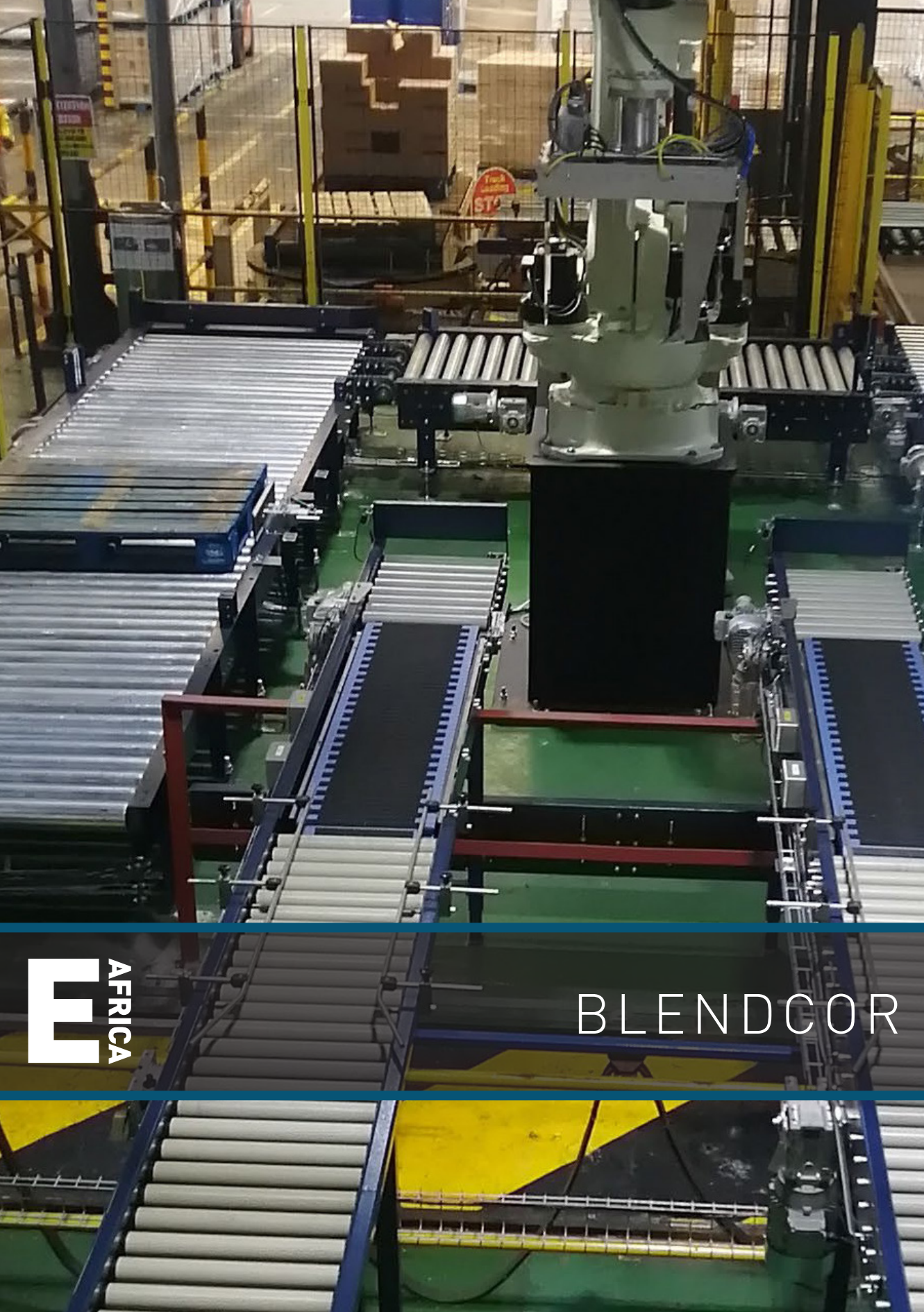




E AFRICA

BLENDCOR





BLENDCOR

Smooth Strategy for Cost Competitiveness

PRODUCTION: **James Davey**

A JV between Shell and BP, formed in 1992, continues to promote product excellence and high-quality South African manufacturing from its home in Durban. Creating lubes oils, and greases for the automotive, mining, and energy sectors, Blendcor is an African industry leader, and the CEO is optimistic about the future...

INDUSTRY FOCUS: AUTOMOTIVE



In Durban, southern Africa's import/export hub, a Shell/BP joint venture remains vital for the local economy while contributing heavily to wider South African society.

Blendcor is the lubricants, oils, and grease business of the two international majors, and has been producing high quality products – through various identities - for more than 60 years. Focussed on automotive, mining, and energy related products, Blendcor products drive industry in South Africa, helping to keep people and businesses moving, supporting opportunity creation, and assisting in keeping the country's lights on. The company blends a wide range of products and fills multiple lines for its shareholders.

This local business has been working in South Africa since 1956, in the Port of Durban, alongside other major industrial players, Blendcor is perfectly positioned to service both the local and export markets.

In South Africa, if you stop at

any Shell or BP garage to top up with oil or engine lubricant products, the chances are that anything you buy will come from Blendcor in Durban. Increasingly, the company's products are being sent out to southern Africa too, with both Shell and BP keen on strengthening presence in the region.

But challenges at the plant and around the world have called for new, modern strategies to breathe fresh life into the business which has so much potential. Top of the agenda for Blendcor is cost competitiveness.

MODERN STRATEGIES

Growing manufacturing and automotive sectors demand engine oils and greases and this provides an opportunity for Blendcor as key player in the lubricants business - with electric vehicles yet to gain significant share in South Africa. Demand for transmission and hydraulic fluid, gear oil and grease, and food-grade lubricant continues to drive market development.

Blendcor is at the heart of this interesting but competitive industry, with more than 285 people producing more than 180 million litres of lubricants and 8-12 kilotons of grease each year across 700 SKUs and 150-170 grades and pack sizes, as the largest blending facility in Africa selling direct to the market.

Overall, industry commentators expect modest growth in the coming years – something which CEO Wonderboy Cele wants to ensure Blendcor keeps a share of.

"Our 53,000m² location is very strategic from both an import and export perspective, in Island View, right at the harbour," he says.

He tells Enterprise Africa that the company recently re-strategised and is now working with a set of key pillars in mind.

"We have had to review the asset purpose and develop a new strategy plan, with a new vision and a couple of focus areas, to

improve its competitiveness and safety standards," he says.

This inventive and ambitious leader has a comprehensive understanding of Blendcor, having worked his way through various roles in the business.

"We now have a new five-year strategy with key focus pillars, to respond to the current high-cost pressure environment," he begins. "One is sustainability, which is always good business, second is responding to the Fourth Industrial Revolution in terms of automation to drive operational efficiencies, third is cost competitiveness and forth is our people."

GLOBALLY BENCHMARKED

Blendcor is globally benchmarked against Shell and BP blending facilities around the world and this makes it vital for the company to operate competitively in the market.

"The traditional approach when it comes to cost competitiveness always has jobs cuts as priority," says Cele. "For us, we look at a holistic approach with high focus



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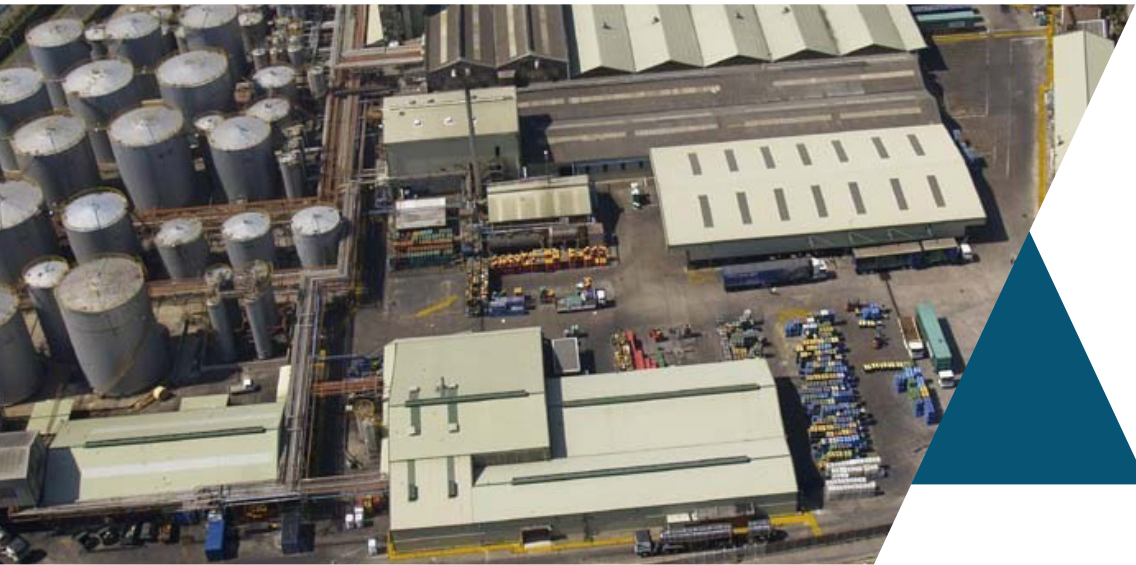
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on sustainability and operational efficiencies as key vehicles for cost competitiveness. We have reviewed our approach to Capex. We use Capex spend as a tool to offset Opex by investing wisely and strategically."

Retaining valuable skills and expertise is a priority for Cele and the company in a country with high unemployment – "we must find a balance between Fourth Industrial Revolution demands and unemployment while maintaining cost competitiveness," he says.

Personally, Cele is tied to the success of Blendcor having started with the company 15 years ago on a learnership programme and progressing through different departments to eventually become CEO.

"My story is an inspirational one and is a true testimony to Blendcor's commitment to people development,"

he smiles, remembering his start in the business as a graduate in grease operations as an operator.

"From there, I became a grease technologist before moving across to production and becoming production unit manager. I then decided to diversify, moving into continuous improvement, and focusing on waste elimination across the plant through the application of lean six sigma principles. That gave me a broader view of the business before I moved into procurement and planning, and then becoming Head of Operations. I am now the CEO of the organisation, so from an operator through to CEO, I can say it is a delightful story to tell."

High on his list of priorities is collaborating with people to ensure the company employs a robust HR strategy, which he believes will drive further cost competitiveness. Following the Covid-19 pandemic, market dynamics

have shifted drastically and the resultant impact on the workforce has been hard-felt in traditionally labour-intensive organisations like Blendcor.

"With the pandemic and what automation is doing in terms of labour dynamics, you will find that, there will be a lot of people going through the process of automation, and there will be abundance of job losses. But there will also be new jobs created through automation and the Fourth Industrial Revolution – we have seen this before."

This is why people strategies matter so much: "In the not-so-distant future there will be massive availability of skills with high competition for talent and people not staying for a lengthy period in one role or one organisation. There will be job-hopping as there will be an abundance of skills. So, we must make sure we have a very robust people agenda focusing on succession and talent retention. That means clear developmental plans for people and clear critical role cover across the organisation. We must retain talent or always have a strong pipeline – that is a key focus area for us based on what we see in the industry right now," he states.

// BECAUSE WE ARE SO STRATEGICALLY
LOCATED FOR SUPPLY TO SOUTHERN AFRICA,
IF WE BECOME COST COMPETITIVE, THERE IS
MASSIVE OPPORTUNITY FOR GROWTH //

COST COMPETITIVE

Keeping highly experienced and knowledgeable people in the business, and tapping into the expertise that comes with that, alongside the introduction of modern technology and automated equipment will allow Blendcor to grow and serve its shareholders with maximum efficiency. Referring back to the core pillars of the new business strategy, Cele is always looking for improved cost competitiveness in every decision taken.

"For us, being cost competitive will drive growth. Our strategic position and location to supply to southern Africa, is also a massive opportunity for our shareholders to grow their market share in Africa."

The company through its shareholders has a distribution

channel into southern Africa and the lubricants market for the continent is expected to increase significantly 2029 as the automotive industry blossoms. Currently representing just 6% of the total global market, Africa – with its growing consumer purchasing power – brings opportunities.

"We are looking forward to being part of that growth curve," reiterates Cele.

WIN-WIN-WIN

As it grows, Blendcor - as one of the country's leading blending plants with internationally renowned shareholders - understands its responsibility as a leading corporate citizen in South Africa and is keen on upping its local value chain contribution. By bringing more local manufacturing and local companies into production, Blendcor

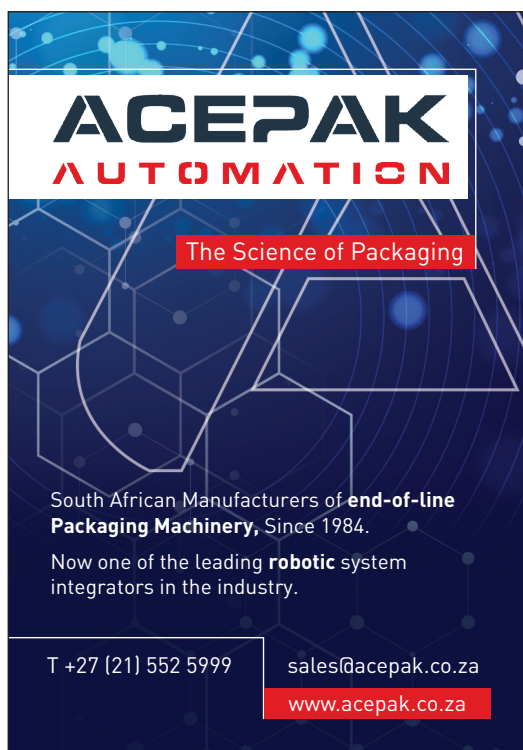
can contribute directly to economic development while at the same time addressing its own costings.

"We took from the pandemic that you must find the right balance between local supply and what gets imported," explains Cele. "It is important for the South African supply chain to start re-evaluating itself and developing internal capabilities around local supply to improve and directly contribute to local economy."

He highlights a local partnership with Fullimput, a supplier of speciality pf packaging material. "We have grown massively in the 10 years together. As a key player in our value chain, Fullimput plays a key role in assisting Blendcor to maintain quality standards, which are not traded off due to consideration of cost or production demands - they do this by supplying excellent quality packaging material - and being a world-class lubricants manufacturer producing quality product at a competitive cost is key. They do this by collaborating closely with us as our key packaging supplier to achieve and improve common quality goals."

Exposing local suppliers and organisations to the high-quality standards set out by Shell and BP, and delivered by Blendcor, is of major benefit the wider industry and will only lead to quality enhancements. With a burgeoning market and a requirement for continuous improvement, this is a strong offering from an industry leader.

As Blendcor aims to achieve its vision - delivering excellence in customer service through borderless thinking, innovation & teamwork - and improve cost competitiveness, developing a more self-sufficient South African industry will be an inevitable outcome - it's win-win-win for shareholders, economy, and company. **E!**



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AS FEATURED IN
ENTERPRISE AFRICA
JULY 2022