

# HOW HAS THE INTRODUCTION OF EMMI'S "CHAI LATTE" IMPACTED THE BUSINESS IN TERMS OF GROWTH?

Business and Management IA SL

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## Introduction

In January 2014, the Swiss corporation Emmi released a new product that was added to their milk-based range of goods; the chai latte. With this, the corporation entered the tea market and focused on a new group of potential customers. The business itself is quite established as a well-known local brand as it is the largest milk processor in Switzerland,<sup>1</sup> but also internationally significant due to the exports of processed milk goods that made up 43.5% of their net sales in 2013.<sup>2</sup> The introduction of chai tea assists the innovative image of Emmi, as it was nominated one of Switzerland's most innovative ventures by a study in 2012.<sup>3</sup> This reputation as well as their departmental leading position are strived to be retained and expanded upon by the business, which is precisely what the new product aids to do along with other strategies. The chai tea addresses a market niche which has not been successfully approached yet in Switzerland, and with this opens a new segment with both threats and opportunities.

## Analysis of the introduction of the new product

### Niche Marketing

Emmi's cold sweet drink fills a consumption gap, mostly the not successfully existing combination of tea and milk beverages, but also the timespan where people tend to not consume as much caffeine to wake up. Also referred to as market niches, such gaps in consumption can be identified by market mapping, a plotting of certain factors affecting the market conditions<sup>4</sup>, here the Swiss milk product market in terms of its variety of beverages. Since there were no similar successful products on the

<sup>1</sup> "Tagungspartner." *Tagungspartner*. N.p., n.d. Web. 18 Sept. 2015. <<http://www.brennpunkt-nahrung.ch/de/Partner/Tagungspartner>>.

<sup>2</sup> "1.19. ICT R&D Personnel 2002 (full Time Equivalents)." (n.d.): n. pag. *Emmi*. Emmi, Mar. 2014. Web. 18 Sept. 2015. <[https://uk.emmi.com/fileadmin/user\\_upload/emmi\\_group/investor\\_relations/reports/emmi\\_annual\\_report\\_2013.pdf](https://uk.emmi.com/fileadmin/user_upload/emmi_group/investor_relations/reports/emmi_annual_report_2013.pdf)>.

<sup>3</sup> "Die Innovativsten Unternehmen Der Schweiz." Universität St.Gallen, Sept. 2012. Web. 18 Sept. 2015. <[http://www.unisg.ch/~media/internet/content/dateien/unisg/hsgservices/hsgmediacorner/aktuell/2012/oktober/auswertung%20innovationsranking\\_2012.pdf?fl=de](http://www.unisg.ch/~media/internet/content/dateien/unisg/hsgservices/hsgmediacorner/aktuell/2012/oktober/auswertung%20innovationsranking_2012.pdf?fl=de)>.

<sup>4</sup> "What Is Market Mapping? Definition and Meaning." *BusinessDictionary.com*. N.p., n.d. Web. 18 Sept. 2015. <<http://www.businessdictionary.com/definition/market-mapping.html>>.

addresses a very specific group of customers. Especially bigger firms such as Emmi profit from this due to the lack of competition in the short run, and the possibility to target a specific audience. This holds marketing costs relatively low due to a more focused specialized manner of marketing rather than trying to reach a big audience with a greater variety of needs and wants. Emmi's Chai latte is marketed to young trendy women<sup>5</sup>, building the base of the target audience which is addressed with a colorful design and sweet taste.<sup>6</sup> The niche marketing can show possibilities to expand in this direction, depending on the feedback and success. As it seems, their approach was effectual as the Emmi tea latte black<sup>7</sup> was recently added to their product line. However, a difficulty Emmi might face by employing this strategy is that the amount of potential consumers, and therefore the market size, is limited and therewith their growth potential. This common issue of internal growth is especially applicable for the niche market in Switzerland, which can be saturated fairly fast considering the size of the population.

#### Internal Growth

The introduction of chai latte was the expansion of the business by the re-segmentation of the existing Swiss milk product market, due to their employed niche marketing which was achieved by adding the Chai latte to their product line.<sup>8</sup> The business growth came from within the business and did not derive from acquiring or merging with another business, containing several advantages in the long run. An expansion means an investment, usually coming from the business internal finance, independent of external sources that bear the risk of being unreliable. Rather than expanding rapidly by teaming up or taking over a business, internal growth is slower and relies on continuous

<sup>5</sup> Minotto, Jodie. "Germany at the Heart of Chai Latte Innovation." *Germany at the Heart of Chai Latte Innovation*. Mintel, 11 Nov. 2015. Web. 14 Nov. 2015. <<http://www.mintel.com/blog/drink-market-news/germany-at-the-heart-of-chai-latte-innovation>>.

<sup>6</sup> Spaeth, S. "20 Minuten - Milchgigant Emmi Steigt in Den Tee-Markt Ein - News." *20 Minuten*. N.p., 6 Jan. 2014. Web. 11 Oct. 2015. <<http://www.20min.ch/finance/news/story/24736979>>.

<sup>7</sup> "Emmi Lanciert Neuen Tea Latte Black." *Emmi Lanciert Neuen Tea Latte Black*. Schweizerbauer.ch, 4 Sept. 2015. Web. 14 Nov. 2015. <<https://www.schweizerbauer.ch/politik--wirtschaft/agrarwirtschaft/emmi-lanciert-neuen-tea-latte-black-24345.html>>.

<sup>8</sup> Stimpson, Peter, and Alex Smith. *Business and Management for the IB Diploma*. Cambridge: Cambridge UP, 2011. Print.



innovations to be sustainable. In the short run, it may have been more attractive for Emmi to resort to external growth due to money coming into the business faster, however in the long run the internal growth proves to be more controllable for Emmi, since the expansion allows to be built upon. It is by far less risky than a merger or an acquisition that could come with unforeseen liabilities and loss of direction. Instead of this, the expansion of Emmi due to product development built upon their brand image and their expertise in milk based beverages.

### Product development

Product development is a part of the Ansoff matrix<sup>9</sup> which helps to identify where a product stands in relation to the market. It is the development of a new product (Chai Latte) for an existing market<sup>10</sup> (the Swiss milk market). This ensures that the brand and the business keep their identity whilst growing. By designing a product that meets the customer's want for a caffeine free, spiced, milk based, sweet tea Emmi could potentially increase their sales and their reputation of being one of the most innovative businesses in Switzerland. Furthermore, the new product brings the benefits mentioned previously such as an opportunity to build on their product line. However, a new product in a new market segment often carries risks that can be caused by insufficient research as the success of the product heavily depends on meeting the customer's demand. Another issue could be cannibalism, as some users switched from the coffee latte to the chai latte instead of consuming both as they are so similar, meaning that the development possibly resulted in cannibalism rather than enrichment. This is where the small market in which they are operating is beneficial, as it is easier to identify such issues in a small market and limit the impact of those.

### Test marketing

The introduction of the product to the local market previous to exporting it might have served as a short testing period for the future prospects of the product such as exporting it. Test markets provide

<sup>9</sup> Ansoff, I.: Strategies for Diversification, *Harvard Business Review*, Vol. 35 Issue 5, Sep-Oct 1957, pp. 113-124

<sup>10</sup> "What Is Product Development? Definition and Meaning." *BusinessDictionary.com*. N.p., n.d. Web. 14 Nov. 2015. <<http://www.businessdictionary.com/definition/product-development.html>>.

an opportunity to see which aspects of the product should be changed and what was successful about it since the test markets can almost be viewed as a microcosm of the bigger markets. The small market may not directly be as profitable as the bigger markets, and it could be argued that in the short run the business is making an opportunity cost by first releasing the product in Switzerland. However, it does limit the risk of failure which is associated with the release of a new product by giving an insight on customer reactions. Would the Chai Latte have been a failure, further losses could have been prevented by not releasing the products in foreign markets. The drink was finally released in Austria and Germany by February 2014<sup>11</sup>, only shortly after Switzerland. Presumptively, the success of the drink in Switzerland was leastwise partially responsible for the selling of the drink in the neighboring countries and therefor also imparted the external growth strategies of Emmi.

## Conclusion & Evaluation

Ultimately, the introduction of Emmi's chai latte seems to have had a positive effect on the business in the light of internal growth. In the corporation's half year report, it is stated that the focus on "domestic markets" has proven effective, which the chai latte was clearly a part of. It has shown to be successful as it still is sold and led the business to open a completely new branch of milk based drinks, which integrate tea into their ingrained "Emmi caffee latte" and with it new potential customers. However, the chai tea is only one of the new products that are constantly released in order to stay innovative and relevant, to satisfy the demand for new and different goods and keep being present. The impact of the chai tea is undeniably positive, however it is just a small fraction of the Swiss leading corporation with growing international influence. Striving to establish themselves more in the local market is not only a clever strategy as a backup if their attempts of external growth by a planned conglomeration with Kaiku<sup>12</sup> fail, but also contributes to their innovative image.

<sup>11</sup> "Emmi Kommt Mit Neuem Mischgetränk Auf Den Markt." *Schweizerbauer.ch*. N.p., 6 Jan. 2014. Web. 18 Sept. 2015. <<https://www.schweizerbauer.ch/markt--preise/marktmeldungen/emmi-kommt-mit-neuem-mischgetraenk-auf-den-markt-13922.html>>.

<sup>12</sup> Vogel, Benita, and Gret Heer. "Emmi Will Spanische Kaiku übernehmen." *Handelszeitung.ch*. N.p., 18 Jan. 2012. Web. 18 Sept. 2015. <<http://www.handelszeitung.ch/unternehmen/emmi-will-spanische-kaiku-uebernehmen>>.

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## Appendix

### Main supporting documents

- "Emmi Short Profile Facts and Figures 2014." (n.d.): 2,4,8. Emmi. Web. 11 Oct. 2015  
<[https://group.emmi.com/fileadmin/user\\_upload/emmi\\_group/about/emmi\\_short\\_profile\\_2014.pdf](https://group.emmi.com/fileadmin/user_upload/emmi_group/about/emmi_short_profile_2014.pdf)>.
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- Minotto, Jodie. "Germany at the Heart of Chai Latte Innovation." *Germany at the Heart of Chai Latte Innovation*. Mintel, 11 Nov. 2015. Web. 14 Nov. 2015.  
<<http://www.mintel.com/blog/drink-market-news/germany-at-the-heart-of-chai-latte-innovation>>.

### Significant sections:

Spaeth, S. "20 Minuten - Milchgigant Emmi Steigt in Den Tee-Markt Ein - News." *20 Minuten*. N.p., 6 Jan. 2014. Web. 11 Oct. 2015.  
<<http://www.20min.ch/finance/news/story/24736979>>.

...,*Im Milliardenbusiness mit kalten Milchkaffee-Getränken steigt Emmis Konkurrenz. Nun lanciert der Branchenleader ein Teegetränk: Es soll junge Frauen ansprechen.*"...

...,*Konkret lanciert Emmi im Januar das Tee-Getränk Chai-Latte. Diese Nische ist in der Schweiz derzeit noch unbesetzt.*"...

...,*Mit Chai-Latte, bestehend aus Schwarztee, den Gewürzen Zimt, Kardamon und Nelke sowie Zucker will Emmi vor allem jüngere Frauen ansprechen.*"...

...,*Marktforschungen haben gezeigt: Caffè-Latte wird vor allem am Vormittag und Mittag als Wachmacher konsumiert. Den während 1,5 Jahren entwickelten Chai-Latte hingegen sollen die Kunden am Nachmittag und am Abend trinken. Zudem versucht Emmi mit dem Chai-*

Latte eine neue Kundengruppe anzusprechen, die bisher keine Milch-Mischgetränke konsumiert hat.“...

...„Emmi lanciert den rund 2.20 Franken teuren Chai-Latte-Becher Ende Januar in der Schweiz sowie in Deutschland und Österreich. Verkauft wird das Getränk an Kiosken, Tankstellen und im Detailhandel, unter anderem bei Coop. «Die Abnehmer sind vom Produkt begeistert und werden notfalls Platz im Regal freiräumen», sagt Emmi-CEO Riedener, dessen Milch-Imperium 2013 rund drei Milliarden Franken Umsatz erzielte. Um für die Linie in den Testmärkten die Werbetrommel entsprechend laut zu rühren, setzt Emmi unter anderem auf eine Kooperation mit der TV-Sendung «Germany's Next Topmodel» sowie auf Promo-Aktionen in Bahnhöfen“...

Translation of significant sections:

...“*In the billionbusiness with cold Milk coffee drinks Emmi's competition is rising. Now the leader in the field is launching a Tea drink: it is supposed to appeal to young women*”...

...“Precisely Emmi is launching the tea drink Chai-Latte. This niche is vacant at this point in time in Switzerland.”...

...“With Chai latte, consisting of black tea, the spices cinnamon, cardamom and clove as well as sugar Emmi wants to appeal primarily to young women.”...

...“Market research has shown: Latte is consumed mostly in the morning and noon to be more awake. The during 1,5 years developed Chai-Latte however should be drunk by customers in the afternoon and evening. Furthermore Emmi tries to appeal to a new group of customers that did not consume Milk based mixed drinks previously.”...

...“Emmi launches the around 2.20 Francs costing Chai-Latte cup in the end of january in Switzerland as well as Germany and Austria. The Drink will be sold at Kiosks, Gas stations and

in retail, i.a. Coop. «The outlets are thrilled by the product and will make space on their shelves in case of necessity », says Emmi-CEO Riedener, Whoms Milk imperium yielded round 3 billion francs of turnover 2013. To properly promote the line in the testmarkets, Emmi roots for a collaboration with the TV-show «Germany's Next Topmodel» as well as promotion actions in Train stations." ....



# Milchgigant Emmi steigt in den Tee-Markt ein

von S. Spaeth - Im Milliardenbusiness mit kalten Milchkaffee-Getränken steigt Emmis Konkurrenz. Nun lanciert der Branchenleader ein Teegetränk: Es soll junge Frauen ansprechen.



Der Markt für gekühlte Milch-Kaffee-Getränke ist ein Milliardenbusiness. Nun will Emmi-CEO Urs Riedener die Kundschaft mit einem Chai-Latte-Getränk erobern. (Bild: zvg)

**ein aus i** Sie heissen Lattesso oder Starbucks Discoveries, sind kalte Milchkaffee-Getränke und machen dem Emmi-Kassenschlager Caffè-Latte das Leben schwer. Doch was macht ein Branchenleader, wenn sein Spitzenprodukt von der Konkurrenz nachgeahmt wird?

**Fehler gesehen?** Er schafft kurzerhand eine neue Produktkategorie. Konkret lanciert Emmi im Januar das Tee-Getränk Chai-Latte. Diese Nische ist in der Schweiz derzeit noch unbesetzt.

**Fehler beheben!**

«Mit Chai-Latte können wir das Sortiment um eine neue Welt erweitern, die immer noch mit unserem Grundbusiness Milch zu tun hat», sagt Emmi-CEO Urs Riedener zu 20 Minuten. Angst, mit dem Tee-Produkt die Marke zu verwässern, hat Riedener nicht. Es gehe ja um Milch, die mit hochwertigem Tee aufgegossen werde. Mit Chai-Latte, bestehend aus Schwarztee, den Gewürzen Zimt, Kardamon und Nelke sowie Zucker will Emmi vor allem jüngere Frauen ansprechen.

## Chai-Latte als Szenetrink

Marktforschungen haben gezeigt: Caffè-Latte wird vor allem am Vormittag und Mittag als Wachmacher konsumiert. Den während 1,5 Jahren entwickelten Chai-Latte hingegen sollen die Kunden am Nachmittag und am Abend trinken. Zudem versucht Emmi mit dem Chai-Latte eine neue Kundengruppe anzusprechen, die bisher keine Milch-Mischgetränke konsumiert hat.

Chai-Latte erinnert, was den Becher betrifft, stark an Caffè-Latte, nur ist er mit einem etwas farbenfroherem Design versehen. Wie beim aktuellen Emmi-Kassenschlager gibt es zudem mehrere Aroma-Richtungen. Dass Emmi das Getränk gerade jetzt lanciert, kommt nicht von ungefähr: Chai-Latte ist ein Trend-Getränk, das in Schweizer Szene-Cafés immer häufiger auf der Karte steht. Chai steht in ganz Südasien für ein Schwarztee-Milchgetränk – und in Indien ist Masala Chai beinahe ein Nationalgetränk, für das jeder Haushalt sein eigenes Geheimrezept hat.

## Coop-Eigenmarke kommt nicht gut an

Emmi lanciert den rund 2.20 Franken teuren Chai-Latte-Becher Ende Januar in der Schweiz sowie in Deutschland und Österreich. Verkauft wird das Getränk an Kiosken, Tankstellen und im Detailhandel, unter anderem bei Coop. «Die Abnehmer sind vom Produkt begeistert und werden notfalls Platz im Regal freiräumen», sagt Emmi-CEO Riedener, dessen Milch-Imperium 2013 rund drei Milliarden Franken Umsatz erzielte. Um für die Linie in den Testmärkten die Werbetrommel



...sprechend laut zu rühren, setzt Emmi unter anderem auf eine Kooperation mit der TV-Sendung «Germany's Next Topmodel» sowie auf Promo-Aktionen in Bahnhöfen.

Bereits 2012 hat Emmi die Grenze von 100 Millionen verkaufter Caffè-Latte-Becher – allesamt abgefüllt in Ostermundigen – geknackt. Am selben Standort wird auch der Chai-Latte produziert. Dass es im Detailhandel aber für Chai-Latte-Getränke nicht ganz einfach wird, zeigt das Beispiel Coop. Der Grossverteiler führte in seiner Fine-Food-Edellinie schon einmal einen kalten Chai-Tee, nahm ihn aber im Frühjahr 2013 wieder aus dem Sortiment. «Der Kunde entscheidet letztlich darüber, was erfolgreich ist und was nicht», sagt Coop-Sprecher Urs Meier dazu. Anders gesagt: Diese Version des Chai-Latte ist wegen mangelnder Nachfrage aus dem Regal verschwunden.

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Khat

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Städtereisen

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84 Kommentare

Login

### Die beliebtesten Leser-Kommentare

Wach auf Svizzera am 06.01.2014 09:13 via 

44  
8

**EMMI macht richtig Kohle mit der von uns**  
subventionierten Milch. Ja, wie immer. Gewinne werden  
privatisiert. Verluste werden sozialisiert. TRISTE MONDE.

Lucas Z. am 06.01.2014 09:00

34  
5

**wuah, öäsum**  
der Onkel Emmi hat Tee mit Milch entdeckt. Schwarztee trinkt  
man frisch gemacht und mit Milch. So schmeckt er am Besten.  
Was da Emmi "entdeckt" hat ist wie ein Glas mit PepsiCola am  
morgen zu füllen und abends zu trinken. Igitt. Emmi tut noch  
Zucker und vielleicht noch ein paar E-Nummern mehr rein. Alles  
nicht so gut für deine Gesundheit!

Melcher am 06.01.2014 07:55 via 

27  
5

**Subvention**  
Nettes Business, wenn der Steuerzahler über die  
Milchsubventionen Geld im Übermass einschießt, der Gewinn  
aber woanders hinfließt!

### Die neusten Leser-Kommentare

Daniel H. am 07.01.2014 09:27


4  
8

**Neue Märkte**  
Nun was ganz klar ist, es geht um NEUE Märkte,  
Einnahmequellen. Ich finde es Erschreckend, das sich gerade  
Grosse Unternehmen NIE mit einem Markt zufrieden geben  
können. der Schweizer Markt ist gesättigt, mehr Umsatz kann  
nicht gemacht werden. Der Markt in Europa wird auch knapp,  
drum expandiert man weiter ins Ausland wie Mexico. Und nun,  
nun will auch Tee Verkauft werden. Alles NUR um noch mehr  
Geld zu scheffeln! Die Grossen sind wie Heureka, grasen ab,  
was nur geht und die kleinen Hersteller haben das Nachsehen.

Chai Lover am 06.01.2014 20:04 via 

1  
1

**Oh ja bitte!!**  
Bitte auch einen laktose freien chai latte einführen!! Ich liebe  
diese dinger:-)

Chai love am 06.01.2014 18:09 via 

1  
2

**Das...**  
Kann ja nichts werden. Seit Indien Suche ich in der Schweiz  
erfolglos nach echtem chai. Die Krönung der ungenießbarkeit

## 20 Minuten - Milchgigant Emmi steigt in den Tee-Markt ein - News

Page 3 of 3

stellen ganz klar diese fertigen chai Latte dar. Und da wird auch Emmi nicht besser sein... Die haben kaum je einen echten chaitee aus der Nähe gesehen geschweige davon gekostet... Sonst wären die nicht so häßlich wie sie eben sind...

- 0  
0 → goa aner am 07.01.2014 08:02 via
- geh**  
doch mal an eine goa-party , dort wird chai seit jahren getrunken. vielleicht findest du da deinen chai :- ) der nicht nur nach wasser schmeckt ;-)
- 2  
0 → monika Steimer am 07.01.2014 15:40
- selber mache**  
sali du, mach ihn doch selber, ganz einfach, zutaten gibts in den asia läden, Zutaten für drei Liter köstlichen Chai 1,8 Liter Wasser 1,2 Liter Milch 8 EL loser Schwarzer Tee 12 Kapseln Kardamom (optimal: die Kapseln frisch im Mörser knacken) 8 ganze Nelken 2 kleine Stangen Zimt 1 bis 2 Stern-Anis 2 Esslöffel Fenchelsamen 2 Stückchen Ingwer (optimal: fein gehackt) brauner Zucker, Zuckersirup oder Honig nach Menge nach Belieben, zu viel davon überdeckt den fein-herben Geschmack des Chai natürlich Rezept Chai Tee - Zubereitung Das Wasser, die Milch und alle kochen
- 4  
2 → AJ Marco am 06.01.2014 16:33
- freue mich auf das Produkt...**  
Man kann ja halten was man will. Aber bist jetzt hat Emmi mit seinen "Stars"- Produkten (Ice Kaffes) die Schweiz auch im Ausland ein wenig "versüsst" ). Ich denke, dass auch dieses Produkt seinen Erfolg ernten wird. Und hey, für alle die hier mit Daumenrunter arbeiten...Das ist Unternehmensstrategie.....
- 0  
1 → gizm0 am 06.01.2014 16:28 via
- gibts doch schon**  
...zumindest für die tassimo, und ja er schmeckt gut aber trotzdem kein vergleich mit echtem chai.
- 0  
0 → El Don am 06.01.2014 19:43 via
- Naja wiederum nicht richtig gelesen**  
Sie haben wohl das konzept nicht kapiert! Dolce gusto hat es auch! Aber die Rede ist von einem Chai denn Sie auch an einer Tanke oder im Kiosk kaufen können für unterwegs!!! Alles andere ist für zu Hause! Oder gehen Sie mit Ihrer Maschine raus!??
- 0  
0 → marita z. am 07.01.2014 09:33 via
- chai latte**  
@el gusto nicht die kaffeemaschine muss rausgetragen werden,es reicht,ein oder mehrere chai latte zubereiten,(was zum glück die maschine tut)abkühlen lassen,im kühlschrank runterkühlen,ab in die thermoskanne und ab auf die arbeit oder in die freizeit. kann man bestens am abend zuvor machen!

♣ Alle 84 Kommentare



## Germany at the heart of chai latte innovation

*Chai lattes have increasingly entered the mainstream market in Europe, benefiting from the growing popularity of sweet, milky, spiced tea in recent years.*

**Mintel Trend** East meets West explains that Asia's economic growth has resulted in Western businesses and consumers becoming more familiar with Asian products, culture and food. This is particularly evident in the tea segment with the development of chai lattes spiking considerably outside of Asia. In fact, **chai latte launches increased by 20% globally in the 12 months to September 2015**, driven predominantly by launches in Europe.

Germany has been at the heart of the growth of chai lattes in Europe, accounting for roughly a quarter of all products launched in the last four years, making it by far the most innovative market globally. Most brands have sought to target products at younger demographics, which are likely to be more adventurous and experimental. Indeed, a Mintel survey from 2014 shows that almost four out of five German women say they enjoy trying different tea flavours. Moreover, **female consumers aged 16 to 24 are more likely to agree that it's worth paying extra for speciality teas**, such as vanilla chai.

Emmi's Chai Latte range is a good example of a chai latte drink that is targeted explicitly at trendy young women. The drink is available in a ready-to-drink (RTD) format and made with Swiss milk, Ceylon black tea, cardamom, cloves, cinnamon, and sugar. Emmi's Chai Latte was inspired by other RTD launches such as Landessa's Rooibos Vanilla Chai Latte Drink, Hochwald's Indian Style Chai Latte, and Münsterland Bombay Cafe Cosmo Chai Latte.



### Powdered chai tea blends have big potential

Even though the RTD format is popular, powdered blends of black tea, milk and spices that require the addition of hot water actually account for the majority of chai latte development in Germany offering consumers the opportunity to replace café-style drinks at home.

**The rise of the coffee shop culture has elevated consumer expectations of hot beverages**, leading to more chai latte brands incorporating indulgent flavours. In fact, chocolate appeared as a flavour on 7% of global chai latte launches in the 12 months to September 2015, up from just 3% in 2012/13.

Recent examples of complex, on-trend flavours and indulgent product formats in Germany include Jacobs Moment's Chocolate Flavoured Chai Latte Instant Powder, Chai Experts' Instant Chai Latte Spiced Chocolate Tea, Cosmoveda's Chocolate Mint Chai Latte Tea Mix, and Krüger's Coconut & Almond Exotic India Chai Latte Tea Mix.

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<http://www.mintel.com/blog/drink-market-news/germany-at-the-heart-of-chai-latte-in...> 30.11.2015



Despite this focus on café-style indulgence, brands should still look to promote chai lattes as a better-for-you alternative to similar coffee-based products. Chai latte products are commonly positioned around 'skinny' blends and 'permissible indulgence', with many brands promising to be 99% fat free. The sachet format makes instant chai portable and portion-controlled, preventing consumers from over-indulgence.

If you would like to learn more about food and drink innovations in Germany, [download a free copy](#) of Mintel's new white paper 'Germany's Millennials', showcasing the three key attitudes German Millennials share in their buying, cooking and eating habits.

Jodie Minotto is a Global Food and Drink Analyst at Mintel. She has more than 13 years of experience in sales, marketing and market research roles, predominantly in the food and beverage industry, working for both global CPG companies and SMEs. Her expertise lies in the dairy, confectionery, meal solutions, snack foods, beer and wine categories.

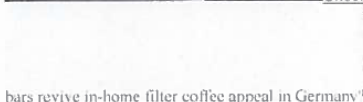
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2 Key figures

### Emmi in brief

Largest Swiss milk processor

Subsidiaries and holdings in 13 countries

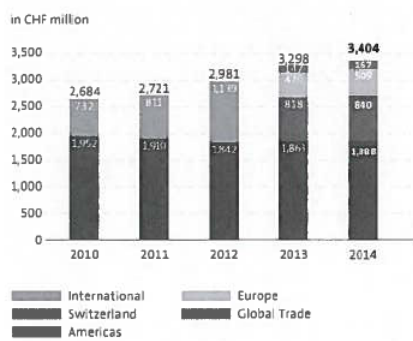
Exports to over 60 countries

Around 5,200 employees, 2,200 of whom work outside Switzerland

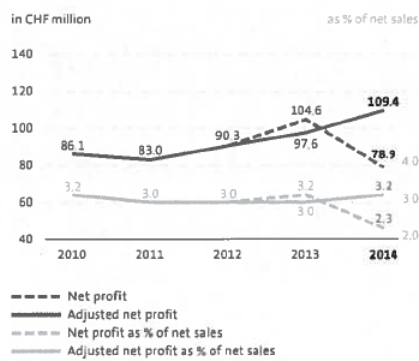
CHF 3.4 billion in sales, CHF 1.5 billion of which were generated outside Switzerland

Ranked among the ten most innovative Swiss companies (according to a survey carried out by the University of St. Gallen)

#### Net sales



#### Net profit

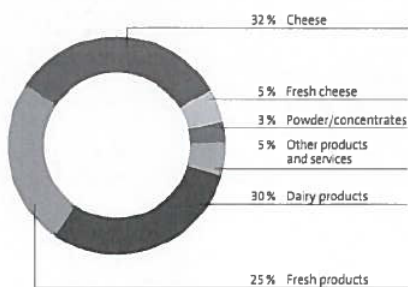


## Key figures

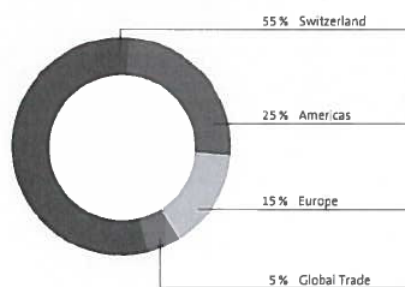
Amounts in CHF million	2014	2014 adjusted*	2013	2013 adjusted*
Net sales	3,404		3,298	
Acquisition effect in %	1.3		8.6	
Currency effect in %	-1.1		0.4	
Net sales increase in organic terms (in loc. currency) in %	3.0		1.6	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	293.1	292.0	280.1	271.6
as % of net sales	8.6	8.6	8.5	8.2
Earnings before interest and taxes (EBIT)	136.2	170.7	168.5	160.0
as % of net sales	4.0	5.0	5.1	4.9
Net profit	78.9	109.4	104.6	97.6
as % of net sales	2.3	3.2	3.2	3.0
Investment in fixed assets (excl. acquisitions)	118.4		126.2	
as % of net sales	3.5		3.8	
Headcount (full-time equivalents) as at 31.12.	5,207		5,217	
Net sales per employee CHF 000s (average)	654		632	
Volume of milk and cream processed in kg million	1,702		1,465	
	31.12.2014		31.12.2013	
Total assets	2,532		2,500	
of which shareholders' equity incl. minority interests	1,313		1,258	
as % of total assets	51.9		50.3	

\* Adjusted for non-recurring effects. Non-recurring effects had an impact of CHF -34.5 million on EBIT and CHF -30.5 million on net profit (2013: CHF 8.5 million and CHF 7.0 million, respectively). Non-recurring effects in 2014 resulted from the impairment charge in Italy as well as from the extraordinary gains on the sale of entities, businesses and property, plant and equipment. The non-recurring effects of the previous year resulted solely from the extraordinary gains on the sale of property, plant and equipment.

### Net sales by product group



### Net sales by business division



## Corporate strategy

Emmi aims to achieve success as an independent company in open markets. The medium-term objective is to generate half of the Group's sales in Switzerland and the other half abroad. The company intends to achieve this by means of a strategy based on three pillars:

- **Reinforcing the leading market position in Switzerland:** In its domestic market, Emmi is a full-range supplier as well as a partner to numerous companies in the retail, wholesale, catering and food industries.
- **Targeted international growth:** Emmi is continuing to pursue the geographical expansion it began several years ago. Today, the company is active in 13 markets with subsidiaries or holdings, and the aim is to increase this number to between 15 and 18 over the medium-to-long term. Growth markets outside Europe are becoming increasingly important, and acquisitions continue to be significant.
- **Rigorous and long-term cost management:** Productivity and efficiency enhancements will continue to facilitate annual savings of several million Swiss francs in the future, with Swiss production facilities serving as a role model for those abroad.

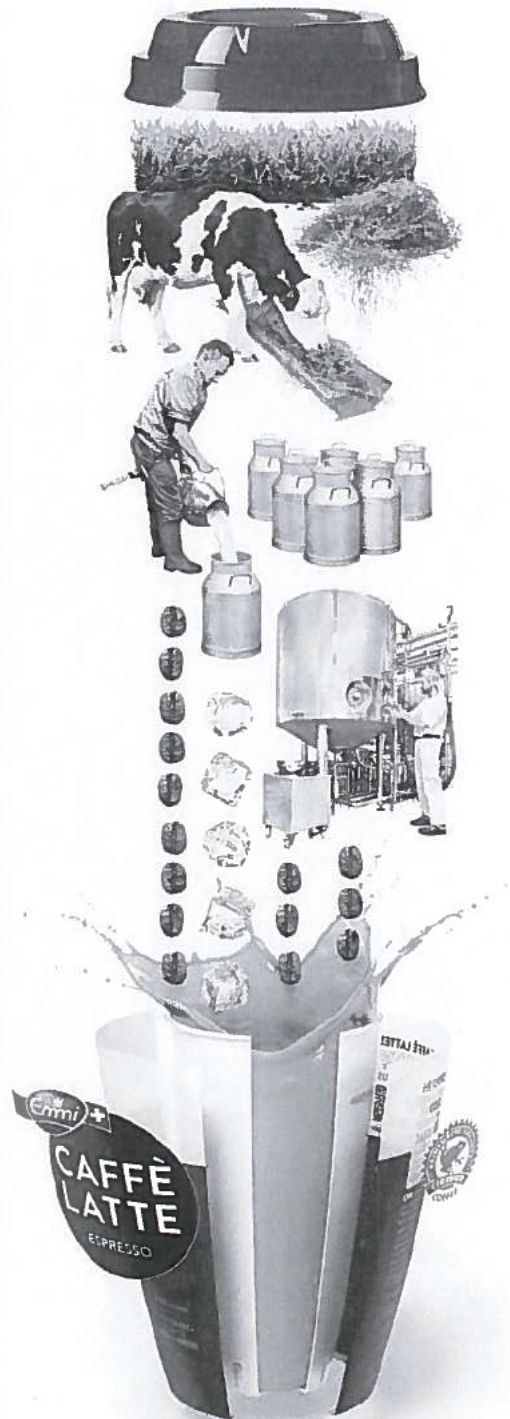
### Acquisitions 2014: Gläserne Molkerei

The organic dairy Gläserne Molkerei has sites in Dechow (Mecklenburg-West Pomerania) and Münchehofe (Brandenburg). In 2014, Emmi increased its stake from 24 % (since 2012) to 76 %. Gläserne Molkerei is a leading organic milk processor in Northeast Germany. It produces a high-quality range of milk, cheeses and other dairy products, which it markets primarily in Germany.

## From high-quality raw material to international star



More than 80 % of the nutrition of Swiss dairy cows is grass and hay. In addition, only GM-free feed is used. Swiss farmers supply an excellent basis. It is our role to make products from this that can hold their own both in Switzerland and abroad – for example, Emmi Caffè Latte. Freshly brewed coffee from certified beans and, depending on the variety, ingredients such as vanilla, cocoa and sugar are added. Stable packaging with a drinking hole so that it can be enjoyed on the move and the right marketing to whet consumers' appetites are also needed. Thanks to the interplay of all of these factors, Emmi Caffè Latte is a valuable player.





## Organisation

Within 20 years, Emmi developed from a medium-sized, regionally focused company into an international Group and increased its sales six-fold.

Emmi's increasing internationalisation is reflected in its organisation. This is based on the four business divisions Switzerland, Americas, Europe and Global Trade, and supplemented by three business models.

### Targeted marketing

With its three business models – Global Categories, Global Trading Model and Local Model – Emmi ensures that marketing investments are made most effectively.

- **The Global Categories.** The aim is to manage internationally renowned products (e.g. Emmi Caffè Latte) at Group level in order to ensure that they can be marketed more strongly in all countries with the corresponding synergy effects.
- **The Global Trading Model.** This includes products that are sold in countries where Emmi has no subsidiaries, such as the Asian market. This business model is also managed at Group level.
- **The Local Model.** This model brings together products that are sold in individual countries only but are very important in these countries (e.g. Gerber). Here, the regions are responsible for marketing the products successfully.

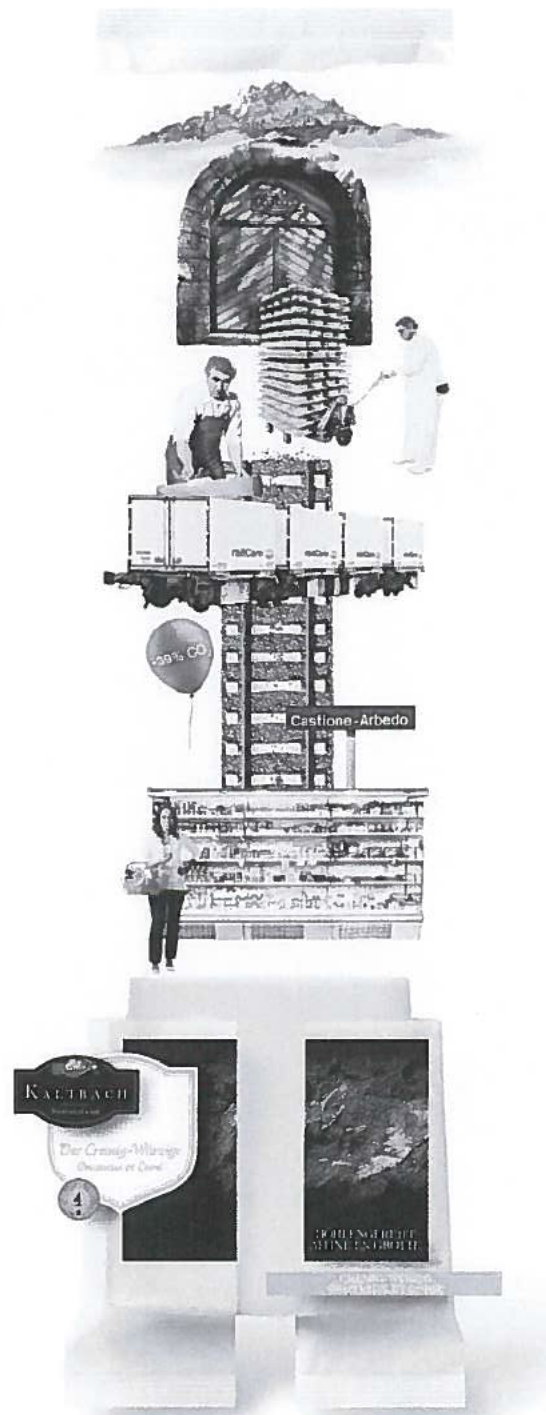
### Group structure



## In harmony with nature



The cave-aged Kaltbach specialities are not only a treat for the taste buds but also give pleasure from an environmental point of view. The year-round stability of the cave climate means that no heating or cooling energy is required for storing the cheeses. Together with our retail customer Coop, we have optimised logistics. Cheese from Kaltbach and many other Emmi products largely make their way to Coop chiller cabinets in Ticino and French-speaking Switzerland by rail thanks to railCare.



## The financial year 2014

Emmi generated net sales of CHF 3,404.0 million in 2014, an increase of 3.2% compared with the previous year (CHF 3,298.2 million). All core business product segments increased sales.

### Sales development Switzerland

In the business division **Switzerland**, sales increased by 1.3% to CHF 1,888.1 million (2013: CHF 1,863.1 million). The acquisition of Käserei Studer produced a positive acquisition effect, whereas the disposal of the shares in Nutrifrais resulted in a negative acquisition effect.

The business division Switzerland accounted for 55% of Group sales.

### Sales development Americas

The business division **Americas** generated net sales of CHF 840.0 million (2013: CHF 817.6 million). This corresponds to rise of 2.7%. Growth can be attributed primarily to the good performance in North America (US, Canada), Tunisia and Spain.

The business division Americas accounted for 25% of Group sales.

### Sales development Europe

In the business division **Europe**, sales increased by 8.3% to CHF 508.8 million (2013: CHF 469.9 million). Adjusted for acquisition and currency effects, sales were stable. The acquisition effect is attributable to the purchase of the dessert manufacturer Rachelli, the increase in the stake in Gläserne Molkerei and the sale of Trentinalatte.

### Sales development Global Trade

The business division **Global Trade** primarily comprises direct sales from Switzerland to customers in countries where Emmi has no subsidiaries. These include countries in Asia, Eastern Europe, South America and the Arabian Peninsula.

Sales in this business division increased by 13.2% to CHF 167.1 million. It accounted for 5% of Group sales.

### Sales by product group

in CHF million	Sales 2014	Americas		
		Switzerland Sales 2013	Sales 2014 Sales 2013	
Dairy products	710.1	698.0	267.1	262.5
Cheese	554.9	541.7	315.4	303.8
Fresh products	343.3	345.9	197.7	189.1
Fresh cheese	126.0	121.5	–	–
Powder/concentrates	73.2	72.4	5.5	6.0
Other products and services	80.6	83.6	54.3	56.2
<b>Total</b>	<b>1,888.1</b>	<b>1,863.1</b>	<b>840.0</b>	<b>817.6</b>

### Gross profit

In the year under review, **gross profit** increased by CHF 39.9 million to CHF 1,129.1 million, compared with CHF 1,089.2 million in the previous year. The gross profit margin amounted to 33.2%, versus 33.0% in 2013. The business division Europe made a major contribution to the improvement in the margin, due to the conscious decision to abandon business with insufficient margins for profitability reasons. In Switzerland, rationalisation and productivity enhancement measures cushioned the effects of price pressures in the retail trade and import pressures and made it possible for the margin to be held steady at around the previous year's level.

### Operating result (EBIT)

**EBIT** amounted to CHF 136.2 million, CHF 32.3 million less than in the previous year. This was due to non-recurring effects of CHF -34.5 million (primarily, an impairment charge in Italy). Adjusted for non-recurring effects, EBIT improved from CHF 160.0 million in 2013 to CHF 170.7 million in 2014. The EBIT margin was 5.0% (2013: 4.9%).

### Net profit

**Net profit** amounted to CHF 78.9 million in 2014. This represents a decrease of CHF 25.7 million on the previous year. **Adjusted for non-recurring effects, net profit** amounted to CHF 109.4 million in 2014, a clear increase of 12.1% on 2013 (CHF 97.6 million). As a consequence, the **adjusted net profit margin** increased to 3.2% from 3.0% in the previous year.

Sales 2014	Europe Sales 2013	Sales 2014	Global Trade Sales 2013	Sales 2014	Sales 2013	Group Change in %
42.0	16.1	11.3	5.3	1,030.6	981.9	+5.0%
136.3	144.3	72.5	68.9	1,079.1	1,058.7	+1.9%
257.5	238.5	49.4	47.0	847.9	820.5	+3.3%
56.8	53.2	–	–	182.8	174.7	+4.6%
7.0	6.1	24.4	13.1	110.2	97.6	+12.8%
9.2	11.7	9.4	13.3	153.5	164.8	-6.9%
<b>508.8</b>	<b>469.9</b>	<b>167.1</b>	<b>147.6</b>	<b>3,404.0</b>	<b>3,298.2</b>	<b>+3.2%</b>

## Sustainability throughout the supply chain

In Switzerland, Emmi offers a full range of dairy products, 5,000 of which are manufactured and refined extensively within the company's facilities. In addition, a trading range of several thousand products complements the company's offering.



### Development

Development stands for the invention of new and the optimisation of existing products, processes and packaging. In development, Emmi concentrates on its strengths – the products and their packaging. When it comes to fundamental research, Emmi works together with universities, research institutions and other partners.

### Product development

Innovation is a central component of the corporate culture and one of the success drivers. The company employs around 40 people in product development in Switzerland whose task it is to improve existing products, create new innovative products and develop products according to customer demand.

When developing new products, Emmi always adheres to the following principles:

- No GMOs (genetically modified organisms)
- Fewer additives
- No preservatives
- No lysozyme in cheese production

### Packaging development

Emmi produces some 5,000 different products in 2,000 different types of packaging in Switzerland. Emmi has two product packaging development teams in Switzerland who are responsible for developing and continuously improving the packaging.



### Procurement

Product quality does not only depend on recipes and manufacturing processes. The raw materials, primarily milk, fruit, sugar and coffee, are also important. Aside from these raw materials, packaging materials, machinery, technical materials, IT and advertising materials are significant procurement items.



**Production**

Production begins with raw milk, which is transported to Emmi from farms or from collection points. Once the milk has been delivered, it undergoes the first quality test before it is centrifuged, homogenised, microfiltered, pasteurised or ultra-heat treated and stored temporarily in tanks for a short time. After being pre-treated, the milk is processed further into dairy products, fresh products, cheese, fresh cheese or milk powder.



**Distribution**

Emmi uses its internal distribution logistics to deliver between 6,000 and 8,000 pallets to its customers every day. Deliveries to customers are mainly dispatched via the three major logistics platforms.



**Sales and Marketing**

Emmi distributes its products in Switzerland via its own sales organisation, primarily to the retail trade, the food service sector and the food industry.

**Environmental impacts**

The production of dairy products is a very resource-intensive process. For this reason, Emmi makes great efforts to minimise the environmental impacts of its activities. Since the mid-1990s, an in-house environmental organisation has ensured that guidelines and regulations are observed and reviewed regularly. Emmi's facilities in Switzerland have been certified to ISO 14001 since 1997, and are audited on an annual basis.

**Environmental index Emmi in Switzerland 2008–2014**

