Who Won the Danone Boycott? (A)

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Danone: A National Icon in France

At the end of the year 2000, no firm or brand had a higher reputation in France than Groupe Danone, a national and European champion in the food and beverage industry, with sales of €14.3 billion divided roughly equally between France, Europe and the rest of the world.

Danone's foundations date back to 1899, but its recent history commenced in 1966 with the fusion of two French glass companies under the name Groupe BSN and the leadership of Antoine Riboud. The group first expanded by buying some of its biggest customers, including Brasseries Kronenbourg and the Société des Eaux Minérales d'Evian, the leading French brands in their respective markets. In 1973, BSN expanded into foods by acquiring Gervais Danone, a major French dairy products firm. By the end of the 1980s BSN had shed most of its glassmaking businesses to buy up more food and beverage firms and brands, such as Lu biscuits in France, Dannon, the leading yogurt company in the US, and breweries and bottled water companies in Belgium, Spain and Italy. Other acquisitions expanded the group's range from prepared foods to confectionery. It thus became an agro-business powerhouse with €7 billion euros in sales in 1989, making it the third-ranking firm in its category in Europe, behind Nestlé and Unilever.

In the 1990s the firm changed its name to Groupe Danone, after the dairy brand that had become its best-known product line, and embarked on a dual strategy of consolidating its activities within Western Europe, and expanding globally through further acquisitions and joint ventures. Its singularly strong position in France, which in 2000 represented 28.5% of sales and 33.8% of profits,[1] underpinned these initiatives. Although the success of Danone's international expansion was marked by a slow but steady decline in its home market's relative importance, (as shown in Appendix 1), surveys consistently showed that Danone was the most admired and trusted brand in France.

The company's exceptional image was due in large part to Antoine Riboud. One of the rare "leftwing bosses" among France's top industrialists, his concern for the well-being of his employees had enabled Danone to rationalize its expanding operations while maintaining productive labor relations. Though plant closures sometimes led to varying degrees of conflict at local level, workers were offered (and generally accepted) other jobs within the group and Danone had even helped local municipalities to convert its unrequired plants to other uses. Riboud's son, Franck, who became chief executive in 1996, had maintained these practices and reinforced the brand by making Danone one of the first French firms to invest in corporate social responsibility initiatives.

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[1] Groupe Danone, "Document de référence [annual report] 2000", p. 23.

He also refocused the group, selling off many of the diverse subsidiaries acquired over the course of the previous two decades in order to concentrate on fresh dairy products, bottled water and biscuits. By 2000 dairy products accounted for 46% of the firm's sales, followed by bottled water (29%), and biscuits (22%), with only 3% of sales in outlying businesses.[2] (For more information on Danone sales by business line and region, see Appendices 1 and 2.)

At the end of 2000, with its refocusing largely successful, Danone turned to foreign markets to expand in its core sectors. The group launched new brands of bottled water in Europe and the US, and made major investments in dairy product firms in China, the Persian Gulf region, Russia and Brazil. In its third core activity - biscuits - Danone was integrating five plants in Hungary and Poland that had been recently acquired from United Biscuits.

Locked in fierce competition with Nestlé and Unilever for market share and investment, management paid close attention to the financial markets. Thus in November 2000 Danone abandoned a bid for the American firm Quaker Oats after only 24 hours, when the markets reacted by sending Danone's share price down 10% in a single day. Analysts at ING Barings expressed the general view of their community by applauding "management's unwillingness to make acquisitions that could destroy shareholder value" and cited other reasons to prefer Danone over its industry rivals:

> *"Danone… has already convinced investors of the effectiveness of its strategic overhaul. FY99 and FY00 have constituted a key phase in the group's development, involving both the final stages of refocusing and a much more aggressive approach to acquisitions. From its more defensive position of five years ago, when it concentrated on restructuring and rationalizing the product portfolio, Danone is now in a position to 'set out to conquer the world', in the words of its chairman Franck Riboud."*[3]

The only weak point in Danone's strategy, analysts suggested, was that in "building leading local positions in its three core activities" around the world, it had acquired more biscuit capacity than any other firm in Europe. Indeed, management was already quietly considering ways to reduce that capacity. But before it could finalize any plans, details of its initial review of the issue were leaked, unleashing massive consequences.

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2 This data is largely drawn from Groupe Danone, "Document de référence 2001", pp. 18-20.

3 Florence Hernandez and François Digard, "New Formula Danone Back on the Attack", ING Barings, European Company Report series, 1 December 2000, p. 1+.

A Damaging Leak

On Wednesday 10 January 2001, a headline in the major French broadsheet *Le Monde* screamed: "Danone prepares to cut 3,000 jobs in Europe, including 1,700 in France". *Le Monde* alleged that the firm's plan was being kept secret for fear of a "Michelin effect" – an allusion to the recent closure of domestic factories by the French tire group at a time when it was generating double-digit profits. That affair had generated widespread public outrage, as well as proposals for legislation to prevent lay-offs at profitable firms. The Socialist Prime Minister Lionel Jospin had expressed anger, without throwing his full support behind the proposals. *Le Monde* cited a denial by Danone that there was a "precise plan" for cutbacks, but the extent of the details made this look unconvincing: the project, codenamed "Record", dated from the previous autumn and called for the closure of seven factories in France (named in *Le Monde*) out of 11 across Europe.

In fact, what *Le Monde* described as a plan was just one of several options under review at Danone. However, management chose not to comment on the story beyond confirming to *Le Monde* that the firm had "clearly too much capacity" in biscuits. This strategy was adopted to avoid potential legal attacks by unions which could claim that by going public with its plans to make cuts, Danone had neglected its legal responsibility to inform its employees first. If the unions filed a complaint on those grounds and won, any plans for closures would be annulled by the courts. Accordingly, director of human resources Jean-René Buisson told *Le Monde* that any further hard information would be given first to union representatives, as required by French law. "We would like to give ourselves three to four months to reflect" before finalizing plans, he added.

Strikes immediately broke out at the firm's biscuit plants, where for the first time in memory workers allowed unbaked dough to harden like concrete in the containers, and demonstrations erupted outside the firm's Paris headquarters, to the surprise and anger of Franck Riboud. [4] The CGT union, said to be close to the Communist Party and to which a large number of Danone employees belonged, called on public figures and other unions for support and demanded "more precise information from the group". Likewise in Belgium, Danone managers met with unions in threatened factories on 11 January 2001, but in keeping with the firm's strategy of avoiding legal risks its executives steadfastly refused to provide further information.[5]

Meanwhile, *Le Monde*'s scoop was widely reprinted in the French press where it generated a firestorm of reactions. Though Danone maintained its official

[4] Jean-François Arnaud, "L'Affaire Lu, Douze Mois dans les Coulisses d'un Plan Social". Le Figaro, 7 January 2002. The reporter obtained extraordinary access to both Danone management and unions.

[5] Agence Belga, "Restructuration Danone (2) – toujours le flou sur l'avenir des sites belges." 11 January 2001.

silence, the daily *Libération* obtained quotes attributed to members of Riboud's "inner circle" confirming that the biscuit branch was to be thoroughly restructured.[6] *Libération,* locked in mortal combat with *Le Monde* for Paris's left-leaning student readers, explained the need for "a big wave of firings"[7] in terms factually identical to those employed by *Le Monde*, but in a sharper tone:

"The whole problem for the CEO is to raise the margins on [biscuits], around 8%, while the two other core activities [have] respective margins of 11% and 12%. In other words, the relative weakness of biscuits drags the whole of the operational margin of the group down. That's unforgivable for management and shareholders."[8]

Libération noted that this time, in contrast to the sharp dip in Danone's stock following the Quaker Oats misadventure, investors in the Paris stock exchange took the news very calmly. Indeed, the financial community had interpreted it in much the same way as *Libération*. While some analysts recognized that Danone's plan would involve social, legal and perhaps political difficulties, analysts at ABN-Amro raised the group's stock rating from "hold" to "add" precisely because of it:

> *"In the absence of a substantial acquisition, we expected Danone to achieve the slowest rate of EPS growth among the European majors [in its sector]. The rumored restructuring of its Biscuits division… suggests we may well have underestimated the scope for further restructuring savings from the group."*[9]

Almost instantaneously a consensus had formed among unions, business reporters and their principal expert sources: Danone was certain to discard plants and workers to drive out a critical weakness that diminished its value for investors.

Yet the firm's official silence continued, though even *Le Figaro*, the mainstream rightwing newspaper sympathetic to Danone, warned on 18 January that it had made "a heavy atmosphere worse", while the Minister of Employment and Solidarity demanded that Danone declare its "precise intentions" and publicly evoked the onerous procedures that firings would set in motion. Franck Riboud still declined to take a public stance, repeating that if he did so he could be sued for not first informing the unions. Maintaining an image of calm, he continued a schedule of visits abroad and played golf to relax. Privately, he consulted with a

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6 Frédéric Pons, "Danone envisage 3 000 licenciements"**.** Libération, 11 January 2001.

7 As reported, the reductions amounted to "10% of the workforce in the [biscuit] division, although a rather higher proportion of costs given that the businesses in emerging markets are considerably more labour-intensive." ABN Amro, Food Producers & Processors Sector Research, "Danone: Getting Back on Track," 18 January 2001.

8 Frédéric Pons, "Danone envisage 3 000 licenciements"**.** Libération, 11 January 2001.

9 Op. cit., ABN Amro.

relative who was familiar with anti-globalist movements.[10] On 19 January, Danone announced that it would reveal its plans in mid-April.[11]

Protest Begins

Public opinion and politicians were now rising against Danone in a climate rendered more tense by impending nationwide municipal elections in mid-March. A survey showed that 85% of the French approved the protests, encouraging party leaders to speak out on the issue.[12] In the National Assembly, a new law to stop lay-offs at profitable companies was proposed, while the Minister of Employment declared, "Lay-offs must be the last resort."[13] The mayor of Ris-Orangis, a Paris suburb with a large Danone plant, noting that the firm planned to build a research center with public subsidies in a nearby town, warned: "I can't see Danone knocking out a share of local jobs on one hand, and soliciting public aid for this center on the other."[14] (Eventually, plans for the center were scrapped.) The news was so bad, recalled HR director Buisson, that Danone management stopped reading the press.[15]

Danone Promises to Protect its Workers

After two weeks without comment, Danone ended its silence on 25 January when Riboud gave an interview to *Le Figaro* in which he cited the group's record on social issues and assumed responsibility for maintaining it: "As president, I affirm to all our employees that the group hasn't changed; it won't change, and I personally guarantee it. We are pursuing a project that is both economic and social, and I am proud to affirm it." Simultaneously, the group declared itself a "victim" of a "destabilization campaign" and filed a complaint asking prosecutors to identify *Le Monde*'s sources.[16] No prosecutions were subsequently brought.

In the weeks that followed, the tense stand-off between Danone, the unions and the Left generated little decisive action as all parties awaited the outcome of the nationwide municipal elections in mid-March. The Left emerged from the elections with control of Paris but the Communist Party registered a historically low score, encouraging hard-liners in its ranks to urge more intense action against capitalist icons like Danone.

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10 Op. cit., Arnaud.

11 Pierre Avril and Francois-Xavier Bourmaud, "Le plan de réorganisation sera connu a partir du 15 avril; Danone déçoit syndicats et élus", Le Figaro, 19 January 2001.

12 Op. cit., Arnaud.

13 Anonymous, "L'«amendement Michelin» refait surface à l'Assemblée", La Tribune, 12 January 2001.

14 Laurent Flallo and Samira Nezzar, "Les projets de restructuration de Danone soulèvent un tollé de protestations", Les Echos, 12 January 2001.

15 Op. cit., Arnaud.

16 Anon., " Danone s'estime victime d'une campagne de déstabilisation", Les Echos, 18 January 2001.

On 29 March, ahead of the deadline announced in January, Danone confirmed that it would indeed close two plants in France, and others in Hungary and Italy. It simultaneously presented a raft of welfare measures for the workers concerned that went well beyond those required by French law. Franck Riboud told an interviewer, "Everything that the State does in terms of coming between an employer and workers is worth nothing. In the end it is Danone's management that will look out for the interests of its employees."[17]

While the law required that redundant workers be offered one alternative position within the firm, Danone promised to find three such openings inside the group, and to help find jobs in other firms for those who did not accept its offers. It also promised to pay relocation costs for workers taking up such opportunities, which it was not required to do. Compensation would be paid to workers or their spouses who suffered any loss of salary from such a move – again, a measure not required by law. Danone further surpassed legal requirements by offering to finance up to two trips for employees and their families to places where jobs were available and to pay for training for displaced spouses, and by offering to help evaluate and finance self-employment projects for employees who decided to leave the group.[18]

The plan also addressed the charge that the group was turning its back on the communities where its plants had formerly been profitable: as in the past - but even more strongly – Danone committed to "reinforce the economic fabric" of the affected communities by financially supporting the prospection and installation of new enterprises, infrastructures and local initiatives, as well as giving technical support to SMEs that could hire Danone's former employees.[19] Business leaders hailed the plan as a landmark example of corporate social responsibility.

The firm expected that the closure of only two plants in France, involving about 500 jobs, instead of the seven announced by *Le Monde*, would have a calming effect on the crisis. But on the day that Danone's plan was announced, UK retailer Marks & Spencer revealed, without warning, its intention to close down its operations in France, including a major department store in the heart of Paris. The UK firm's abrupt move, from which any worker's welfare measures were absent, generated fresh public outrage that ricocheted onto Danone. HR director Buisson noted bitterly that, "From then on, people kept associating the two cases," regarding Danone as merely another global firm that had heartlessly sacrificed its workers for the sake of its investors. Indeed, public opinion polls showed that 70% of the French still supported the workers and as many as 90% affirmed to pollsters that profitable companies should not be allowed to lay off

17 Jo Johnson and Robert Graham, "No regrets for Danone's determined Riboud: The food group's chief is standing firm on the factory closures", Financial Times, 28 April 2001.

18 Groupe Danone, "Document de référence 2001", p. 35.

19 Ibid., pp. 35-36.

workers.[20] Danone managers realized that instead of a "social" conflict, as labor disputes are referred to in France, they were now facing a *societal* conflict, involving a profound clash of values.

Momentum Builds for a Boycott

The idea of a consumer boycott, which some opponents had seen as their "only lever of influence"[21] as early as January, was now promoted by the CGT union in Danone's Lu biscuit plant in Calais, one of the two French sites targeted by the restructuring. A union representative told *Libération*, "We know that strikes and occupying factories aren't sufficient weapons. That's why we thought of a boycott."[22] However, no consumer boycott in France had ever had a demonstrable impact on corporate behavior. Nonetheless, at the beginning of April the French Communist Party and the Mayor of Calais joined the call for a national boycott of Danone products. They were supported by publications like *Libération*, which offered its readers sympathetic portraits of the "Petits Lus", its nickname for workers in the Calais plant [23] and an ironic allusion to the cookies eaten by French schoolchildren at snack time.

The entire Left, from mainstream parties to marginal activists, now took up the cause. As in Calais, the Communist and Socialist mayors of St. Denis, Nevers and Givors, all big towns, ordered the hospitals, schools and cafeterias under their respective administrations to stop buying Danone products. Rapidly, a wave of endorsements grew – from a cooperative supermarket chain, postal workers' and bank unions, to four more cities, the Green Party, France's leading anti-globalist association Attac, and about 100 deputies in the National Assembly representing the full spectrum of left-wing parties. *Le Figaro* observed that such a "political boycott" was "a first in France".[24]

In this climate of growing outrage, extremists were emboldened: the Basque independence movement warned that CEO Frank Riboud was "*persona non grata*" in the region where he owned a holiday home, and followed up with a demonstration outside the property.

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20 These data were mentioned in op. cit., "Danone s'estime victime d'une campagne de déstabilisation", and "No regrets for Danone's determined Riboud: The food group's chief is standing firm on the factory closures".

21 The phrase is from Thierry Mandon, vice-president of the County Council of the Essonne, one of the départements threatened by plant closure. Quoted in Anon., "Danone dévoilera les détails de son plan biscuits a la mi-avril", Les Echos, 19 January 2001.

22 Ondine Millot, "Danone: Le boycott pour seule solution", 4 April 2001.

23 See Judith Perrignon, "Portraits: Jacky Le Frapper et Chantal Blouquit, 51 et 37 ans. Une vie chez Lu et la fermeture annoncée de l'usine. Stupeur et dégoût", Libération, 12 April 2001. The feature article covered the entire back cover.

24 Sophie Roquelle, "Face aux hésitations du gouvernement, les élus de la majorité et le conseil régional d'Ile-de-France font monter la pression; Le boycott anti-Danone mobilise la gauche", 6 April 2001.

Danone and Riboud were visibly supported by their peers in the French establishment. The president of the Credit Lyonnais bank, Jean Peyrelevade, announced that he was doubling his daily consumption of Danone yogurt in a gesture of solidarity, and the popular president of Vivendi Universal, Jean-Marie Messier, called for an end to the "demagogy" surrounding the affair. With the exception of a few areas where support for Danone was particularly strong, politicians of the Right denounced the boycott, along with the spokesman of the national employers' association, the MEDEF. They argued that it was senseless to weaken a national industrial champion as this could force it to cut further jobs. Leaders of centrist and Christian unions, who competed with left-wing unions for membership and influence, adopted similar positions.[25]

French journals aimed at the business community or identified with the Right were likewise critical of the boycott in their news pages where, in keeping with French tradition, reporters are allowed to take a personal, editorializing tone. The business daily *La Tribune* warned that "Danone has the right to drag mayors, supermarket bosses, or any other decision maker who [boycotts] its products into court."[26] Its direct competitor *Les Echos* minimized public support by reporting that "the unions" opposed it, without saying which, and emphasized "the gulf" that allegedly existed between the unions and the Left's elected officials.[27]

A Copycat Boycott Begins Abroad

Danone now faced protests not just against its plans in France, but also its international rationalization of biscuit production. The 29 March announcement was greeted with outrage in Hungary, where Danone intended to close the plant that made the most popular national biscuit brand and its iconic product, Gyorki Keks. The mayor of the town concerned (also called Gyorki) immediately announced a boycott and threatened to sue if Danone continued to manufacture biscuits sold as Gyorki Keks in plants elsewhere. On 20 April, the Hungarian government officially announced that it "expressly insists on [Danone] keeping the Gyorki biscuit factory in operation".[28] Quietly, Danone management began to negotiate with the government.

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25 Laetitia Guerrini, "Alors que certains jugent brutale la fermeture de plusieurs usines Lu; Danone : des voix s'élèvent contre le boycottage", Le Figaro, 7 April 2001.

26 Anon. , "Danone peut se défendre en droit contre le boycott de ses produits", 6 April 2001.

27 Op. cit., Les Echos, 9 April 2001.

28 Hungarian News Agency (MTI), "Government and Danone Negotiate On Closure Of Gyorki Factory", 21 April 2001.

Labor Unrest Affects Operations in France

The turmoil in Danone's biscuit plants continued even after official strikes ended, as work stoppages became virtually constant.[29] Danone's shipments to supermarkets were affected, though the company succeeded for the time being in avoiding news coverage of the fact.

Meanwhile, union leaders in different cities began traveling among the plants to coordinate boycotts.[30] Danone lost control of access to certain plants. Calais declared itself the "world capital of anti-globalism", and workers invited supporters of all stripes to Danone's premises. Likewise the biscuit factory of Evry became "a major center of anti-globalist opposition", with its doors wide open to activists. An attempt by the plant manager to block access to a newly-elected municipal councilor was foiled when the latter had himself named a union delegate.[31]

Doubts in the Media About the Boycott

By mid-April, the question of whether a consumer boycott could ever succeed in France had become the most prominent issue of national news coverage. On the Right, *Le Figaro* dismissed the boycott's impact only days after it began:

> *"The main players involved agree that it has not been a success. French group Sodexho, which specialises in collective catering, says that only 0.01 per cent of its customers have requested that it boycott Danone products, and many retailers tell a similar story."*[32]

The issue was similarly portrayed to readers of *Libération*, in which a French marketing professor predicted that, like previous boycotts in France, this one would flop, if only because Danone had acquired so many brands in recent years and its products were so omnipresent that it would be nearly impossible for the most committed boycotters to avoid them.[33]

In fact, boycott promoters were already aware of this obstacle. Union officials began distributing tracts listing the company's products and *Libération* published the list for its readers. But these were limited, sporadic efforts.

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29 Op. cit., Arnaud.
30 Ibid.
31 Ibid.
32 Anon. "Le Boycott de Danone ne prend pas", April 18, 2001.
33 Benoit Heilbrunn, "On se lève tous pour... Danone; Tant que ne se développera pas en France un puissant lobby consumériste, les actions de boycott échoueront, car l'attachement aux marques reste le plus fort", 19 April 2001.

Danone vs. the Internet

An unprecedented force now entered the conflict with the mobilization of Internet users. From 1998 to 2000, Internet use in France had expanded threefold, to 12% of homes and 20% of individuals over the age of 15.[34] Internet use was far higher among readers of the trendy print and online magazine *Technikart*, known mainly for its coverage of the contemporary "techno" counter-culture. On 4 April, editor Olivier Malnuit and his reporters launched a website, jeboycottedanone.com ("I boycott Danone.com"), featuring a Danone logo modified to integrate the slogan "Human beings are not yogurts". The site proclaimed that "a boycott is the last remaining form of political action in a society where money has profoundly perverted the democratic system," and provided a list of all Danone brands. It also, rather prematurely, demanded the rehiring of all the Danone employees who had been fired; in fact, no downsizing had yet occurred.[35]

On 18 April, Danone asked the courts to stop Malnuit using his version of the firm's logo and citing the Danone name, demanding €15,000 in "symbolic" damages for "denigration" of the firm and its products. It was a risky strategy, according to the business journal *La Tribune*, which observed that the case "pits the defenders of a strict right of intellectual property [i.e. Danone's brand] against those who defend liberty of expression". The paper clearly implied that the latter might win.[36]

The lawsuit publicized the fact that a full list of Danone products could be found on the Internet. As *Libération* ironically remarked, "By multiplying its lawsuits, Danone has made a lot of noise".[37] It also widened and radicalized the conflict. The Réseau Voltaire, a free speech group that had previously gained attention for its campaigns against neo-Nazis, immediately hosted Malnuit's controversial content on its own site, voluntarily becoming a defendant in the case. An online petition of support attracted 11,000 signatures, and the Green Party and the Attac association filed "friend of the court" briefs on behalf of Malnuit.

On 23 April, a Paris court condemned the Réseau Voltaire and Malnuit to pay $10,000 each in damages and ordered them to cease using Danone's logo. However, the court observed that the defendants had in no way "denigrated" Danone's products, and that their website constituted an exemplary form of public debate. Danone's critics thus received strong judicial protection for certain

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34 According to studies by, respectively, the national statistics institute INSEE and the private BVA survey firm.

35 These facts are quoted in Tribunal de Grande Instance de Paris, Ordonnance de référé du 23 avril 2001. Via Internet, http://www.legalis.net/cgi-iddn/french/affiche-jnet.cgi?droite=decisions/marques/ord_tgi_paris_230401.htm

36 Anon., "Danone demande la fermeture du site jeboycottedanone.com." La Tribune, April 19, 2001.

37 Marie-Joëlle Gros, "Le Claque de Danone à ses détracteurs." Libération, May 31, 2001.

of their efforts.[38] They won a further victory on 14 May, when another court ruled that Danone could not stop critics from using its name for the purposes of parody or criticism.

The court hearings so far had involved a special procedure called the *référé*, which allows French magistrates to make preliminary rulings without hearing full evidence; the a full trial was to take place at the end of May. Danone was no longer content with a symbolic victory: it intended to seek damages of €600,000 for "systematic denigration" amounting to "sabotage" of its brand and logo. The firm announced that it would donate any damages awarded to groups promoting free speech. It was nonetheless accused by its adversaries, who were widely quoted in the press, of censorship.

First Reports of the Protest Movement's Impact

At the beginning of May, while headlining that the boycott was "running out of steam", *Libération* simultaneously observed that according to a union official at one of Danone's plants, sales of its output were down 13% over the past month, far in excess of the usual seasonal decline. The official added that unsold inventory had doubled over the same period. He was an opponent of the boycott.[39]

In mid-May, union officials at the vast wholesale produce market in Rungis which supplies the entire Parisian region (the equivalent of 25% of the French population), were quoted briefly but widely in the press to the effect that Danone had lost 10% to 20% of its sales in April as a result of the boycott.[40] If those figures were true – Danone did not comment on them – and were representative of the whole of France, which had accounted for 28.5 % of group sales and a full third of operating profits the previous year, the impact on Danone could be significant while the boycott lasted. The impact of the boycott in Hungary was unknown to protestors or the media in France.

The CEO on the Front Line

The crucial moment in Danone's management of the crisis arrived as the firm prepared for its annual shareholders' meeting on 29 May. Would there be any further upheaval and further damage to Danone's image and market capitalization? Had the boycott truly hurt Danone's sales, its brand, and its strategy?

38 See, for example, Estelle Dumont, « Danone fait interdire la contrefaçon, pas la critique », published by www.zdnet.fr on April 24, 2001 and archived at http://www.zdnet.fr/actualites/internet/0,39020774,2062909,00.htm.

39 Frédéric Pons, "Le boycott de Danone proche de la péremption." 3 May 2001.

40 Anon., "Danone touché par le boycott", Le Nouvel Economiste, 18 May 2001.

The financial markets clearly believed that it had. The group's stock had lost 20% of its value since January, a far worse performance than the average 10% decline in the Paris stock exchange and in its respective industrial sector in Europe.[41] Danone's public image had likewise suffered tremendously with a fall of 60% in consumer confidence since January, according to one popular survey.[42] Indeed, the firm had suspended all new advertising campaigns and withheld the launch of a major new yogurt product until the crisis was over.

What should Franck Riboud say to his shareholders and the wider public at this critical juncture to restore confidence in Danone's management and its handling of the crisis? How could he prevent any further decline in Danone's image? How should he address the rumors affecting Danone's stock? And how could he prove to his firm's adversaries, as well as to its supporters, that he means what he said about the values that made Danone a social as well as a business icon?

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41 These data were cited retrospectively in Anon., "L'orage est passé". La Vie Financiere, 16 June 2001.

42 The survey appeared in Le Nouvel Economist of 20 April 2001, cited in Belot Laure, "Comment le Groupe Danone a abimé son image", Le Monde, 23 April 2001.

Appendix 1

Groupe Danone: Net Sales and Net Profits by Region
(in absolute numbers and as a percentage of group figures, 1998-2000)

Group Sales (in millions of euros, except %)

	1998		1999		2000	
France	**5,042**	**37,0 %**	**4,963**	**35,4 %**	**4,298**	**28,5 %**
Rest of the EU	**5,267**	**38,7 %**	**5,084**	**36,3 %**	**5,273**	**35,0 %**
Rest of world	**3,303**	**24,3 %**	**3,960**	**28,3 %**	**5,512**	**36,5 %**
Internal sales	**(677)**		**(714)**		**(796)**	
Total	**12,935**		**13,293**		**14,287**	

Operating Result

	1998		1999		2000	
France	**589**	**45,1 %**	**587**	**41,7 %**	**526**	**33,8 %**
Rest of the EU	**475**	**36,1 %**	**501**	**35,6 %**	**541**	**34,8 %**
Rest of World	**248**	**18,8 %**	**319**	**22,7 %**	**489**	**31,4 %**
Centralized costs	**(19)**		**(16)**		**(6)**	
Total	**1,293**		**1,391**		**1,550**	

Source: Groupe Danone, Document de référence, 2000.

Appendix 2

Groupe Danone: Sales and Operating Profits by Core Activity
(in absolute numbers and as a percentage of group figures, 1998-2000)

Sales (in millions of euros, except %)

	1998		1999		2000	
Fresh dairy	**5,665**	**43,2 %**	**5,981**	**44,7 %**	**6.530**	**45,7 %**
Beverages	**3,004**	**22,9 %**	**3,565**	**26,6 %**	**4,141**	**28,9 %**
Biscuits	**2,607**	**19,9 %**	**2,822**	**21,1 %**	**3,255**	**22,8 %**
Other food	**905**	**6,9%**	**527**	**3,9%**	**378**	**2,6%**
Packaging	**932**	**7,1%**	**501**	**3,7%**	**-**	
Divestments	**(178)**		**(103)**		**(17)**	
Total	**12,935**		**13,293**		**14,287**	

Operating Result

	1998		1999		2000	
Fresh dairy	**621**	**47,3 %**	**655**	**46,5 %**	**712**	**45,8 %**
Beverages	**368**	**28,1 %**	**440**	**31,3 %**	**513**	**33,0 %**
Biscuits	**203**	**15,5 %**	**222**	**15,8 %**	**282**	**18,1 %**
Other food	**29**	**2,2%**	**39**	**2,8%**	**49**	**3,1%**
Packaging	**91**	**6,9%**	**51**	**3,6%**	**-**	
Central costs	**(19)**		**(16)**		**(6)**	
Total	**1,293**		**1,391**		**1,550**	

Source: Groupe Danone, Document de référence, 2000

Appendix 3:
Groupe Danone, Sales Progression Q1 2001

(Danone and UBS Warburg estimates. From UBS Warburg, « Danone », 9 May 2001.)

In € millions	Q1 00	Organic	Currency	Acqs	Q1 01	% Chg
Dairy	**1,578**	**7%**	**0%**	**0%**	**1,692**	**7%**
Water	**653**	**9%**	**8%**	**15%**	**860**	**32%**
Biscuits	**727**	**4%**	**0%**	**4%**	**786**	**8%**
Other Food	**90**	**2%**	**-3%**	**0%**	**89**	**-1%**
Intra-Group Sales	**3**				**4**	
Continuing Businesses	**3,045**	**7%**	**1%**	**3%**	**3,423**	**12%**
Discontinued	**280**				**0**	
Total	**3,325**	**7%**	**1%**	**-5%**	**3,423**	**3%**

UBS Warburg's analysis:

« Q1 01 sales were reported at €3423m (UBS Warburg forecast €3360m), which represented an increase of 3.0%. Adjusting for exchange rate movements (which added 1.4% to sales, largely as a result of the strength of the US dollar against the euro) and the net impact of acquisitions and disposals (which reduced sales by 5.0%, largely as a result of Danone's exit from European beer), underlying sales grew by 6.6% (UBS Warburg forecast 6.8%). This 6.6% breaks down as 5.5% volume and 1.1% value, the latter being slightly below the figure for 2000. »

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