

# Success hits sweet spot for local firm Aalst Chocolate

It has grown from a pioneer manufacturer in 2003 to a global business producing 30,000 tonnes of chocolate yearly

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**D**ON'T be surprised if you see brightly coloured boxes of Singapore-made chocolates on the shelves of local supermarket chains one day. These are manufactured by Aalst Chocolate, the first Singapore-owned and managed chocolate manufacturer.

## Chocolate from home

Richard Lee founded Aalst Chocolate in 2003 after working in the cocoa and chocolate production industry for 18 years. Prior to setting up Aalst Chocolate, Mr Lee was the business development director for a leading chocolate manufacturer in Asia, and was country representative for a leading Japanese Food and Beverage (F&B) business in Myanmar.

Back then, almost all chocolates in Singapore were imported. Inspired to build a home brand of chocolates that Singaporeans could be proud of, Mr Lee left his job to become a pioneer in Singapore's chocolate manufacturing industry together with his wife Connie Kwan and several other colleagues.

Mr Lee and Ms Kwan now act as chief executive officer and chief operations officer of Aalst Chocolate respectively. Together, the management team brings more than 40 years of experience and knowledge in the F&B industry to the company.

So far, the company has focused on manufacturing chocolates for the industrial and food service sectors. Their industrial chocolate brands, Aalst Industrial and Cacao Ivory, serve familiar consumer brands such as Dunkin Donuts, Lotte and Delifrance. Patisier, their line of chocolates for food service, has also been well received by the industry.

"We focused on producing chocolates for businesses first as bigger customers provide greater sales volume and stability for an SME like us which was just starting out," says Ms Kwan, on the company's business development. "However, we have been branching out to consumer chocolates in recent years. For example, our premium brands Louella and Aalst Black, are catered exclusively for clients through online orders. We are hoping to ex-

pand our consumer chocolates business through our Aalst Chocolate brand, this year," she added.

## Singapore's strategic location

With more companies relocating to markets with cheaper operational costs, one may wonder why Aalst chooses to house all its manufacturing facilities in Singapore.

Since day one, the company has been an export-oriented business. Currently, 98 per cent of their sales come from international exports, while the remaining two per cent are domestic. Their decision to base the business in Singapore is because of the island state's pro-business environment and strategic geographic position, which has proven to be an advantage for Aalst.

"The only reason I would move production to another country is to enter into the country's market to become closer to local customers," says Ms Kwan.

Robust legal frameworks in Singapore reassure business owners that their intellectual property rights are well protected. This is of great concern for sectors such as F&B, where recipes and production processes can be easily replicated. As a company that exports 98 per cent of their products, Aalst Chocolate has sought extensive Intellectual Property territorial rights to protect themselves from being embroiled in legal problems in the long term. "Singapore also has an established reputation for food safety, which is exceptionally important in the food manufacturing industry. This provides great reassurance to our customers," says Ms Kwan.

## Uncompromising quality

The team spares no expense at producing the best quality chocolate. With so many players in the chocolate industry, Aalst knows that they are not here to compete on price but with the uncompromising quality of their chocolates.

The company recognises that good quality chocolate comes from good quality cocoa, and goes to great lengths to source raw materials from reputable and sustainably managed suppliers in West Africa and Latin America. Cocoa beans selected are of the highest grades,



A laboratory test at Aalst Chocolate in Singapore. Aalst's manufacturing process is 90 per cent automated with state-of-the-art production facilities. To date, it has invested more than S\$50 million on equipment.

and great care is taken to artfully mix them to obtain unique flavours distinctive to certain regions.

Aalst's manufacturing process is 90 per cent automated with its state-of-the-art production facilities, which can produce a maximum output of 30,000 tonnes of chocolates annually. Their equipment are mainly European-made and used by other internationally recognised chocolate brands. To date, the company has invested more than S\$50 million on purchasing equipment and machinery.

"We seek to become the leading producer of quality chocolate in Asia and a trusted partner to the global food industry," says Mr Lee.

## Mounting challenges

But business had not been always smooth-sailing. Deep capital investments meant that the company was frequently in the red in its early years. When the 2008 global recession hit, the company came close to going under. Thankfully, government measures for businesses to cope with the economic downturn and a bridging loan from local banks allowed them to tide over tough times. The company persisted and eventually became profitable in 2010.

However, with its rapid expansion, human capital acquisition has also become a key challenge for the team. The challenge lies not just in attracting locals, but also in retaining them.

"Local graduates tend to look for jobs in large companies that have better brand names and greater prestige. For an SME like us which most Singaporeans are unaware of, it is difficult to attract locals to join us," Ms Kwan laments.

With its niche core emphasis in R&D and

chocolate manufacturing, the challenge of finding the right talent is even more pronounced.

"Aalst Chocolate requires expertise from specialised domains such as oil and fats. However, few Singaporeans are specially trained in this area," says Ms Kwan. Currently the R&D function has 10 employees, none of them Singaporean. Even then, talent retention is also a problem. In fact, the company faces a high staff turnover rate, where employees typically stay only for an average of two years.

"Working in an SME has its fair share of advantages. While a large company may offer greater prestige and recognition, working in an SME could potentially allow you to work closely with senior management and make a significant impact on the company," added Ms Kwan, encouraging local graduates to consider a career in an SME.

## Milestones and achievements

Despite these challenges, the company has grown over the years to become one of the most successful SMEs in Singapore.

Since its founding, they have received many accolades for their chocolates. In 2007, they were awarded two stars in the iTQj Superior Taste Awards, while they were awarded Gold in the 2014 and 2017 Monde Selection Awards.

More recently, the company has for the last three years been awarded the Enterprise 50 Award, which seeks to recognise the fifty most enterprising privately owned local companies in Singapore. Aalst Chocolate first ranked 29th place in 2014 and moved up to 23rd place in 2015. In 2016, the company was placed 19th.


It does not stop there. Kicking off with the product launch in Singapore in June 2017,

Aalst Chocolate plans to grow its line of consumer chocolates globally. In fact, the team has intentions of selling chocolates to the Middle East to tap opportunities in the gift-giving tradition, such as Ramadan. The company also has plans for an initial public offering (IPO) eventually in the future.

Even as Singapore enters a period of economic uncertainty this year, Aalst Chocolate remains optimistic about the launch.

"Aalst has high hopes for the Singapore market," says Ms Kwan. "We want to create chocolates that represent Singapore's safe and trusted image – a chocolate that all Singaporeans can be proud to call our own."

■ The writers are students from NUS Business School



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This series is part of the Enterprise 50 Educational Project between the E50 partners and the NUS Business School. Aalst Chocolate was among the winners in 2016. The annual E50 ranking is co-organised by *The Business Times* and KPMG, sponsored by OCBC Bank, and supported by Spring Singapore, IE Singapore, Singapore Exchange and Singapore Business Federation.