



Market

Hochland AG is a family-owned business based in Heimenkirch in the Allgäu, a region in the South of Germany, at the foothills of the Alps. From the outset, the company has concentrated exclusively on the production, processing and sale of cheese. In addition, part of the production equipment is developed and constructed by the company.

With a workforce of approximately 3,200, Hochland generated a turnover of roughly 780 million euros from ten production sites in 2005. As a result, Hochland is one of the largest manufacturers and processors of cheese in Europe. Hochland supplies all major cheese varieties to national and international markets. Hochland cheese is sold in over 30 countries and its name is synonymous with quality and ongoing product innovation.

The Romanian cheese market offers a wide range of cheese types and products inside each category, although in Romania, cheese consumption per capita is much lower than in other Central and Western European countries. While in Western Europe cheese consumption comes up to nearly eighteen Kg/capita/year, in Central Europe consumers eat, in average, ten Kg/inhabitant/year. In Romania, cheese consumption is almost five times lower, with only four Kg/inhabitant/year.

Romanian consumers are still loyal to traditional cheese types, such as: white cheese (telemea), semi-hard yellow cheese (cașcaval) and processed cheese. Due to favourable macroeconomic performance and the lowering of income taxes to a flat rate of 16%, Romania has lately recorded an increase in purchasing power. It is no longer price that constitutes the main purchase driver, but quality. Therefore, consumer preferences start to migrate towards higher quality, natural products

and new, sophisticated products: cream cheese, feta and soft cheese (with noble moulds).

Taking all this into consideration, the most stable cheese categories on the market have been processed cheese and semi-hard yellow cheese (cașcaval). Just one category stands out through its significant increase in terms of sales volumes, namely the cream cheese category. The newer categories - specialty cheeses - have also witnessed an increase in their sales volumes lately.

Achievements

In Romania, Hochland is the market leader in almost all cheese categories, holding a 93% market share in the processed cheese segment. Likewise, it holds a leading position on the markets for cream cheese (72%), cașcaval (26%) and soft cheese (47%). Hochland is the single most consumed brand of cheese, having a high level of penetration (62%) in Romania. Brand awareness, both prompted and spontaneous, is continuously increasing and maintains significantly higher rates than those of the competitors: 54% spontaneous and 74% prompted.

The excellent taste and high quality of Hochland products, sustained through the International Food Standard certificate, combined with the ability of the company to deal quickly and reliably with customer and consumer requirements, are the milestones of the constantly growing market importance of Hochland. Careful selection of the raw materials, use of only natural ingredients, modern technological lines, attractive design of products and, in particular, the quality and dedication of the Hochland team, have all made the Hochland brand truly associated with its slogan: "The Joy of Taste!"



History

Hochland traces its roots back to 1927, when Georg Summer and Robert Reich founded the Hochland cheese factory in Germany. The company started out with the production of just two Kg blocks of Emmentaler cheese.

By 1968, Hochland had extended its business into other European markets and the first acquisition of a foreign factory took place in 1978, in France. Spain, Poland, Romania and Russia followed over the years, increasing the number of Hochland production units to ten since 2000.

Hochland has been present in Romania since 1993, when the first imports took place. At the end of 1998, the company decided upon the acquisition of the Sighișoara plant, where Hochland processed cheese is exclusively produced today for the Romanian market. Hochland holds a 93% share on the processed cheese market and is the most famous processed cheese brand in Romania, which has led Romanian consumers to associate Hochland's name with the generic term for processed cheese.

The second acquisition made by Hochland in Romania was in 1999, when a new production plant was taken over in Sovata. The Sovata plant, which was initially taken over for delivering raw material to Sighișoara, is famous for its tradition of producing some of the most popular types of semi-hard yellow cheese (cașcaval) in Romania. The youngest member of the Hochland family, Hochland Cașcaval, is being produced here.

Product

Hochland is now represented in the most important cheese sectors in Romania. The brand's product portfolio includes processed cheese, fresh cream cheese, semi-hard yellow cheese (cașcaval), feta and soft cheese.

Hochland processed cheese was the main business for Hochland Romania until 2001. Today, the company produces three different varieties of processed cheese: portions, with eight different assortments, slices, available in six varieties, and blocks, which come in three

varieties. In the beginning, portions were the main driver for Hochland's processed cheese sales. Today, due to changes in the consumption habits, slices are increasingly preferred. Consumers are becoming more and more aware of the utility and the practical appeal of such slices, combined with their excellent taste.

Another sliced product is Hochland Cașcaval. This has been a total novelty for the Romanian market. Made from the best milk and following a traditional recipe, Hochland Cașcaval is a natural product to everyone's taste. Moreover, because it is already cut in uniform slices that are hygienically packed, Hochland Cașcaval can be easily used for preparing sandwiches, cold or hot snacks, as well as for cooking. Hochland Cașcaval is present on the Romanian market in two varieties: Classic and Smoked.

Hochland Cașcaval is also available in 300g, 600g and 1000g blocks, again in the two mentioned varieties.

Hochland Crème is the company's second cream cheese product, imported from Poland, with a mild and creamy consistency.

Hochland Camembert, Hochland Brie and Hochland Bleu are the three French cheese specialties in Hochland Romania's portfolio. These are the most sophisticated and distinctive types of products, suitable for special occasions. Their unique soft taste captures French refinement and expertise in the world of cheese making.

The youngest category of Hochland range is Hochland Cheese Snack. The name is very suggestive: it is a practical product - fast and easy to consume. Cheese Snack is a processed cheese with harder texture in an appealing packaging, offering to consumers a healthy snack for the entire day, no matter the time and place.

Almette and Patros are two distinctive brands that complete Hochland's portfolio in Romania.

Almette fresh cream cheese has been part of the brand's product portfolio since 2001. Almette is a cheese specialty, produced after a traditional formula that comes from the Alps. Almette's fluffy texture, its fresh character and unmistakable taste are the secrets that create its unique character.

Patros Feta is prepared after a traditional recipe from Greece. It is a Mediterranean mixture of Feta pieces, vegetable oil, herbs and olives, suitable as dressing for salads.



Recent Developments

Product innovation is becoming more and more important. With Hochland, innovation takes into account constantly changing consumer behaviour and provides new strategies for saturated markets. For this reason, innovation is not left to chance at Hochland, but is systematically planned and developed.

New Hochland products must overcome numerous internal barriers. New product ideas develop in brainstorming sessions with various employees. The best product concepts are then tested internally. It is only after a new cheese concept has passed these internal tests that it is presented for consumer testing at market research institutes. Using this methodology, new ideas can become successful products.

The latest products that have been launched by Hochland have followed this procedure: soft cheese assortments, processed cheese slices Emmentaler and processed cheese blocks Emmentaler, as well as tasty Cheese Snack. Several alternatives were tested, and the best taste, agreed upon. Once the decision was taken, the packaging and launching strategy were developed.

In the future, Hochland intends to increase the number of its line extensions, aiming to introduce also other varieties of cheese onto the local market, boasting the same excellent quality. The continuity of Hochland's products in terms of quality and performance can only be achieved by increasing the importance of product innovation and optimisation, and by further educating the company's employees.

Promotion

Hochland products are natural and of excellent quality - this is the essence of the messages conveyed to consumers, through TV and magazine adverts, as well as promotional items. Since 1999, Hochland has been running a continuous TV campaign for its brand, communicating its slogan "The Joy of Taste". Starting 2002, Hochland has developed a TV commercial for the brand, called "School Friends". Two children are experiencing a number of funny stories that are related to Hochland cheese.

The "School Friends" platform includes commercials for processed cheese portions and slices, as well as for Cașcaval slices and blocks.

Besides traditional promotion of products (through media), consumers are now paying more attention to marketing activities and loyalty programs conducted by producers. The promotion's objective is not only to increase sales volumes, but also to achieve consumer loyalty and confidence in the brand. New promotional strategies are to be developed, in order to increase brand awareness and the attractiveness of the product.

Hochland has run, for the third time, a consumer promotion for processed cheese triangles: "10% extra, for free!". The promotion was advertised on radio, in the trade press and had strong in-store advertising support.

Other similar consumer promotions were conducted for processed cheese blocks (10% extra, for free!) and slices (one slice extra, for free) for the first time in 2006.

The most important consumer promotion was organized for Almette in late fall of 2006. "Enjoy and win!" is the claim of the promotion with interactive mechanism and attractive prizes: two Audi A3 Sportback, eight trips in the Alps and 10,000 Almette knives.

In-store materials represent a very efficient promotional method, since the purchase decision is taken during the few seconds spent in front of the shelves. Hochland Romania is developing POS materials for launches and promotions to support these activities.



Brand Values

Hochland brand is perceived as being a famous and prestigious brand, the image of a delicious and high quality cheese, available in many varieties, which are highly appreciated, convenient, natural and appetising.

The brand communicates seriousness, professionalism, trustworthiness (tradition / experience), naturalness, freshness and also modernity and know-how (high technology).

These characteristics of the Hochland Brand can also be found in consumers' perceptions of the brand: very popular brand, consumed by many people, visible in every store, offering several variants. It is the most communicated brand within its segment, triggering the perception of high quality brand and having a distinctive and appealing packaging design.

Hochland's image in the mind of the consumer can be summarised in the following way: "Hochland means quality whatever the circumstance or the time. Delicious and appetising, Hochland never disappoints me. It is always a pleasant companion. Hochland is the simple joy of moments spent by myself or together with the people I love and I love sharing with. Hochland is a part of my life."

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THINGS YOU DIDN'T KNOW ABOUT

Hochland

- Hochland has German origins, despite the similarity of its name with Holland (The Netherlands)
- Hochland's Headquarters are situated in Heimenkirch, a small village close to the boundary, between Germany, Switzerland and Austria
- In 2007, Hochland boasts 80 years of tradition and competence in cheese
- Hochland has two production units in Romania, in Mureș County, where processed cheese and cașcaval are produced
- Hochland Romania has over 6,000 milk suppliers