

## **Chapter Five : Company Analysis**

Let us start with the internal analysis on Cacao International using value chain model:

### **5.1 Tangible resources**

#### **5.1.1 Financial resources**

The company has a zero bank borrowing. It has gearing ratio of 0.00 in September 1999 (Table 2). This is excellent, as most companies operate at a gearing ratio of 0.5. Without any bank borrowing, excess cash can be used to reinvest into the company. Net cash to capital expenditure was 50% with the reserved profit RM10 millions. Its internal funds generation provides it has good capacity for further investments and undertakes cyclical resilience.

#### **5.1.2 Physical resources**

Cacao International Sdn. Bhd. has a good set up processing plant based in a strategic location. The plant is one of the best cocoa factories installed in Asia. It is an efficient plant where products manufactured are well accepted in the quality segment of the market. The unit processing cost per metric tonne of cocoa bean is about RM 814, which is below the industry standard. The plant has flexible production facilities to cater for customization.

#### **5.1.3 Human resources**

The plant is build up by a team of highly energetic staff. University graduates are employed as hand-on technical staff in running daily operations. The experiences, training and expertise of the present staff as revealed that Cacao International has a good team of skillful human resources. Employee turnover ratio is as low as 1% for the management staffs for the past five years.

#### **5.1.4 Technological resources.**

The company has fairly good expertise in application of know how in the cocoa industry. The technological development for the core business is relatively small but able to serves as a strong support to the technical segment. Good after-sales service is viewed as a value added service to the supply chain. This good quality system is rated highly by the leading chocolate producers. Thus, it capable of produce high quality products.

#### **5.2 Intangible resource: Reputation**

The firm enjoys a good reputation with the customers through established good relationships with customers, product quality, reliability and consistency. The brand recognition has proved fruitful to the company, which is able to command a price premium over local competing brands. The company products were sold to 54 countries world wide with 70 percent repeat purchase. It captures 15 key customers that purchase 70 percent of the company output.

The capabilities of the company to produce products with consistency in color; flavor and low microbial count are one of the company core competencies. Quality system adopted such ISO900, GMP and HACCP are able to assure food safety, which is prime importance in the food industry. These also lead to the establishment of branding and encourage brand loyalty.

#### **5.3. Core competencies**

After analyzing the resources of the company, we shall now determine the capabilities of the firm. Capabilities are unique combinations of the firm's tangible and intangible resources and are what the firm is able to do as a result of teams of resources working together.

Manufacturing capabilities are the ability to produce products using customized with reliable machinery by a team of capable management staff using the 'state of art' in the flexible manufacturing system, which produce at lower unit

processing cost. Another core competency of the company is the strong technical team, which is highly responsive to the market demand.

Core competencies are the capabilities that are valuable, rare, costly to imitate, and non-substitutable. However in the cocoa industry, differentiation strategy is widely adopted. Most of the world players have the similar core competencies. The only difference is the human capital, which non-substitutable. With this human capital, Cacao International Sdn. Bhd. is able to hold a temporary competitive advantage over the competitors and expect to earn above average returns.

#### ***5.4 Market positioning***

In Malaysia, there are 7 cocoa producers. These are Koko Malaysia, Malaysia Cocoa Manufacturer, Cocoa house Industries, Cacao International Sdn. Bhd., Chocolate Products Manufacturing, Guan Chong Cocoa and Eastern Cocoa. Cacao International's products are of high quality as compared to the entire local producers. However, it is only viewed as a substitute product of ADM Cocoa, Singapore.

#### ***5.5 Competitor analysis***

All local grinders do not have quality system such as ISO9000 except Malaysia Cocoa Manufacturing, Cacao International Sdn. Bhd. and Chocolate Products. Cacao International's products are viewed as most expensive but good in quality and service quality. The processing cost is the lowest for Guan Chong followed by Cacao International Sdn. Bhd. The plant capacities for Malaysia Cocoa Manufacturing and Guan Chong are comparable to Cacao International Sdn. Bhd..

Cacao International Sdn. Bhd. processed 30 percent of the country's total capacity, followed by Malaysia Cocoa Malaysia at 26%; the other 5 producers

share the balance. The total processing capacity in Malaysia is about 140,000 metric tones per annum.

Plant design and flexibility are rated the highest for Cacao International Sdn. Bhd.. Overall picture shown that the firm has the most competitive edge in Malaysia. But when compared to the major players such as ADM Cocoa and Delphi in Asia, the firm possessed the equivalent capability.

Overall analysis revealed that Cacao International is financially strong with good physical resources. The plant is strategic located in Port Klang and operated by a team of skillful human resources. The company has good after sale services and the company has established a good brand or image in the industry.