

Milk teeth

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Abstract

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A less than perfect business

The Romanian consumer milk market mirrors closely the current standard of living in the country. Last year, barely 1.5 billion litres were sold, spread across the following three major types of milk:

- UHT (ultra high temperature) milk
- pasteurized milk which, together with UHT milk, amounts to around 10% of the total quantity of consumer milk sold in Romania
- Unprocessed (raw) milk which is rather unhealthy, but nevertheless traditionally popular, as it still represents 90% of all the milk sold in Romania.

This third type of milk ensures the basic income of many individual producers and is completely ignorant of, as well as insensitive to, modern trading techniques such as branding. The UHT and pasteurized milks are the turf of a relatively small number of processing companies. Genuine brands only exist in the case of UHT milk, probably

as a result of a higher retail price that is able to support a decent marketing budget. The only brand of (cheaper¹) pasteurized milk sold under a nationally-distributed brand, Oké!, faces stiff competition from local and regional producers that dominate their respective markets.



Apart from consumer milk, the Romanian dairy products market is fairly diversified, but there are very few players that can claim leadership in more than one product category. The giant Danone is an active competitor on the fresh dairy product market—i.e. yoghurts—alongside a similarly large company, Campina².

¹ Packed in plastic bags, pasteurized milk is twice as cheap as UHT in Romania.

² Campina products are manufactured in Romania by Covalact, which also produces and sells dairy products under its own brand name.



Germany's Hochland focuses on processed cheeses, where it competes against the Swiss-Romanian Dorna Lactate and the Dutch-owned Friesland. These latter two competitors are among the few companies that proved successful in several categories at the same time: consumer milk and dairy products in the case of Dorna Lactate and consumer milk, dairy products and fresh milk products in the case of Friesland. As far as UHT milk is concerned, the all-Romanian Albalact is a recently successful competitor of the more established Dorna Lactate and Friesland.

Furthermore, one should not oversee that a major international company, Parmalat (the Italian giant that is facing serious financial problems), has recently left the milk products market. Parmalat started importing UHT milk in Romania in 1997, but now it is only active in the fruit juices sector. By dropping from the competition, Parmalat proved that, regardless of how strong and well-established a brand is, its success cannot rely solely on its own equity, but it also needs a healthy business relationship with its market.

With regard to Friesland Romania, Dorna Lactate and Albalact, a brief look at their UHT milk brands and the way they manage them can yield valuable insights into the way these companies plan to approach a market which will undergo significant changes in the near future³.

Friesland: Milli and Oké!

Friesland Romania SA, a branch of giant Friesland Coberco Dairy Foods, is the biggest producer of consumer milk on the market. It currently manages two important brands: Milli and Oké! (both imported to Romania from other Central European markets where the company is involved, namely the Czech Republic, Slovakia and Hungary). These two brands cover milk, fresh and cheese products. Some of Friesland's fresh products are also sold under the local Napolact trademark.

Friesland's brand management in Romania obviously testifies about the limitations of a low budget, yet the high market penetration and excellent distribution that their products enjoy place Milli and Oké! among the best known dairy brands in Romania. The company has made minimal efforts to position Milli as an intermediate brand providing UHT and pasteurised milk, as well as fresh products that offer excellent value for money—and Oké! as a budget brand featuring cheap pasteurised milk and cheese.



³ Given Romania's planned accession to the EU in 2007.

The corporate and verbal identity elements are among the few indicators of Milli's position in the market. The brand name is an original, proprietary one; it has familiar, diminutive and soothing connotations in Romanian, conveying closeness and familiarity. Although very simple, the Milli logo manages to promote a joyful, convivial and fresh image, featuring product-specific monochrome palettes and a logotype that employs modern, informal, highly condensed and vividly colored capitals (four bold and bright shades of blue, yellow, green and red). Unfortunately, Milli's packaging does not follow along the same lines as the logo – it sins by either blandness or by sheer illustrative scarcity⁴.



Oké! makes Milli look “rich”. Its artificial, exclamative name is an idiosyncratic transliteration of the English word “OK” that attempts to inject liveliness to the brand in an even less sophisticated way than Milli. The modern but cold sans serif logotype uses a single dark hue of blue, while its products ‘enjoy’ monochrome palettes that are even simpler than Milli's. In fact, the entire design style is simplistic, with large colored shapes and barely any illustration, which qualifies Oké's packaging as ‘minimalist’ at best.

It seems that no real sweat has ever gone into promoting the Milli and Oké! brands on a national scale in Romania. Therefore, Friesland does not tell Romanians anything about the two stable mates, choosing instead to let Milli

and Oké! create a name for themselves based solely on their mutism, ubiquity, quality and price. Moreover, Friesland's local brands such as Napolact do not seem to be considered by the company as starting points in the development of new brands, despite their recently outgrowing a strictly regional status in terms of distribution and market interest.



Dorna Lactate: LaDorna

Another important player on the Romanian dairy market is Dorna Lactate, a company with both Romanian and Swiss capital. It owns the LaDorna brand, (created and developed *in-house*) with a well-defined brand architecture that spans across the cheese⁵ and consumer milk markets. The LaDorna brand benefits from significant brand management efforts and an appropriate marketing budget. The UHT milk sold under this brand is actively promoted country-wide, mainly through ATL and sponsorships.

LaDorna positions itself as a premium, classic and mature brand. Its strong identity⁶ speaks volumes of the clear benefits that a clear vision can provide if applied consistently and in the long term. An arbitrary name created by juxtaposing a preposition and a proper noun, LaDorna is perceived by the Romanian audience as indicating a precise geographical location⁷. Needless to say, the brand capitalises on all implicit positive connections that customers

⁴ Breaking news: Milli's brand identity has just been refreshed, with a new, less-colored logotype featuring an asterisk and better typography (see Figure 4), and with livelier illustration sporting floral motifs. The new brand identity is being soft-launched and it peacefully co-exists with the old one on retail shelves countrywide.

⁵ Together with Hochland, LaDorna dominates the Romanian cheese spread market.

⁶ Not limited only to visual and verbal elements

make with that location when exposed to the name. At the same time, the foreign consumer perceives LaDorna as a Romance feminine noun with a mark of definiteness. The high quality LaDorna logo suggests both the animal source of its products as well as their alpine origin by means of the stylised image of a fir tree. The two-color symbol in assorted hues of red and blue that are specific to individual products depicts a stylised cow's head on a triangular shield. The LaDorna logotype uses an elegant, classic typeface, and borrows the dominant shade of the respective product color palette. Featuring a picturesque cow and idyllic landscape, the illustration that adorns the UHT milk packaging is strongly reminiscent of the 19th century Romanian painting style, reinforcing the classical feel of the brand, in conjunction with the operatic choir in LaDorna's radio ads.



In a sign of comparative maturity to its competitors, LaDorna has spawned two sub-brands that target two demographically different audiences: Lăptiță⁸, targeting children 3 to 7 (although it is both more serious and more awkward than Fulga, details below) and Lady Milk⁹, aiming to attract health-conscious women.

Albalact: Fulga

A medium-sized, independent, Romanian company owned by a private investor, Albalact has recently entered the Romanian UHT milk market with its Fulga brand. This company also sells pasteurized milk, fresh products, and cheese, under the brand name Albalact. Thanks to a fast-learning brand management team supported by an appropriate brand communication budget, Fulga enjoys excellent awareness country-wide and has rapidly accumulated a strongly positive brand equity.



Sporting the best defined identity on the market, Fulga is young and dynamic, playful and funnily childish, as well as self-ironic at times. The brand name (which is a proper noun¹⁰) alludes to whiteness, by means of connotations of the Romanian “fulg”, a word that translates as “snowflake”. From a visual standpoint, Fulga is illustration, featuring a logotype and a bovine name-sake, both with a strong yet pleasant

⁷ For several decades, the name Dorna has rung all the right bells to the Romanian public, often outside any financial or economic environments. This reputation has been strengthened even more after 1989 due to the appearance of high-quality consumer brands selling their products under this very same name.

⁸ A diminutive for ‘lapte’ (Romanian for ‘milk’).

⁹ Lady Milk (an extra-calcium milk) is endorsed by a Romanian celebrity, Nadia Comăneci. This choice proves a consistent brand management approach, since LaDorna has long been an active supporter of Romanian sports performance and is one of the sponsors of the Romanian Olympic Committee.

¹⁰ Fulga is used both as a first and second name.

cartoonish feel. Thanks to an intensive and efficient advertising campaign that saw the cartoonish Fulga star in short animated sequences, the company's turnover has already doubled in the last year. Moreover, other products sold under the old Albalact trademark have also started gaining clout as a side effect. Yet the visual identity of Albalact is obviously poor when compared to Fulga, as the logo—featuring a cow sipping milk with a straw out of some sort of a keg—looks incredibly weak and outdated and reminisces of the packaging style of the communist era. Just like Napolact, this antiquated trademark does not seem to qualify as the starting point for an individual brand that would be worthy to stand next to Fulga in a future brand portfolio.



The quiet times are about to end

The annual per capita milk consumption in Romania is much below the European average: 6.7 litres of processed milk, compared to the European average of 65-70 litres. The annual milk production amounts to 5.5 billion litres, out of which only 1.1 billion litres are processed, 1.3 billion litres are sold unprocessed, and a whopping 2.9 billion litres are marked as individual consumption and losses. During the negotiations with the EU, Romania was assigned an annual production quota of 3.3 billion litres of milk, out of which 1.2 billion litres are to be industrially processed.

Given the as yet unexploited potential represented by a large national market that is about to merge with the larger European one, one can safely predict that, by 2007,

Romania's dairy and milk market will attract several large European companies, such as Yoplait and Lactalia, as well as smaller competitors from neighbouring countries such as Hungary and Greece. Yoplait and their Israeli partners at Tnuva already seem keen to acquire production facilities in Romania. On the other hand, Lactalia, Europe's largest dairy producer, already owns several companies in the neighboring Republic of Moldova and is certainly eyeing the Romanian market. And following the merger with the Danish company Arla, the Dutch group Campina is about to become another powerful player here and it may well decide to take over its local partner Covalact so it can more aggressively and consistently develop its Campina brand.

All these new players will undoubtedly display the same brand management skills that have earned them top positions in other European markets. They will also back their branding with production and distribution facilities that will surely match or exceed those of their Romanian competitors. In a dairy market that is slow and barely populated, any newcomers will be prone to build their market shares by eroding others' market shares rather than by expanding the market as a whole. Means to achieve such objectives will likely include aggressive campaigns designed to naturalize and promote strong, well-managed foreign brands. And should they choose to avoid direct confrontation, the newcomers will always be able to make local companies takeover offers that will prove irrefusable. In such a case, local brands that have managed to build significant brand equity will stand a good chance of being preserved (and even promoted to international status), thereby increasing the acquisition value of their owners.

So how do the current consumer milk competitors play their hand, and how should they do it in this context?

Friesland Romania does no real branding, but capitalises instead on brands it created elsewhere: Milli and Oké! have only recently got used to the sound of Romanian cattle bells and they are an implant, not a graft. Consequently, the company will soon need

to reconsider the attention it pays to its brands—be they foreign or local ones—if it wants to maintain its market share under the pressure of new competitors that are truly in the same league.

Dorna Lactate does a good job in managing its brand and investing in it, while developing some competitive advantages with a strong differentiating potential, such as organic farms. The company strategy already seems ready for the future as described in this article: LaDorna is the Romanian dairy brand with the highest chances of enduring and even gaining solid ground abroad, no matter if the owner remains independent or is acquired by a foreign competitor.

Albalact has started to do branding well and focuses on quantitative growth by expanding its production capacity. To sustain its upward trend, Albalact will need to replicate the success of the Fulga brand in the UHT milk market, either by extending the Fulga brand to other dairy products, or by creating brand-new, standalone brands. If it fails to do so, however, the company will become an easy takeover target within the next few years.

Last, but not least, one needs to stress that, nowadays, the Romanian market is underdeveloped due to the low purchasing power and a dire lack of consumer education. The entire Romanian adult population

grew up with, and acquired a taste for, dairy and food products before 1989¹¹. Apart from the size of the wallet, the fact that most people are still used to either the watered-down, no-alternative milk surrogate (that was ubiquitous before 1989), or the “countryside” unprocessed milk (that many still consider to be the only healthy choice), explains why the UHT milk, with its specific, new taste, does not yet rank highly in the country’s adult consumer preferences. None of today’s milk brands invests any noticeable resources into educating consumers about the many qualities—regarding taste and going well beyond it—of processed milk, with the ultimate aim of enlarging their consumer base. Low profit margins do not stand as a viable explanation for this apathy and I believe that such an effort could be a serious opportunity for a brand, either new or existing, to position itself. It may not be indeed that easy to exploit, but it would be based on an objective characteristic of the product the consumer could immediately perceive and gauge.

Therefore, quiet times will soon be over and the wisdom teeth of the new market are bound to come through soon. A healthy approach to branding could help the Romanian dairy industry (and the consumer milk producers in particular) keep all their teeth and gums for many years to come.

¹¹ We will not be able to refer to “an entire post-1989 adult population” before 2007.

About Grapefruit

Grapefruit is a branding and interactive consultancy based in Iasi, Romania. Its client roster includes companies like Connex, HP, Eli Lilly, DDB San Francisco, and the International Corporate and Brand Identity Centre.

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