

Groupe Danone

When Danone's Dairy Division found itself facing year-over-year flat sales despite huge annual investments in new products, Lochridge was brought in to assist the division's new CEO find the issues and turn the company around.

SITUATION

Despite being the global leader in fresh dairy products, Danone had experienced many years of flat sales. The company had invested heavily in new product launches, but many of the new products failed and those that didn't barely made up for the decline in sales of the core products. A former Lochridge client was brought in as divisional CEO to turn things around. He hired Lochridge to help him identify and eliminate the roadblocks preventing the company from improving sales.

UNLOCKING THE VALUE

Working with Marketing and Product Development teams at both the corporate level and within individual markets throughout Europe and South America, the Lochridge team identified several factors contributing to the company's poor performance.

First, brand managers' heavy focus on new products caused them to ignore the company's existing, highly successful product portfolio. Second, the company's product innovation process was in reality not a process, but a series of uncoordinated, ad-hoc initiatives. Third, the marketers were formulaic in their allocation of advertising budget to launch new products. As a result, products with the highest potential failed to get the level of advertising support needed to succeed. Finally, individual markets were run as fiefdoms, resulting in lack of leverage

or learning and duplication of efforts.

To help marketers better manage development efforts and investments, as well as give them the confidence to effectively support the products they were about to launch, a new innovation strategy and process were developed and implemented. The new strategy was tailored to accommodate different market constraints and demands and enabled new products to be selected based on analytically proven "Rules of Success."

In addition, the organization was realigned based on category segments. This enabled newly created category teams to share best practices and common development efforts.

RESULTS

By re-establishing core products and focusing on fewer, but significantly more successful new product launches, Danone was able to improve sales and regain market share. Over four years, these efforts resulted in an average annual revenue growth of 8% or double the market rate, and an increase in operating margin from 10.5% to 13.7%.

After several years of continued success the divisional CEO was offered the top spot at a major European consumer goods company in desperate need of his turnaround skills. Lochridge was again asked to help him with his new challenge.



LOCHRIDGE & COMPANY

396 Washington Street
Suite 394
Wellesley, MA 02481
+1.617.267.5959
www.lochridge.com