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# AZURI PRODUCTS

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## Introduction

On the evening of May 23<sup>rd</sup> 2009 two days after coming to Nairobi from Western Kenya and talking to her father and sister about Azuri Products' failed flour and dried fruit production, Tei stood at the verandah at her home in Lavington gazing at the leafy neighbourhood, deep in thought about the next move on Azuri products. She instinctively knew that there were major prospects for the company, given that there was good potential for growth and profitability, although she had not made much money out of it. She thought of quitting her job to do the business full-time. However she needed partners to provide the much needed start-up capital as well as help in strategic thinking. On talking to her father about possible partnership, he encouraged her on the idea and was willing to support her decision to grow the new business. Eva her older sister had just come from USA and was interested in joining Tei's dream. After lengthy discussions, she agreed to join her sister on condition that she would have equal decision making powers and that everything would be done in a formal contractual manner. Before proceeding, Tei consulted her lawyer about the kind of legal entity to register the business. She weighed various options on the form of legal entity; should she go it alone or get into partnership with her sister or even register a limited company? Tei wondered. She was not sure which form of business would have the best legal advantages at this point in time.

## Company Background

Tei worked as a sales person for British American Tobacco Company (BAT) a leading cigarette multinational company in Kenya. In the year 2005, Tei's father, a university professor who had been working on a large project in conjunction with Penn State University to develop Murang'a Women Nutribusiness based in Gatanga, retired. The women group in the project persuaded him

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Samson Mainye and Dr. Teresia Linge an Assistant Professor of Management prepared this case with the assistance of Professor Barbara Jamieson of Edinburgh Business School, Heriot Watt University U.K as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. United States International University (USIU) acknowledges the support of Global Business School Network (GBSN and financial support from Bill & Melinda Gates Foundation) in the preparation of this case study.

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to distribute the value added nutriporridge, which had been developed through the project, as they found it difficult to do so. That was when he challenged Tei to give it a try and determine whether selling food would be an easier task than selling cigarettes.

At that time Tei was stationed in Busia in Western Kenya. During her marketing activities, she had come across women groups whose business was selling dried food products in the region. The women had excellent products but were not very successful in selling. Being a marketer, Tei got interested in the business activities of the women, engaging them on how to win customers and how best to sell their products. She became a consultant of some sort and subsequently took up the task of marketing the women groups' products from both Murang'a and Western Kenya. The main focus was Nairobi where there was high demand and where the products fetched better prices.

Tei's role in the women cooperative groups was that of manager. She made most of the decisions on the operations of the business. Initially she did most of the financing of the project from her own salary. The operations included collecting the agricultural produce, processing it, and finally packaging. She would then buy the products, transport and deliver them to the various supermarkets.

### **The Products**

The products included flours and dried fruit. The range of flour products included nutri-porridge, kahurura powder and sweet potato flour. The ingredients of the nutri-porridge were cooked beans, maize, bananas, carrots and/or pumpkin marrow, amaranth and pumpkin leaves. Nutri-porridge was not only nutritious but it was also easy to prepare and consume. Kahurura powder was made from dried leaves of a green leafy plant used as a vegetable by many communities in Kenya. Sweet potato flour flour was used to increase the nutritional value of chapattis, mandazis, cakes, bread porridge and ugali. The nutri-porridge and sweet potato flour were packaged in one kilogram packs while kahurura powder was packaged in 250 grams packets (see exhibits 1-3).

Dried fruits comprised of thinly sliced pieces of good quality fruits, mainly pineapples and mangoes. They were packaged in poly bags of 50 grams and 100 grams. The fruits were good for snacks.

Securing the products was not a smooth process as the production was difficult and unreliable. The women groups depended on the dry weather to dry their produce. If it rained heavily, which was frequent in Murang'a, there would be no product for quite a few months.. Another compounding problem was the old milling machine that was used to produce the flour, which kept on breaking down. Any time there was such a breakdown the women would wait for Tei to send money for repairing the machine. These problems made Tei's supply to the market erratic and so was her income.

### **Sales**

Tei was a busy person and because she was doing the business all alone, she never kept proper books of accounts. She bought the products from the women using her salary and delivered the products to the supermarkets. On the average she spent Kshs 60,000 per month on the project; purchase of the products and for equipment repairs. All the products supplied to the supermarket got sold, and the annual turnover of the business was about Kshs.700,000.

Table 1: Product Retail Prices

Product	Sale Price in Kshs.
Nutri-porridge (1kg)	100
Sweet potato flour (kg)	60
Kahurura powder ( 250g)	100
Dried pineapples (250g)	100
Dried mangoes (250g)	120

Of all the products, nutri-porridge moved fastest. It was well accepted because it provided a convenient easy way of feeding young children, the elderly and the sick with a nourishing single meal. Dried mangoes and pineapples were popular among city parents who did not want to feed their children on junk food. The fruits were good as a breacktime snacks for school going children.

### **Distrubution of Azuri Products**

The main outlets for Azuri Products were the supermarket outlets in Nairobi city centre namely Nakumatt, Uchumi, Tuskeys, Chandarana Health U and Ukwala. Access to distribution by supermarket had been easy in the 2000s since supermarkets openly accepted most products without many restrictions. The products were popular among the middle class customers who were conscious of their health needs. In 2005 and 2006, the demand for the products grew so fast that Tei could not cope with the demand due to lack of financing. There was no much competition then.

### **Competition**

In 2007, the business environment began to change. Her business started to attract other entrepreneurs thus increasing competition. Major competition came from new entrants like Winnies Health First Company, Unga Limited and the Supermarkets themselves with their own packaged brands. The competitors had moved in to fill the gap of irregular supply from Tei.

### **Background of the protagonist**

Tei was a university graduate from University of Nairobi. She had received her high school education at Kenya High School, one of the leading National Schools in Kenya in the 1990's. It was when she was in secondary school that she stated to develop an interest in Business.

After graduating from University she joined BAT as a marketer where she rose to be the in charge of the Busia Region. That is how she came to get acquainted and subsequently network with the women groups. She developed an interest in helping the women to have access to the market for their produces. She made an attempt to get the products to retail outlets in 2004. The attempt failed due to disruptions in production. She was able to secure shelf space in the outlets in her second attempt in 2005.

Tei's father, Prof. Mukunya was a respected man in his community. Prof. Mukunya who was in his late sixties was an educated professional and widely travelled person. He was an expert in

Crop Science and Biology with vast knowledge of market trends and the regional and global environment. He lectured in the University of Nairobi in his field as well as in Masters Entrepreneurship and Postgraduate Agribusiness classes. He had supported many members of his community to gain access to schooling. Like many African families, Prof. Mukunya had many extended family members who depended on him for financial support. He supported his daughter fervently and so Tei knew that she could count on him any time, besides, he was her source of inspiration. He was patient and a good listener too. When he noticed his daughter needed space for her business, he cleared his garage and refurbished it to accommodate her activities so that she could have a good storage facility for the products. He checked on her products from time to time and freely offered her assistance whenever she needed it. Another supporter to Tei was her older sister Eva. Eva had graduated from the United States with a Masters degree in development and she worked for the World Bank in USA. She was a busy professional often working late and during weekends too. Through her overseas and work place exposure she had developed a pool of useful networks.

To hone her skills in business Tei joined United States International University to pursue a Master of Business Administration degree in 2007 which she completed in 2009.

### **Tei's Business Challenges and Options**

Going back to school put a lot of pressure on Tei. She had the job to keep, studies to do and the Business to manage. The women didn't do any good to the situation either. They always needed her close supervision and financing. It was under this state of affairs that in May 2009 something disastrous happened to the women's cooperative after she stayed away for some time without closely monitoring the women group. They lost focus, interest and ability to manage the business completely until the business ground to a halt. Tei remembered how shocked she was when she travelled to Murang'a and was unable to trace the whereabouts of the group. After searching for them for a week, she met two of the women from the group who exclaimed "Wooi ma" (meaning oh!!! Dear). They told her that they had stopped their activities after their harvest was rained on and damaged during a heavy storm.

When Tei went back to Nairobi, she had to explain the main supermarket's management about the supply problems she was facing. She asked to be given about three months' time to sort out the problems so that she could retain her order for supply and shelf space. She thought to herself, "I can't put in more money in the cooperative because these members are not reliable. I have done so in the past without any benefits." She discussed the issue with her father and sister. They agreed that the cooperative could not be resuscitated.

Tei reflected on the business opportunity she had seen and tested. She had always wanted to do business. She believed that the business opportunity was worth trying. She was sure that she did not want to lose the supply order from the supermarkets. She also thought about her job, it paid well but she had to keep on travelling. She told herself "I am getting tired of the corporate life, why don't I grab the business opportunity now". She thought she could own a business company, but she had no money or equipment to start her own production. "Where do I get the much needed money from she wondered?" She also was not sure of the best form of business that would give better legal advantages.

. Still deep in thought, Tei said to herself, “If I take the chance and give it all my time it can work”. She gazed across at the garage her father had offered her, “That will be my factory” she thought. She knew she could widen her supply of farm produce by sourcing from other parts in Kenya as well. She finally came to a firm conviction on the way forward; “I will quit my job and do the business on a full-time basis” she thought

Next she needed to tackle the issue of money. She would need a partner who could input funds and time for strategic thinking as well. She thought of her friends and approached three of them to join her; they were all not yet financially stable. Including them could complicate the situation further. She thought of a bank loan, banks required collateral which she did not have, however she could convince her father to give her the support. “What if I borrow money and the business does not work after I have left my job? How will I pay IT back?” She asked herself. She dropped the idea of borrowing money for business start-up. If she went for partnership, the two people who could input money in the business were her father and her sister. Either Dad or Eva can make wonderful partner” she thought, “I can work with both,” Tei mused.

Tei approached her father about the business idea, to which he accepted to input funds. Her father suggested that she should approach her sister, Eva as well. She thought he would make a great business partner since he had been nurturing her entrepreneurial ideas although he neither had time to be fully involved in the business nor a corporate financial accounting background Tei would have liked her partner to have. “

That weekend when her sister arrived home, she decided to go out with her to share the business idea. On Saturday afternoon, they went out to a quiet place at the Village Market the shopping centre in Nairobi. Eva sat sipping her hot coffee as she listened to Tei’s proposal. She too believed that Tei had struck a business opportunity which was worth pursuing but she was not sure Tei that should leave her job, “Heee my sister! You are so young, are you sure you want to quit your nice job for this farm products thing? You are telling me you will start running all over looking for produce? Have you thought carefully about the opportunity cost?” asked Eva. Tei assured her sister that she had made up her mind to quit her job and pursue the business opportunity. She shared with her the idea about the partnership. Eva agreed to join the partnership provided that that she would not have left her job to work in the company on a fulltime basis. Tei decided to consult her lawyer to determine the best way to start her company.

The following Monday morning, Tei went to see her lawyer at the city centre about the legal form to register the business. He said, “The easiest business to register will be a sole partnership, you just do what you like with it since you make all the decisions alone. The registration fee is low but if you want a joint partnership it can also work if you have somebody you trust.” The lawyer also told her about a recent case in court where a partners house in Nairobi was sold to recover the debts incurred by a jointly owned business. “Such things do happen, but if the business was a registered company the personal property would not have been sold” Tei also remembered an ongoing case where the original partners were deceased and the beneficiaries were embroiled in an ownership tussle. The court had appointed a receiver to wind up the business. “If the business was a limited company that problem would not have occurred because in a company there is continued succession. As you begin to own some assets it is good to register a company,” said the lawyer.

Tei asked, “Which is easier to register a partnership or a limited company?” The lawyer told her that registering a company was a complex process.

Later on, Tei thought about her discussion with the lawyer, her company Azuri Products could own property in its name. That meant she would lose her esteem and legacy. Even the workers allegiance would be to the company and not her as a person. She felt that she would lose her grip on the business, particularly if members sold out their shares to new people who might not be keen on the history of the company. “I can’t even dissolve it, even if I seriously disagree with them.” Tei thought as she remembered her sister, “I trust her completely; I can even do a joint venture with her without the partnership deed. Better still maybe I should own the company alone and sometimes ask someone like my sister or father to help me sometimes.”

That night Tei did not sleep. She lay awake thinking “Oh! I am going to leave my job and give up half of my business. This is going to be so terrifying for me, what will I do?” She wondered, “Should I just borrow money from my family members and start the business alone or should I start the partnership with my sister or even would a company be more appropriate?” She was not sure which legal form to register the business.

**Exhibits**

Exhibit 1: Tei displaying some Azuri products



Exhibit 2: A display of Azuri Products

A Healthy Family Knows...

Absolutely delicious  
and all natural

**AZURI**

**AZURI** PRODUCTS

Nutri-Porridge, Kahurara Powder, Dried Pineapples,  
Dried Mangoes, Diet-Meal Replacement, Sweet Potato Flour

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The advertisement features a central image of a smiling family (father, mother, and child) sitting at a table eating porridge. Surrounding them are various Azuri product packages, including boxes of Sweet Potato Flour and Nutri-Porridge, a green tin of Kahurara Powder, and several pouches of Dried Pineapples and Dried Mangoes. In the foreground, there are fresh ingredients: a bunch of bananas, a whole pumpkin, a bowl of beans, and a corn cob. The background is a warm, orange-toned gradient.

Exhibit 1: Packaged portfolio of Azuri Products

