



## Brazzale Group & Jikang Food Co Ltd - Cheese Production in China

*Brazzale Group is a family owned company. Brazzale family has been operating in dairy industry since 1784 and represents the oldest Italian company in the sector. The Group entered China in 2013 buying an existing small factory producing natural fresh cheese based in Beijing. Beijing Jikang Food Co Ltd now operates as Brazzale's subsidiary.*

*Facing many challenges and seizing the opportunities in the Chinese cheese market, Jikang Company has developed a successful business that has now been running for five years. The strengths of the company are its continuous quest for high quality and innovation and its adaption to the Chinese consumers' demands.*

**Type of business:** Manufacturing, distribution, import and export of dairy products

**Operation history in China:** Five years on top of over 200 years' experience in Italy

**Company size in China:** 25 employees

**Target market:** Food distributors, consumers, hotels, bakeries, restaurants, pizzerias

### 1. COMPANY BACKGROUND

Brazzale Group is a family-owned company which has operated in the dairy industry since 1784 and is the oldest Italian company in the sector. The ownership and management of the group is now in the hands of the seventh generation of the Brazzale family, represented by brothers Gian Battista, Roberto and Piercristiano. With an entrepreneurial spirit of continuity, the eighth generation of the Brazzale family is now working in the company.

A continuous quest for the best combination of quality, value and authenticity in its products has led the group to become an industry leader. Brazzale produces in Italy, Czech Republic, Brazil and China, while selling its products in roughly 150 countries.

The Group entered China in 2013 by acquiring an existing small factory producing natural fresh cheese based in Beijing and founded in 1995 as a JV between a couple of Italians and a Chinese enterprise. Beijing Jikang Food Co., Ltd. is a wholly foreign-owned enterprise operating as a Brazzale Group subsidiary and has recently moved to Qingdao.

The production site adopts European automated production equipment and advanced Italian manufacturing technology, which is characterised by a refined ICT control system that can be managed remotely, and integrates manufacturing, storage, sales and transportation to supply the Chinese market with the most authentic Italian natural cheese.



## 2. MAJOR CHALLENGES AND OPPORTUNITIES IN THE CHINESE CHEESE MARKET

The Chinese cheese market is relatively young, as cheese used to be a foreign product and not part of Chinese people's diets. The cheese market can trace its development to when the first big fast-food chains entered China and introduced cheese, mainly processed cheese, to their menus. **Processed cheese** has been for long the only type of cheese known and consumed by Chinese consumers, who have got used to the taste, smell, shape and texture of it.

Against such a background, the natural cheese market in China today faces both huge challenges and opportunities. The first obstacle is that natural cheese is far from what Chinese consumers are used to, and it is thus difficult to convince them to introduce it to their diets. The most commonly sold products are indeed grated and fresh cheese, which are mainly used in bakeries and some cooked dishes. Secondly, the presence of large competitors from Australia, New Zealand and the US makes it difficult for European SMEs to increase their share of the market, which is still small compared to its development potential. Thirdly, fresh cheese has a short shelf-life.

However, opportunities have arisen in the increasing consumption of dairy products due to an overall increase in attention paid to nutritional values. The acknowledgment of the greater benefits brought by natural cheese compared to processed cheese constitutes an important factor for the development of the natural cheese market. Such a hypothesis is corroborated by the fact that **the large domestic Chinese industry is moving towards the production of natural cheese for the local market.**

It is fundamental to keep in mind that although Chinese consumers are aware of natural cheese's nutritional values and are curious to try new products, they have a conception of cheese that differs from the European one. Therefore, it is important to adapt the products to their tastes and to teach them new ways to consume them.

## 3. ENTERING THE CHINESE CHEESE MARKET

Driven by the prospects of the Chinese cheese market described above, Brazzale Group entered China in 2013 by acquiring an already existing production site operating in the outskirts of Beijing and then upgrading it. The upgrade was carried out with three approaches in mind: according to stringent international standards, the experience of European factories and adaptation to local conditions.

By adopting European automated production equipment and advanced Italian manufacturing technology, Beijing Jikang Food began production of natural fresh cheese (which has a shorter shelf-life); at the same time, it started importing other cheese produced by the Group in order to supply the Chinese market with the most authentic and complete range of Italian natural cheese. The first step of the group's entry strategy is then the importation and the installation of equipment. This process does not take long- about three months thanks to the work of Italian technicians and a first-choice local machinery supplier who helped with the instalment process in Beijing and then followed the company to Qingdao, transferring all the equipment to the new factory in two months without stopping production.

The second step entails the recruitment and education of human resources. People already working on the production site were not able to use the new equipment. Recruiting employees specialised in the natural cheese field in China is very difficult, and it takes a long time to educate untrained employees to acquire the necessary knowledge and skills. Brazzale decided to invest in the education of the existing group of production workers. After almost two years the production team was proficient, and after five years employees have developed an expertise good enough to be employed in any European fresh cheese factory. Having a production team and a quality controller for production who is able to reach European standards of quality and safety is essential. At

this stage, the same importance was attached to the creation of the Quality and Safety Group. By working hard this group managed to attain HACCP, ISO and GM certification within one year.

The third step is the conception and creation of a product that is more suited to the Chinese market. To meet Chinese consumers' tastes and distribution channels' necessities, within two years Jikang company had created four new lines of production for smoked cheese, IQF (fast frozen) cheese, desserts made with cheese, and a typical Italian cheese with a shelf-life of eight days (and for this reason difficult to find even if appreciated in the local market).

The fourth step is to address distribution and the final consumer. When it comes to the Chinese cheese market, this is the most difficult stage of the entry strategy and Brazzale is still facing some issues here. Chinese consumers are undoubtedly more and more educated and willing to introduce fresh natural cheese into their diets, but consumers' education on how to consume such products is still a work in progress. As an attempt to work towards overcoming this, the company published a recipe book of over 300 pages with recipes covering dishes from starters to desserts. By teaching Chinese consumers how to cook with its products, Jikang company tries to increase its sales volumes.

#### **4. FOCUS ON QUALITY AND INNOVATION**

In order to develop a solid business in this sector in China, it is fundamentally important to focus on quality and innovation. The high-quality of manufacturing processes and final products is essential to win Chinese consumers' trust, as they are more and more concerned with food security issues especially when it comes to dairy products. In the initial phase the company invested a lot in building an efficient production system, that encompassed everything from utilising suitable technologies and equipment to employing proficient personnel and sourcing reliable suppliers of fresh raw milk. Moreover, Jikang company worked hard to pass IOS9001, the dairy products GMP and HACCP system certification, as well as to establish a complete quality control system with strict control over all aspects of the food chain to ensure the quality of products.

Furthermore, in compliance with the innovative spirit of the Italian headquarters, Jikang Company is engaged in active cooperation with China Agricultural University. It established the "Research Institute of Food Science and Nutritional Engineering Practice Base" and the "Dairy Industry Technology System Beijing Innovation Team Dairy Processing Research Base", and is fully committed to product development, environmental protection, energy conservation and emissions reduction. Adapting to consumer tastes is a fundamental aspect that has to be taken into consideration when entering the Chinese market. For example, Jikang Company, noting the fact that ricotta cheese is well-received by Chinese consumers due to its texture that is similar to tofu, has started developing different kinds of flavoured ricotta cheese that can be used in bakeries in order to further exploit its potential.

#### **5. RECOMMENDATIONS FOR SMES**

- Invest in quality by educating and retaining qualified personnel, by using up-to-date machinery and technology, and by gaining quality certifications;
- Invest in innovation by partnering with local research institutions or universities to develop new products and have a positive impact on the local community;
- Choose locations wisely by considering the availability of personnel, suppliers of raw materials and distribution channels;
- Meet with local authorities before starting to invest and ensure you obtain all relevant certifications to run your business.

## About the EU SME Centre

The EU SME Centre helps EU SMEs prepare to do business in China by providing them with a range of information, advice, training and support services. Established in October 2010 and funded by the European Union, the Centre has entered its second phase which will run until July 2018.

The Centre is implemented by a consortium of six partners – the China-Britain Business Council, the Benelux Chamber of Commerce, the China-Italy Chamber of Commerce, the French Chamber of Commerce in China, the EUROCHAMBRES, and the European Union Chamber of Commerce in China. All services are available on the Centre's website after registration, please visit: [www.eusmecentre.org.cn](http://www.eusmecentre.org.cn)

For this case study the EU SME Centre has partnered with the China-Italy Chamber of Commerce (CICC). The publication aims to help EU SMEs gain an understanding of the challenges companies may face when accessing or expanding in the China market as well as offer practical tips on how to overcome them.

The China-Italy Chamber of Commerce (CICC) is the only business organization recognised by both the Italian Government (Ministry of Economic Development, MiSE) and People's Republic of China (Ministry of Civil Affairs, MoCA) that aims to boost the internationalization and settlement of Italian business and to promote the "Made in Italy" in the PRC. Established in 1991, CICC has now offices in Beijing, Chongqing, Guangzhou, Shanghai and Suzhou. The CICC Members (545 in 2017) represent the Italian business community such as public-invested and multinational corporations, small and medium-sized enterprises (both manufacturing and commercial), service companies etc. To companies settled in China and those with on-going business within the Chinese market, the CICC offers informative, training and business networking opportunities. Besides, the CICC qualifies itself as a voicing platform for them to share topics of common interest. To companies interested in strengthening their business in China, the CICC offers consultancy, assistance and marketing services.

For more information about the activities of CICC, please visit: [www.cameraitacina.com/](http://www.cameraitacina.com/)

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