Inspiring Excellence

# Internship Report (Bus400)

On

**"ACI Foods, analyzing company situation in terms of customer responsiveness"**

**PREPARED FOR:**

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**DATE OF SUBMISSION: 13th December, 2018**

**Letter of Transmittal**

December 13, 2018

Mr. Ahmed Abir Choudhury

Lecturer

BRAC Business School

BRAC University

**Subject:** Submission of Internship report on "**ACI Foods, analyzing company situation in terms of customer responsiveness**"

Dear Sir,

With due respect, I have the pleasure to submit my internship report on "**ACI Foods, analyzing company situation in terms of customer responsiveness**" to partially fulfill the requirements of the bachelor degree under your supervision. It has been an excellent experience for me to work in an Internal Audit department of 'ACI Limited' and to get the real picture which helped me a lot to complete the report.

In my report, I have tried to reflect the current market situation of ACI Foods. I have used both primary and secondary data and have tried to prepare the report according to your instructions. I also confess that this report has some limitations as well because I got limited resources. So I hope that you will be kind enough to consider the limitations of this report.

I would like to thank you for your encouragement and support which inspired me to work enthusiastically. It would be my pleasure to clarify any discrepancy that may arise or any clarification that you may require regarding my report.

Sincerely Yours,

Nusrat Mahjabin

ID- 15104004

## Acknowledgement

In the preparation of an internship report or for conclusion of any course it requires support from various personnel. I acknowledge the encouragement, support, direction, and supervision in every aspect from my teacher and ACI RMIA members.

I would like to express my gratitude to my supervisor **Mr.Ahmed Abir Choudhury**, Lecturer of BRAC Business School, BRAC University for sharing his ideas and interests with me about my study. His motivation and suggestions boosted my confidence and helped me to finish my study on time.

I completed my three months' internship in the Risk Management & Internal Audit department where I got huge opportunity to know in details about the internal audit and risk management. Each and every member of the department was very friendly and helpful to share knowledge for completing my report. I like to express my deep sense of thankfulness to the head of the internal audit department Mr. Amitava Saha, my supervisor Mr. Nuar Mohammad Bidduth. Besides some other names are mentionable from RMIA, without their help and support the report would not be possible, they are Mr. Shubhagata Chakrabarti (Assistant Manager), Mr. Shuva Das(Senior Executive).

## Executive summery

*The report is prepared in order to have an overall idea about the audit functions of ACI Limited. Initially, the different types of audits conducted by RMIA has been discussed leading into the whole audit procedure. However, the report also gives an emphasis on the customers' perception about the products of 'ACI Foods'. It discusses about the reasons why 'ACI Foods' have been facing challenges since its inception in 2006 and the customers' expectation from them. Moreover, the survey conducted over customers and retails have also been reflected here in order to have an overall insight about the matter. Thus the findings of the study might be helpful to take further step on the market offerings.*

# Contents

# Organizational Overview

ACI Limited is one of the leading conglomerates of Bangladesh. The journey of ACI started back in 1968 in the then East Pakistan as a subsidiary of Imperial Chemical Industries (ICI). However, after independence it started its operation in Bangladesh in 24th January 1973 as ICI Bangladesh Manufacturers Limited a Public Limited Company. This Company also obtained listing with Dhaka Stock Exchange on 28 December, 1976 and its first trading of shares took place on 9 March, 1994. Later on 5 May, 1992, ICI plc divested 70% of its shareholding to local management. Subsequently the company was registered in the name of Advanced Chemical Industries Limited. Listing with Chittagong Stock Exchange was made on 22 October 1995. In the financial year 2016-2017 **Authorized Capital** Taka 500 Million and Taka 482.02 Million is the paid up capital.

**ACI** is now engaged in a diversified business engagement however, the whole operation of the company is divided in four Quadrants.

| | |
|---|---|
| Pharmaceuticals | Consumer Brands |
| Agri Business | Logistics |

**Mission:**

ACI's Mission is to enrich the quality of life of the people through responsible application of knowledge, technology and skills. ACI is committed to the pursuit of excellence through world-class products, innovative processes and empowered employees, to provide the highest level of satisfaction to our customers.

**Vision:**

To realize the Mission, ACI will:

- Provide products and services of high and consistent quality, ensuring value for money to our customers.

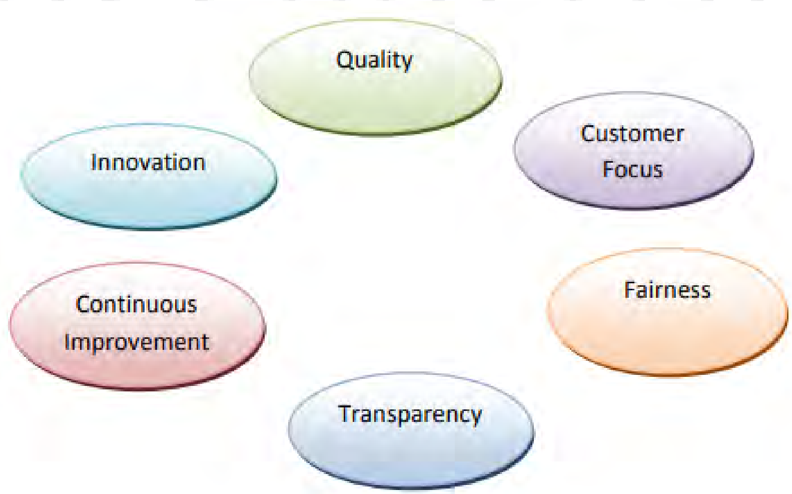
- Endeavour to attain a position of leadership in each category of our businesses.
- Develop our employees by encouraging empowerment and rewarding innovation.
- Promote an environment for learning and personal growth.
- Attain a high level of productivity in all our operations through effective utilization of resources and adoption of appropriate technology.
- Promote inclusive growth by encouraging and assisting our distributors and suppliers in improving efficiency.
- Ensure superior return on investment through judicious use of resources and efficient operations, utilizing our core competencies.

**Strategy:**

ACI follows International Standards on Quality Management System to ensure consistent quality of products and services to achieve customer satisfaction. ACI also meets all national regulatory requirements relating to its current businesses and ensures that Current Good Manufacturing Practices (CGMP) as recommended by World Health Organization is followed for its all operations.

**Values:**

ACI believes in providing quality by considering the customers' demands and expectations. Continuous innovation and improvement is the motive of this organization by focusing customers and tries to maintain fairness and transparency in all segments.



**Pharmaceuticals:**

In 1973, the UK based multinational pharmaceutical company, ICI plc, established a subsidiary in Dhaka, known as ICI Bangladesh Manufacturers Limited. In 1992, ICI plc divested its share to local management, and the company was renamed Advanced Chemical Industries (ACI) Limited. ACI formulates and markets a comprehensive range of more than 387 products covering all major therapeutic areas, which come in tablet, capsule, powder, liquid, cream, ointment, gel, ophthalmic and injection forms. ACI also markets world-renowned branded pharmaceutical products like Arimidex, Casodex, Zoladex, Atarax etc. from world-class multinational companies like ASTRAZENECA, UK and UCB, BELGIUM in Bangladesh. ACI is actively engaged in introducing newer molecules and Novel Drug Delivery Systems (NDDS) to meet the needs of the future. ACI introduced the concept of quality management system by being the first company in Bangladesh to achieve ISO 9001 certification in 1995 and follows the policy of continuous improvement in all its operations. Aligned with the concept that a pharmaceutical must ensure effective management of environment, ACI complies with standard environment management policy, thus adorned with EMS 14001 in 2000. ACI maintains a congenial and supportive relationship with the healthcare community of Bangladesh, with the belief that business excellence can only be achieved through pursuit of quality by understanding, accepting, meeting and exceeding customer expectations. The management of ACI, a competent team of professionals, thus operates with a progressive attitude to provide effective solutions to satisfy the customers' needs, through its products and services of uncompromising quality.

**Consumer Brands:**

ACI Consumer Brands was initiated in 1995 with two major brands of the company – ACI Aerosol and Savlon. These are two of most prestigious products which are enjoying the leadership position in the market. The division started to take new businesses through off shore trading as well as local manufacturing. In this process ACI Consumer Brands launched many new products and also bonded with Joint Venture business relationships with 'Dabur India' and 'Tetley UK' and attained international alliances with world renowned companies. The Consumer Brands Division boasts in having an unequivocal presence in consumers' heart with the market leading brands like ACI Aerosol, Savlon, ACI Mosquito Coil & ACI Pure Spices and Flour. With close to 80% market share in own categories, ACI Aerosol and Savlon are the persistent performers in keeping the household clean and free from germs and harmful insects. The ACI mosquito coil has also emerged as a formidable opponent to both the mosquito and the competition, by providing effective and affordable solution to the conscious people of Bangladesh. A sound mind goes with a sound body- ACI believes in this age old proverb and our young generation needs to grow up with healthy physique and sound mind who will lead the nation in future. With this belief, ACI has entered in to the commodity food business with "ACI Pure" Brand. The aim is to provide purest of the food products to Bangladeshi consumers at affordable price for which ACI has invested in very large scale in state of the art manufacturing facilities for daily kitchen essentials like vacuum evaporated edible Salt, Spices and Flour. The products are delighting the consumers by providing 100% dirt free, pure and natural food ingredients which can compete against any international products. ACI Consumer Brands is successfully serving the consumer demand for foreign products in household and personal care category with the world renowned product range of Colgate, Nivea & Dabur. With the proper distribution and marketing by ACI consumer brands, the world's No. 1 tea brand "Tetley" is now available to the consumers of Bangladesh. As a successful business, The ACI Consumer Brands is focused on achieving the consistent growth required to continue the success and to make ACI an even stronger company. The Consumer Brands believe this is the best way to benefit the consumers, people and the shareholders of ACI. ACI Consumer Brands Strategic Business Unit is headed by the Executive Director, Mr. Syed Alamgir. Mr Alamgir is regarded as an authoritarian personality in the area of Sales and Marketing in Bangladesh market. His track record has many successful brands which reached leadership position in different categories in FMCG market. He is supported by competent group of professionals working in the Marketing and Sales operations.

**Agri Business:**

ACI Agribusiness is the largest integrator in Agriculture and Livestock and Fisheries. These businesses have subunits like Crop Protection, Seed, Fertilizer, Agrimachineries, and Animal Health. These businesses have glorified presence in Bangladesh. CC & PH supplies crop protection chemicals, Seed supplies Hybrid Rice, vegetable and Maize seeds, Fertilizer Supplies Micronutrient and Foiler fertilizer, Agrimachineries supplies Tractors, Power Tiller and Harvester and Animal Health supplies high quality Nutritional, Veterinary and Poultry medicines and vaccines. ACI Agribusiness is having strong partnership with national and international R & D companies, universities and research institutions. Before introducing any product, it is elaborately tested in the laboratory and farmers field. ACI Agribusiness has a large, knowledgeable and highly skilled Field Force provides training and technical advices to the farmers. ACI is significantly contributing to national food security through its Agribusinesses division, which is the leading agricultural integrator of the country. ACI Agribusinesses is providing complete solution to the farmers need. This division has five separate SBUs. They are Seeds, Fertilizer, Motors, Crop Care & Public Health, and Animal Health. Farmers have developed confidence in our products for quality and economics. Farmers have also come to expect proper knowledge based service from our field force

**ACI Logistics:**

ACI Logistics Limited was formed in 2008 with a vision to setup nationwide retail outlets, named Shwapno, to utilize ACI's strong presence in Bangladesh through implementation of world-class supply chain mechanism.

**Risk Management and Internal Audit (RMIA)**

RMIA is an independent review and consulting function providing Management and the Board of Directors assurance* that effective controls exist to maintain process integrity, that measures and reporting are accurate and reliable and that policies and procedures are complied with.

**Scope of RMIA:**

Scope of RMIA The scope of the IA function encompasses the following:

- Examination and evaluation of the adequacy and effectiveness of the System of Internal Control
- Reviewing the reliability and integrity of financial and operating information
- Reviewing processes and systems for compliance with policies, plans, procedures, laws and regulations
- Reviewing the means to safeguard assets

- Reviewing projects/programs; verifying whether results are consistent with established goals and objectives
- Acting as a knowledge exchange function within the company
- Acting as a support and consulting function to the Board and the senior management of the company
- Reporting of any material misuse of funds, embezzlement and other acts of fraud

**Responsibilities of RMIA:**

- Development of a long term and annual IA plan, using a risk oriented methodology, considering the results of the BRM process as well as other information, such as Management's and other stakeholders' requirements, current projects or developments within ACI and previous audit findings
- Co-ordination of the scope of work with the external auditors, internal consulting functions, and regulators, as appropriate
- Execution of audits, applying an effective standard methodology, in accordance with the IA plan, including the defined Focus Area requests of the AC of ACI Limited and its subsidiaries, as well as projects specially requested by the top Management
- Reporting of audit findings and recommendations to the relevant process owners, to the Management (and AC, if applicable) and to the RMIA, and issuing IA exception reports in cases where findings reach a certain materiality threshold

Risk Management and Internal Audit (RMIA) is a review and consulting function which aims at providing the Management and Board of Directors assurance about the different business functions of ACI independently. Whenever there is assurance mentioned, it indicates relative assurance. There is effective control process in order to maintain process integrity, reliability and accurateness of reporting.

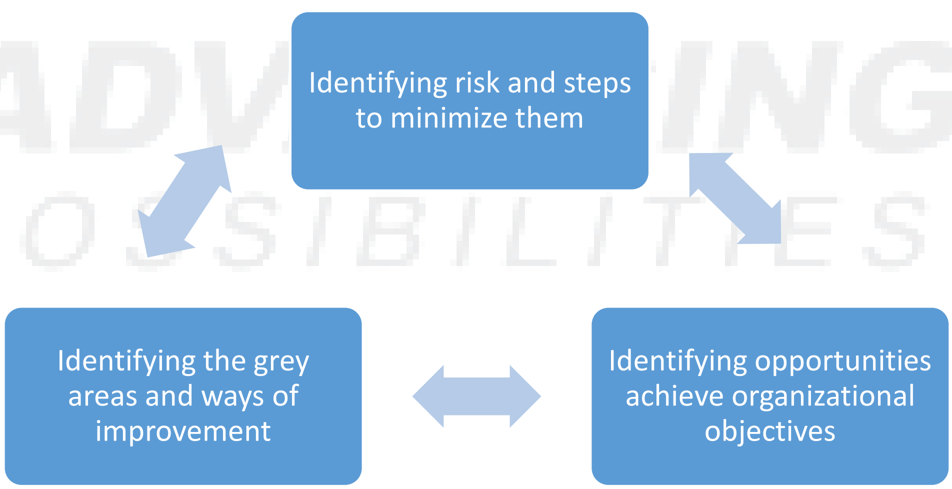
**Audit strategy:** There are some principles which RMIA strategy incorporates in the auditing process. Some of them are-

- The tasks performed by RMIA professionals are designed in accordance with the IIA standards, code of ethics, RMIA handbook

- RMIA acts as a partner of the senior management and Audit committee as they provide independent assurance and consulting service about the business functions.
- Though RMIA serves as a cooperative partner to the stakeholders, it always maintain its integrity and objectivity.
- On the basis of necessity RMIA consults with external professionals in order to optimize its efficiency and effectiveness
- Functions of RMIA always seek update with the continuous changing environment.

**Value creation**

RMIA follows some common standards in order to perform audit within ACI Limited and its subsidiaries. The whole internal audit function is designed based on the defined methodology and tools. RMIA assurance and the value house describes all the standards which are mainly shared with the RMIA handbook. Therefore, TeamMate, FUMR (Follow-up Management Reporting) are followed for audit functions. Each and every audit is designed separately aligned with the objective of audit. The value that RMIA adds to the whole organization by-



# 1. Introduction to the Study

## 1.1 Rationale of the study

In the world of Globalization and communication the whole process of business has changed than never before. However, with the increasing competition it has become necessary for students to gain practical and professional knowledge in alignment with the theoretical knowledge. Aiming at gaining experience from the real corporate sector BRAC University has arranged internship program which is a must requirement for the BBA graduate students. I have done my Internship at Advanced Chemical Limited (ACI) one of the leading conglomerates of our country. This report is a reflection of my experience and knowledge gain on the job. To complete 4 credit of internship, of BBA degree the report is mainly prepared. The main focus or objective of internship is to give an idea about the actual business world and prepare students for further opportunities. My 'on the job' supervisor Mr. Nuar Mohammad Bidduth and my faculty supervisor Mr. Ahmed Abir Choudhury has helped me to conduct the analysis. The analysis is on the current market position of 'ACI Foods' on the basis of customers' and retailers' perspective. However, I tried to make my study useful.

## 1.2 Objective of the Report

**General Objective:** The general objective of this report is to analyze the current market position of **ACI Foods** and define the whole process of **Risk Management and Internal Audit (RMIA**) department of ACI Limited. Starting form checking voucher to an entire audit planning, execution and reporting the findings of audit.

**Specific objective:** There are some specific objectives of the report-

- To have an idea about the whole function of ACI Limited
- The opportunities for future business prospect for ACI
- How Risk Management and Internal Audit (RMIA) department works
- What are the audit functions, how an audit is planned, executed and reported?
- What procedures are followed to detect and minimize risk and fraud?
- How international standards are being followed in audit practice?
- What position 'ACI Foods' hold in the market?
- How the competition in the market going on?

- How satisfied are the customers with the products of 'ACI Foods'?
- Which areas they should be more focusing on?

## 1.3 Scope of the report

This report aims at focusing on the functions of RMIA, how international standards of internal auditing set by IIA are being practiced in ACI Internal Audit. However, the mission and vision of ACI and the different business units are also being discussed here. Moreover, the report also describes the whole audit process for example how an audit is designed, planned, executed and reported. Apart from the audit process of ACI, I have done an analysis on the current market position of "ACI Foods" in terms of customer responsiveness. In order to know what current position it has on the market to the customers compared to its competitors. While gathering information about the functions of RMIA, I got depth knowledge about the auditing standards and process. I got support from Mr. Amitava Saha, Head of Risk Management and Internal Audit, and all other members of RMIA.

## 1.4 Limitations of the Study

The difficulties that I faced while preparing the report can be termed as limitation of the study. Some of the limitations of the study are addressed below-

- **Confidentiality**: As audit department works as an independent service section and due to confidentiality I was not allowed the information of the audits conducted rather I had to conduct the analysis on my own and draw conclusions based on the results and personal observation to describe the whole process.
- **No experience on auditing:** Being just a graduate and having no expertise on auditing I faced difficulties in understanding some of the audit terms and policy.
- **Limited number of response:** To conduct the analysis I have taken interview of 105 people including customers and retailers. But it would have been better to know in depth scenario if I could take more responses.
- **Time Limitation:** In order to have understanding about the overall functions of any sector especially when it is audit where professional expertise is necessary, three months' time is quite inadequate.

## 2. Literature Review

Bangladesh being an agricultural country, there are different categories of products. The FMCG industry in Bangladesh is booming. EBL securities has conducted a thorough analysis on the FMCG industry of Bangladesh. According to EBL (2018) the processed spice market of our country in increasing by the rate of 15% to 20% as the demand for powdered spice increases among the consumers. They also mentioned that branded spices are getting more popular day by day and has replaced the market of fresh or open spices due to the ease of use, hygiene issue, and availability. However, as more women are now being joined in the workforce the demand for powdered spice increases. The powdered spice market in Bangladesh has developed so much that they have started exporting to countries like Malaysia, Middle East and Australia, states EBL securities (2018). Among the existing brands Raduni, Pran, BD, Arku are the major market players the analysis of EBL mentions. Moreover, EBL(2018) also showed the market share of these market leaders. According to them 'Radhuni' holds 66%, 'Pran' 19%, 'BD Foods' 7%, 'Arku' 3% and other brands hold rest 5% of the market share.

## 3. Methodology of Data

The data used to prepare this report are of both qualitative and quantitative in nature. Therefore, two different sources used to collect data for the report.

- **Primary Source:** For the Primary data I have taken personal interview of the members of RMIA, personal observation, collected data from the customers, retailers to analyze the market position of ACI Foods and different audit program engagement.
- **Secondary Source:** The secondary sources that were used for collecting data for the report are- Annual report, Website, Articles, Journals, RMIA Handbook, IPPF standards by IIA, audit presentations etc.

# 4. Report Part

## 4.1 Types of Audit in RMIA

Risk Management and Internal Audit (RMIA) conducts different types of audit in order to maintain control over the activities within the organization. The audits are categorized based on the nature of them. Here some of the types of internal audit are described-

**Prepayment Audit:** Each and every transaction of the company whether it is purchase, payment, TA/DA, advance and adjustment is audited by maintaining vouchers. Vouchers are prepared based on the need by finance and accounts department for the payment. If there is any query about any voucher auditors communicate with the respected person preparing the voucher. Moreover, it is mandatory to attach supporting documents with the voucher before issue. The whole process od auditing before any payment is called the Prepayment Audit.

**Process Audit:** At the beginning of every financial period or month audit plan is defined along with individual audit task. Each auditor is allocated with any financial, risk assessment, management issues, production, manufacturing process issues to investigate. However, after conducting the audit they come up the some observations which are reported to the HRMIA. Based on the reports HRMIA communicates the risen observations with business heads.

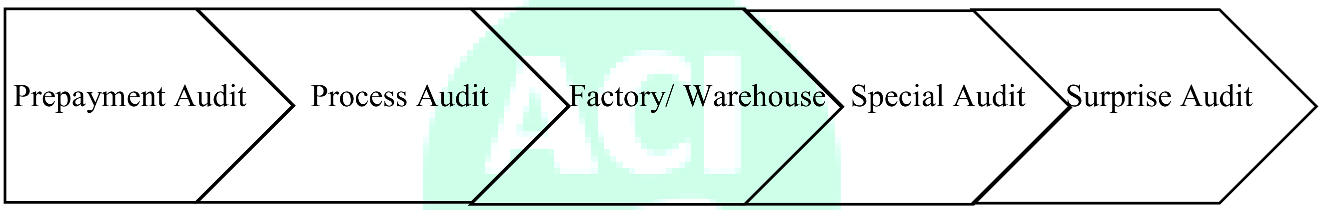
**Factory/Warehouse Audit:** The factories of different business units are sometimes audited by RMIA. In the process they observe the raw materials, the inventories, their storage system, manufacturing process. Therefore, auditors collect pictorial evidence of the observations and communicates the issues with respective businesses through HRMIA.

**Special Audit:** Sometimes RMIA members also conducts special audit upon management requirement. Special audit refers to investigating some issue raised out of the audit plan. However, based on the issue auditors are assigned and they collect all the possible evidence such as- bills, orders, mail communications etc. Once they reach to any conclusion of the issue it is communicated with HRMIA and afterwards to senior management.

**Surprise Audit:** In order to ensure control over the cash and inventories surprise audit are conducted on depot and showrooms.

**Inventory management Audit:** To measure the compatibility of the amount of inventory physically present on the showroom or depot with the amount of inventory in statements auditors perform this type of audit. However, they also check every inventory to find out if there is any damage or shortage of product or not.

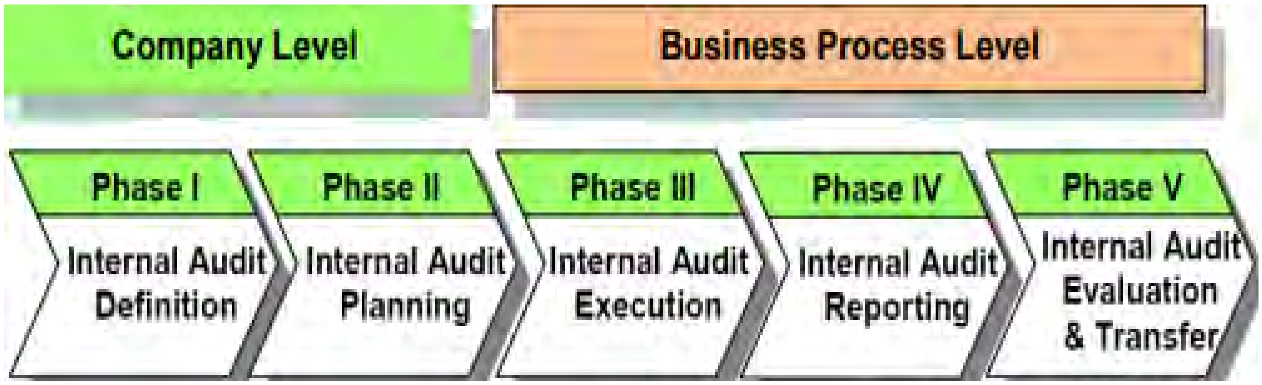
**Cash management Audit:** Cash management audit are conducted in depots and showrooms. Auditors perform this type of audit with a view to check all the sales documents are present or not. Again, matching the amount of cash available in the showrooms are compatible with the required amount of cash or not.




## 4.2 The Audit Process

There are five steps process of audit procedure for conducting audit in RMIA. The phases in the audit process of RMIA has been designed keeping in mind the International Standards for the Professional Practice of Internal Auditing set by Institute of Internal Auditors (IIA). Therefore, the whole methodology of Internal Audit Plan (IAP) has been arranged in such a way which serves the best to the business process and functions of ACI and its subsidiaries. Besides, there are some major areas where internal audit is usually conducted aiming to ensure assurance and control over the activities. They are- Corporate Governance, Risk Management, Fraud Prevention, Regulatory Compliance, IT management assessment.

The five phases of audit process of RMIA which are followed in conducting the audit are-




**Internal Audit Definition**

Defining the internal audit is the first step in the audit process.

- **Stakeholders Expectations:** Before starting any audit plan, defining the audit in accordance with the expectation of the stakeholders of ACI and its subsidiaries is necessary. To have a clear understanding about the objectives, queries, expectation of the stakeholders' communication is important thus RMIA arranges meeting with them. After that the annual plan of RMIA is articulated with the major stakeholders (Managing Director, Managing committee, Executive Directors) proceeding to continuous coordination with other stakeholder (RM, Legal, Controlling, internal review functions, External auditors)
- **Understanding Business and its functions:** RMIA then needs to have a clear perception about the business and its function, key success factors, performance measurement tools for every business. Moreover, RMIA should have control over all the control, business reports, key performance indicators that management uses to measure the business performance.

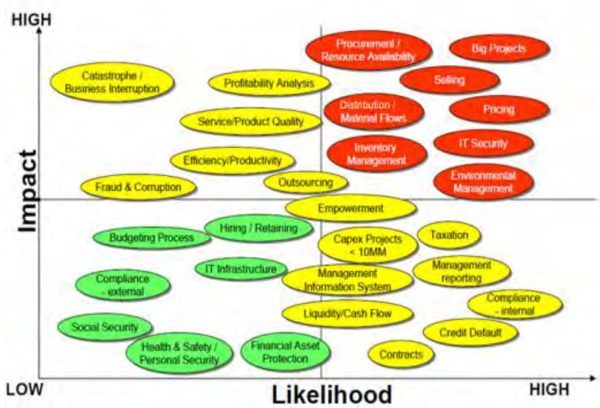
The generic business function of ACI Pharmaceuticals, Formulation, Consumer Brand, Foods, Agri business looks like-


- **Deliverables:** After conducting meeting with the stakeholders and getting a brief idea about the expectations, RMIA is responsible to deliver a permanent file. This file will include information about the stakeholders meeting, business plans, performance measurement tools, business process, risk management etc. Thus it serves as a source of reference for the company which needs to be updated periodically or at least annually.

**Internal Audit Planning**

After drawing the definition of audit the next phase is audit planning. There are several steps in the planning phase-

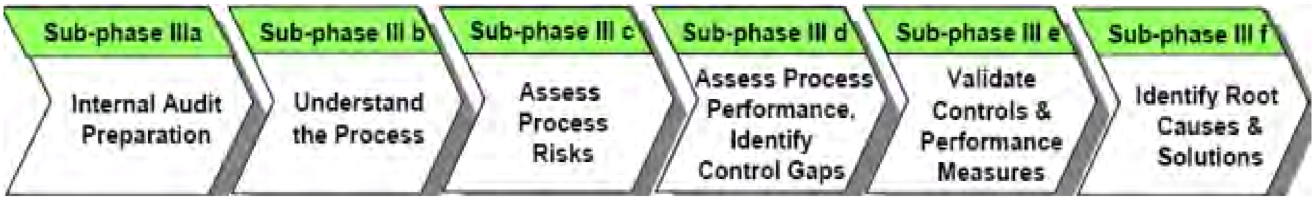
- **Audit Risk Assessment:** RMIA conducts audit to assess the risk both in company level and business level. However, understanding the risk model which includes different risk drivers, risk maps helps to get clear insight about the potential risk. The company level risk assessment incorporates availability of capital, shareholders reaction, analyzing competitors etc. As most of these are external factors and controlled by management RMIA, therefore can audit whether management assessed this risks and taken adequate steps to mitigate for this or not. The risk related to business level includes selling/pricing, purchasing, compliance, authority limits, relevance and reliability of information, measurement / monitoring, asset protection etc. are typically assessed by RMIA. Both the RMIA risk list and risk map are standard documents used for the annual internal audit plan.




- **Annual Audit plan:** After identifying and preparing the risk list and risk map the next step aims at linking the audit risk through the Audit risk assessment to business process and most apparent location. The consistent breakdown of risk through business process and location RMIA designs an annual audit plan.
- **Plan resources and prepare budgets:** Based on the annual audit plan RMIA allocates necessary resources and prepare budgets accordingly.
- **Deliverables:** The deliverables from this step is Audit risk list, risk map, location linkage, annual audit plan, and quarterly progress report.

**Internal Audit Execution**

There are six sub sections of audit execution phase. They will be explained briefly in the next parts.




- **Internal Audit Preparation:** Preparation of internal audit starts with reviewing documents, work programs. Based on the audit project available information are analyzed and using adequate resources budgets are prepared. However, opening meeting is conducted after managing audit schedule and project announcement.
- **Understand the Process:** For understanding the process first of all information are gathered and flowchart is drawn. After validating the flowchart with management, process documentation and interview notes are generated.
- **Assess Process Risks:** There are different risks associated with process. In this process risks are identified with their sources and categorized based on priority. Therefore, validating the process risk with management risk map and audit program structure is drawn.
- **Assess Process Performance, Identify Control Gap:** In this stage first controls with the performance measures are identified then control designs and performance are evaluated. However, identifying control gaps and 'quick win' is also conducted in this step.
- **Validate Controls and & Performance Measurers:** Here, type and extent of tests are determined. After that, tests are designed and performed with a view to analyzing results.
- **Identify Root Causes and Solutions:** In the last stage, the gaps observed which needed to be analyzed further are identified along with the reason. However, after mapping the significance rate the corrective measurers which will be taken in future will be defined. Observations, risks and recommendations for action plan are then prepared accordingly.

**Internal Audit Reporting**

When the execution process is done, its turn to report the audit findings.

- **Summarizing Audit results and solutions:** The observations and findings appeared in pervious stages are written in the reporting part along with sufficient evidence and supported documents. Therefore, if there is any significant issue which might have an overall impact on the objective of business RMIA members are to discuss immediately with HRMIA (Head of RMIA) followed by MD.

- **Conduct Meeting and Prepare draft IA report:** RMIA then conducts a meeting where arised issues are discussed with management and a draft report is then handed out at the end of the meeting.
- **Receive Management comments and Issue final Report:** When the draft is handed to management they make some comments after that a finalized report is prepared.

**Internal Audit Evaluation & Transfer**

At this step all the observations and deliverables are evaluated on some criteria's.

- **Quality Management:** RMIA co-ordinates, and performs quality assurance activities, and evaluates the results based on Self-assessments, Quality assurance reviews.
- **Stakeholder Satisfaction Survey:** RMIA summarizes and analyses the results of the IA project specific Stakeholder Satisfaction Surveys at least once a year in order to evaluate to which degree the expectations of the main stakeholders have been met.

## 4.3 Analyzing situation of ACI Foods in terms of customer responsiveness

**ACI** is one of the leading business conglomerates in Bangladesh having a diversified business portfolio under the umbrella. ACI Foods being one of the businesses of ACI Limited, their mission is attaining excellence by maintaining quality, understanding and meeting customer expectations. ACI entered into the spice market in early 2006, has become popular because of their strong brand image and high quality. **PURE** and **FUN** are the two different brands of ACI Foods Limited which serves basic spices, mixed spices, cereals, edible oil, snacks and confectionary categories. However, ACI Limited is the first attaining ISO 9001 certification for Quality Management System and ISO 14001 for Environmental Management System. The manufacturing process is conducted in a factory with suitable machineries and equipment. ACI foods limited exports **Pure** and **Fun** brand products to Australia, UAE, Kuwait, Saudi Arabia, Bahrain, Qatar and many other countries to come into the list.

The value that ACI foods always focuses on in their business processes is-

**Events by ACI Foods**

ACI Pure Spices recently has sponsored a TV show named 'Jhotpot Iftar' on Ekattor TV in this Ramadan. The show is hosted by one of the most popular anchors Sharmin Lucky and world class chef Mr. Pronob Das (Chief Chef of Golden Tulip Hotel).

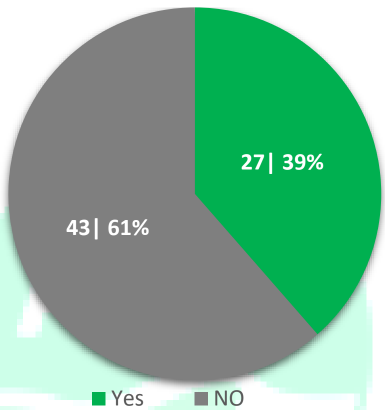
However, Inspiring Women Award is an initiative of Women In Leadership (WIL), organized by Bangladesh Brand Forum (BBF) to acknowledge the unparalleled contribution of working women in our economy and society. Each year the Bangladesh Brand Forum hosts the Inspiring Women Award which aims to recognize the tremendous efforts and excellent performance by talented women in all different sectors. This is a great platform which celebrates inspiring women and this year we are proud to announce that the event will be powered by ACI Pure Spices.


To understand the market position of ACI Foods compared to other competitors an analysis has been conducted. Therefore, it does not carry the information available to the company as they are highly confidential data. This analysis is solely based personal observation and survey. I have conducted a survey on both customer and retailer in order to understand the market position of ACI Foods Limited.

**Customer Survey**

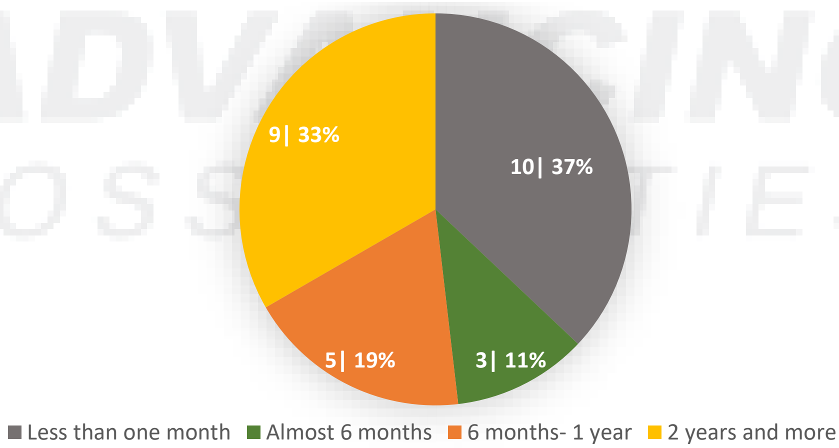
The customers were asked several questions in order to have a brief idea about their choice and what they perceive about the products of ACI Foods.

- Have you ever tried any product of ACI PURE or FUN brand?'



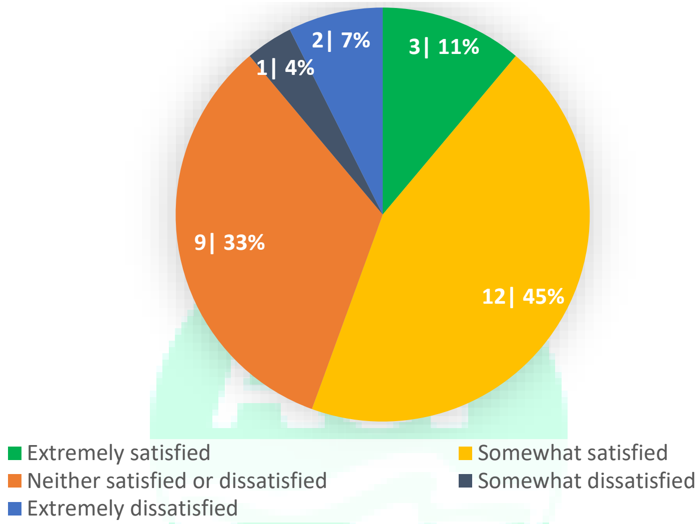

We have conducted the survey on 70 customers in total. Among them 43 customers that is 61% of them has said "No" they have never used products of ACI PURE and FUN before. But there were 27 (39%) of them who said they have tried any products of ACI Foods Limited.

- If **"YES"**, how long have you been using these products?



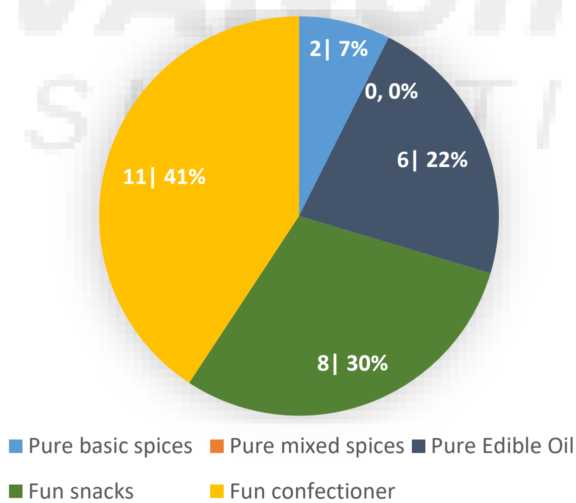

The customers who have been using ACI's products among them 9 people responded that they have been using them for 2 years and more, 3 said they are using for 6 months to 1 year, 5 mentioned it’s been just 6 months that they have been using and other 10 people said they are using the products for less than one month.

- Based on your experience, rate your satisfaction level for ACI Foods’ products.



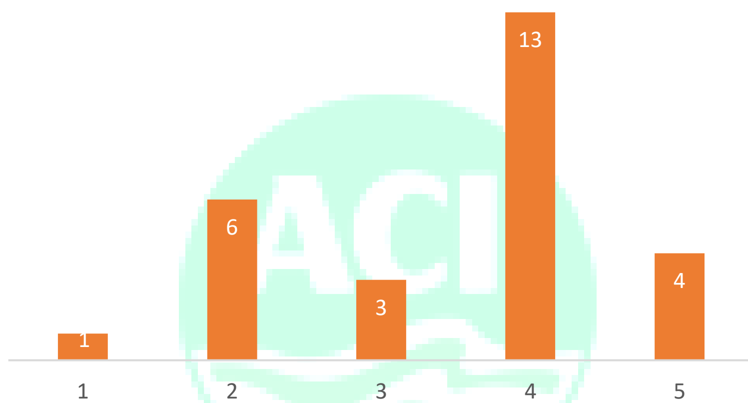

When we asked the customers about their satisfaction level on the ACI products, 3 of them responded that they were extremely satisfied with their products, 12 said they were somewhat satisfied but there were 9 customers who responded neutrally again we found 1 customer who said somewhat dissatisfied with the products and 2 were extremely dissatisfied.

- Which products of ACI foods you usually buy?



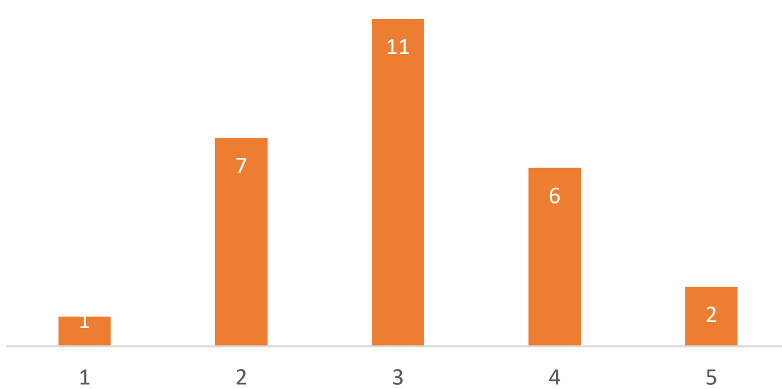
In order to know the popularity of the ACI food's products we asked the customers which products the usually buy.6 customers responded that they buy Pure oil more frequently, 11 said that they usually buy Fun confectionary items, 2 people said they usually buy Pure basic spices, 8 buy Fun snacks and none said they buy Pure mixed spices more frequently.

- Rate the Quality of FUN and PURE products on 1 to 5



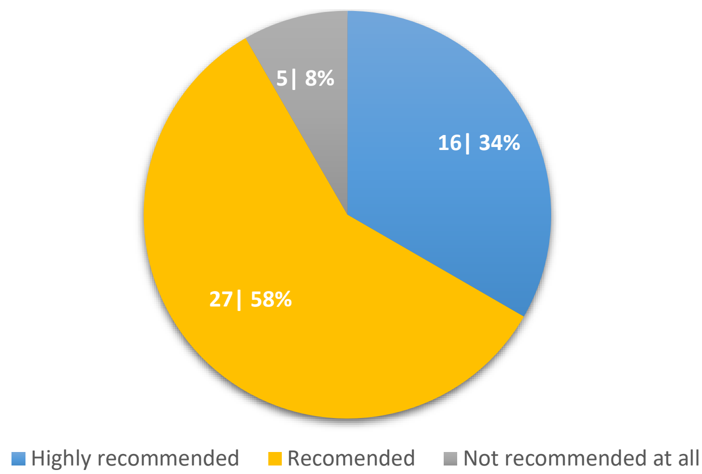

The customers who have used ACI's food products, I have asked them to rate the quality of those products on the scale of 1 to 5. Among them 13 customers rated the quality as 4, 4 customers rated as 5, 3 customers rated as 3. But 6 customers indicated the quality as 2. This indicates that there are mixed response among the customers. But most of them who used ACI's products are quite satisfied with their quality but if they want to capture larger market they have to make their products of the best quality again they need to improve the offerings as the unsatisfied number of customers is not ignorable.

- Rate the Price of FUN and PURE products on 1 to 5



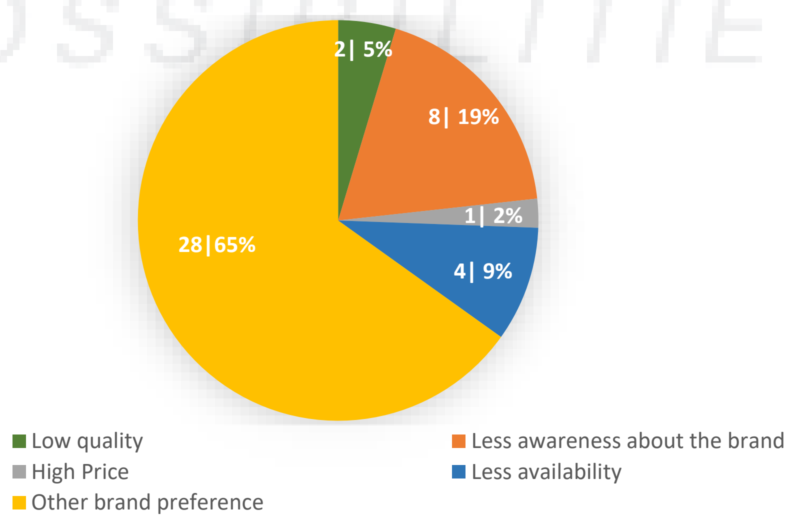
Again, the customers who have used ACI's food products, I have asked them to rate the price of those products on the scale of 1 to 5. Among them 11 customers rated the quality as 3, 6 customers rated as 4, 7 customers rated as 2. This indicates that the customers who used ACI's products are of average satisfied with their pricing but if they want to capture larger market they have to give some offers and discounts to the customers as the market is very competitive.

- How likely you would recommend this brands to your family and friends?



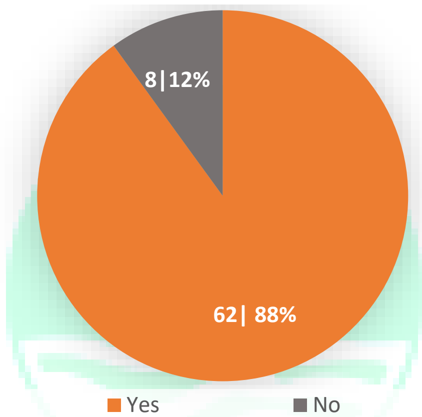

The customers who have been using ACI products when I asked them about would they recommend their relatives to use these products or not, 27 of them replied they would recommend, 16 mentioned highly recommended and 5 of them were not satisfied with ACI foods' products thus they would not recommend at all.

- IF **"NO"**, why you don't buy/use ACI food products?



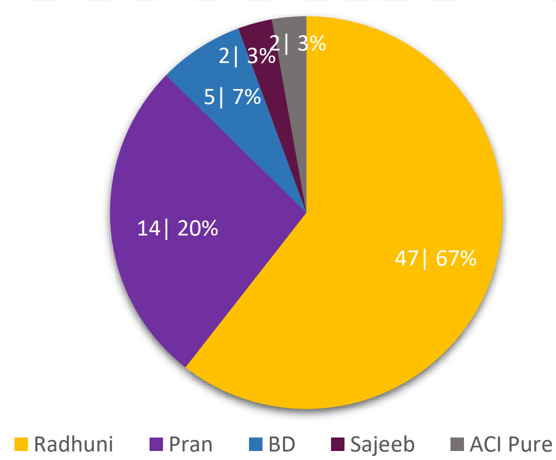
The customers (43) who responded they haven't used any product of ACI foods, I have asked them a different set of question starting with why they don't use them. Most of them (28) responded as they have other brand preference, 8 mentioned they didn't have any awareness about this brand, 4 mentioned that these products are less available in nearby local shops but only 2,1 customers complained about their low quality and high price.

- Do you use branded spice powder?



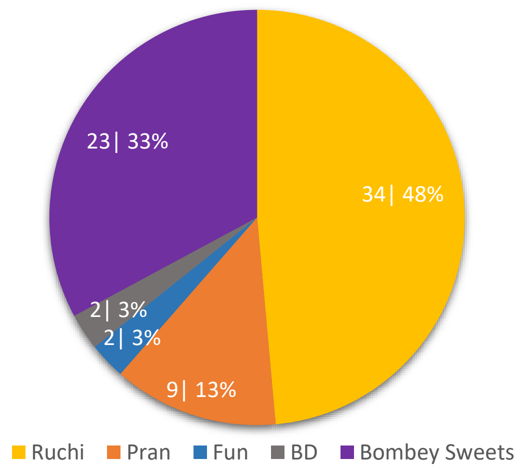

Among all the customers whom we asked almost 88% of them use powdered spice but there still 12% of 70 customer who uses 'khola moshla' from local shops because of their low price but they are ignoring the health hazards of them.

- Which of the following powdered spice brands you prefer to buy?



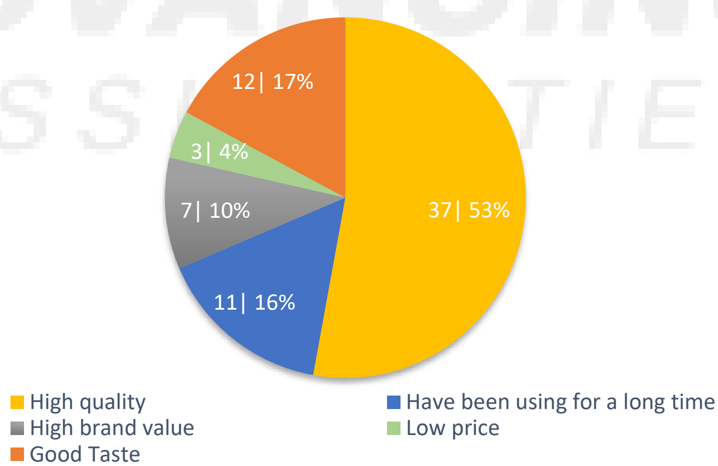

I have asked all 70 customers about the spice brand they prefer to buy and most of them (47) responded that ''Radhuni' is their preference as they have been using this for a long time. Therefore, 14 customers answered that they buy 'Pran' spice powder. The rest of the customers said ‘BD’, ‘Sajeeb’ and ‘Pure’ which is insignificant compared to the market. However, the large portion of customers who use powder spice usually buy ‘Radhuni’ because of their being the pioneer in the powdered spice industry and the brand awareness that they have created among the customers.

- Which of the following snacks brands you prefer to buy? (Chanachur)




Again, all 70 customers were asked what is their preferred brand for Chanachur? 34 of them took ‘Ruchi’s’ name, 23 said they like ‘Bombey sweets’, 9 customer preferred ‘Pran’ and the rest said ‘BD’, ‘Fun’ but these are yet not the first preference. Therefore, we can also see the dominance of ‘Ruchi’ in this segment.

- Why you prefer that particular brand?

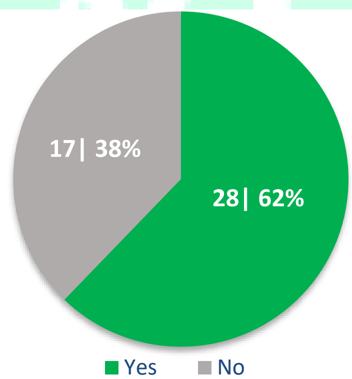



In order to have an idea about the purchase behavior and the factors which customers give more emphasis on while making purchase decision, I have asked the customers why they use/ buy that particular brand. Most of them replied the ‘High quality’ and least of them answered ‘Low price’, which indicates that if the manufacturer can provide high quality product the customers are ready to pay a higher price. However, ‘Good taste’ and ‘long term usage’ have also some impact on their buying behavior.

**Retailer Survey**

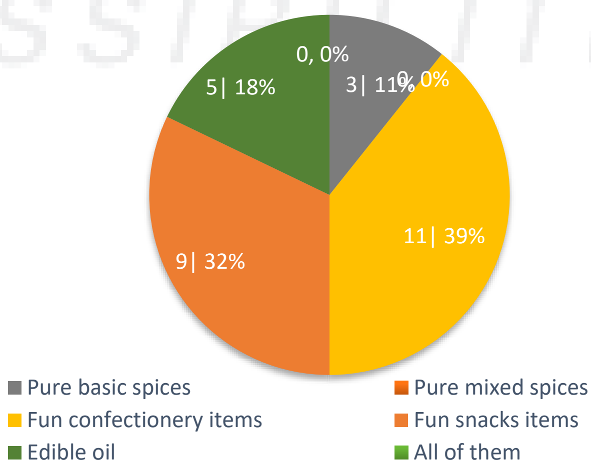
For the retailers survey I have interviewed 45 retailers of different areas for instance, Mohakhali, Hatirpool, Sadarghat, Jatrabri etc. I have asked them several questions; their response is showed below with graph.

- Do you store ACI Foods products?



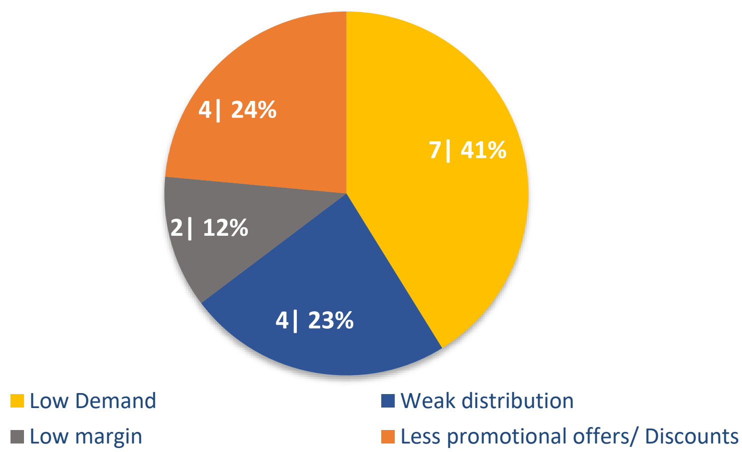

Among the retailers 28 of them responded that they store the products of ACI Foods but there were 17 retailers who does not store ACI Foods products at all.

- Which items of ACI foods you have in your store?



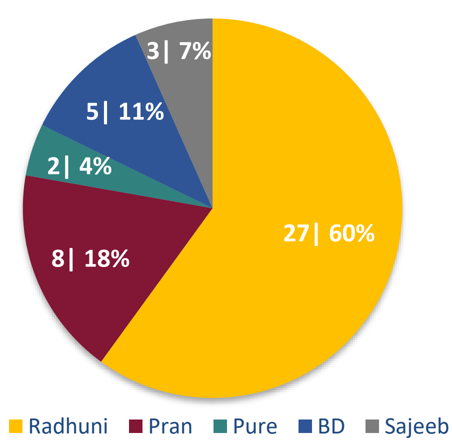
According to the retailers among all the products of ACI foods most of them (11) said they have Fun confectionary items, 5 responded they have Edible oils, 9 answered Fun snacks items but none said they have Pure mixed spices. However, I have not found any retailers who have all of the items of ACI foods unlike most of them who just has one or two items.

- If 'NO', why you don't store them?




The retailers who don't store any product of ACI foods, we asked why they don't store them. Most of them (7) said because of the lower demand they don't prefer to store any ACI food's products. However, 4 retailers mentioned that less promotional offer and weak distribution is the reason behind their not storing products of ACI. Only 2 retailers indicated Low margin as the reason.

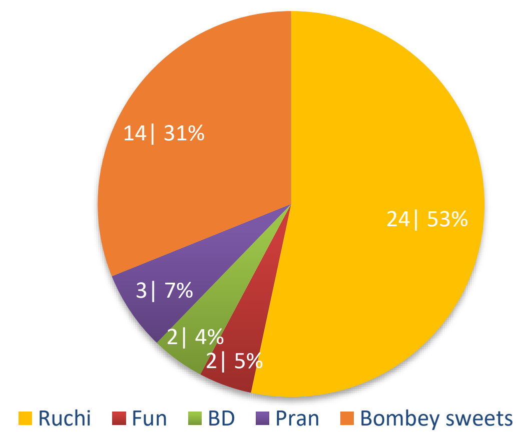
- Which of the following powdered spice brand you prefer to stock?




We asked all 45 retailers about the spice brand they prefer to keep into their shop, almost 60% that is 27 of them answered "Radhuni" as the most preferred brand and they only store this specific brand. They mentioned that there is high demand among customers for spices of "Radhuni".

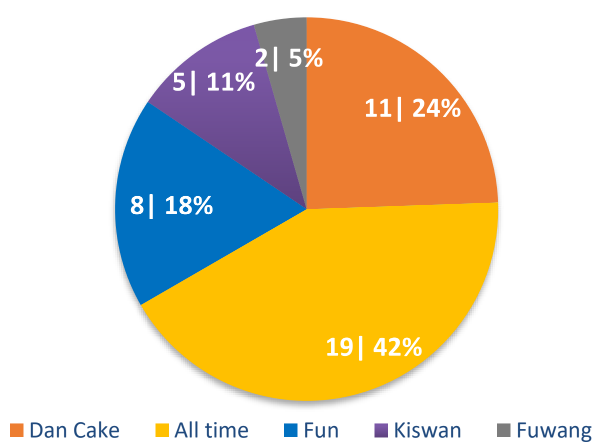
Hence, “Radhuni” being the first preference for all retailers, I asked for alternate choice of theirs in terms of spice. 8 of them mentioned about ‘Pran’, 5 replied ‘BD’ and other said ‘Sajeeb’ and ‘Pure’. From their answer we can have an idea about how much domination “Radhuni” has over the powdered spice market.

- Which snacks brand you prefer to stock? (Chanachur)



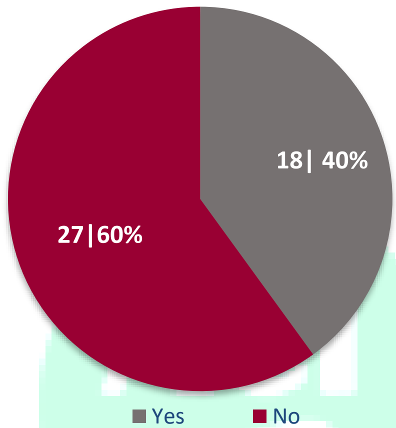

By the results of this question we again can see the dominance that Square consumer brands that is ‘Ruchi’ has on the market. According to the 24 retailers in terms of snacks (Chanachur) they always prefer to stock ‘Ruchi’ as there is high demand for them among the consumers. However, 14 retailers said they prefer ‘Bombay sweets’ because it’s been in the market for a long time and customers has preference for this as well. Apart from these two brands there is ‘Pran’, ‘Fun’ and ‘BD’ but the retailers here again have preference for ‘Ruchi’ and ‘Bombay Sweets’.

- Which confectionary brand you prefer to stock? (Cakes)



The retailers have mentioned that almost 42% of them prefer to store 'All time', 11 of them mentioned 'Dan Cake'. Here, the number of retailers is comparably higher than that of other products of 'ACI Foods'.

- Do you get any lot discounts or promotional offers from ACI foods?



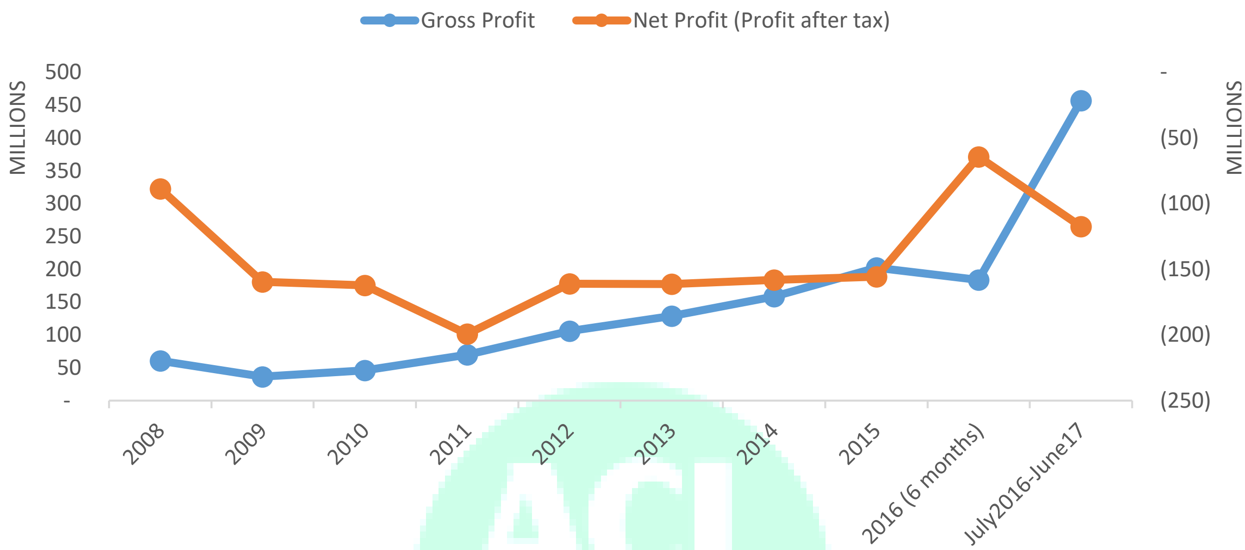

Among all the retailers 27 of them said they don't usually get lot offer or discounts for selling ACI food's products. May be that's one of the reasons they are not much eager to sell these products. However, 18 retailers responded that sometimes they get some minimum discounts but again as the demand is less they keep small amount of products.

**Financial Analysis of ACI Foods**

| Year | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Vertical Analysis** | | | | | |
| Revenue | 274,225,820 | 250,092,179 | 347,217,745 | 469,308,493 | 608,439,955 |
| Cost Of Good Sold | 213,500,177 | 213,551,882 | 301,199,831 | 399,562,977 | 502,749,402 |
| Cost Of Good Sold as % of sales | 77.86% | 85.39% | 86.75% | 85.14% | 82.63% |
| Gross Profit | 60,725,643 | 36,540,297 | 46,017,915 | 69,745,517 | 105,690,553 |
| Gross Profit as % of sales | 22.14% | 14.61% | 13.25% | 14.86% | 17.37% |
| Administrative, selling and distribution expenses | 123,089,464 | 158,442,398 | 166,201,993 | 182,739,360 | 154,886,079 |
| Administrative, selling and distribution expenses as % of sales | 44.89% | 63.35% | 47.87% | 38.94% | 25.46% |
| Other Income | 521,474 | 4,104,526 | 15,542,776 | 15,339,632 | 18,016,691 |
| Other Income as % of sales | 0.19% | 1.64% | 4.48% | 3.27% | 2.96% |
| Operating profit | (62,363,821) | (121,902,101) | (120,184,078) | (97,654,212) | (31,178,835) |
| % of sales | (22.74%) | (48.74%) | (34.61%) | (20.81%) | (5.12%) |
| Financing costs | 31,173,546 | 48,145,781 | 63,920,515 | 101,046,466 | 133,302,573 |
| % of sales | 11.37% | 19.25% | 18.41% | (21.53%) | (21.91%) |
| Profit before tax | (93,015,894) | (165,943,356) | (168,561,818) | (198,700,678) | (164,481,408) |
| % of sales | (33.92%) | (66.35%) | (48.55%) | (42.34%) | (27.03%) |
| Income Tax Expense | 4,374,757 | 6,413,745 | 6,321,917 | 3,338,473 | 3,477,864 |
| % of sales | 1.60% | 2.56% | 1.82% | 0.71% | 0.57% |
| Net Profit (Profit after tax) | (88,641,137) | (159,529,611) | (162,239,901) | (199,299,884) | (160,940,131) |
| % of sales | (32.32%) | (63.79%) | (46.73%) | (42.47%) | (26.45%) |

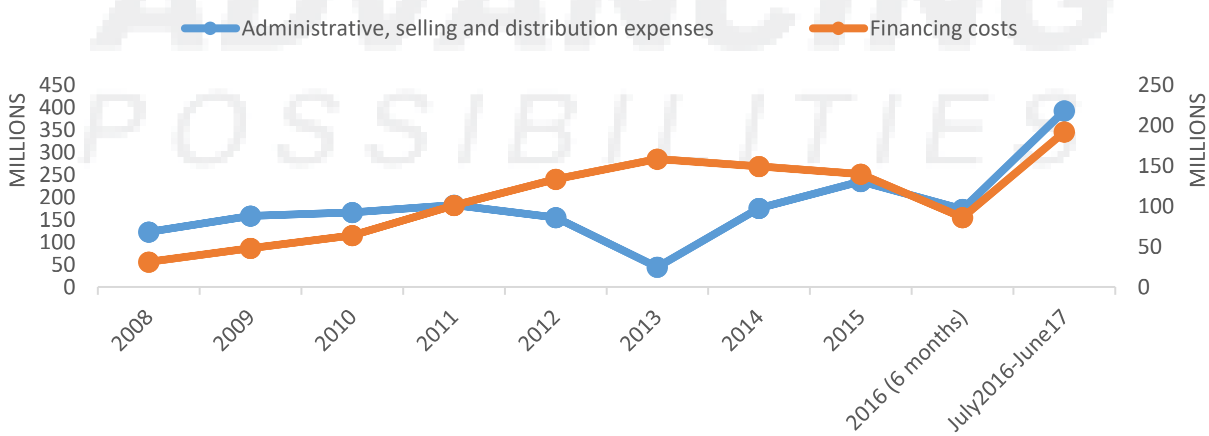
| Year | 2013 | 2014 | 2015 | 2016 (6 months) | July2016-June17 |
|---|---|---|---|---|---|
| **Vertical Analysis** | | | | | |
| Revenue | 625,781,505 | 758,528,431 | 907,382,911 | 946,305,391 | 3,543,142,302 |
| Cost Of Good Sold | 496,797,238 | 600,209,855 | 705,053,846 | 762,358,347 | 3,086,422,733 |
| Cost Of Good Sold as % of sales | 79.39% | 79.13% | 77.70% | 80.56% | 87.11% |
| Gross Profit | 128,984,267 | 158,318,577 | 202,329,065 | 183,947,044 | 456,719,569 |
| Gross Profit as % of sales | 20.61% | 20.87% | 22.30% | 19.44% | 12.89% |
| Administrative, selling and distribution expenses | 44,373,226 | 175,368,777 | 235,093,349 | 172,991,822 | 392,148,527 |
| Administrative, selling and distribution expenses as % of sales | 7.09% | 23.12% | 25.91% | 18.28% | 11.07% |
| Other Income | 8,415,800 | 5,861,202 | 12,377,161 | 13,147,769 | 19,963,159 |
| Other Income as % of sales | 1.34% | 0.77% | 1.36% | 1.39% | 0.56% |
| Operating profit | (6,973,159) | (11,188,998) | (20,387,123) | 24,102,991 | 84,534,200 |
| % of sales | (1.11%) | (1.48%) | (2.25%) | 2.55% | 2.39% |
| Financing costs | 158,300,341 | 149,222,242 | 139,896,739 | 85,821,409 | 191,800,259 |
| % of sales | 25.30% | 19.67% | 15.42% | 9.07% | 5.41% |
| Profit before tax | (165,273,500) | (160,411,240) | (160,283,862) | (61,718,418) | (107,266,059) |
| % of sales | (26.41%) | (21.15%) | (17.66%) | (6.52%) | (3.03%) |
| Income Tax Expense | 2,870,630 | 2,293,169 | 2,754,777 | 8,493,398 | 21,852,502 |
| % of sales | 0.46% | 0.30% | 0.30% | 0.90% | 0.62% |
| Net Profit (Profit after tax) | (161,212,853) | (158,139,232) | (155,719,973) | (64,289,328) | (117,417,995) |
| % of sales | (25.76%) | (20.85%) | (17.16%) | (6.79%) | (3.31%) |

If we compare the changes in Gross profit and Net profit of 'ACI Foods' throughout the years,




From the graph it is visible that though in the beginning ACI Foods had a good start but gradually its Net profit is going down. However, it has always been operating in Net loss. May be for the early stage it is bearable but as it has been almost 12 years 'ACI Foods' operating business its high time it should reach to at least break even point. Looking at the Gross profit it is not that dissatisfactory rather it's in upward trend but may be the other operating costs are the driving reason behind the Net profit being negative.

For the validation of Net profit being negative, we analyzed the trend of operating and financing expenses,




Here, the data shows that both the administrative and financial cost has an upward trend. As 'ACI Foods' has not been able to reach the breakeven till date they should more focus on minimizing costs and increase revenue.

**Competitors Price Analysis**

Price has a major impact on the purchase behavior of every customer. In order to know ‘ACI Foods’ position in terms of its competitors, I have prepared a price comparison analysis of different products.

**Basic Spices (200gms)**

| **Brand Name** | **Chilli Price (BDT)** | **Turmeric Price (BDT)** | **Coriander Price (BDT)** | **Cumin Price (BDT)** |
|---|---|---|---|---|
| Rahuni | 86 | 85 | 55 | 155 |
| Pran | 90 | 80 | 65 | 190 |
| Fresh | 88 | 76 | 55 | 158 |
| Pure | 90 | 80 | 65 | 160 |

**Rice Bran oil (5 liter)**

| **Brand Name** | **Price (BDT)** |
|---|---|
| ACI Nutrilife Rice Bran oil | 650 |
| Fortune Rice Bran | 540 |
| Ifad Soild Gold Rice Bran oil | 587 |
| PRAN Rice Bran oil | 620 |
| AMBOCL Nature Fresh Rice Bran oil | 620 |

**Soybean Oil (5 liter)**

| **Brand Name** | **Price (BDT)** |
|---|---|
| ACI Pure Soybean Oil | 540 |
| Fresh Soybean Oil | 505 |

| | |
|---|---|
| Rupchada Soybean Oil | 550 |
| Veola Soybean Oil | 467 |
| Teer Soybean Oil | 505 |

In all the above cases, we see that the price of the products of 'ACI Foods' is comparatively higher. Considering the market situation in terms of spices, 'Radhuni' which is the market leader currently prices lower than 'ACI Pure' spices. This might be one of the several reasons behind low customer response. Same situation is visible in terms of Rice Bran Oil, Soybean Oil, Chanachur etc. However, they might be providing higher quality products but they also need to consider the Price effects.

## 5. Findings of Study

- Almost 61% of the customers I surveyed said they never used any product of 'ACI Pure' or 'Fun'. If 61% of 70 customers didn't use their product we can assume what would be the situation on a larger scale. However, it's also visible that those who used their products, most of them have been using them for quite a long time. Therefore, we can say that if they are able to attract customers it's more likely that they might become their loyal customer.
- Among all the products of 'ACI Foods' most of the people are buying Oil or 'Fun' confectionary items. But the number of customers using and retailers storing 'Pure basic spices' is low in number. In terms of and 'Pure mixed spices' the situation is not favorable.
- The customers who don't use any products of 'ACI Foods' indicates 'Other brand preference' and 'less availability' as the main driving force behind this. When the retailers were asked about the reason for less availability they pointed 'less demand' as the root cause.
- About the quality and the price of the products of 'ACI Foods' most of the customers have rated these as average. So, in the competitive market if ACI Foods wants to increase its customer satisfaction they have to focus on these two areas.
- In terms of usage of packet spices 67% of 70 customers said they prefer 'Radhuni', 20% uses 'Pran' and other uses the rest. If 'ACI Pure spices' want to increase its customer base

they have to compete with 'Radhuni' which is capturing a greater portion of the powdered spice market.

- Though most of the customers use packet spices, there are still some customers who uses 'khola moshla'. The number is 8 among 70 customers, so we can have an idea about the scenario on a large proportion. That indicates there is still a portion of market which ACI Pure Spice can capture but they need to come up with some new marketing and promotional strategy.
- When it comes to 'Chanachur', again 'Ruchi' and 'Bombey Sweets' is preferred by 48% and 33% of 70 customers. Here, the customer preferring 'Fun' is only 3% of 70 customers. Still it has a long way to go.
- Some customers have also mentioned that they were not aware about different products offerings of 'ACI Foods' such as 'Fun' chanachur, Pure mixed spices etc. However, the price that 'ACI foods' charges is higher than that of its competitors. This is one of the reasons of their low customer base.
- The customers are less aware about their products and offerings. Thus they need to work on their promotional activities.
- Among the retailers there are 28 retailers who don't have any product of 'ACI Foods' at all. Therefore, some customers have complained about the non-availibity of the products. But if 28 of 45 retailers doesn't have these products the percentage can be much higher than this on a greater extent.
- The retailers have also pointed out that they don't get that much offers or discounts for selling the products and due to more customer demand they prefer to store other brands.
- Some of the retailers we talked to said they distributors of 'ACI Food' products' doesn't come to their area. Hence, they don't have their products stored.
- For the last 10 years analysis shows that they haven't received profit yet. Though their Gross profit is positive but due to other high operating expenses they are losing profit.

# 6. Recommendations

- **Promotion and TVC:** The major point where 'ACI Foods' should more focus on is Promotions. Most of the customers interviewed complained that they don't have any awareness about this brand which is one of the major reason of theirs losing customers.

They can sponsor some events as they are already doing some but it has to be in a greater scale.

- **Improve quality and minimize price:** As the consumers using their products rated the quality as average so they should try to improve the quality more to retain that customer group.
- **Discount Offers:** As the customer base is not that strong for 'ACI Foods', they can give some discount or promotional offers. Thus the customers might get a chance to try their products and if they are satisfied enough, they might start using these.
- **Strong distribution network:** According to some of the retailers, retailers don't come to their shop which indicated there might have some limitation in the distribution network. Thus, it needs to be improved.
- **New products offerings:** They should conduct market survey about the customer demand and need. Based on that they can try to come up with new products to attract new customer base.
- **Lot discounts:** Many retailers complained about they don't get incentives or lot discounts that much. In the competitive business world for attracting more retailers, they can offer more incentives, promotional offers, lot discounts etc.
- **Create awareness about brands:** From the study it was visible that many customer did not have any idea about their product existence, quality and taste. That's one of the reason they are losing a portion of customer base. They can some free samples of some products in shopping malls. If the consumers who did not have idea about these products like the quality and taste there is a possibility that they might become their loyal customers.

# 7. References

[1] Aci-bd.com. (2018). *ADVANCING POSSIBILITIES / ACI Limited*. http://www.aci-bd.com/

[2] Eblsecurities.com. (2018). http://www.eblsecurities.com/AM_Resources/AM_ResearchReports/SectorReport/FMCG%20Industry%20Review%20of%20Bangladesh.pdf

# 8. Appendix

**Customer Survey**

This survey aims at analyzing the current market response of ‘ACI Foods’ as a part of Internship report. All the response will be kept confidential and it might help in future development and findings.

1. Have you ever tried any product of ACI PURE or FUN brand?

- Yes
- No

2. If yes, how long have you been using these products?

- Less than one month
- Almost 6 months
- 6 months- 1 year
- 2 years and more

3. Based on your experience, rate your satisfaction level

- Extremely satisfied
- Somewhat satisfied
- Neither satisfied or dissatisfied
- Somewhat dissatisfied
- Extremely dissatisfied

4. Which products you usually buy?

- Pure basic spices
- Pure mixed spices
- Pure Oil
- Fun snacks
- Fun confectionery

5. Rate the Quality of FUN and PURE products on 1 to 5

6. Rate the Price of FUN and PURE products on 1 to 5

7. How likely you would recommend this brands to your family and friends?

- Highly recommended
- Recommended
- Not recommended at all

8. Why you don't buy/use ACI food products?

- Low quality
- Less awareness about the brand
- High Price
- Less availability
- Other brand preference

9. Which of the following spice brands you prefer to buy?

- Radhuni
- Pran
- BD
- Sajeeb
- Rani

10. Why you prefer that particular brand?

11. Which of the following snacks brands you prefer to buy?

- Ruchi
- Pran
- BD
- Bombey sweets
- Golden Harvest

12. Why you prefer that particular brand?

13. Do you have any suggestions for ACI Foods?

**Retailer Survey**

1. Do you store ACI Foods products?

- Yes
- No

2. If yes, which items of ACI foods you prefer to store?

- Pure basic spices
- Pure mixed spices
- Fun confectionery items
- Fun snacks items
- Edible oilAll of them

3. If NO, why you don't store them?

- Low Demand
- Weak distribution
- Low margin
- Less promotional offers/ Discount

4. Which of the following is the spice brand you prefer to stock?

- Radhuni
- Pure
- BD
- Sajeeb
- Pran

5. Which of the following is the Confectionery, snacks brand you prefer to stock?

- Ruchi
- Fun
- BD
- Sajeeb
- Golden Harvest

6. Does ACI food products offer any lot discounts or promotional offers?

- Yes
- No