

Portuguese Challenger

The Portuguese company Frulact will treble its capacity this year to meet demand from dairy companies for their processed fruit.

FEATURE: AEDAN KERNAN

Frulact only entered the French market three years ago – but already France represents 30% of its business. This year the Portuguese company is buying a French factory and also expanding capacity at home, so that by the end of 2006 its operations will have trebled in size.

The company has also made its first moves on North Africa and the Middle East – and, further ahead, it will be targeting Belgium, the Netherlands and Switzerland.

All of this comes from a family-owned enterprise that is less than 20 years old. Established in 1987 in Maia, Portugal, Frulact started out when there was effectively no industry for fruit processing in Portugal. “There was a good opportunity,” says vice president Joao Miranda. “My family has a lot of experience in dairy products and many years in the development of new products. We have a lot of experience in the final product, too. So the business was based on our know-how.”

At the start, the target was the dairy sector and the Portuguese market but after three years it became clear that in order to compete it was necessary to have more volume and a larger market, says

Miranda. “The Portuguese market is very small to make a competitive company and it was necessary to go abroad.”

In 1993 the company invested in a new factory directly for the export market and sales grew into Spain.

Today, Frulact produces fruit-based preparations for the dairy, ice cream, drinks products and industrial pastry sectors, processing both fresh and frozen fruit for its products.

As well as its two existing sites in Portugal, at Maia and Covilha, it has opened two production units in North Africa. The plants in Morocco and Tunisia are, like the Portuguese operations, located in areas of very high fruit production, and strawberries and apricots are particularly important.

France may be an obvious choice of market to tackle, but North Africa and the Middle East perhaps less so. However, Miranda describes North Africa-Middle East as an emerging market that will grow in the next few years. “Our customers are starting to invest in projects with partners in this market, so we are following our

customers,” he says.

“At the moment we can say that North Africa and the Middle East is a small market but it is an emerging market that will be a very, very thriving market in the next few years. The strategy was to take a position. So we have done that and we are leaders in this market, so it is our responsibility now to grow with it.”

Multinational dairy companies are investing in the area and Frulact expects to export to customers in Algeria, Libya, Egypt and Saudi Arabia from its two North African platforms.

In Portugal, Frulact has just invested €12.5 million in a new plant near the Spanish border, which started production in April (2006). First phase production takes them nearer to the grower. The rationale behind this investment was the need for more capacity but also the need to be near the first-stage processing, says Miranda. The new site has two units next to each other – one carrying out first-stage, the other carrying out second-stage processing.

The Portuguese investment doubled Frulact’s overall capacity from 15,000 to 30,000 tonnes – but on top of that, its investment in France will add another 12,000 tonnes. Frulact has bought a factory in France in order to be closer to the market and gain a platform from which to serve the Swiss, Belgian and Dutch markets. “This acquisition has taken out a small competitor in the French market

and also increases our capacity considerably,” says Miranda. “It is a significant increase and will be very interesting for our growth in the market. We believe we have the possibility to

grow in France and this factory will make that easier.”

Expansion, then, is clear – but growth is not the only target. Miranda emphasises the importance of retaining Frulact’s reputation for service and quality, as the company is not a “lower price” operator.

“It is quality of service but it is not only that,” he says. “We have to grow step by

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Joao Miranda

“In the future we will have the two global leaders and two or three global challengers.”



Trendsetter

Frulact employs 120 people at its R&D centre





step. Our culture, our orientation, is for the customer. So we can't lose our capacity of service, we can't lose our capacity of sourcing in the best way, we can't lose our capacity of innovation and our ability always to produce new products for our customers.

"If you want to grow faster, you can – but we don't want to. We are recognised as a company that provides a very good service. We are competitive but we are not the lower price – we are high level and offer a service that is very interesting and well appreciated."

That has meant a steady approach in France, for example. The strategy was to identify four customers and organise the commercial organisation around these. When growth was too fast, Frulact had to slow things a little "because we didn't have enough capacity to cater for the demands of the customers", says Miranda. "So we quickly started investment and we are now ready to go ahead and to grow faster in the market."

After a good deal of consolidation in the fruit preparation market, Frulact is relatively small in comparison to the two main players.

But Miranda says the company intends to be a challenger and will in the near future be a global supplier.

"In the future I believe we will still have the two global players and two or three challengers and after that you will have the small players," he says. "We see our position as one of the challengers." At present Frulact's turnover is euro 25 million and the company has been growing at a rate of 20 to 25% a year. It employs about 200 people. The workforce will not need to grow proportionately in order to treble production but will perhaps grow by 30%, says Miranda.

With a strategy of growing in a structured way with its customers, he says the risks are small. "Something can always happen but we don't have to be afraid of the things that can go wrong if we are prepared to get around the problem," he says. "The market will grow. Perhaps for us the challenge will be speed of growth. We could do with one or two years when the market does not grow." ■

Beating Price

Price pressures have had a major influence on the market for processed fruit preparations for dairy over the past five years as discounters and private label has grabbed market share. In fact, price has been such an issue that Joao Miranda believes the overall quality of the product on the market has actually dropped during those five years.

Now quality is making a comeback, he says, and Frulact sees quality as a market opportunity. "One way to differentiate is to offer new products with more quality," he says. "The other thing is to offer to the consumer something that is linked with health and wellbeing. Consumers want to eat ice cream or yoghurt which contains more natural products, less flavourings and more fresh fruit."

To deliver on this, the company has 120 people working in its R&D centre at Maia. "We look to serve not only the market but the individual needs of each customer," says Joao Miranda. "We have to know clearly what is the direction, what is the strategy of each of our customers in each of the markets. Only with this knowledge can we propose varied product solutions to our customers. And it is also a question of efficiency."

There is considerable focus on preparation before Frulact enters a market – with a focus on customer support and communication. For instance, as France is now such a high priority, 60% of Frulact's employees speak French.

"We are not allowed to make mistakes in this business. We are talking about big customers, big trade marks and enormous responsibility to the consumers," says Miranda. "All of our people have to remember that our profession is a risk job, so we can't make mistakes."