



Reflections

A history of DeLaval



| 1917

| 1963

| 1966

| 1977

| 1993

Chapter 5

From jack-of-all-trades to master of one

In 1969, there were almost 100 000 dairy farms in Sweden. Today, there are just 9 400. The trend to fewer but larger farms has of course been seen throughout the world. It's a trend that has played a major role in how the company has developed since the end of the Second World War.

Many economists believed that when the war ended, the world would be plunged into a new recession. But the opposite happened and, from 1950 to 1970, the West experienced a period of uninterrupted growth.

The demand for manufactured products was enormous in post-war Europe, which meant that the demand for factory labour was also huge. This resulted in large increases in wages: between 1946 and 1960 the wage of an industrial worker doubled in Sweden. This in turn attracted an increasing number of people off the land into towns.

| 1917

| 1925

| 1927

| 1931



1958

1964

1968

Milking machine sales take off

Although the De Laval Milker was launched in 1917, sales only really began to take off at the end of the 1940s because labour had become so expensive. Until the end of the war, it was only larger farms that could afford milking plants. But now, with labour costs soaring, even smaller holdings with just 8 to 10 cows began installing machines.

Meanwhile farms were growing larger and larger. The bigger the farm, the more complex the needs of the farmer. And the more sophisticated their requirements, the more difficult it becomes for a supplier to understand those needs.

A deep structural change

We have always worked closely with our customers in order to meet their needs. But the speed of change called for a major restructuring of the company. This did not occur overnight, but was a steady step-by-step development that, over a period of 50 of years, led to the DeLaval we know today.

The first rotary carousel went into operation on November 13, 1930. It was a major event and was unveiled by Thomas Edison, the famous inventor. The "Rotolactor", as it was called, was said to be exceptionally reliable and milked 1 650 cows two to three times every day until 1971.

Before the First World War, each sales person could be responsible for AB Separator's full range of products: from milk separators to industrial separators and heat exchangers. But it was felt that sales people were becoming jacks-of-all-trades, masters of none.

To really understand the needs of our customers, we had to gain a thorough understanding of their business.

The first Agri company

It was during the 1920s that our first companies dedicated to the agricultural sector (which were still selling mainly cream separators) began to emerge. It started in Finland in 1925 with a simple organisation whose function was just to sell equipment. This was followed within a few years by companies in Norway and Ireland.

By the mid-sixties, there were seven such companies. This was a promising start, but other functions in the company – R&D, production, etc. – were still being shared by all the product groups.

| 1969 | 1970

| 1973 | 1974

| 1978

In 1968, the Agri Sector was formed at head office with its own research, marketing and administrative departments. Meanwhile in 1963, the company had changed its name to Alfa-Laval AB. Successively, more and more functions were moved over to an organisation dedicated to serving farmers.

Alfa-Laval Agri AB is born

The 1970s was an eventful decade. In 1973, Agri became a division and then two years later moved into its own head office. In 1978, it became a separate business area, with its own production, accounting and human resources. Now, we had responsibility for every aspect of our business, except for financing and taxation, which were still handled by the parent company.

The Alfa-Laval division Milk Plant had been working together with Tetra Pak for decades. By the 1990s, there were joint installations in almost 100 markets around the world. Different forms of closer co-operation had been discussed on numerous occasions over the years. In 1991, the owners of the two companies decided that the best solution would be a full merger.

The synergy effects were many. But first and foremost, the new group would gain a wider platform from which to strengthen a unique offering: a complete system for food supply, from the cow to the consumer.

Two years later, in 1993, the entire group was restructured. The idea was to organise the concern around the needs of the customer. Four groups were formed. Tetra Pak International was to be responsible for fluid foods. Tetra Laval Food was to work with non-fluid foodstuff.

Alfa Laval would supply industrial separators. And last but not least, Agri became Alfa Laval Agri AB. Finally, we had become a fully independent entity. Now everyone in the company, from the Managing Director down, was focussed on one customer group: the dairy farmer.

From separate products to complete systems

Meanwhile, the situation of the farmer was changing fast. When your herd grows from 25 to 50 cows or more, you need more help: higher

As herds began to grow, milk producers began asking for complete systems instead of individual products.



1981

1985

1987

1991

1993

capacity milking and cooling, new stalling systems, feeding systems and manure handling. Instead of buying separate products, farmers began asking for complete systems. And because we now had a better appreciation of the day-to-day reality of our customers, we could offer complete functional solutions.

A special something

It's interesting that while we kept a narrow milk production focus, the industrial side widened theirs. The separator and heat exchanger might have started out processing milk, but by the fifties they were being used in an ever-growing number of applications. The milking machine on the other hand, can, of course, only be used for milking livestock.

According to many employees, there is something special about working at DeLaval. But what is it? Could it be our dedicated customer focus? Or could it have something to do with the focus of our customers: cows? When visitors come to the offices in Tumba for the first time, they are often excited to see cows just a few metres away from the main entrance. And people at DeLaval say that they like what they do. Could this, our closeness to the land and working with living sentient creatures, explain the "DeLaval spirit"?

Washing machines, mangles and lawn mowers

Whatever the reason for our special corporate culture, it took enormous discipline and energy to become a niche-focussed organisation. It required jettisoning non-core products and the acquisition of partners and competitors that would strengthen our core competence. But it was an uphill struggle. For example, partly to replace the diminishing sales of hand separators to farmers, the Group manufactured washing machines, mangles and lawn mowers. For a short period of time, AB Separator owned nearly 50 per cent of the voting rights in Electrolux. But this was an avenue that never developed.

A far more successful venture was AB Olofström. First acquired in 1908, it began to make a significant contribution to Group revenues when it started supplying car bodies to Volvo. By the 1960s, it

The separator goes its separate way

With the creation of Alfa Laval Agri AB, in 1993, we began to part company with the industrial divisions working with separators and heat exchangers. And in 2000, a shared history of over 120 years came to an end when Industri Kapital bought Alfa Laval.

Year	Separators	Milking machines	Total
1946	41.6	5.7	47.3
1950	32.6	9.2	41.8
1955	21.8	12.3	34.1
1960	10.7	16.9	27.6
1965	3.7	16.1	19.8
1968	2.1	19.2	21.3

Year	Factory workers	Office workers	Total employees
1946	128	56	184
1950	211	77	288
1955	300	111	411
1960	335	204	539
1965	401	262	663
1970	485	545	1 030

1908



▲
For over half a century, the company manufactured car bodies for Volvo.

1963

1969

1970

1973

1984

was providing 25 per cent of Group sales. But the demands of the automobile industry didn't fit in with the new strategy of the Group and Volvo took over the company in 1969.

Strengthening our niche

To strengthen the core focus of the Group, a number of companies were purchased. Manus was a Swedish-based manufacturer of milking machines and for many years AB Separator's main competitor on the home market. Management discussed buying out the company as early as 1931, but it wasn't until 1963, the year AB Separator became Alfa-Laval, that the deal was struck. On the other hand, West Agro in the USA was not a direct competitor. Experts in animal health and sanitation, they had a range of products and know-how that Alfa-Laval lacked. The company was purchased in 1984 and gave us considerable insight into udder health and plant hygiene, both of which affect milk quality. It was also an important foot in the door for after-market sales.

The death of the hand separator

By the early 1960s, the milking machine was generating more revenue than the hand separator and became one of the Group's most important products. In fact, some maintain it was the growing use of the milking machine that killed off the hand separator. According to this theory, as herds and milk volumes grew – due to the milking machine – it became increasingly impractical to use the hand-driven separator. This is of course a truth with major reservations, and ignores the growth of the dairy industry, but it is intriguing nevertheless. In 1962, management decided to stop production of the hand separator, which at its peak in 1926 sold over 125 000 units and accounted for more than three-quarters of total turnover. In terms of products, nothing “revolutionary” occurred for many years. Of course, machines were improved, new materials incorporated, and the range was expanded. To meet the “suspended milker” launched by an American competitor we launched the stainless steel milking machines P55 and P75. But it was an evolutionary, step-by-step process.

At its peak in 1926, the hand separator sold 125 000 units and answered ►
for 75 per cent of total turnover. By 1962, production was discontinued.



1946

1963

1966

1969



▲ Hydropulse launched in 1966, secured the company's position as market leader.

Alfa-Laval becomes world leader

In 1966, Alfa-Laval launched Hydropulse, a system that secured our position as the market leader in milking machines and gave the company an enormous competitive advantage – as the system continues to do today.

The story Hydropulse starts in the early 1960s with a series of pioneering studies. Professor Olof Claesson, in co-operation with scientists from different disciplines, looked at milking from a wider perspective. They went back to basics and asked: “What is milking?”, “How does a cow produce milk?” and “How does a farm-hand work?” A key focus of the study was to find ways to imitate the suckling action of the calf more closely, and to treat the teat more gently.

Two million test milkings

It sounded fine in theory, but there were lots of problems in practice. Tests got under way in 1963. Over the course of the next three years, the R&D team performed a total of two million carefully controlled test milkings on more than 7 000 cows of different breeds in different countries.

Hydropulse offered a number of advantages. The new pulsator accelerated the milking process, cutting average milking time by 25 per cent. It was more effective, drawing off more milk. The time-consuming procedure of machine stripping (removing milk by hand that the machine could not) was reduced by more than 50 per cent. This new method also succeeded in stimulating the cow to start releasing its milk faster and more completely than ever before. In addition, Hydropulse increased reliability: as an integrated system there were fewer parts that could break. The result? One milker could now milk more cows per hour than ever before.

1977

1985

1991

Cow-machine-milker interplay

Our research continued, studying the interplay between cow, machine and milker. In particular, the R&D team examined how the cow could influence the milking machine.

One fundamental problem with using vacuum to extract milk is that it stresses the teat both before the milk starts coming out and when the udder is almost empty. Duovac, which was introduced in 1977, successfully solved the problem. As the name suggests, it has two vacuum levels, which automatically adjust to the different stages during milking. Not only is it better for the cow, but one milker could now handle more machines because they didn't have to remove the cluster as soon as the udder was dry.

Metamorphosis

In the years following the Second World War, AB Separator metamorphosed into a modern global corporation. It abandoned non-core operations and strengthened its focus by acquiring partners and competitors. The basic outlines of today's DeLaval began to take shape as management realised that the best way to meet the needs of the customer was to divide the company into industry sectors. By the middle of the 1960s, Alfa-Laval had become the undisputed leader in equipment for the dairy farmer. But, the market continued to develop, and the company had to change with it.



▲ Duovac, first introduced in 1977, automatically adjusted vacuum level to milk flow and was therefore gentler on the cow.

- | 1925 In Finland, the first products are established.
- | 1927 Company established in Norway for selling agri products.
- | 1928 First scheduled television transmissions.
- | 1931 Company established in Ireland for selling agri products.
- | 1932 Global unemployment reaches 30 000 000.
- | 1939-45 Second World War.
- | 1948 Alfa-Laval Agri GmbH Austria established.
- | 1950 World population approximately 2.3 billion, to reach 6 billion by 2000.
- | 1952 Agri company formed in Holland and Belgium.
- | 1958 Lennart Berglund becomes manager for exports of milking machines, the key actor in forming the new organisation.
- | 1960 Agri company established in Switzerland.
- | 1964 Beatlemania engulfs the USA.
- | 1966 Agri company formed in Denmark.
- | 1968 Agri Sector set up: the embryo of DeLaval.
- | 1969 Woodstock festival.
- | 1969 Niel Armstrong – first man on the moon.
- | 1970 Agri company established in Sweden.
- | 1973 Agri becomes a division.
- | 1975 Agri moves into own head office, FarmCenter.
- | 1978 Agri becomes a business area.
- | 1981 Personal computer introduced by IBM.
- | 1985 First Band Aid concert.
- | 1985 Agri company set up in USA.
- | 1987 Gorbachev initiates glasnost and perestroika.
- | 1989 Agri established in Hungary: the first in the former communist block.
- | 1991 Tetra Pak acquires Alfa-Laval AB. Staffan Bohman takes over as President of Business Area Agri.
- | 1993 Alfa Laval Agri AB (ALA) formed and becomes an independent entity within Tetra Laval.
- | 1994 Alfa Laval Agri (ALA) organised in Marketing Regions.
- | 1996 Alfa Laval Agri (ALA) organised in Business Units with Market Regions, Accounting and Finance and Central Support Functions.
- | 1998 Use of the Internet and e-mail snowball.
- | 2003 Structure of new DeLaval organisation implemented.

On information technology and people who like cows ►

