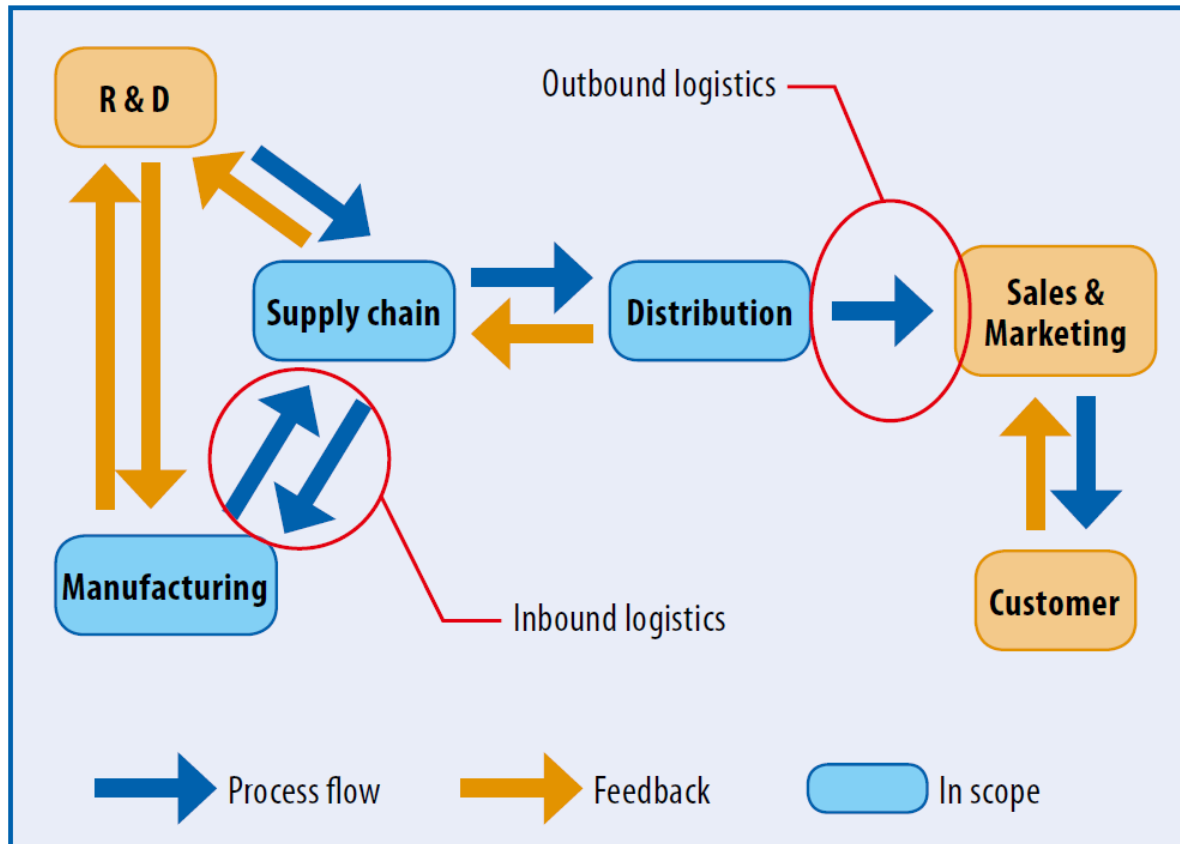
- Juhayna , a leading producer and distributor of packaged milk, juice and yoghurt products in Egypt, commenced operations in 1987
- Since March 2010, the company owns and operates 6 modern factories
- Business is operated through 8 subsidiaries , divided into four key business segments: dairy, yoghurt, juice and concentrates
- Two subsidiaries support the business segments :
  - Sales, marketing and distribution activities
  - Agricultural activities
- Juhayna has 20 distribution located throughout Egypt,two key distributors and a fleet of 523 distribution vans delivering 700 tons of products daily
- In addition to its agricultural activities, Juhayna has a 40% minority interest in a joint venture company , Milks Dairy Co. which owns and operates a dairy farm

## Juhayna Food Industries S.A.E. – Company overview (2)

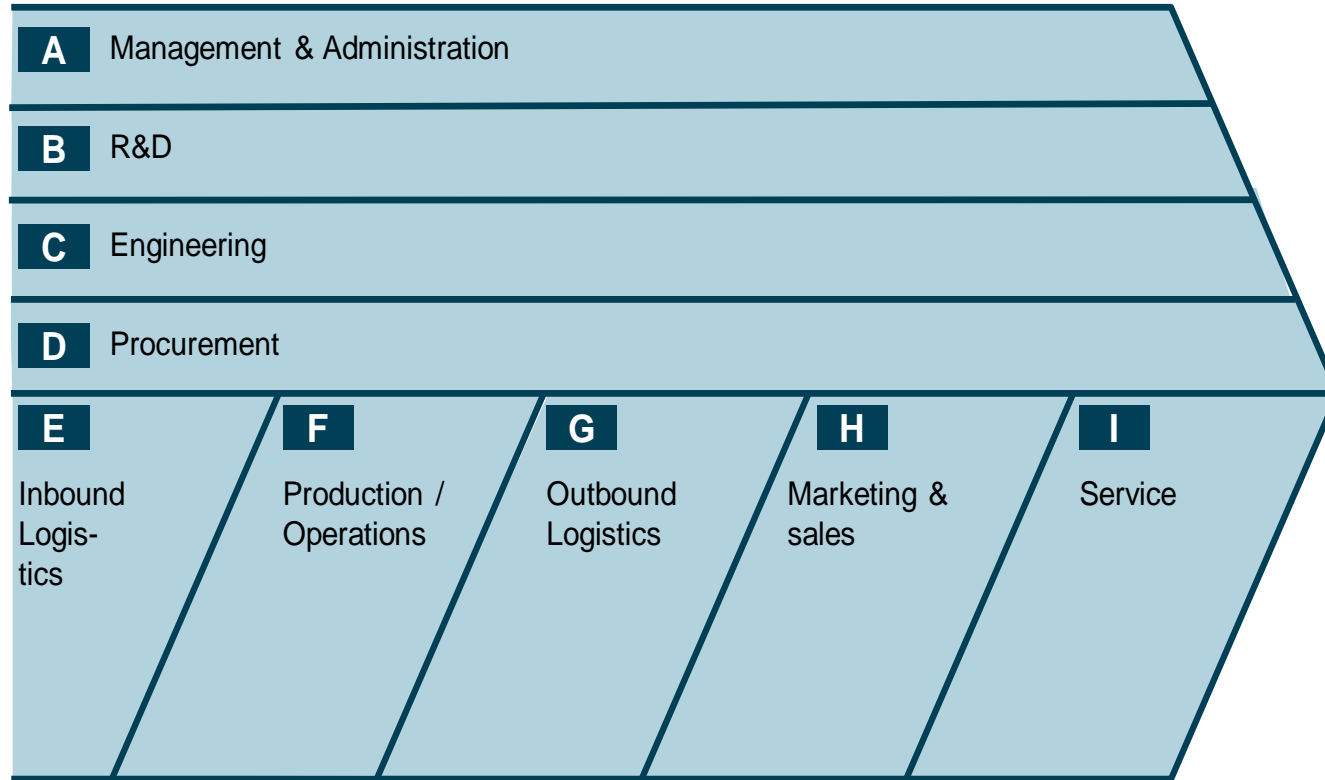
- Market share in 2009:
  - Plain packaged milk 69%
  - Spoonable yoghurt 31%
  - Drinkable yoghurt 86%
  - Carton packaged juice 35%
- Production: ~2700 tons per day
- No. of employees: 3860
- Profit: 184.8 million EGP (~33.4 million USD)

# Juhayna process chart

- Juhayna operates an extensive direct distribution and sales network in Egypt which would be costly and difficult to replicate. In general, the steps of activities from input by suppliers to the final consumed products is called the value chain.



# Company value chain (M. Porter)



The “value chain” is used as a tool in the assessments to structure and analyze the activities of companies

# Key value drivers in Juhayna

- Based on interviews with the management of Juhayna the following areas of company operations have been identified as key value drivers:

Value drivers	Descriptions
Quality of products	Produce premium quality products
Quality of production processes	Minimize mechanical and human errors
Efficiency of production	Optimize production processes in terms of accurate process time and low costs
Efficiency of the quality control system	Monitor the production process and perform tests as per standards requirements
National and international sales	Being positioned to cover all local and international customer segments
Marketing competition	Be the leader in the local and international dairy and juice products sector, matching the best marketing ideals
Up-to-date standards	Early adoption of specific internal and international standards for new products and consumers
Customer satisfaction	Achieve full satisfaction of all customers

# Attitude of Juhayna towards standards

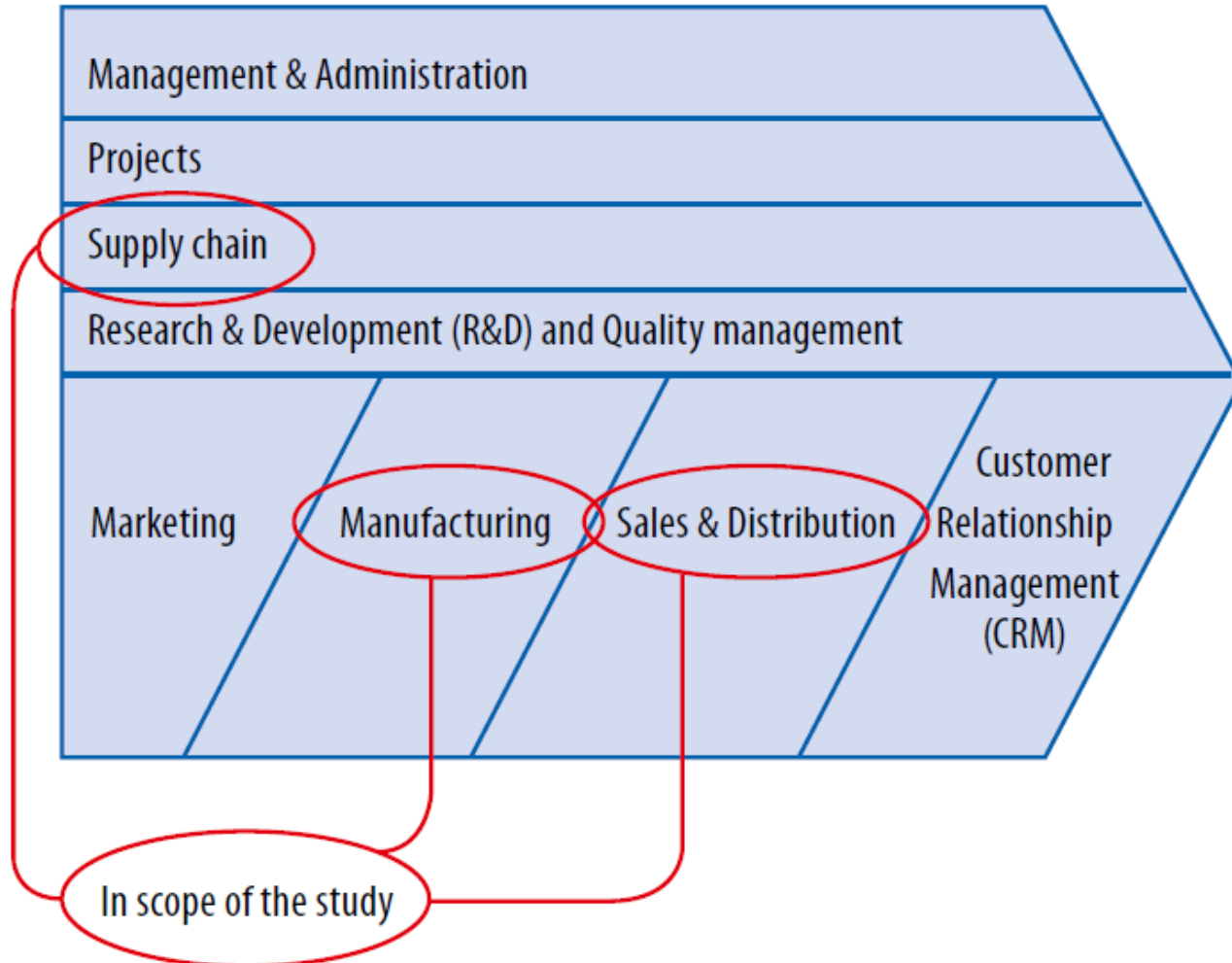
- A strong believer in standards, Juhayna has been involved in the development and implementation of standards in Egypt for over 25 years
- The company is certified against ISO 9001 (quality management system), ISO 14001 (environmental management system), ISO 22000 (food safety management system) and OHSAS 18001 (occupational health and safety management system)
- In addition to the above standards, Juhayna uses many national Egyptian food standards the majority of which are adopted ISO standards, Codex Alimentarius standards and GMP (Good Manufacturing Practice) Guidelines.



# Preliminary analysis of the Standards Impact

- Following discussions between EOS (Egyptian Organization for Standardization and Quality Control), and company management and staff, it was decided that the areas in which standards had the most impact were the following:
  - **Supply chain**
  - **Manufacturing**
  - **Sales and distribution**

# Value chain of Juhayna -- Business functions selected for the assessment of the impacts of standards are highlighted



# Supply chain

- Procurement:
  - Use of management system standards over the past 5 years has enabled a reduction in the time and manpower required for processing orders by 50 %
- Inbound logistics:
  - Again the use of management system standards over the past 5 years has enabled reductions in
    - downtime by 2%
    - manpower for testing incoming raw materials by 50%
    - the risk of using defective materials by 25%
- **Total savings** as the contribution from the use of standards: **5,08% of sales revenue for the period 2008-2012** (0.08% for procurement and 5% for inbound logistics)

# Manufacturing

- The use of management system standards, good practice standards and a conformity standard has:
  - increased efficiency by 70%
  - significantly decreased the energy used in the units,
  - reduced waste by 2%
  - reduced non-conforming products in the market by 5%
- **Total savings** as the contribution from the use of standards: amount to **10% of sales revenue for the period 2008-2012**

## Distribution (Outbound logistics)

- The use of management system standards, Good Manufacturing Practices (GMP) and Certified Reference Materials standards (CRM) has decreased the number of non-conforming products in the market by 5%
- ❖ **Total savings** as the contribution from the use of standards: amount to **1.5% of sales revenue for the period 2008-2012**

# Conclusion: Impact of standards on the company EBIT

Assessed Business Functions	Savings as a % of the costs of the 4 assessed business functions
Procurement	0.08%
Inbound logistics	5%
Manufacturing	10%
Distribution (Outbound logistics)	1.5%
<b>Total aggregated savings</b>	<b>16.58%</b>

- The savings due to the impacts of standards result in a **16.58% reduction in the costs of the 4 business functions**
- These savings amount to **3.32% of the annual company sales revenue**

# Some additional qualitative considerations (1)

- The Quality Mark: one of the most important benefits to the company from applying standards – helping to improve the company’s reputation in the market and lower transaction costs between buyers and sellers
- Environmental aspects: use of internal and international standards has resulted in using less raw material thus producing less waste as well as in raising the level of internal and external cleanliness of the company and its products
- Training and education in the food industry sector: training and education on the production of healthy foods, including training on the relevant standards has indirect benefits in disseminating knowledge about standards in industry and society
- Advertising: as a result of the high quality level of the company’s products through use of standards, Juhayna generates more response from its advertising and publicity about healthy products and their benefits as well as greater awareness of the importance of the quality factor – especially connected to human health

## Some additional qualitative considerations (2)

- Active participation in the development of standards has given a competitive advantage to companies through access to information about standard specifications, and the incentive to achieve quality marks and certifications
- Opening of a communication channel to those interested in studying economics and food science in different research centres, universities and scientific institutions, whether governmental or private, so they can observe the rapid growth of the company as a result of applying standards
- Use of technology has helped to reduce the need for additional manpower to serve the increasing number of outlets over the last five years, and in handling the growing demand for Juhayna's products. This has helped to reach the higher-margin high-income market without lowering the level of service directed to the needs of the middle- and lower-income markets.





# Thank you

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