



EMCC case studies

Trends and drivers of change in the food and beverage industry in Europe: Findus

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Company profile

Findus Sweden AB is one of the leading food production companies in Sweden. Frozen foods represent the largest share of its total sales and include products ranging from vegetables, vegetable mixes, gourmet dishes, and prepared meals to fish and seafood.

Currently, Findus Sweden AB has around 1,100 employees in Sweden and 1,900 worldwide. Revenues for Findus Sweden AB were €240 million in 2004 and for the Findus Group were €450 million in 2005. The head office is in Malmö, Sweden.

Findus Sweden AB is owned by FoodVest Ltd., a holding company controlled by the investment company CapVest Equity Partners. FoodVest acquired Findus from EQT II in January 2006. EQT had acquired it from Nestlé in January 2000.

Findus has six food processing plants in Denmark, Finland, France, Norway, Sweden, and Thailand and trades in 10 countries.

Products and clients

Findus has a leading position in the Swedish market, and it aims to be the leading convenience food company in any market or country where it operates.

The company's aim is to grow organically at an annual rate of 5%. This is a significant challenge when the food retail sector is tending towards own-brand products. It will focus on innovation and product development in collaboration with its partners and its sister company, Young's Seafood.

Findus has achieved a standard of excellence for its product categories such as prepared food and vegetables. It aims to transform its production plants from decentralised factories supplying the local market into European units that will supply those European markets where Findus is present.

The company supplies a range of frozen foods to both the catering and wholesale and the retail sectors. The products include:

- Frozen vegetables, such as peas, beans, broccoli, and vegetable mixes
- Frozen fish and seafood (breaded and non-breaded) and soup
- Frozen bakery products, such as rolls and cakes
- Frozen prepared wok foods, such as Wok Prawn Dinner, Wok Vegetarian, and wok vegetables
- Frozen prepared one-person meals, such as stuffed pancakes, soups, and meals with meat
- Frozen prepared meals for several people, such as lasagne, meatballs, and crepes
- Cooled prepared meals
- Specially prepared meals for the elderly and the sick
- Mayonnaise-based products, meat and other sauces, marmalades, and vegetables

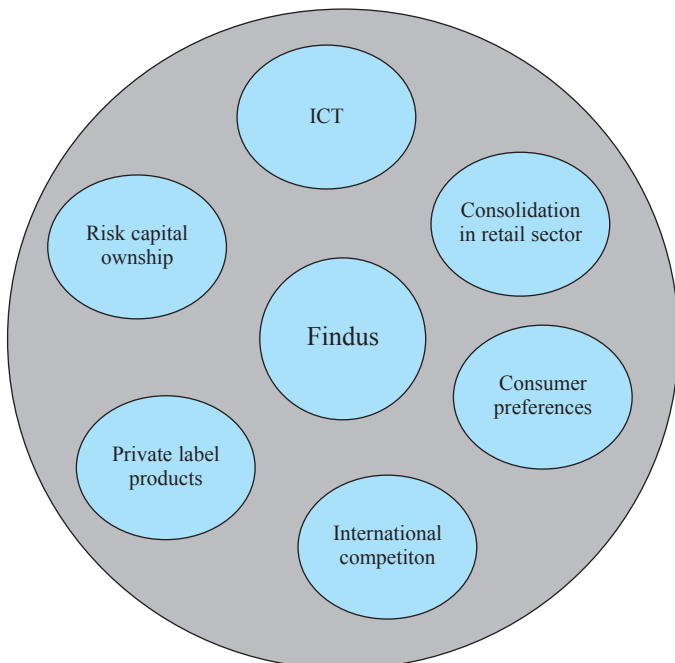
Findus has implemented ‘The One Company’ strategy and promotes all its products under the Findus brand. The group covers parts of Europe, but the importance of each national market varies greatly. Sweden, where the company markets around 550 different products, dominates in terms of production and sales.

Findus produces more than 200 different frozen products. It also produces and markets prepared meals tailored to restaurants, hospitals, and schools, and has a portfolio of 350 products aimed at this section of the food market.

Market dynamics and company changes

A number of factors and developments have affected the company over the past years. Figure 1 shows the most important factors and trends influencing the company’s operations and market position.

Figure 1: *Factors influencing Findus*



Ownership

The company’s current owner, like the previous one, is a risk-capital investment company. The current owner is FoodVest Ltd, which in turn is controlled by the investment company CapVest Equity Partners. FoodVest Ltd also owns the food processing company, Young’s Seafood.

The ownership model has implications for expectations in terms of return on investment. A family-owned business is likely to take a longer term view of investment than an investment company does. For Findus this has meant six years of strong focus on cost cutting and rationalisation. EQT, which bought the company from Nestlé in 2000, made no secret of its intention to prepare the company for sale, and sold Findus to FoodVest Ltd in 2006. The new owner is also likely to focus on achieving the best possible return on investment in the short, medium, and long term.

International competition

A significant share of the company's business is in Sweden. Since the mid 1990s, with Sweden's entry into the EU and the consolidation and centralisation of the retail food sector, competition from international food suppliers has increased greatly. This trend is expected to continue because low labour costs allow companies in emerging economies to produce food, including frozen prepared foods, at very low prices.

Competition has reduced food product prices in real terms in Sweden and other Northern European markets. These developments make it more difficult for Findus to compete in its key domestic markets.

Consolidation in the retail sector

Consolidation in the retail sector during the last decade has moved bargaining power in the value chain towards retailers.

Food retail giants such as ICA and COOP have launched many own-brand products at prices that are highly competitive with those of Findus and other brands. Currently, 10–15% of Swedish food products are own-brand, and in future the proportion of private-label products is expected to be 20–30% of all food products. This trend is a significant threat to food producers like Findus, which until now has produced very few own-brand products for retail customers. However, the company might develop this part of its business in future.

Findus was formerly part of a very large food company, Nestlé, and at that time – six to ten years ago – it was a much larger company, with 14 production plants and a larger production volume and turnover. Today, the number of plants is down to six, the others having been closed down or sold off. With 1,100 employees in Sweden and 1,900 in total, Findus now considers itself a small or medium sized company. The evolution from large to small has required a cultural shift and internal reorganisation.

ICT

Internet and computer technology (ICT) has a major role at Findus, which uses ICT systems across all key processes to facilitate information flows and manage inputs and outputs. Based on its 'The One Company' strategy Findus has spent a number of years implementing unified systems across all subsidiaries, covering the most important core and supporting processes – human resources (HR), finance, sales and distribution, supply chain planning, manufacturing, and purchasing.

Figure 2 illustrates the before and after situation in relation to the main ICT systems operated by Findus.

Figure 2: *The inherited ICT structure and the current ICT structure***2001**

	HR	Finance	Sales and distribution	SCP	Manufacturing	Purchasing
				IMSP		
SE	SAP/N	SAP/N	CMS		CMS	CMS
FI		SAP/N	Tehotek/M		Tehotek/M	
NO		SAP/N	Mapper		Movex FMS	
DK		SAP/N	CMS			
UK	SAP/UK	SAP/UK	SAP/UK		SAP/UK	SAP/UK
FR		SAP/FR	SAP/FR		FMS	
ES		SAP/ES	SAP/ES		Local	
DE		Local	Local			

Current and future

	HR	Finance	Sales and distribution	SCP	Manufacturing	Purchasing
				APS		
SE	SAP	SAP	SAP		Movex	Movex
FI		SAP	SAP			
NO		SAP	SAP		Movex	
DK		SAP	SAP			
FR		SAP	SAP		Movex	
ES		SAP	SAP		Movex	
DE		SAP	SAP			

Findus implemented the basic version of SAP for its finance, sales, distribution, and HR. It implemented the MOVEX system, which is integrated with SAP, for purchasing and manufacturing planning. It has an APS system for supply chain planning.

Consumer preferences

Consumer preferences vary depending on markets (demand in France can be different from that in Norway, Sweden, or Denmark). On the other hand, Findus has found that products launched in one country can succeed in another. Although global trends in prepared meals might be emerging, it is still uncertain how these trends actually influence individual markets and their actors.

However, Findus has identified the following trends as important:

- Increasing demand for convenience – high quality ready-made or semi-prepared food
- Emphasis on the needs of specific customers, such as the elderly and those with certain medical conditions
- Food safety

Findus aims to identify market segments where new prepared foods and ready meals can satisfy emerging needs. The company has advanced production facilities that allow it to provide new types of products and services that consumers might want in future.

Organisation, production, and market

As mentioned earlier, the Findus Group consists of a number of companies located in Denmark, Finland, Norway, France, and Thailand as well as Sweden. The subsidiaries, which include production companies as well as trading companies with different specialities, account for around half the company's turnover.

Findus used to be bigger, and in 2000 the group consisted of 14 production plants around Europe with 3,400 employees. In earlier times, Findus also had plants producing frozen meals in Grimsby, Hull, Cleethorpes, and Newcastle in the United Kingdom. Many of these plants have closed because of declining profits and reorganisation of production capacity, or they have been sold on to new owners.

Rightsizing research and development

There were significant changes at the Bjuv plant in Sweden after the takeover by EQT from Nestlé in 2000. Since then the plant and organisation have undergone cost cutting and reorganisation, resulting in fewer management levels and a more efficient production plant. For example, the research and development (R&D) staff was reduced from 100 to 35.

The R&D department now focuses more on product development and less on basic research. This is a natural result of the shift from being a large food company to being a medium size one. According to Thomas Vääräla, personnel manager at Findus, a company the size of Findus simply cannot afford to run a large R&D department.

The company must speed up market adaptation and enter ad hoc partnerships to reach new markets and meet new needs. To address this challenge, Findus participates in networks like the Øresund Food Network and collaborates with local universities, e.g. Lund University, when looking for new product opportunities and process improvements.

Changes for workers in production

Since reorganisation, production workers take more responsibility for organising the day-to-day work. Previously there were thick walls between departments; today this is not the case. Because of the employee involvement and empowerment, communication across departments and functions has improved. Previously each employee focused primarily on his or her own production line; today everybody looks at the plant as one big production area and it is less 'us and them' and more 'how can we help each other'.

Findus divides its production in Sweden into deep-frozen products, cooled products, and other products. The Helsingborg plant processes vegetable mixes. The Bjuv plant processes peas and carrots and makes prepared meals, including fish dishes. The raw fish arrives in blocks and is cut up, sauces and other ingredients are added, and the product is frozen and packed ready for delivery. Another part of the plant prepares, cools, and packs soups.

The Bjuv plant also has a line for meatballs where the meat is minced, shaped, given a quick boil, and rolled into the large frying facility. The fried meatballs are then packed and frozen.

Automated production systems and machines perform many processes but workers are also involved, sorting and controlling products and processes and doing tasks that the machines cannot. For example, fish fillets are packed by hand and some prepared meals are produced by hand. The plants continue to invest in fully automated machinery, resulting in better jobs for workers. These jobs demand more skills and competencies and are, therefore, better paid.

The work to improve the effectiveness of the production plants in Bjuv, Helsingborg, and other places will continue in order for Findus to remain competitive.

Focus on key account managers

In Sweden, the food retail giants ICA, COOP, and Exfood control 90% of the food retail market, and ICA alone represents approximately 50% of it. Therefore, it is important to have a good relationship with these three customers. Findus's sales department consists of key account managers for each of the large customers in the various markets. Key account managers are responsible for:

- understanding customer needs
- selling Findus products to customers
- maintaining dialogue with customers
- listening to customer feedback and planning to identify new needs
- sharing knowledge about customers' needs with relevant departments in Findus

Findus also operates a frozen food service aimed at wholesalers supplying the catering and large kitchen sector. Here the three largest players in Sweden only control around 30% of the market. This means that Findus addresses a great many customers in this sector, as it does in the other countries where it operates a frozen food service. The company also maintains a dialogue with the largest customers in this segment via a number of key account managers.

Supplier relations

Findus does not actively promote the fact that it is a Swedish company. In a global market, the company headquarters is far less significant than quality and brand. Quality is also the major issue in relation to the source of raw materials. While 'Swedish meat' might be a unique selling point for some suppliers in Sweden, this is not the case for Findus. What matters is the quality and price of raw food products and how they have been produced, packed, and distributed. Findus conducts regular tests and reviews at suppliers and producers to ensure high quality. These checks are a general requirement for the company's suppliers of raw food products and ingredients.

Findus buys many of its standard ingredients on the spot market, that is, a commodities market where goods are sold for cash and delivered immediately. Contracts bought and sold on these markets are effective immediately.

The company has also established long-term partnerships with some of its most important suppliers. According to Findus, a good supplier is one that focuses on cutting costs, improving quality, providing new and relevant knowledge, and contributing to concept development. Food concepts encompass new food services or products and include plans for nutritional impact, taste experience, needs and audiences to be addressed, promotion, and consumer behaviour. Findus offers long-term delivery contracts to the best suppliers who, in return, commit to reducing costs and prices over the contract period while maintaining quality levels.

Some suppliers, such as fish processing plants, seldom contribute to new concept development. Improvements in relation to spot-market supplies, like fish products, focus more on developing new solutions for packaging and logistics.

Workforce and the market

Most Findus workers are full-time employees. However, during the vegetable processing campaign in summer, the company hires many youths on temporary contracts to help process and package the vegetables.

The company's recruitment strategy is based on two key factors. First, Findus is a brand and many workers, particularly in Sweden, want to work for the company because they associate the brand with a commitment to providing good working conditions. Second, Findus actively promotes itself as a good place to work. The company offers real career opportunities, good benefits, and competitive salaries.

In future, Findus will continue to need well-educated employees. White-collar workers will need an academic background, with higher educational qualifications in management, economics, marketing, or relevant engineering topics. They must also be trained to run projects. To fuel growth and ensure development of new products, future employees must also be creative and ready to take initiative.

Future blue-collar workers must also be able to collaborate in teams and take responsibility for their own work organisation. As the automation of production plants continues, the work will become more focused on monitoring quality and controlling the process and less on manual tasks.

Salary structure and benefits

Findus offers performance based salary only to its staff in sales, the only area where performance is reasonably easy to measure. All other employees are on fixed salaries plus a range of benefits like social security and health insurance, pension schemes, and access to a good lunch canteen. Wages for food production workers are slightly above the minimum set in agreement with the LIFS union.

Labour relations

With 95% of the permanently employed blue-collar workers at the Swedish Findus plants being members of the LIFS union, union membership is significant. Because of its strong presence, LIFS has had a significant influence on company development and has a very good working relationship with it. LIFS was very much part of the discussion during the reorganisation and cost reductions at the Swedish plants and significantly influenced how the changes were implemented. LIFS has been represented on the board of Findus for a long time and still is.

Throughout the restructuring the LIFS union believed that its members would benefit from the changes. Nevertheless, the changes got mixed reactions at first, but today most employees are happy with the way work is organised. At first many found it difficult not to have a manager on hand to ask about production problems. Today workers solve problems and meet challenges on their own.

There are three unions for white-collar workers, among whom the level of union membership is somewhat lower than among production workers. The relationship between the company and these unions is also good, although there was some turbulence during restructuring. Many white-collar employees and their unions did not think that their jobs were threatened, but the cost cutting also involved white-collar jobs.

The focus on cost cutting and reorganising the production process has produced a safer and healthier work environment. Since the reorganisation started, the number of accidents and sick days has reduced greatly. According to Thomas Väärälä, this is mainly because many manual tasks are now done by advanced food processing machinery and the remaining jobs have become more knowledge-intensive, varied, and interesting.

On the other hand, the continuous development of the processing plants has led to new types of accidents, for example, those connected with using forklift trucks. Therefore, the company will continue to develop its processes to improve performance and the work environment in order to eliminate accidents.

Education and training

In order to achieve the 5% growth per annum, Findus needs well-educated and trained employees. According to Thomas Vääräla, the company invests heavily in a substantial education and training programme at all levels. The production plants have a range of compulsory introductory and health-and-safety training activities. Much training is carried out on the job in relation to operating the food processing machinery and systems.

The EU and Swedish health and safety regulations require food companies to conduct introductions for new employees and regular updates for existing employees when introducing new techniques and processes. In addition, continuous documentation and regular follow-up activities are required.

R&D employees are already well educated when they join the company, but they are required to keep up to date with the latest developments in the frozen and chilled food areas. As a medium sized company, Findus requires R&D employees to have not only strong technical knowledge, but also a good understanding of the business aspects of the food sector. Because it is hard to find R&D staff with this combination of competencies, it focuses on recruiting employees who can develop new product ideas and understand the business, and it outsources specific research tasks.

At management level, Findus works very closely with the MIL programme. The MIL Institute is a network for value based and business driven executive development.¹ Findus has selected 30–40 of its high performers to undergo a young-management trainee and leadership course at MIL. The course involves coaching from experienced managers and experts, and knowledge exchange with likeminded young recruits from other companies. The MIL Institute is also used for other education and training. In addition, Findus uses a number of specialised external training providers for specific courses in relation to IT and other areas. The company has not used e-learning to train and educate staff. Thomas Vääräla puts it this way:

'We have not come across any e-learning products or solutions that were relevant for our needs.'

Development of new food products

In order to stay competitive, Findus develops and launches many new frozen foods and prepared meals each year. It develops most products in house but collaborates with customers and partners in several others.

In January 2006, Findus and ICA launched a number of frozen prepared meals designed for those who have difficulty chewing and swallowing, estimated at more than 100,000 people in Sweden. The company collaborated with the University Hospital MAS in Malmö to develop the new range of frozen prepared meals, which are now available at all ICA shops in Sweden. Until they became available, the food choices for people with that condition were limited to purées developed for small children.

Information technology in the workplace

The general philosophy at Findus is that ICT must prove its worth to the business. Smaller ICT investments must have a payback period of no longer than 12 months. The new sister company, Young's Seafood, has been successful at integrating its IT systems with those of its customers and it is likely that Findus can benefit from that experience. Findus sees opportunities for IT integration being mainly with its logistics partners. Most of its raw food supplies come from spot-market suppliers, often with one-off contracts so that IT integration with them is not an issue. However, ICT keeps changing and new opportunities for ICT integration and business development are likely to arise.

¹ <http://www.mil institute.se>

Conclusion

Findus has changed from a large food processing company and part of one of the world's largest food companies, Nestlé, to a small or medium size operator focusing on markets where it has a strong presence.

Since Findus was taken over by risk capital investors, the company has focused on cost cutting and rationalisation. It remains in a highly competitive market with pressure from retailers introducing their own brands and international suppliers producing food products at very low cost. Survival and the success of its growth plans rest on the company's ability to continue introducing attractive new food products.

At the same time, Findus will continue to improve its production systems and processes as well as developing its workers' skills and competencies.

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Case company

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Source list

Interview (August 2006) with: Thomas Vääräla (head of personnel)

Supplementary documentation on organisation from the company website: <http://www.findus.se>

'Med god koll på Europas matvanor', a company profile article in Helsingborg Daily Newspaper (HD) by Lennart Kolmodin.

Input from Kent Algren, union representative at Findus.