

2007 Frost & Sullivan Brand Development Strategy Leadership Award

Award Recipient: Kemin Food Ingredients

2007

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Brand Development Strategy
Leadership Award

AWARD DESCRIPTION

The Frost & Sullivan Award for Brand Development Strategy Leadership in the Rosemary extracts market is presented to the company that has demonstrated excellence in brand development within the industry. The Award recognizes the company's ability to best perceive consumer needs and develop marketing strategies that elevate the brand's quality, style, and image to create an overall value perception. Through a combination of unique of product quality, communication, distribution, and packaging strategies, the Award recipient has demonstrated superior market growth skills.

RESEARCH METHODOLOGY

To select the recipient of this Award, the analyst team tracks all of the major participants in the industry, paying close attention to their brand development efforts. This process includes interviews with the market participants, customers, and suppliers, along with extensive secondary and technology research. The companies' brand development efforts are then analyzed based on the number of participants, competing brands, commitment to the brand, and the brand's recognition amongst its peers and consumers. Industry participants are then ranked based on the predetermined measurement criteria. The Award is presented to the company that ranks number one in the industry.

MEASUREMENT CRITERIA

In addition to the methodology described above, there are specific criteria used in determining the final ranking of industry competitors. The recipient of this Award has excelled based on one or more of the following criteria:

- " Improved market penetration and market share growth in existing market segments
- " Development of unique brand strategies
- " Competitor recognition and value of brand
- " Participation in industry trade groups with goal of expanding market potential
- " Establishment of programs that allow its customers to grow, thereby improving its own performance
- " Increases in customer loyalty



The 2007 Frost & Sullivan Award for Brand Development Strategy Leadership in the European rosemary extracts market is presented to Kemin Food Ingredients. Rosemary extracts account for one of the fastest growing segments of the natural extracts. The market is at present moving towards consolidation characterised by high level of competition between 15 active participants in 2006. It is recognised by the trend of backward integration motivated by fluctuating prices due to raw material sourcing issues.

Kemin has taken the advantage of its core competency in marketing to establish a strong position for itself in the European rosemary extracts market. It has availed such a leading position by strategic marketing solutions, and pioneering campaigns and policies. As a part of this approach, the company has been focusing at effective brand recognition and customer propinquity. In addition, harmonised and competitive pricing, efficient backward integration, reduced time to market and expansion into new geographies have all enabled Kemin to establish itself as one of the leaders in the rosemary extracts market in terms of branding and market share.

Chart 1.1 shows the major factors contributing to the success of Kemin's Brand Development Strategy



Source: Frost & Sullivan

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Since its conception 46 years ago Kemin has persisted in trademarking and branding its ingredients. Having understood the competitiveness of the market for rosemary extracts the company clearly recognised the essentiality of customers' association of a brand with a manufacturer. In this context, Kemin has positioned its FORTIUM® brand as a potent natural antioxidant solution for use in various applications including food, feed and pharmaceuticals. After the immense success with FloraGLO® brand in 1995, Kemin has positioned its rosemary business along a similar line.

Building a Successful Brand - FORTIUM®

Strong Value Proposition

The FORTIUM® brand portrays natural antioxidant solutions, offering a range of rosemary and tocopherol extracts in various concentrations and applications of the 25 different variants of these products across the globe. Through this brand message the company aims to propel the trend influencing the global shift towards natural ingredients in food processes.

Comprehensive Positioning

The FORTIUM® brand is positioned to supply shelf life solutions as antioxidants to the food, feed and pharmaceutical industries. The brand currently caters to the food sectors such as processed foods, meats, seasonings, salad dressings, nuts, breads and bakery mixes and is increasingly moving into newer applications such as omega-3 fish oils and vegetable oils.

Remarkable Identity

The FORTIUM® brand is now synonymous with the natural shelf life solutions with increased functionality and exceptional customer service. Furthermore, Kemin's supply not only the product, but also the entire buying experience.

The latter refers to the superlative customer and technical service that is supplied as part of the purchase. FORTIUM® has currently a veritable identity of its own in the European rosemary extracts market.

Powerful Brand Image

The brand image of FORTIUM® portrays the message of natural antioxidant solutions. This message has helped build a successful and favourable brand image. The brand image of the FORTIUM® range matches with the customer and consumer trend for natural products and ingredients and hence, has a strong perception of safe and "good-for-you" image.

Increasing Brand Loyalty

In the current exceedingly aggressive natural extracts market, developing loyalty to brands permits marketers to preserve a secure and durable place in the marketplace. Brand loyalty is defined by a customer's conscious or unconscious intent or decision, to repurchase a brand repetitively. Such a phenomenon occurs due to the customer's perception of the value of the brand. The FORTIUM® range offers the precise product characteristics, positive image and level of quality at the right price. In order to foster such loyalty Kemin has placed its brand in a position to gain and retain customers. This strategy has been carried out by educating customers of the value of its purchase and consequently encouraging future purchase. The success of the FORTIUM® brand loyalty can be measured by the outstanding customer retention of 95 per cent as of 2006. This brand loyalty is also depicted by the increasing demand to co-brand FORTIUM® from their customers.

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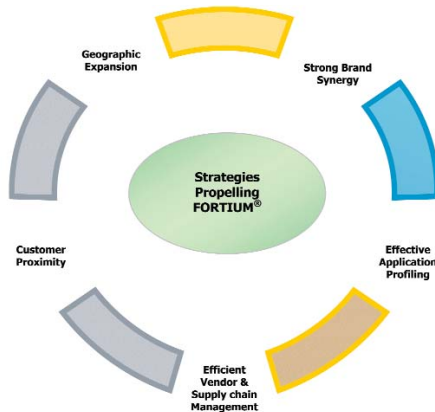
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Chart 1.2 shows strategies propelling Kemin's FORTIUM® Brand's Success



Source: Frost & Sullivan

Marketing the Brand

Kemin has achieved top recognition for its brand value, by creating a whole new buying experience of FORTIUM®. The company accomplishes this through its core research and development competence, by which the customer procures the product coupled with in-depth customer-centric and application-specific technical support. In an emerging market such as natural extracts, know-how is a key competitive factor. The provision of such expertise makes Kemin a market favourite. The company has developed a dedicated support division termed the Customer Laboratory Service. This service provides the customer with Kemin's food technology and product development expertise. In addition, the expert team counsels customers on technical and tactical skills of applying the ingredient into their products. During the first six months of purchase, the technical support team and account executives regularly visit the customer and bring back samples of the finished products for quality checks for consistency and high standards. Besides, this team provides customers with add-on advice on other pertinent issues that are likely to arise during production such as variable physical or chemical characteristics of the final product.

Lateral Market Penetration Aids Application Profiling of FORTIUM®

In a high growth market such as rosemary extracts the drive for innovative products is a constant and ever important factor. Kemin is constantly innovating and penetrating into new application sectors. Kemin has been involved in producing FORTIUM® natural antioxidants for use in meats, seasonings, salad dressings, nuts, breads, bakery mixes and other high-fat matrices. The company has now begun to penetrate into newer application sectors such as omega-3 and vegetable oils. Due to the high degree of polyunsaturation of omega 3 lipids, marine oils tend to oxidise fast. Such oxidation results in the formation of volatile oxidation products, characterised by fishy off-flavours and odours. To combat this Kemin Food Ingredients has developed FORTIUM® brand RPT40 a natural flavour and antioxidant combination, for the protection of marine oils against oxidation. Such natural solutions are in high demand at present with synthetic antioxidants becoming increasingly unpopular due to consumer concern over e-numbers. The company constantly strives to raise the standards of quality and processes employed in its products. Furthermore, Kemin supports its products with scientific backing by collaborating with various universities, such as the Iowa State University for unbiased studies on product testing and new applications. Such monopolistic focus on rosemary has allowed Kemin to establish a niche and synonymous identity for the brand.

Brand Recognition

Value-added Services

Kemin as a company prides itself on its ability to not only react, but also anticipate market requirements. The key to differentiation in the rosemary market is the manner in which products are delivered to customers. In this context Kemin has introduced a highly competent vendor

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management service through which the company offers services such as customer-specific formulations. In addition, Kemin facilitates its customers adapting their production process to include the antioxidant mixture at the right stage. Such a synergistic approach with its vendors and customers is the cornerstone of Kemin's business. In an exceedingly spirited market such as rosemary extracts, differentiation of products by offering value-added services is a key competitive strategy.

Consistent Supply

Kemin procures raw materials around the world by establishing a global purchasing network. The rosemary market has traditionally been faced with infamous price fluctuations due to unstable raw materials supply. Kemin has effectively dealt with this problem by growing its own rosemary through contract farming arrangements in addition to providing products with a consistent quality. The rosemary variety that is grown is a specially selected variety that provides the maximum antioxidant efficacy. The extraction is done in Des Moines in its own extraction plant using a patented process and formulated to suit application or customer demands. Such backward integration allows the company to ensure the efficiency and complete traceability of its supply chain. In addition to stable raw material supply, such backward integration has also allowed the company to stabilise the pricing of its extracts.

Value for Money

The company adopts a pricing strategy that complements the brand value. FORTIUM® is estimated on price-to-value ratio. This scenario occurs when the customer is willing to pay a premium because of the services offered as part of the sale. This has resulted in the reputation of the company as a superior and reliable quality supplier of rosemary extracts with incredible customer service.

FORTIUM® Customer Interface

Accepting the magnitude of brand awareness for a successful organisation Kemin undertakes brand awareness campaigns on an annual basis. These evaluations include a customer survey that comprise of a concise and comprehensive analysis of market share and customer satisfaction. Kemin regularly measures customer retention and evaluates its strategy. Due to its global base Kemin is able to provide service to its customers locally out of regional offices. The company has manufacturing, research and development, sales and technical teams in the Americas, Europe, India and Asia Pacific. Customers are thus able to correspond with people in their own country and avail valid and insightful advice on specific problems. By expanding geographically, Kemin has increased its proximity with its clients, thereby enhancing customer service for better customer retention. In addition, Kemin has representatives taking part in trade shows such as Food Ingredients Europe, Food Ingredients Asia, IFT and application-specific shows to meet customers on a one-to-one basis. It also publishes trade journal articles on its ingredients, which are a major source of lead generation.

Conclusion

A comparatively new entrant into the rosemary extracts market; Kemin has effectively sealed its position as a top contender in the market. Not content with being a global leader in AgriFood ingredient manufacturing, the company has successfully penetrated into food applications with its rosemary extracts. The FORTIUM® brand offers a holistic solution to its customers in shelf-life technology. Kemin has created a global brand image and 'mind share' for its products among customers. With its innovative and efficient strategies, Kemin has been able to increase its market share to approximately 8.5 per cent in the European arena in 2007, from less than 5 per cent in 2004 (Frost & Sullivan). Such high standards of industrial competence are the reason that Kemin Industries is the deserving recipient of the 2007

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About Frost & Sullivan

Frost & Sullivan, a global growth consulting company, has been partnering with clients to support the development of innovative strategies for more than 40 years. The company's industry expertise integrates growth consulting, growth partnership services, and corporate management training to identify and develop opportunities. Frost & Sullivan serves an extensive clientele that includes Global 1000 companies, emerging companies, and the investment community by providing comprehensive industry coverage that reflects a unique global perspective and combines ongoing analysis of markets, technologies, econometrics, and demographics. For more information, visit www.frost.com.

About Best Practices

Frost & Sullivan constantly tracks companies across various industries globally. It conducts in-depth interviews with industry participants as part of its syndicated research process. The plethora of primary interviews, along with extensive secondary research, provides Frost & Sullivan with reliable market intelligence and knowledge of the best practices adopted by diverse organizations.

The Best Practices Program provides accolades to companies in a variety of regional and global markets for demonstrating outstanding achievement and superior performance in areas such as market leadership, technological innovation, customer service, and strategic product development. The content used to identify the Award recipients is sponsored by Frost & Sullivan and then

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