



FRIESLANDCAMPINA CHINA

Heritage, Value & Quality That Mothers Trust and Appreciate.

Dutch milk giant FRIESLANDCAMPINA is attracting rich applause from its China markets. SAW CHOOI LEE, Managing Director in China, speaks on Friso, the caring put into each step from Grass to Glass and uncovers the intrinsic royal quality.

FrieslandCampina is a relatively new comer to China. Yet, its popular brand Friso is gaining a quality of goodwill and market applause few rivals can claim. Why?

"Quality, sincerity and sustainable partnership," says Saw Chooi Lee, the company's managing director in China.

"Quality because FrieslandCampina controls the total quality chain ensuring best value at every point from the grass to the glass. Sincerity, because FrieslandCampina is a co-operative meaning, the dairy farmers themselves co-own the company ensuring our consumers get the best quality of milk and the farmers get a fair price for their yield. Distributors and retailers are treated just as fairly. Sustainable partnership because FrieslandCampina is much more than just a great milk seller. We are about educating mothers to supply quality nutrition to children when they need it most i.e. in their formative years. We do this most effectively by maintaining a crystal clear channel of transparency across every aspect of our business. Today, the batch number on a tin of Friso tells you everything you need to know about the contents of that tin. So basically, quality of the product and this high degree of transparency has resulted in the sustainable partnership that we are



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successfully building with our consumers in China."

As early as 1992, Friso milk powder was introduced into China marketed by Swiss Edward Keller. At the end of 2008, Royal FrieslandCampina Company established the Shanghai branch called FrieslandCampina Trading (Shanghai) to better service directly the China mums. Currently Friso market a series of Friso infant/toddler formula, including Friso-

mum (for pregnant & lactating mothers), Frisolac (0-6 months), Friso 2 (6-12 months), Friso 3 (1-3 years), Friso 4 (from 3 years onwards) and is available in major cities.

In Love with Friso

Steady, sustainable, pragmatic growth is the way forward if we are to be one of the top market leaders by 2015 says Saw. The strategy is to grow by word-of-mouth.

"Baby food isn't an impulse product so though we have great visibility in baby supermarkets and neighbourhood stores, our main efforts remain on educating and forming a partnership with mothers and mothers-to-be, using forums, mama-classes, social channels and other parent-friendly media."

"Our purpose is not just to sell good milk, but to alleviate the joys of motherhood. We provide these young mothers with quality advice on how to bring up a baby hygienically and make the right choices for their child."

"Our central mission is to add value to lives, provide children with top quality nutrition which will prepare them for the challenges of adult life. To do this, you need to have a genuine love of people. Sincerity of purpose is vital and that purpose must be the fortification and enhancement we bring to our consumers and everyone involved in the caring process of what we call, from grass to glass!"

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"This just shows that our products are made by parents, for parents! You can't beat the care that goes into it when you operate on this model," says Saw adding that as a leader of the Dutch dairy industry, FrieslandCampina Dairy Group, the only dairy company to hold the "royal" title, presents a unique Dutch Dairy Heritage, which has been the subject of roadshow well received in Shanghai, Beijing and Chengdu.

"In the Dairy Heritage Exhibition, participants were intrigued by the Cooperative business Model of Dutch Dairy Farming, where farmers jointly process all their milk and bring it to consumers all over the world through their company: Royal FrieslandCampina."

World Class Quality

There's an interesting story here, Saw says. "In the early stage of FrieslandCampina's development, due to absence of refrigerators and other refrigeration facility, the company regulated that milk must be sent out before deterioration. To ensure milk quality and its sale, dairy farmers participated in cooperative dairy organizations all over Netherlands, which not only guaranteed more rights of dairy farmers, but also milk quality at the same time.





Then many small and medium sized dairy enterprises joined and gradually developed into the world's largest cooperative dairy company, which is co-operated and co-managed by more than 14,800 European dairy farmers. So the dairy farmers are actually the shareholders of the company.

"Dairy farmers are not only farmers, but more entrepreneurs and shareholders," explains Saw. Under the operation of this unique business model, from dairy farmers to the management, everyone is the owner of the company who is fully responsible for milk processing, production, and sales, and enjoys the benefit from the company performance. This is

really unique with 20,000 professionals in all relevant disciplines are employed to manage and run the company.

"This kind of cooperative management mode inspires everyone to work in the best interests of the company at all times to ensure stable quality of the milk powder. Managing the farm as a shareholder and making it a family business from one generation to another allows farmers to inherit abundant milk manufacturing experience."

Days Ahead

According to Saw, with the rising incomes and growing middle class in China demanding higher quality products,

FrieslandCampina is well-poised to exceed consumers' expectations.

"Chinese culture is closely linked with trust and family values, and already our sales is increasing faster than the market growth thanks to referral business. Mothers seeing how good our quality is are referring Friso to their friends and this is the best sort of growth any brand can hope for. On the basis of this market acceptance, we are looking at increasing our distribution points by expanding to more cities and introducing new innovations like milk for kids with special needs, new pack formats and new sizes."

"The key is to continue to listen to the China consumers and respect their needs as one cannot be successful unless local markets respond positively.

In FrieslandCampina, we regularly interact with China mothers using social media and also customer relationship management programs.

Besides this, our effective trade programs with stable pricing has also earned the trust of distributors and retailers.

"As the largest dairy cooperative in the world where each farmer is also a shareholder of company inspires everyone to work in the best interest of the company at all times to ensure stable quality of the milk powder, we're optimistic about the opportunity in China, concludes Saw. ■

For additional information please visit www.frieslandcampina.com

Success of Co-operative: Entrepreneurship

RONALD LUIJK, Manager Chain Innovation of FrieslandCampina says, "the owners of FrieslandCampina have the main aim to hand over their family farms to their children and grandchildren. As entrepreneurs, they know they have to innovate continuously to stay ahead. To make cows much healthier in the aim of ensuring abundant nutrition of raw milk, all Holstein cows enjoy nutritious ryegrass in Royal FrieslandCampina member dairy farms, and are sometimes brought by dairy farmers to participate in the 'Cow Fashion Model Contest'.

"The Dutch government sets strict rules for space and light in cowsheds, and dairy farmers must be in strict compliance with animal welfare regulations during cow transportation. In the Netherlands, each cow has its own tag and electronic collar that records various physiological indicators. During milking, the automatic monitoring system will provide important information of the cow like daily milk yield and quality."

"At FrieslandCampina, we believe that outdoor grazing for dairy cows is important. We have various ways of encouraging our farmers to let their cows graze outdoors. A happy and healthy cow produces good milk. It starts with the cows having enough room to move, space to lie down, plenty of fresh air and good nutrition. All our member dairy farmers in the Netherlands, Germany and Belgium can take part in our outdoor grazing programme. Farmers whose cows graze for at least 120 days a year and for at least six hours a day receive an incentive payment. Independent monitoring organisations check whether our member dairy farmers are in fact allowing their cows to graze outdoors.

FrieslandCampina's investment in quality therefore shines through and the brand is earning China market's trust. One such recent award in 2011 was from the largest Chain of Baby Dept Store in the North of China called Leyou.

Leyou is in 9 cities with 200 stores and 9000 Leyou consumers have voted the brand as the most reliable IFT brands.

Other awards received include "Best Word of Mouth brand in 2010 via Parents Magazine, one of the leading parenting magazine targeting premium mums and "Zero negative news by www.qinbei.com on 2010" negative news count of IFT brands in China.