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Who Won the Danone Boycott? (B)

02/2006-5344

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The CEO Reassures the Markets

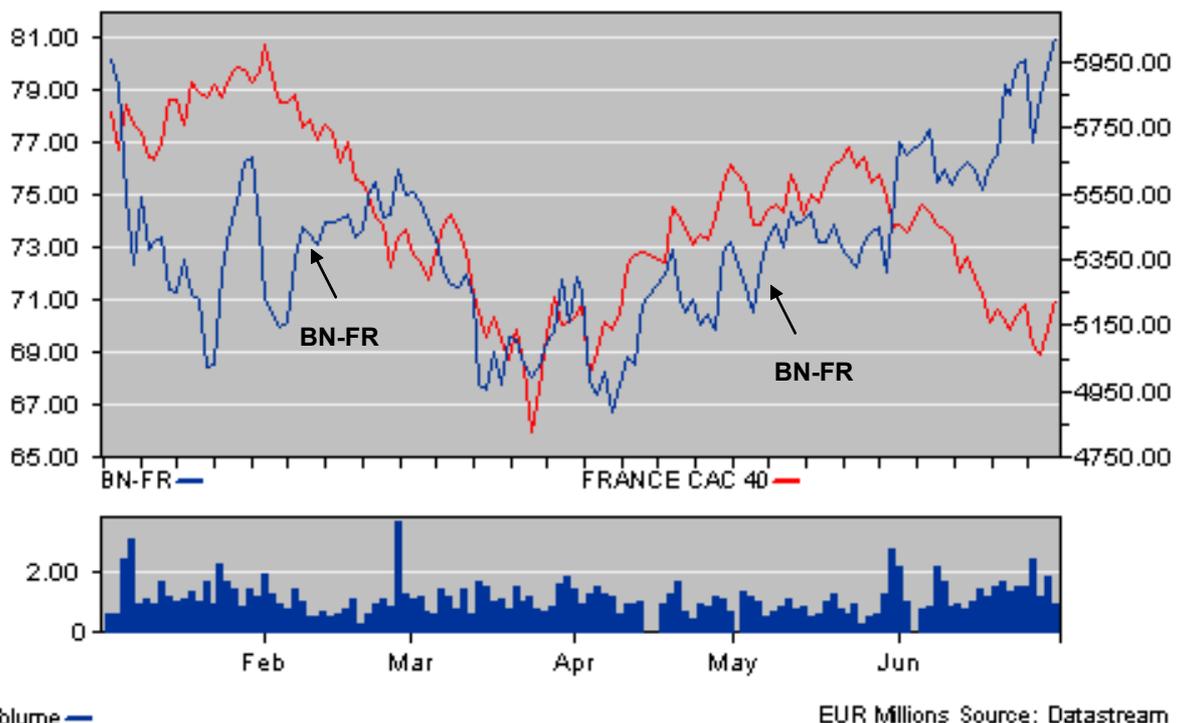
On 29 May 2001, at the Annual General Meeting of shareholders, Danone's CEO and chairman Franck Riboud began his presentation with a declaration that the firm's restructuring would not leave downsized employees "by the side of the road". Danone would take care of its own. He denied that the boycott had had any impact on group sales. On the contrary, he said, they had risen by nearly 7% worldwide in April, despite calling a halt to all advertising and promotion in France.

Riboud fully "reassured investors", as a Parisian stockbroker explained to reporters: "Before the meeting there were rumors in the market that sales had been hit by as much as 10% by the boycott, and the fact that this is not the case is good news for investors."¹ Analysts at Deutsche Bank immediately told their readers:

"As far as the biscuit restructuring is concerned, Danone confirms what we have heard from other sources, that there has been a very limited impact from the consumer boycott, confined mainly to parts of France where closures are planned. Industrial disruption should likewise be minimal, with only two plants (Danone has 34 in Europe) affected, and these only partially."²

Headlines in the national and international media affirmed that "the storm has passed", as one journal put it, citing Riboud. The effect of the good news on Danone's stock is shown below (Danone indicated by BN-FR, with prices on left vertical axis; the CAC 40 index of France's 40 top publicly-owned firms is on the right; volume in lower chart). The boycott soon ended, except in a few localities.

Groupe Danone (1/1/2001-7/1/2001) -- Datastream



Volume —

EUR Millions Source: Datastream

- 1 Anonymous, "L'Orage est passé", La Vie Financière, 16 June 2001.
- 2 Anon., Danone: Shareholder's meeting comment, 31 May 2001.