Olivine's road ahead could still be rutted

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16 Jan 2008

If there were several ways out, Olivine Industries Limited chose the easy one.

After American firm, H.J. Heinz, sold out its 51% shareholding in the company last year to the Cotton Company of Zimbabwe (Cottco) (a part of this reportedly went to management), Olivine Industries received a moratorium on the use of Heinz branded products.

It was thought that the pullout of the popular, US$3 billion Heinz brand would cause a branding nightmare for the group. Now, however, it appears, instead of cracking heads over what new brand to create and replace that Heinz label, Olivine has done a cut-and-paste job: delete the Heinz name and replace it with Olivine.

It's as if this is meant to tell the market that just as it can rely on old values, it can also trust the old and established for a delicious meal.

The Olivine brand is coming with an interesting punchline: "Quality since 1931".

Where you had Heinz Baked Beans, Tomato Puree, Plum Halves or Mango Slices, you now have these products and 11 others wrapped up in an Olivine trademark.

It's as if fate has conspired with chance to present Olivine Industries with a favourable opening to push its products.

Before unveiling its products to the market, Olivine Industries launched a series of adverts to arouse a curious shopper's interest in a market ravaged by shortages. In black and one, the first one pleaded: "Allow us to put a little temptation in your way". It had a fork hanging in space. Then another one followed, reassuringly: "Soon you'll be able to have your fill". It had an empty plate in front, highlighting the tragedy of market-wide food shortages ravaging the country.

Then, colour was added, and you had that new brand on the picture, with that heartening statement: "For over 75 years we've been giving you the best…it just got better."

A statement accompanying the advertisement noted: "Everyone knows the Olivine name and what it stands for today, after 75 years in the quality guaranteed business. Bringing you the best doesn't stop here, because we're about to hit the shelves with a range of tasty canned and bottled foods, sauces and condiments that'll have you coming back for more – for another 75 years."

The colourful Olivine canned products are now the most visible, and available, products in supermarkets and other retail outlets.

When Heinz sold its shares in Olivine Industries, it also sold local brands like the Olivine brand, which had been used exclusively on cooking oil, as well as the Buttercup brand for margarine and the Jade brand for bathing soap.

These products remain popular on the domestic market, but supplies are still very low due to the country's draconian pricing legislation.

However, despite coming to the market with a bang, Olivine Industries still faces a mammoth task. With over 250 products, Olivine Industries' new shareholder is unlikely to get the huge capital to manufacturer the products and make them available on the market. The cash-strapped government owns 49% of the company.

A confidential report before consummation of the deal revealed that at least US$5 million would be required every month to import raw materials and spares to rump up production. The company is only getting less than US$200 million from the official market every month.

The company will need an additional US$6.5 million to take production, currently at 20%, to at least 80% of capacity utilisation. Lack of feedstock and foreign currency had already affected sales, which dipped 67% last year.

Again, to achieve 80% of capacity utilisation, the aging equipment would have to be replaced. Most of the equipment was acquired between 1960 and 1979.

The delinting machine will require a complete replacement, substituting the 28 machines in the factory with seven state-of-the art ones.

Given the discount on the purchase price for the H.J Heinz shares, the new shareholders could have factored in the need for such a huge cash outlay to improve operational efficiencies at Olivine Industries.

H.J. Heinz paid US$15.2 million when it bought its shares in Olivine Industries in 1982, and had valued the stake at over US$110 million when it decided to sell, but later sold at just less than US$7 million.

But the current marketing campaign will require significant cash – no one at the firm is willing to discuss the budget.

Another hurdle will also be a big spot of bother: an Israeli firm that has closed manufactured plant refinery for cotton oil, and components are now hardly available.

This is besides the old computer system currently without local vendor support.

A tough time for the new brand.