

# Quest for perfection

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Danone is fuelling growth in its global brands by building a packaging strategy that nurtures bright ideas from inside and outside the company. Jim Banks talks to **Gilles Ghnassia** and **Andy Roberts** about how working more closely with partner suppliers is helping to achieve true sustainability.

**For a company** like Danone, owner of some of the most familiar global brands in the beverage and dairy food markets and showing rapid growth around the world, a powerful packaging strategy is key to the success of its many products. Through brands like Evian, Volvic, Activia and Actimel, the company is reaching into new markets to help fuel growth of 10% per annum. Not surprisingly, packaging suppliers want to work with Danone and, in turn, the company can look for those partners who are willing to work in a collaborative way towards long-term goals.

One of these goals is sustainability in all its many forms. Danone looks at its packaging needs over a five-year time horizon to determine its global packaging strategy, which breaks down into specific priorities for the food and beverage markets.

‘In the beverage sector, there are real challenges, and among our priorities the absolute number one is improving our profile on sustainability,’ says Andy Roberts, Danone’s VP of Purchasing for the beverage market. ‘The key performance indicator we use for that is our carbon footprint, which is a well established priority.’

#### EXPERTS INSIDE AND OUT

Danone has worked hard to implement structures that capture and nurture bright ideas, and they seem to work well. For beverages, overall products groups are led by the marketing team, where decisions are made on new or re-engineered products. These decisions are then reworked from the perspective of the beverage division, which will involve the company’s internal centre of packaging expertise.

On top of this comes the vital input from external partners, with whom Danone seeks to develop close relationships.

‘We need to ensure that we are at the leading edge of technology and materials and we need to identify how to bring those ideas into the business to balance cost and time with value,’ says Roberts. ‘Partner relationships are important here, and we try to bring suppliers into our organisation to help us with innovation.’

Gilles Ghnassia, packaging category sourcing VP for the dairy division, says the food side of the business uses a similar model, drawing on both internal and external skills.

‘All innovation is done at a research centre south of Paris, which works on both beverage and dairy packaging, as well

as working for our new division that produces baby food and medical nutrition,’ he says. ‘In the dairy sector, our research and development has been restructured around individual brands. The importance of the brand focus is that it means key suppliers play a major role. We rely on their R&D capability, too.’

Danone has integrated three suppliers – two for ingredients and one for packaging – into the top levels of consultancy on product and packaging development. The aim is to learn from their experiences and to generate new ideas to feed the innovation pipeline.

#### TRUST AND COMMITMENT

A long-term perspective on both product design and packaging enables successful partnerships, providing the framework to build trust and commitment. For Roberts and Ghnassia, open communication between partners is the

important ingredient for making a supplier relationship work, as it allows them to clearly identify mutually advantageous goals.

Danone needs to know it is using the best packaging available in the market, and it is through its key relationships with packaging suppliers that it can ensure it is at the leading edge. While noting the great value that packaging

suppliers add to Danone’s product strategy, Ghnassia and Roberts both agree that suppliers could be doing much more to deliver on their company’s top priority – sustainability. They feel that in both the food and beverage markets, the packaging industry must be much more innovative to improve environmental performance.

‘It seems the packaging industry has sometimes made defensive moves on sustainability,’ Ghnassia says. ‘They are not necessarily the ones who push the issue. The suppliers who can adapt fast will be favoured. This is not a fad.’

‘Sustainability has become a higher priority over the last few years,’ stresses Roberts, ‘but it has now become our out-and-out number one priority. It is key to our business model. We understand that suppliers need time to respond, and we do try to see ourselves through their eyes, but we are finding that

**IN THE FOOD AND BEVERAGE MARKETS, THE INDUSTRY MUST BE MORE INNOVATIVE TO IMPROVE ENVIRONMENTAL PERFORMANCE.**

the companies that have the ideas around sustainability are the new companies, not necessarily the established suppliers.'

Furthermore, the pressure on packaging companies to respond to the sustainability agenda is only likely to grow more intense, just as product companies like Danone must respond to the needs of retailers, more of which are starting to realise the value – in both social and business terms – of pushing the green agenda.

**QUICK RESPONSE**

For Danone and other leading product companies, the factors influencing supplier decisions will increasingly be weighted towards performance on sustainability as well as cost-efficiency. Finding partners who can respond quickly to their needs requires that such companies work in closer partnership with their suppliers – whether for packaging or ingredients – and meet each challenge with an integrated and co-coordinated approach.

For Roberts, sustainability should lead companies to look further down the supply chain, beyond their immediate suppliers, to consider issues such as packaging materials and how they are sourced.

'We need to set the strategic agenda, but we can't do it alone,' he says. 'The retailers are pushing hard



Product companies need to look at where their packaging materials are sourced.

on sustainability. A lot has been invested in the plastic and petrochemical chain to make recycled plastic into bottles, but the petrochemical industry is not very environmentally friendly. Do we challenge it to improve, or do we move away from it?'

The answer is that Danone is unlikely to cut out the industry but will work with suppliers to help them improve their environmental profile. 'That industry is looking to go green, and is constructing PLA plants and moving to renewable energy sources, but it certainly faces a challenge,' agrees Ghnassia.

**CONSUMERS CATCH ON**

If proof were needed that times have changed and attitudes towards sustainability are maturing, one need only look at Danone's experience of using environmentally friendly packaging materials.

In the mid-1990s, Danone launched a yogurt pot in the German market made from polyactic acid (PLA). It was biodegradable, grease and oil resistant, clear, crystalline and suitable for food contact. PLA is now a material with obvious applications in the manufacture of cups, food containers, bottles and film packaging. As Ghnassia observes, the petrochemical industry is investing in PLA now, and there is much wider discussion about it as a viable material.

Danone was an early mover in using such new materials, but a decade ago the consumer market was less concerned with green issues, and the yogurt pot did not have the kind of impact it might have today. The demands of the market are catching up with capability of materials and technology in the packaging sector. 'Back then it was too early, though we may look at it again in the future,' says Ghnassia. 'Green polymers will certainly be important and we are very enthusiastic about bio-plastics, though we need to look closely at the cost profile.'

Both Ghnassia and Roberts believe there is growing evidence – statistical and anecdotal – of consumer behaviour being more heavily influenced by environmental considerations. Carbon footprints, water consumption, energy use, recycling and biodegradability are increasingly part of consumer consciousness, and though their influence on purchasing decisions may still be marginal, they are likely to become more powerful forces in the future.

'Consumers are already making decisions on the sustainability of products, so we must fulfill their criteria to support our business model,' says Roberts. 'Sustainability is a huge subject and we need a lot of different partners for different work streams to improve our overall carbon footprint. Lightweighting is very important, too, and we have been working on that for years.'



**Danone's expanding markets**  
Growth figures for first nine months 2007

	Sale Q1 to Q3 2006 (€m)	Sale Q1 to Q3 2007 (€m)	% Like-for-like* change year-on-year
<b>Business Line</b>			
Fresh dairy products	5,927	6,572	+11.7
Beverages	3,112	3,100	-1.1
Biscuits/cereal products	1,703	1,569	+5.7
<b>Region</b>			
Europe	6,504	6,937	+6.3
Asia	1,965	1,724	-2.7
Rest of the world	2,303	2,580	+17
<b>Group</b>	<b>10722</b>	<b>11,241</b>	<b>+7</b>
Adjusted for consolidation and exchange rates			Source: Danone

## FOOD & BEVERAGE

### WEIGHED DOWN

Over the last six years, Danone has made great efforts to reduce the weight of packaging in its global business. The Actimel bottle, for example, is now almost half the weight it was when originally launched, from 11g to 6.5g. Similarly, bottles for Evian have slimmed down from 43g to 30g. Such gains have been largely achieved through close co-operation with suppliers, providing evidence that the model of collaboration with and integration of key packaging partners is working well.

There are technical challenges ahead for Danone and its partners. Further improvements in lightweighting, for example, may require changes to the capital base, bringing in new machines that can handle lighter, thinner materials at a sufficiently high capacity. New doors are opening on a future of bio-based packaging, but significant investment in new technology may well be required.

Danone has worked hard to put in place the internal expertise, external partnerships and innovative culture that can turn these challenges into opportunities. It is up to the packaging industry to keep in step. [pci](#)

### Healthy prospects

Groupe Danone is a Fortune 500 company and one of the most successful healthy food companies in the world. It operates 200 plants with 88,000 employees and has a presence in all five continents across 120 countries.

In 2006, Groupe Danone recorded global sales of €14 billion. In 2007, the group acquired Numico to reinforce its leading position in healthy food in four business lines: fresh dairy products (no 1 worldwide), beverages (no 2 in the packaged water market), baby food (no 2 worldwide) and clinical nutrition.

### Profiles

Andy Roberts has worked for Dalgety Plc and for the Mars Corporation. In 2002, he joined Danone where he has been a sourcing director for cereals and biscuits, and for beverages, before moving into his current role as VP of procurement/purchasing/sourcing for the beverage market.

Gilles Ghnassia trained as a chemical and process engineer. He has been VP purchasing of Danone Belgium and, since 2007, has been packaging category sourcing VP for the dairy division.

### Danone: partnership in action

In 2007, Danone signed exclusive cooperation agreements with ten suppliers. They are now involved at an early stage in the development of key products, to insure innovation and efficiency.

Danone began a complete renovation of its purchasing function by setting up a structured partnership strategy. Innovation platforms have been created, with multidisciplinary teams combining the group's marketing, R&D and purchasing functions with Danone-dedicated teams from within the suppliers' organisation.

This collaboration is a major differentiating factor. Innovation processes require increasingly specialised human and material skills so Danone is able to draw on the specialised R&D resources of each supplier in its particular area. There have already been several successes:

- Ingredients have been adapted to Danone's processes. The specific expertise of small French company Polaris contributed to the successful launch of new yogurt Essensis.
- Packaging has been reduced. Graham, an American packaging company, supports Danone's commitment to



reduce packaging by 10% between 2000 and 2010. Since 1996, the packaging weight of a bottle of Actimel has halved.

- Health ingredients are coming to the fore. The German ingredients supplier Cognis, dedicates five research workers to Danone. Danacal has become a leader among fresh dairy products contributing to a reduced bad cholesterol level.

'This partnership based on collaboration at a very early stage of the product

development opens up a new innovation path,' says Antonio Trius, CEO of Cognis. 'Because we were involved at the very beginning of the process, we manage, together with Danone, to define accurately and rapidly the right solutions.'

Philippe Bassin, Danone's purchasing director, fresh dairy products, says: 'This new relationship with suppliers enables us to build our strategy on the long run, and thereby to focus in innovation, a key element for the company's competitiveness.'