



IUF Dairy Division



Groupe Danone- France



Abstract

Employing a total of 80,976 employees worldwide as of 2009, Groupe Danone is a French food-products multinational corporation based in the 9th arrondissement of Paris and currently has 58 subsidiaries around the world. Today, in volume, Danone is at the leading position in all of its product categories, which include fresh dairy products, waters, baby nutrition and medical nutrition. In the United States, the Danone brand is marketed as Dannon, a subsidiary of Groupe Danone. As of 2009, Danone's division of fresh dairy products has a global market share of 27% and accounts for about 60% of the group's sales. Europe remains a driving force for Danone's fresh dairy products, with France, Spain, Germany, Italy, the Benelux countries, the United Kingdom, Poland and Russia together representing more half the division's 2009 turnover. In Eastern European countries, the Americas and Saudi Arabia, the group is also the leading producer of fresh dairy products, while a strong presence is yet to be established for its dairy products in the Asia-Pacific region.

Danone is over watched by the Board of Directors and its operations are managed by various committees and departments. Research is at the core of the group's strategy and Danone is now focusing its efforts on strengthening the benefits associated with its brands as well as identifying new benefits on which future innovations will be developed. Since 1991, Danone has been funding the Danone Institute, a global network of independent non-profit organizations whose mission is to improve understanding of the links between food, nutrition and health. In response to the market downturn triggered by the economic crisis, Danone has adopted a new strategy at the beginning of 2009. The new strategy aims to boost market share by focusing on three main priorities including reweighting product portfolios to ensure that prices in each country are appropriate, increasing emphasis on promotion and point-of-sale events, as well as initiating a shift in consumer advertising to highlight product quality. In terms of its Fresh Dairy Products division, Danone's current aim is to maintain a steady growth through establishing itself in emerging markets, staying closer and more attuned to its markets, and focusing on the economic dimensions of product affordability and value-adding. A review of commentaries and studies on Danone shows that Danone is actively engaging in activities and pursuing partnerships that could further enhance the effectiveness, performance and sustainability of its operations. Although the group has experienced challenges such as the initial failure to its entrance into the Chinese market, Danone was able to effectively modify its strategies to better address the situation. Furthermore, through working with other organisations including IBM and the IUF, Danone has proven its dedication to

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enhance the relationship and communication with and between its stakeholders, including business partners, customers, distributors, and employees.

General information

Groupe Danone is a French food-products multinational corporation based in the 9th arrondissement of Paris. Today, in volume, Danone is the world number one in fresh dairy products, number two in bottled waters, number two in baby nutrition and the European leader in medical nutrition. In the United States, the Danone brand is marketed as Dannon, a subsidiary of Groupe Danone. ¹ Groupe Danone is ranked eighth by milk intake and second by turnover among dairy companies worldwide in 2010. ^{2 3} The chronology below summarises the history of Groupe Danone:
4

1919: Isaac Carasso in Barcelona (Spain) founded Danone, as a small factory producing yoghurt.

1929: The first French factory was built.

1966: Boussois-Souchon-Neuvesel (BSN), another branch of today's Groupe Danone, was formed.

1967: Danone merged with Gervais, the leading fresh cheese producer in France and became Gervais Danone.

1973: BSN merged with Gervais Danone to become BSN-Gervais Danone and began to expand internationally.

1979: The company abandoned glassmaking by disposing of Verreries Boussois. A number of acquisitions then took place and BSN-Gervais Danone started to operate in sectors that range from beer, containers, confectionery, dairy products, mineral water, chilled products to biscuits.

1986: European biscuit manufacturer Général Biscuit was acquired

1989: Gervais Danone bought out the European biscuit operations of Nabisco.

1994: The company changed its name to Groupe Danone, adopting the name of the group's best-known international brand

2000: Danone sold most of its European beer activities

2003: Danone sold all of its glass-containers business.

2004: The company's British (Jacob's) and Irish biscuit operations were sold to United Biscuits

2007: Danone sold its biscuits division, including the LU and Prince brands, to Kraft. On the other hand, a €12.3 billion cash offer by Danone for the Dutch baby food and clinical nutrition company Numico created the world's second largest manufacturer of baby food.

Below are the key data of Groupe Danone:⁵

Annual Sales (2009)	EUR 14.98 billion
Dairy Turnover (2009) ⁶	EUR 10.60 billion
Net profit	EUR 1.41 billion
No. of Production Sites (Worldwide) ⁷	159
No. of Employees	80,976

Groupe Danone

Brands and Product Mix (Fresh Dairy Products)

Danone operates in four main sectors, including Fresh Dairy Products, Waters, Baby Nutrition and Medical Nutrition (see Figure 1 for Danone's sales by product line in 2009). Danone is the world's leading producer in volume of Fresh Dairy Products, selling a total of 5.1 million tons in 2009. The division of Fresh Dairy Products has a global market share of some 27%, accounts for about 60% of the group's sales and posted growth of 4.6% in volumes in 2009. In 2009, the Fresh Dairy Products division posted sales turnover amounting to EUR 8.6 billion.

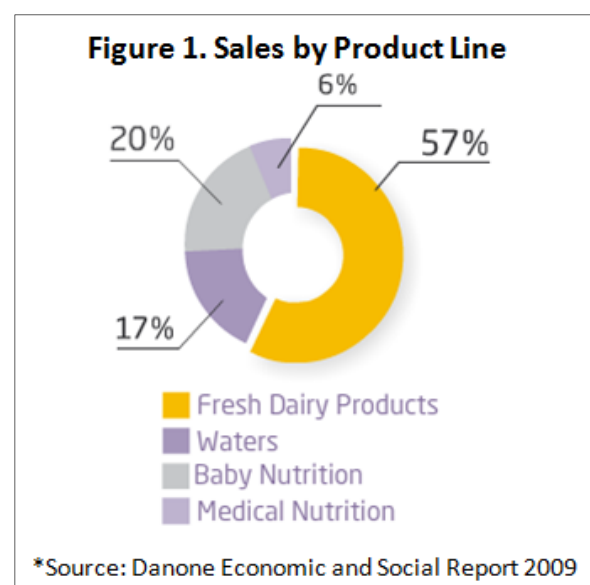
The four flagship lines alone were responsible for 54% of the Fresh Dairy Products division's turnover in 2009:

- **Activia**- Fermented dairy product (EUR 2.6 billion turnover in 2009)
Products include: Plain and flavoured semi-solid yoghurt; fat-free yoghurt; yoghurt with added-cereal; bottled yoghurt drink
- **Actimel**- Probiotic dairy product (EUR 1.2 billion sales in 2009)
Products include: Probiotic yoghurt-type drink
- **Danonino**- Fortified fromage frais (also Danimals or Petit Gervais depending on the country; EUR 800 million in 2009)
- **Danacol**- cholesterol-lowering dairy product (EUR 200 sales in 2009)
Products include: Dairy drink with plant sterols to lower blood cholesterol.

The subsidiary companies also developed the following innovated ranges on their markets in 2009:

- **Activia Breakfast** in Bulgaria and Portugal
- **Activia Intensely Creamy** in the United Kingdom
- **Activia Drink** in Brazil
- **Spoonable Bio (Activia)** in China
- **Danimals Crush** in the United States
- **Danonino yoghurts**⁸

Danone reinforced its differentiation strategy for its flagship brands: Activia, Actimel, Danonino (fruit Petit Gervais), and Danacol. These four brands alone covered EUR 4.6 billion in sales, which accounts for 54% of the division turnover. The year 2009 was also marked by the launch of the Densia brand, fortified with the calcium and vitamin D needed for bone health.



Groupe Danone

Country focus and Partnerships (Dairy) ⁹

With a historically strong presence in Western Europe, the Fresh Dairy Product division's strategy include developing its business in new countries as well as taking advantage of the more rapid growth of emerging countries. This strategy is supported by the development of the division's main product ranges at affordable prices and with added value in health benefits.

Europe remains a driving force for Fresh Dairy Products. France, Spain, Germany, Italy, the Benelux countries, the United Kingdom, Poland and Russia together represented more half the division's 2009 turnover. In Eastern European countries, the group is the leading producer of fresh dairy products in Poland, Hungary, the Czech Republic, Bulgaria, Romania and Turkey.

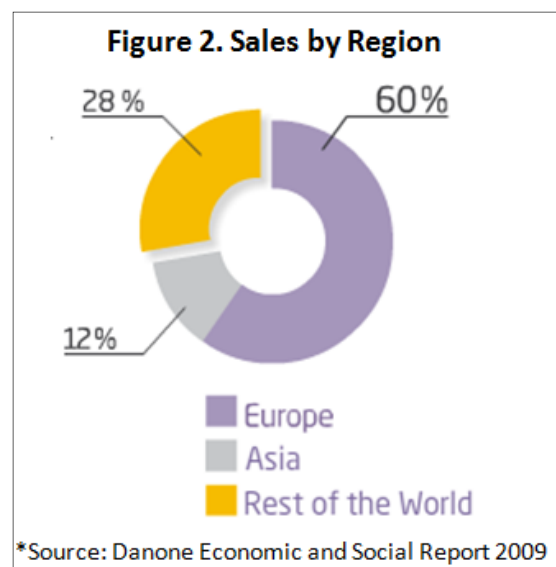
Groupe Danone is also the leading producer of fresh dairy products in **Latin America** and is a leader in both value and volume in Mexico, Argentina and Brazil. In **North America**, The Dannon Company is ranked Number One on the market with the outstanding performance of the Activia brand. In Canada, Danone is also number one.

In **Africa and the Middle East**, Danone is the leading producer of fresh dairy products in Saudi Arabia and holds the top position in Egypt, where operations are still relatively recent. Further, the group strengthened its presence in South Africa in 2009 by acquiring 45% of the capital of the Danone Clover company, bringing its holdings to 100% and thereby strengthening its takeover of the Mayo company.

In the **Asia-Pacific** region, Danone strengthened its presence in Japan by gaining more of Japan's market share. The group also holds a minority interest in the listed Japanese group Yakult. It initiated business in India with the November 2009 launch of Choco+Milk, combining a smoothie-like texture with chocolate flavour. Though currently only on the market in Hyderabad, the fifth-largest Indian city, Choco+Milk will very soon take on the markets of two other large Indian metropolises, Bangalore and Chennai. Danone is also present in Indonesia and Thailand. ¹⁰

In 2009, the Fresh Dairy Products division made its first moves into South Korea, Mozambique, Syria and Lebanon, and consolidated operations in Colombia, Kazakhstan and Chile. It also launched its first operation in India and set up new production units in Thailand and China. ¹¹

Other than the parent company located in Paris, France, Danone also has a number of subsidiaries and partners operating in the fresh dairy products sector around the world (see Table 1 for a summary of Danone's regional strengths and plant locations). Below is an overview of Danone's worldwide subsidiaries and partnerships that are involved with fresh dairy product operations. ¹²



Groupe Danone**Subsidiaries:**

- **Europe** (34 subsidiaries)
 - Austria: Danone GesmbH
 - Belgium: Danone SA
 - Bulgaria: Danone Serdika
 - Byelorussia: Danone Byelorussia
 - Croatia: Danone
 - Czech Republic: Danone AS
 - Finland: Danone Finland
 - France: Stonyfield France; DanSource; Danone Chiquita Fruits
 - Germany: Danone GmbH
 - Greece: Danone Greece
 - Hungary: Danone Kft
 - Ireland: Danone Ltd.
 - Italy: Danone S.P.A
 - Kazakhstan: Danone; Danone Berkut LLP
 - Netherlands: Danone Nederland BV
 - Poland: Nutricia Polska Sp. z.o.o.
 - Portugal: Danone Portugal S.A
 - Romania: Danone SRL
 - Russia: Danone Industria; Danone Volga
 - Serbia: Danone Adriatic
 - Slovakia: Danone Spol S.r.o
 - Slovenia: Danone
 - Spain: Danone SA; Danone Canaries (ILTESA)
 - Sweden: Danone AB
 - Switzerland: Danone
 - Turkey: Danone Tikvesli
 - UK: Danone Ltd.
 - Ukraine: Danone; Danone Dnipro(Ex Rodich)

- **Africa and Middle East** (7 subsidiaries)
 - Algeria: Danone Djurdjura Algérie
 - Egypt: Danone Dairy Egypt; Danone Dairy Farm
 - Iran: Danone Sahar
 - Mozambique : Danone Mozambique
 - Saudi Arabia: Alsafi Danone compagny
 - South Africa: Danone South Africa (PTY) Ltd; Mayo

- **Asia-Pacific** (6 subsidiaries)
 - China: Danone China
 - India: Yakult Danone India
 - Indonesia: Danone; PT Dairy Indonesia
 - Japan: Danone Japan (Ex Calpis Ajinomoto Danone)
 - Thailand: Danone Dairy Thailand

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- **Americas** (11 subsidiaries)

- Argentina: Danone Argentina
- Brazil: Danone Ltda
- Canada: Danone Canada Delisle
- Chile: Danone Chile
- Colombia: Danone Alqueria
- Guatemala: Danone Guatemala
- Mexico: Danone de Mexico; Derivados Lacteos
- Uruguay: Danone (Fort Massis)
- USA: Dannon Company; Stonyfield Farm

Partnerships:

- **Europe**

- UK: Glenisk

- **Africa and Middle East**

- Israel: Strauss Dairy
- Morocco: Centrale Laitière
- Tunisia: Stial / SOCOGES

- **Asia-Pacific**

- Australia: Danone Murray Goulburn Australia
- Bangladesh: Grameen Danone Foods
- China: Weight Watchers Danone China Limited
- India: Danone India
- Japan: Yakult Honsha
- Korea: Danone Korea
- Vietnam: Yakult Vietnam

- **Americas**

- Canada: Micropharma Limited

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Region	Main focus/ Strengths	Number of Plants
Central Europe	Fresh Dairy Products; Medical Nutrition	19
Western Europe	Fresh dairy products; Baby Nutrition; Medical Nutrition; Bottled Waters	36
Asia-Pacific	Bottled Waters; Baby Nutrition	50
Africa and Middle East	Fresh Dairy Products	15
North America	Fresh Dairy Products	6
Latin America	Fresh Dairy Products; Bottled Waters	33

Table 1. Overview of Danone's regional strengths and number of plants

Region/Operation	Fresh Dairy Products	Waters	Baby Nutrition	Medical Nutrition
Western Europe	56%	16%	19%	9%
Central Europe	67%	9%	21%	3%
Africa & Middle East	67%	NA	31%	2%
Asia-Pacific	12%	37%	48%	3%
North America	92%	4%	NA	4%
Latin America	66%	28%	3%	3%

Table 2. Contribution of business lines to regional sales in 2009

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Employment ¹³

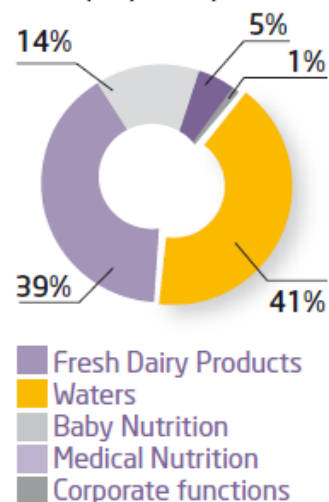
Danone has a total of 80,976 employees worldwide, with Europe employing the most number of people (37%). In respect to business lines, Waters has the most number of employees (41%). This is followed by Fresh Dairy Products (39%), Baby Nutrition (14%), Medical Nutrition (5%) and Corporate functions (1%).

Over 40% of Danone’s employees are between the age of 25 and 34; the second-largest age category is 35 to 44. 16% of the employees are holding management positions. The gender ratio for Danone’s managers is 6:4 for male and female respectively. However, the gender ratio for other employees (i.e. non-managers) is around 3:1 for male and female respectively.

In 2009, the total turnover of permanent employees is a fifth of Danone’s total workforce. Close to three-quarters of Danone’s employees are covered by a collective agreement, either as a company or multi-sector agreement, and over 80% of Danone’s business units have employee representatives.

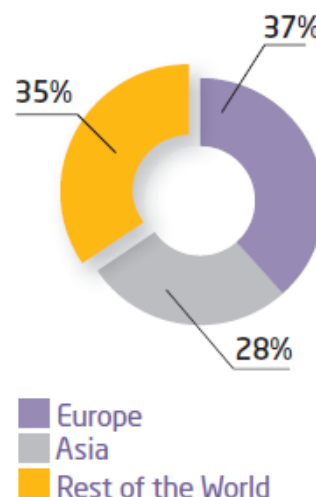
See Figures 3-6 for details of Danone’s employment statistics.

Figure 3. Employees by Business Line



* Source: Danone Economic and Social Report

Figure 4. Employees by Region



* Source: Danone Economic and Social Report

Figure 5. Employee Statistics

Social indicators	2009
Total registered employees	
Managers	16%
Other employees	84%
Male managers	57%
Female managers	43%
Other employees, male	76%
Other employees, female	24%
Registered employees	
< age 18	0.04%
18 to 24	10%
25 to 34	42%
35 to 44	31%
45 to 54	13%
> age 55	4%

* Source: Danone Economic and Social Report

Figure 6. Social Policy and Protection

Social indicators	2009
Turnover of permanent employees as % of total workforce	20%
Social policy and safety	
% of business units whose employees are covered by a company or multi-sector collective agreement	73%
% of business units with employee representatives	84%
Number of labor disputes with work stoppages	33

* Source: Danone Economic and Social Report

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Ownership and management structure ¹⁴

Danone is over watched by the Board of Directors and its operations are managed by various committees. Following sections will briefly outline Danone's management structure.

The Board of Directors

The Board of Directors is composed of fourteen members. Eight of the directors are independent and each director must hold at least 4,000 shares in registered form. The Directors are appointed for a term of three years which is renewable. Following are the Board of Director members as of 2010:

- Franck Riboud
- Emmanuel Faber
- Bernard Hours
- Bruno Bonnell
- Michel David-Weill
- Richard Goblet d'Alviella
- Christian Laubie
- Jean Laurent
- Hakan Mogren
- Jacques Alexandre Nahmias
- Benoît Potier
- Guylaine Saucier
- Naomasa Tsuritani
- Jacques Vincent

The Audit Committee

The Audit Committee is in particular responsible for reviewing the individual and consolidated financial statements of the company before they are submitted to the Board of Directors. It also controls the process for selection of the auditors for the company.

The Nomination and Compensation Committee

The tasks of this particular Committee include:

- Make proposals to the Board of Directors regarding the nomination / appointment of its members
- Prepare for review and consideration by the Board of Directors of issues relative to corporate governance
- Conduct the evaluation of the Board of Directors and Audit Committee
- Propose the criteria for determining the elements of remuneration of executive directors and officers of the company
- Determine proposals for the awarding of stock options on shares or free shares of the company to these officers
- Define proposals for the allocation of attendance's fees amongst Directors
- Make any recommendations, at the request of the Board of Directors, on the remuneration policy applied by the group

The Social Responsibility Committee

To assist in its decisions on issues of corporate social responsibility (CSR), the Board of Directors at its meeting of December 15, 2006 decided to establish a special third governance body specifically, the Social Responsibility Committee. The Social Responsibility Committee is composed of three Directors, two of whom have been recognised as independent by the Board of Directors.

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Actors on Internal Controls

Danone's General Management is responsible for the Group's internal control system. The General Management of the company relies on operational and functional reporting structures, and especially the Chief Financial Officer and the Vice-President, Risks, Control and Audit (VPRCA), both of whom report to the same co-Chief Operating Officer. The operational structure of Danone is managed in respect to divisions, geographical regions, and Country Business Units (CBU).

- **The Chief Financial Officer (CFO)** is responsible for the finance function throughout the entire Group, directly through various centralized functions (Business Controlling, Consolidation, Treasury and Financing, Tax, Strategy, Financial Communications, Acquisitions), and through the CFO's functional responsibility over the finance directors of the 4 divisions.
- **The Risks, Control and Audit Department** was established in early 2009 to strengthen the impact of the 3 functions that comprise it (risk management, internal control, and internal audit) and to create synergies around certain corporate governance and compliance-related topics. The VP RCA reports directly to one of the two co-Chief Operating Officers, who is a member of the Executive Committee, and reports functionally to the Chairman of the Audit Committee of the Board.
- **The Internal Control Department (ICD)** is composed of a three-member central team working alongside two regional coordinators, and the local CBU internal controllers who typically report to the VP finance of the CBU. The precise role of the Internal Control Department is to maintain the Group's internal control referential, establish the methodology used to document internal control processes, supervise analysis. The department reports directly to the VP RCA and functionally to the CFO, as the latter has shared responsibility for the quality of the Group's internal controls.
- **The Risk Management Department** reports to the VP RCA and is comprised of a three-person team, along with a coordinator for the Americas region – oversees the risk management procedures described in Section 4 – Risk Factors and below in the paragraphs on Risk assessment.
- **The Internal Audit Department** reports to the VP RCA and utilizes the services of specialized teams from international audit firms, including KPMG in particular, always under the supervision of the Danone audit managers, carries out regularly scheduled audits in the operational units as well as audits of Group-wide topics.

The operational line managers at headquarters and in the Country Business Units remain the main actors in internal controls within their respective areas of responsibility, with the support of many central corporate functions (Finance, Risk- Control-Audit, Human Resources, Sustainable Development, Safety, Quality, Information Systems, Legal, etc.).

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Company strategy

According to its sustainability report, **three main principles** are core to Danone's corporate practices, including:¹⁵

1. A rigorous scientific approach

This has been implemented for the development of products and the demonstration of their benefits for nutrition and health and relies on the group's unique Research and Development know-how and on ongoing and open dialogue with the scientific community, through public and/or private partnerships, meetings of experts and symposia. Internal reference tools are used to help ensure the relevance of projects developed and provide a convincing demonstration of the effects of the products.

2. A self-regulation more demanding than official regulations

This approach is based on a number of specific internal tools such as the Communication Guidelines, an internal procedure for validating communications on products with claims and the Nutritional Information Charter; it also relies on the implementation of national, regional and / or international interprofessional codes of good practice such as the code of the International Chamber of Commerce on the Marketing of Food and Beverages.

3. A constant process of consultation with various stakeholders at national, regional and international levels.

Danone supports national, European, regional and Global consultation initiatives involving both manufacturers and civil society, especially where they aim to promote clear information for consumers or responsible behaviour in the field of health and nutrition.

New Strategy

Danone has adopted a new strategy at the beginning of 2009 in response to the market downturn triggered by the economic crisis. The new strategy aims to boost sales and market share by focusing on three main priorities:¹⁶

1. Reweighting product portfolios and adjusting prices to ensure that prices in each country are just right: attuned to market realities, consumer purchasing power, and brand value;
2. Increased emphasis on promotion and point-of-sale events.
3. A shift in consumer advertising to highlight product quality in terms of taste, pleasure and well-being in addition to functional benefits.

Four strategic priorities are also at the core of Danone's mission:¹⁷

- **Health:** strengthening of the group's ability to deliver relevant benefits that address issues of nutrition and health
- **For All:** new business and economic models to provide quality nutritional solutions to people with low purchasing power in a growing number of countries around the world
- **Nature:** accelerating the momentum to take into consideration environmental impacts (Nature) through the reduction of water and carbon footprint
- **People:** the company evolving as a venue for development for all employees and encouraging their involvement in social programmes

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Strategy for Fresh Dairy Products ¹⁸

Danone aims to maintain steady growth in the Fresh Dairy Products division. The division's vitality is closely tied to its capacity to constantly introduce new products and ranges while ensuring that the concepts with the greatest growth potential are spread worldwide as broadly and quickly as possible.

To support its rapid growth strategy, the group seeks to **establish itself on emerging markets**, through acquisition of a holding in a local company, or the stepping up of industrial investments in countries where Danone has recently begun trading or in countries with high growth potential.

The search for new development models is leading to a new strategy in emerging countries that entails Danone's **staying closer to its markets**, keeping a close eye on costs and supply, and contributing positively to the local socio-economic fabric. The goal of this initiative is to offer nutritious food to underprivileged populations suffering from specific nutritional deficiencies.

The division thus focuses on the **economic dimensions of affordability and added value**. This approach, known as "affordvaluity," consists in developing specific brands (such as Gratka in Poland) to reach categories of consumers with more modest purchasing power and marketing products from the major lines at more affordable prices or in different forms, while offering the same functional benefits.

Groupe Danone**Research and Development (R&D)** ^{19 20}

Research is at the heart of Danone's strategy. The group is now focusing its efforts on strengthening the benefits currently associated with its brands as well as identifying new benefits on which tomorrow's innovations will be built. The two major research objectives of Danone are to help build and maintain an individual's health and to make nutrition as a way to deal with certain pathologies.

All the Danone science is based on the R&D teams' ability to bring a unique benefit to each product, relating to health, nutrition or pleasure, using ingredients which are found in nature. A large part of Danone's product portfolio is organised around health nutrition benefits, the protection of the immune system, the digestive health, and the cardiovascular health.

Danone Institute

Since 1991, Danone has been providing funding for the Danone Institute, a global network of independent non-profit organizations whose mission is to improve understanding of the links between food, nutrition and health.

The Danone Institute are the cornerstone of Danone's commitment to food education and the promotion of a healthy lifestyle. Their work is free of commercial intent, and the scientific quality of the programs is ensured by a multidisciplinary scientific council involving the most respected and renowned local experts in the fields of medicine, nutrition and human sciences.

The Danone Institute network consists of 18 institutes, including Danone institute cono sur, Belgium, Canada, China, Czech Republic, France, Germany, Indonesia, Israel, Italy, Japan, Mexico, Poland, Russia, Spain, Turkey, United States. There is also one international entity named Danone Institute International. The three main priorities of Danone Institute are:

- Using research to support improvements in the scientific understanding of nutrition;
- Informing and training health professionals in food-related subjects and encouraging the spread of this knowledge;
- Contributing to improving eating habits among local populations through informing and educating the general public.

The network operates under the aegis of the Danone Institute International, which serves to ensure a rich and permanent dialogue between the various countries. To date, over 900 research projects have received support (representing a total of EUR 16 million), dozens of education programmes have been launched and nearly a hundred conferences have been organized.

The Danone International Prize for Nutrition, established in 1997, has been awarded every two years by the Danone Institute International. It is now one of the Institute's key activities, completely in line with the Institute's original mission: to promote health through the development and spread of knowledge about nutrition, food and health.

Groupe Danone- Commentary Summary

Created through mergers that involved Gervais, Boussois-Souchon-Neuvesel (BSN) and Danone, Groupe Danone is now one of the world's largest dairy companies. Its annual sales were around EUR 15 billion in 2009, of which around two-thirds were accounted for by its dairy operation line.²¹ Although the company was operating in a wide range of sectors towards the end of the twentieth century, it has gone through a series of activities that simplified its portfolio since then and is now only focusing on four major product lines. These are Fresh Dairy Products, Waters, Baby Nutrition, and Medical Nutrition.²² The current summary will provide an overview for Groupe Danone's branding strategy, especially focusing on its development in China, the company's engagement with IBM to construct a trading network, its sustainability efforts and the company's cooperation with IUF to develop a global forum for labour-management dialogue.

1. Danone's Branding Strategy- The case of China²³

Meleway, Badal & Small (2006) presented a case study of Danone's branding strategy in China and outlined that while Danone has long been operating internationally with success, similar to several other multinational enterprises, its first entry into the Chinese market was a failure. Danone entered China in 1987 when barriers to western goods began to dissipate.

Danone's branding strategy was not successful when it first entered the market. Without thorough understanding of the market, Danone applied the ethnocentric strategy and operated without adequately customising its brands to the Chinese market. Although the company invested in a number of state-of-the-art factories to produce its dairy products, Danone yoghurt was too costly for the average Chinese household given its high production costs. In addition, while Chinese consumers were open to foreign processed foods, local brands were preferred for perishables and other basic foodstuffs, as these were perceived to be fresher. Therefore the selling of Danone products was not satisfactory in Chinese market.

Despite having established a global image for healthy, appetising and innovative products, Danone's corporate message was not communicated effectively to the health-conscious Chinese market. Given the unsophisticated nature of the Chinese market, advertising could have been a rather effective marketing and branding strategy, yet the company failed to take full advantage of advertising media such as television and newspaper to promote their brands. In such case, what should have been a natural match between a healthy brand and a health-conscious market did not take place initially.

However, by the late 1990s, when local players in the fast moving consumer goods industry began to challenge or even overtake foreign brands, Danone made aggressive moves to grow through mergers and acquisitions. Acknowledging the importance of *guanxi* in Chinese society, Danone has built relationships with successful entrepreneurs who possess the political connections that are critical to success while also allowing the most successful local brands to keep running, often to the satisfaction of these assertive and influential businessmen. In addition, Danone also started customising its brand to local markets and better adapting to cultural differences through

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redesigning and translating its logo. This illustrates that Danone has got to a dominant position by rethinking and reforming its commercial strategy.

Overall, Meleway et al (2006) acknowledged that Danone has achieved the tour de force of introducing dairy products, which were not part of the Chinese dietary habits historically, to many Chinese. In order for the company to maintain its success, it needs continue building brand loyalty across the vast nation, especially when this fidelity to fast moving consumer goods is generally declining globally. Furthermore, Meleway et al (2006) suggested that Danone could seek to further expand its healthy food brands in the Chinese market, given the openness of the Chinese towards health-conscious living. Danone should also consider placing emphasis on its French origin, as a halo effect may be effective in an emerging market.

2. Cooperation with IT giant to construct trading network ^{24 25}

It has recently been announced that Danone has selected IBM, the Information Technology giant, to build a secure trading network for the corporation (Savvas, 2011). This project will replace Danone's existing network with IBM's Sterling Collaboration Network, which is a part of IBM's Smarter Commerce portfolio. Through this replacement Danone hopes to improve and add more flexibility to its business-to-business (B2B) relationships with suppliers, business partners and customers.

IBM's network is also expected to enhance Danone's operations management with a focus on reducing cost. The network system will automate Danone's order-supply chain and will likely bolster its customer base going forward. The large scale migration to the new network will involve more than 600 trading partners. IBM is also expected to manage more than nine million messages per year.

The project supports Danone's ordering, invoicing, delivery and logistics processes. The system provides traditional electronic data interchange (EDI) across a diverse range of formats required by Danone's partners and allows third party data to be integrated with Danone's warehouse data. The engagement of Danone in this project reflects the company's effort to bring more effectiveness, enhance and better manage its relationship with partners and customers.

3. Danone's sustainability efforts

Danone has made numerous efforts to enhance its sustainability. In 2009, the Danone Ecosystem Fund was also the year of created. The Fund aims to support projects that create sustainable jobs in the Danone ecosystem. This includes all agricultural producers, suppliers, distributors, territorial regions around plants and facilities, etc. Endowed with 100 million euros, it began operating in late 2009 by funding the first agricultural and distribution projects and many Country Business Units are already working on projects.

In addition, after a first pilot year in 2008, the company has decided to formalise the structure of the variable pay system based on three tiers: economic and financial, the levers of business transformation, and a social tier founded on environmental and social performance indicators. Also

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in 2009, a system that measures the carbon impact of Danone's activities was deployed and integrated into the company's decision making process. Franck Riboud, CEO of Danone, explains that Danone is committing itself to reducing its energy consumption as well as thinking and acting differently by setting ambitious targets for reducing its environmental impact.²⁶

On the other hand, a case study conducted by the Institute for Social Innovation (ESADE Business School) identified ten characteristics and qualities of Danone which made the company's sustainability strategy effective and innovative (Vilanova & Dettoni, 2011):

- Danone has inspiring leaders who define the culture and the vision of the company and motivate workers to understand the mission of the company.
- Danone clearly understands that they must be competitive, and in that sense the company understands that being sustainable is not a cost, but rather a key strategic asset where innovation is the central process to be able to stay competitive.
- By being open to new ideas, flexible and dynamic, Danone has great innovation capacity.
- Danone has developed a culture focused on sustainability and innovation. Vilanova & Dettoni (2011) report that all interviewees share innovation, sustainability and competitiveness as the three most important aspects of the corporate culture.
- Danone seems to use sustainability and innovation as a tool to engage the workforce not only with sustainability projects, but with the company itself.
- Sustainability and innovation processes have found to be highlighted on all of Danone's catalogue of products and services, which shows a genuine integration of sustainability into the company's operations.
- Danone is aware of the fact that innovation is an evolving concept rather than a classic linear process where there is an investment, then a R&D process, and finally an output that generates value for the firm. This accentuates engagement in open innovation processes with suppliers, customers, universities, other companies and governments.
- Danone believes that a way to remain at a leading position is to constantly challenge the organization and each of its units.
- Vilanova & Dettoni (2011) find that all of those employees interviewed seem to share a sense of pride in their organization, which is a shared sense of achievement that gives the workforce a sense of belief and faith.
- There is an apparent search for legitimacy and authenticity in Danone. The company agrees that sustainability and innovation must be built on honesty and humility, and it is important that they are not afraid to admit mistakes and explaining actions.²⁷

4. Cooperation with IUF^{28 29}

Danone has maintained ties to International Union of Foodworkers (IUF), the leading international union in the food sector, since 1976. Bilateral agreements between the two organisations could be dated back as far as 1986. First annual meeting between the IUF, its affiliates and Danone was initiated in 1987; however this was succeeded by The Danone Committee for Information and

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Consultation (CIC), which was established in 1996. Up to now, representation was ensured mainly at the European level. Prior to 2009, employee representation was based largely on geographic Europe, including countries outside the European Union, although regional IUF representatives from Europe, Latin America and Asia and union representatives from Central and Eastern European countries attended as full members..

In 2009, IUF and Danone took their European relationship via formalising their shared experiment in developing a global forum for labour-management dialogue. The goal is to update the existing CIC to give it a global scope and allowing for broader representation of Danone employees in the group's worldwide businesses. Under the structure IUF and Danone are currently experimenting with, both sides have factored in new corporate realities and the annual meeting of the CIC is organised around two core issues:

- Expanding geographically to include employee representatives from the group's business units in Asia (Indonesia), North America (the US and Canada), Latin America (including Mexico, Argentina, Brazil and other countries) and Africa (including South Africa and Algeria).
- Establishing targeted economic and social dialog with the group's employees by setting up specific committees for Fresh Dairy Products, Waters, Baby Nutrition and Medical Nutrition.

Senior management is working closely with employee representatives from each division to address employment and labour-related issues and share group strategy with all employees. This new forum will enable employee representatives to better understand and buy into Danone's strategic challenges, and allow committee members to further contribute and address each division's key issues, including organisation, HR, management and special projects.

Ron Oswald, General Secretary of the IUF, acknowledges the advantage brought by this achievement, as all of IUF's member organisations representing Danone workers around the world can now join their fellow trade unionists in Europe in building a platform for discussion with this company at global level. Ron Oswald believes that this achievement advance the dual economic and social project which is Danone's sustainable success.

5. Brief Conclusion

From the above it could be seen that Danone is actively engaging in activities and pursuing partnerships that could further enhance the effectiveness, performance and sustainability of its operations. Danone's experience in China shows that the company would seek to modify its strategies when it faces challenges. Furthermore, through working with other organisations including IBM and IUF, Danone has proven its dedication to enhance the relationship and communication with and between its stakeholders, including business partners, customers, distributors, and employees.

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