

INSIGHT: Danone develops “whole-spectrum” offering

24 July 2009 | **Source: just-food.com**

Danone CFO Pierre-Andre Terisse revealed this morning (24 July) that the French food giant is adjusting its product portfolio to cover the "whole spectrum" of the market and increase its appeal to consumers with less buying power.

Pricing action and aggressive marketing allowed Danone to post a 2.4% jump in first-half sales volumes and the group was able to reverse the negative trend seen in volumes at its dairy business.



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"One way to read what we are doing... is to say that we have suffered significant cost increases in 2007-2008 and, because we decided to protect margins, we passed significant price increases to protect that. We are somehow taking the opposite route this year," Terisse said during a conference call with analysts.

According to Terisse, Danone will follow the "evolution of the market", which is currently shaped by the impact of the economic downturn on consumption trends.

"Consumers are still looking very much at products with a very high added value, or at least with a very high quality-cost ratio - which is indeed the case with blockbusters but which can be the case as well with products that are very cheap. In this context we are in some markets - like the case of US - rebalancing our [focus]... we are looking at the whole spectrum and we want to be stronger across the whole pyramid," Terisse revealed.

While Danone has introduced lower cost products, such as its Eco-Pack yoghurt in France, it has also looked to "protect its core" during the recession by reducing the price of its "blockbuster" brands, such as Activia.

According to independent analyst James Amoroso, Danone has benefitted from its ability to "re-examine its strategies and their execution" as well as the speed at which it has adapted to new trading environments and consumer trends.

"Danone's actions sometimes sound like a strategic reversal. Then I realise that it is simply flexibility and dynamism, and that the consumer is always at the centre of all actions, which is how it should be," Amoroso told just-food.

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