

Vega Foods: Serving the masses from a platter

Details

Categories: [F&B](#), [Consumer](#), [Branding](#), [Getting Started](#), [Strategy](#), [Opportunities](#), [Challenges](#), [CSR](#)

Published: 10 August 2014



They say that you have to be a little insane to be an entrepreneur.

After all, what might possess a 60-year old firm with a successful textile trading business in Latin America to start selling its own brand of canned food in Africa?

Vega Foods Corp was set up in 2005 by Grupo Kaybee after the Singapore-based supply chain company recognised how its canned food department might become a whole new business venture of its own.

Africa was picked as Vega's focus market: A large, underserved population, hungry for quality food at affordable prices, presented a clear opportunity for the long term.

Grupo's experience in Latin America afforded much understanding of risk management in emerging markets as well as the potential of participating in their journey from Third World to First.

Eying the long haul

In frontier markets like Africa, consumer budgets are far below the global average.

Availability of food refrigeration on a big scale is still largely non-existent, at best in the nascent stages of development for many African markets.

These conditions provide long-term potential for growth as it will take at least a generation or two for this continent to evolve holistically, before it can compare itself to basic Western standards.

We strategically decided to approach the hinterland communities and smaller outlying townships to distribute our products. We did not want to start in the metropolis areas, which were already dominated by large conglomerates. We wanted to bring the supermarket to the desert.

As it turned out, it forced us to gather proprietary information about our customers, and today gives us an edge to understand the real consumers.

Our business specialises in processed and packaged food products, such as canned vegetables, powdered milk, and instant coffee, with a minimum shelf life of one year. All our products are sourced worldwide, not confined to any single manufacturer or region, but taking full advantage of the comprehensive and competitive purchasing that is available at the global level.

Bright star of Africa

The name "Vega" pays homage to the brightest star in the constellation Lyra, and the fifth brightest star in the galaxy. It is also a practical name as the two-syllable word can be easily pronounced across borders regardless of language.

And as its celestial original is visible to all, Vega's vision is no less democratic: "Eating is not the privilege for the affluent, but everyday eating should be enjoyed by all."

Popular Articles

- [Doing Business in Africa Panel Discussion](#)
- [Power and Influence in Africa: Algeria, Egypt, Ethiopia, Nigeria and South Africa](#)
- [Nigeria: Economic Outlook Post 2015 Elections](#)
- [Infrastructure Development and Investment in Africa – What role can Singapore play?](#)
- [Ten reasons why 2015 is a crucial year for Africa](#)



Vikramm Chand
Executive
Vice-Chairman of
Grupo Kaybee
and CEO of Vega
Foods Corp

Vikramm Chand is Executive Vice-Chairman of Grupo Kaybee, a second generation integrated global enterprise handling textile, steel, tyres, food and beverage (F&B), and real estate. Our headquarters is based in Singapore and we have offices across five continents, with a focus on Latin America and Africa. Mr Chand was born and brought up in Japan, educated in England and hails from a multicultural family. He is also the CEO of Vega Foods Corp, our group F&B arm, which is an FMCG organisation focused on marketing and distributing own branded processed and packaged food products with a Pan-African reach. Mr Chand is also a philanthropist supporting various social charitable causes. He is a renowned supporter of the arts, with several unique award winning collections housed and loaned to various museums around the world.



A collection of 25 colourful tales of life in Africa as experienced by two senior Asian executives who have lived and worked on the continent for two

This philosophy has led Vega to try and slowly change the playing field of Africa, from being a dumping ground for global food and beverage conglomerates to an egalitarian market where good quality food products are available and affordable to all.

It also naturally led to a philanthropic approach to our business, where we see ourselves as supplying the masses with affordable food, thus engaging in community branding with a responsible corporate social cause.

Our branding and logo reflect these ideas. It uses the typical African colours of yellow, green and red, representing the evolution of earth, with the sun, vegetation and soil representing the complete natural lifecycle of the earth, thus evoking an emotional sense of comfort.

We have also positioned Vega as a pan-African brand that reaches out to all. By contrast, every other competing label tends to be country-centric.



A slow start

Our initial expedition into Africa saw us establish ourselves in Ghana, an English speaking, ex-British colony. It seemed particularly apt as Ghanaian diplomat Kofi Annan was then head of the United Nations.

The currency and government were stable and the country had embraced the Western democratic ethos of governance, calling itself the gateway to Africa. This gave us a sense of comfort and confidence to start our operations.

Yet we quickly encountered our first challenge when we realised that time had no meaning in many parts of Africa. Everything moves at a given pace.

We also found out that at every step, there had to be a reward system to get anything done. This led us to reinvent the wheel for ourselves and reset our expectations on everything from human resources, branding, transportation, distribution, selling, recovery, banking, clearance, storage, and so on. There were inefficiencies at every possible point in the business chain.

With time moving at a sluggish pace and everyday challenges with life being a hardship, whether basic transportation or daily living, we found that indolence and complacency soon set into the system, regardless of how beneficial the reward scheme was.

Moral hazard

The distance between Africa and Asia made it difficult for us to effectively run our African business remotely from Singapore. Inefficiencies were covered up, leading to a false sense of that all was well.

Our initial business model was to be a marketing company in Singapore that built the brand by connecting directly with African importers to distribute the products into the market.

But following frequent visits to Africa, we eventually found that our products were not being regularly distributed all over as expected.

We found that many of the importers got into the habit of purchasing and storing large quantities, unknown to us at the time, to speculate on commodity price as well as hedge against devaluations of the local currency. This proved to be a common practice that led us to falsely assume that the market was bigger than anticipated.

Cowboy town

decades.

Related articles

[10 reasons to watch Africa in 2016](#)

[New Year crash in Chinese stock market is a bad omen for Africa](#)

[Understanding the dynamics of Africa](#)

[Doing Business in Africa Panel Discussion](#)

[Taking Africa's growth seriously](#)

Cowboy town

After the discovery of this issue, we decided to distribute the goods ourselves, thinking that we could control the inflow of our own products and make sure that our goods are regularly on the shelf for consumers.

Our foray into distribution started off well, and sales grew to exceed US\$150 million annually. But over the years, it became more and more difficult to mitigate the risk of currency devaluations that impacted our import of goods.

Although we spent a fortune building information technology infrastructure to monitor and manage banking, inventory, receivables and duty structures, it was still a formidable task to maintain good governance on all areas.

Finding good and trustworthy people was one of the most difficult aspects of building the business in Africa. Stealing proprietary information, organised pilferage of goods and destroying anything capable of being built through industrial espionage, by the competition, happened on a regular basis.

Additionally, there was a great sense of inertia in the industry and secrecy among peers was never sacrosanct. It was very frustrating and a tense period for us. Whatever we tried to do, our competitors would already be aware. Whenever we took one step forward, we would end up taking two steps back.

Getting local African managers was quite difficult as most locally educated Africans with degrees would aspire to work for either a local conglomerate, a large financial institution or a represented entity of an international conglomerate – the barometer for their status in society.

Africans who studied abroad and returned to their home country would either aspire to be an entrepreneur or do something meaningful that would allow them to make a positive difference to their society.

There and back again

Finally, after much deliberation over the years, we decided that as a small medium enterprise, it was time to rethink and re-strategize our business model so that we can grow more systematically, regulating control with better governance, without assuming the markets' capacity for growth.

Ironically, after eight years of staying close to the ground in Africa and experiencing first-hand the challenges that exist, we decided to go back to our original business model where we leveraged our core competencies in branding and marketing, leaving distribution to local importers.

This time, though, things are different. We have the advantage of deep understanding of the entire local supply chain of many countries in Africa, from duty structures to clearance, wholesalers, redistribution, border trade, local banking, consumer profiles and institutional buyers.

We also took the opportunity to start with a clean slate, so that we can rebuild without baggage. We have hired a completely new team of individuals from middle management to the grass root level.

We have decided to maintain a fairly large team in Singapore who will make frequent reconnaissance trips to Africa, bombarding each market with our branding and product pricing, specifically targeting known buyers who have shown the ability to circumvent the issues that we had faced in the past. This strategy has proven to be an effective method to penetrate and grow markets for us.

At the grass root level, we have recruited fresh young expats from second- and third-tier cities. These have shown a knack for surviving in unstructured territories, while possessing the capability to think logically. They have been placed in strategic locations in Africa to scout out the competition, think up new product lines, locate new buyers and spot changes in consumer habits and buying patterns.

This new strategy has given us the ability to forecast and dominate certain markets and allowed us to concentrate on rebranding ourselves. Today, Vega is back on the expansion track, with a large portion of the risk we had previously taken upon ourselves mitigated.

We are ready again to soar even higher in Africa, this time, wiser and with renewed vigour.

 Share 0  Tweet  Like 0  +1 0  Share

About

Advisory Board
The Team
Donors
Partners



African Business Insights

Articles
Friday @ Noon
Useful Links
Articles by students

Media Room

News
Events
Photo Gallery
Media Gallery

NTU-SBF Centre for African Studies

 50 Nanyang Avenue
Singapore 639798

 (65) 6513 8889

 cas@ntu.edu.sg