



**BIICC
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Expanding the market for Ski Queen in Asia



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for the BI International Case Competition
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Introduction

TINE is owned by Norwegian farmers that seeks a safe future (income through volume growth) for themselves and generations to come. The first dairy association was established in Norway in 1881. TINE is set up as a cooperative, so all the farmers within TINE are also part-owners of the company, and are entitled to have their say and share of the profit. TINE's task is to ensure the greatest possible volume of milk at the highest possible price, and the subsequent payment, based on the profit, goes to the owners themselves. This is in stark contrast to our competitors, where the milk price is a cost and the profit goes to shareholders.

Not only do TINE's farmers invest in their own farms and the local community, with the ripple effects generated by milk production, but TINE as a company also invests heavily in rural Norway. Over the past ten years TINE has invested over NOK 11 billion in areas such as Dovre, Storsteinnes, Elnesvågen, Frya, Tretten, Verdal, Jæren, Oslo, Bergen and Trondheim. It is estimated that TINE contributes, directly and indirectly, 25,000 jobs and NOK 20 billion in value creation to Norway.¹

Most of TINE's products are made from Norwegian milk, but milk consumption has declined over the past few decades. TINE's mission is to sell as much Norwegian milk from its owners as possible at the highest possible price and to ensure sustainable Norwegian milk production across the country. TINE is facing significant changes over the next few years to ensure the profitability of Norwegian milk production and the future of the business for their owners. The export subsidy for Jarlsberg® for the international market was abolished in 2020, competition is intensifying in Norway and the level of imports is continuing to increase at a rapid rate. The strategy defines specific goals within efficiency measures to increase competitiveness, the need to generate new growth within Norway, but also a new international breakthrough based on Norwegian milk.²

Milk consumption is declining in Norway. TINE needs to expand internationally to maintain production levels of milk. The milk needs to be produced and processed in Norway and the resulting product exported. Sigmund Bjørge has been put in charge of a project to create new international growth for products based on Norwegian milk. His group is focused on East Asia and their task is explore the market for Norwegian dairy products. They have decided on a pilot project for the product Ski Queen. Ski Queen, or "brunost" (brown cheese) in



Norwegian. This is a unique Norwegian cheese, that tastes like sweet caramel with a smooth texture. This cheese can be enjoyed sliced wafer thin on sandwich and croissants, grated on top of desserts like waffles and ice cream, is ideal in fondue, and is enjoyed as a cheese

¹ Annual report 2020

² Annual report 2020

snack. The most common variant you'll find is Gudbrandsdalsost, marketed overseas as Ski Queen, marketed by TINE as the 'original' brown cheese. It's made from a mix of goat's and cow's milk, with a history that can be traced back more than 150 years. Tine describes the taste as 'rounded and full-bodied'.

Ski Queen is popular in South Korea:

*The unique taste of brunost may be perfectly suited to the South Korean palate, however. "There is a solid tradition for the combination of sweet and salty tastes in our country," explained Heesook Shin from Korea Dairy. Waffle irons are also commonplace in South Korean kitchens. While brunost pizza is a growing restaurant trend, at home it's popular to place a slice of brown cheese in a croissant and then press it together with the waffle iron.*³

Sigmund Bjørgo and his team must decide where to go next in East Asia. He needs to find a new market where Ski Queen will be as successful as in South Korea. And this is where you come in. Your task will be to present with a plan for a pilot project:

- Which markets to choose
- Entry strategy (distributor, sales channels, etc.)
- Pricing strategy
- Marketing strategy (incl. target groups)
- Etc.

Sigmund and his team are looking forward to your proposals.

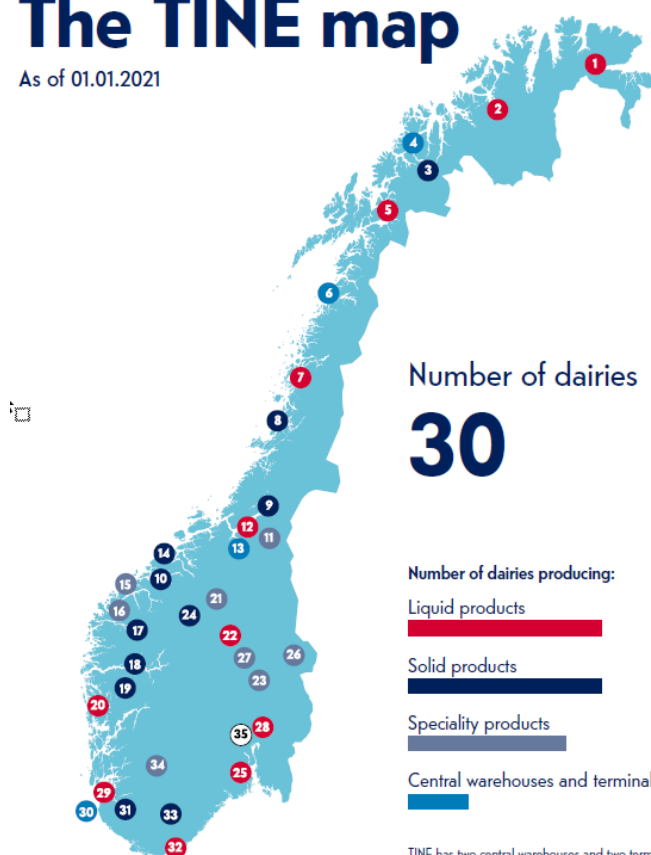
³ <https://www.lifeinnorway.net/brunost-pizza/>

TINE

TINE is owned by Norwegian farmers that seeks a safe future (income through volume growth) for themselves and generations to come. The Norwegian government wants milk to be produced all through Norway, by local farmers, a lot of them situated in small settlements. TINE's role is that of regulator. TINE organises the retrieval of milk from every little farm in Norway and process the milk in one of TINE's 30 dairies. The dairies are specialised to a certain extent, producing different dairy products. Most of TINE's products are made from Norwegian milk, but the Norwegian range also includes juice products, ready meals, margarines and desserts. As a cooperative, one of TINE's most important functions is to develop tasty dairy products made from Norwegian milk, thereby helping Norwegian dairy farmers throughout the country to thrive.

The TINE map

As of 01.01.2021



The figure shows a map of TINE's dairies and warehouses and terminals.

Location 35.
TINE SA Head Office, Oslo

Brunost is produced at the following locations:

3. TINE Meiereiet Storsteinnes

17. TINE Meiereiet Byrkjelo

24. TINE Meiereiet Lom & Sjøk



Key figures

24,715

Total revenues and other income
NOK million

1,992

Operating income
NOK million

5,343

Number of employees

562

Gross energy consumption
GWh

9,140

Number of owners

0.76

Subsequent payment from TINE SA
NOK/Litre

In 2020 TINE's total revenues and other income was NOK 24,715 million in 2020, an increase of NOK 903 million, a growth of 3.8 per cent from 2019 (2.5 per cent adjusted for exchange rate fluctuations). The operating income was 1,992 million, NOK 803 million higher than in 2019. The coronavirus pandemic has affected the profit trend from 2019, as there was a significant shift in sales revenue from catering to groceries and lower operating expenses in the short term, which was reflected at all our companies in 2020.⁴

Goals and strategy

TINE's mission is to sell as much Norwegian milk from its owners as possible at the highest possible price and to ensure sustainable Norwegian milk production across the country. TINE is facing significant changes over the next few years to ensure the profitability of Norwegian milk production and the future of the business for our owners. The export subsidy for Jarlsberg® for the international market was abolished in 2020, competition is intensifying in Norway and the level of imports is continuing to increase at a rapid rate. TINE is facing challenging regulatory frameworks, and changes in patterns of consumption demand adjustments at all levels of the organisation. The strategy defines specific goals within efficiency measures to increase competitiveness, the need to generate new growth within Norway, but also a new international breakthrough based on Norwegian milk.

The overall cheese category (excluding fresh cheeses) showed strong growth in volume and value compared with 2019. Hard white cheese remained the largest segment, while smaller segments, such as feta cheese and cream cheeses, experienced greater percentage growth in volume and value from 2019. In the hard white cheeses segment, TINE® Grated Cheese was the value driver, showing an increase in volume of 14.3 per cent, while Norvegia® contributed to volume growth with an increase of 16.7 per cent compared with 2019. Norvegia® 1.3 kg played an important part in this trend, achieving an increase in volume of a substantial 83.3 per cent. The brown cheese segment showed modest volume growth, but strong value growth compared with 2019, and we were the growth driver in this instance.

TINE's mission is to sell as much Norwegian milk as possible. The goal is to increase the export of dairy products produced from Norwegian milk. A market that should be targeted is East Asia, perhaps more specifically Southeast Asia.

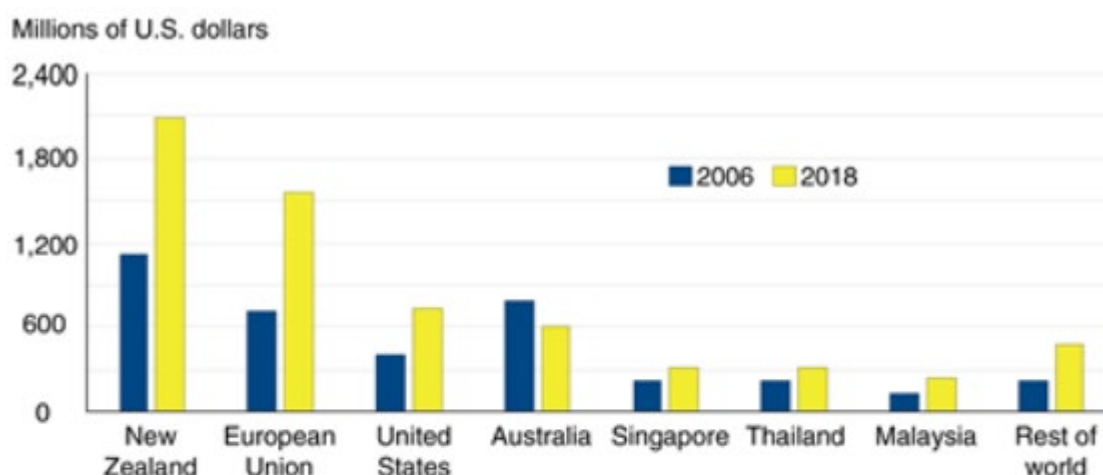
⁴ Annual Report

East Asia

East Asia and Southeast Asia is a region characterized by rapid economic growth, urbanization, and changing food consumption patterns. From 2006 to 2018, the population of the region's 10 nations increased more than 14 percent. Over that same period, the region's gross domestic product (GDP) grew 81 percent, driving up GDP on a per capita basis by 59 percent. With incomes rising throughout the region, Southeast Asian countries have begun following a dietary transition that is common throughout Asia. Under this shift, per capita consumption of foods, such as meat and dairy products has tended to rise, while consumption of staple foods, such as rice and coarse grains, has fallen.

Most Southeast Asian countries produce small quantities of milk. High-production milk cow breeds do not perform well in the hot, humid conditions that exist in much of the region, and many countries do not have adequate grassland for much milk production. With strong economic growth expected and a limited potential for increased milk production, Southeast Asian countries have become highly desirable markets for exporters of dairy products. To meet the region's growing demand for dairy products, total Southeast Asian dairy product imports grew from \$3.8 billion in 2006 (adjusted for inflation) to \$6.3 billion in 2018⁵

As we see from the figure below the import of dairy products in Southeast Asia is increasing:⁶



Notes: Adjusted for inflation using 2018 dollars. Southeast Asia includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. Import data are used for countries that report such data. For countries that do not have import data reported in the Global Trade Atlas or Trade Data Monitor, export data of trading partners are used.

Sources: USDA, Economic Research Service calculations, Global Trade Atlas, Trade Data Monitor, and U.S. Bureau of Labor Statistics.

East Asia cannot meet the increasing demand for dairy products itself, therefore there is a great opportunity for exporting dairy products to East Asia from countries like Norway that have a surplus of milk.

⁵ <https://www.ers.usda.gov/amber-waves/2021/february/growth-in-us-dairy-product-exports-to-southeast-asia-depends-on-competition-with-other-major-dairy-exporters/>

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Conclusion

Milk consumption is declining in Norway. TINE needs to expand internationally to maintain production levels of milk. The milk needs to be produced and processed in Norway and the resulting product exported. Sigmund Bjørge has been put in charge of a project to create new international growth for products based on Norwegian milk. His group is focused on East Asia and their task is explore the market for Norwegian dairy products. They have decided on a pilot project for the product Ski Queen. Ski Queen, or “brunost” (brown cheese) in Norwegian.

Ski Queen is a great success in South Korea. It is time to expand Ski Queen into new markets in East Asia.

Sigmund Bjørge and his team must decide where to go next in East Asia. He needs to find a new market where Ski Queen will be as successful as in South Korea. And this is where you come in. Your task will be to present with a plan for a pilot project:

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Good luck!