



# GROWING AND CREATING A NEW MARKET-

## The Irish Dairy Market The Danone Way

### THE ORIGIN OF YOGURT

Did you know that yogurt was first sold in pharmacies as an aid to digestion? In 1919, the sight of so many children in Barcelona suffering from intestinal disorders surprised the entrepreneur Isaac Carasso. At the time he was very interested in the research of Metchnikoff, the 1909 Nobel Prize winner, on yogurt lactic acid bacteria.

Carasso brought some bacterial 'cultures', from the Pasteur Institute in Paris and launched the first yogurts in Barcelona. Cultures, or bacterial families, when added to milk and under the right conditions result in a yogurt substance. Carasso called his product 'Danone', his son Daniel's nickname. Doctors helped the success of yogurts by prescribing them for intestinal disorders. Pharmacies distributed the first yogurts exclusively, clearly positioning the product in the mind of the consumer as a health food.

### THE DANONE GROUP

From these early beginnings, **Danone** has grown to become a global business that makes yogurts, yogurt drinks and fromage frais, designed to make it easy for all the family to live a healthier life.

**Danone** now employs in excess of 100,560 people worldwide and has a turnover of € 14,470 (2001) million. It is the world market leader in the dairy products market where it controls 15.5%. It is also the market leader in the bottled water market with its Volvic and Evian brands and number two in sweet biscuits with Jacobs and Lu.

Market	World Position
Dairy Products Market	Market Leader
Bottled Water Market	Market Leader
Biscuits Market	2nd

This business study examines **Danone's** highly successful entry into the Irish dairy market. The company's **market entry strategy** is discussed as it persuaded Irish consumers to look for additional health benefits from fresh dairy products and increase their overall consumption in this sector.



### RESEARCH & DEVELOPMENT AT DANONE

**Research & Development (R&D)** into new products is a vital part of the business process. Consumer eating habits and dietary needs are changing all the time and R&D needs to keep pace with such changes. As lifestyles become more hectic, people are becoming more aware of the importance of a healthy diet.

**Danone's** success in the market place is largely underpinned by its ongoing commitment to this process of R&D. Its dedicated centre of research excellence in France called **Danone Vitapole** focuses much of its research into trying to understand how to help people be healthier. At this centre new strains of cultures, or bacteria, are identified. Nutritional solutions for solving common problems such as strengthening the body's immunity are explored. This research has led to an increasingly rapid flow of new products and ideas to the market and has positioned **Danone** as the most advanced and innovative producer of health oriented dairy products in the world today.

### DANONE'S ENTRY INTO THE IRISH MARKET

In 1997 **Danone** brought its worldwide expertise in health and nutrition to the Irish market. At that time, despite our agricultural heritage, Irish consumption of fresh dairy products was remarkably low in comparison to Western Europe. Even today, consumption of fresh dairy produce in Ireland is only 10.2 kilos per capita in comparison to 33.2 kilos per capita in France. **Danone** realised that there was enormous potential to increase the consumption of fresh dairy products among Irish consumers. It set about fulfilling this goal with a **market entry strategy** that involved a number of activities:

- ▶ Developing an understanding of **market segmentation** in the fresh dairy market in Ireland
- ▶ Identifying gaps in the market by identifying unfulfilled consumer's needs
- ▶ Introducing **Danone's** unique range products of healthy and tasty brands to deliver new benefits to Irish consumers

#### MARKET SEGMENTATION

In order to maximise their ability to satisfy consumers, marketers divide up or segment the market for their products according to different consumer needs and preferences. There are many different ways or bases to segment a market and these include:

- ▶ **Geographic Segmentation:** Segmenting consumers according to their geographic location. Irish consumers were found to consume less dairy produce than their European counterparts.
- ▶ **Demographic Segmentation:** Marketers frequently segment their market according to some demographic criteria such as age, gender, occupation, religion or even marital status.

- ▶ **Psychographics Segmentation:** Consumers are segmented according to the different lifestyles or according to their social class groupings or different personality types. In Ireland for example, research into young consumers between the ages of 18 and 24 years of age found that they could be segmented according to different lifestyle groups.

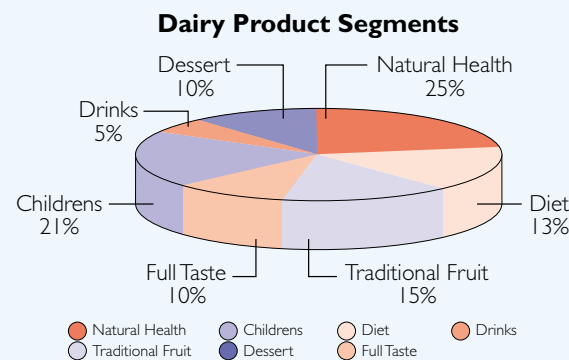
- ▶ **Behavioural Segmentation:** This involves segmenting consumers according to their knowledge of a product or the way in which they react towards a product. One such way is by grouping consumers according to the benefits that they look for or the occasion on which they use a product. By looking at the breakfast market **Danone** could see a gap for its **ACTIMEL®** brand. **Danone** has, through its advertising, highlighted the benefits of a yogurt each morning thus changing some traditional perceptions of yogurt as only for dessert.

**Danone** also adapted advertising messages to suit different European market expectations. In France, yogurt is typically sold as a plain yogurt, a symbol of good health. Fruit and flavourings come later as advertising emphasises the health logic. In the UK, the product is often associated with indulgence. Fruits add to the pleasure of eating yogurt. In Spain or Portugal, where fruit is abundant, consumers prefer plain yogurt, eaten as much by children as by adults. In Italy, consumers prefer blended yogurt, while flavoured varieties are positioned for very young children. Advertising messages are therefore adjusted accordingly to reflect these preferences.



## MARKET SEGMENTATION IN THE FRESH DAIRY MARKET

The fresh dairy market has three major product types – yogurts, fromage frais and chilled desserts. Using this segmentation by product type as a basis, **Danone** studied the Irish market and segmented its brands according to the different benefits that could be delivered to Irish consumers. They identified where their brands were best targeted within the seven key segments in the market.



### The Natural Health Segment

Consumers in this category are looking for additional health benefits from dairy products. It accounts for 25%\* of the market and includes products such as natural yogurt, organic, and probiotic yogurts and yogurt drinks such as **Danone Actimel®** and **Danone Activia®**.

### The Diet Segment

Accounting for 13%\* of the market consumers here look for the benefit of very low fat or zero per cent fat from their yogurts and fromage frais products. Typical brands would be **Danone Vitalinea®** and Weight Watchers yogurts.

### The Standard Fruit Segment

The fresh dairy market in Ireland has traditionally been dominated by standard fruit yogurt brands, such as Yoplait. Consumers are actually moving away from this more traditional segment in search of products that offer additional benefits such as products in the natural health segment. This segment represents 15%\* market share.

### The 'Full Taste' Segment

These brands are designed to appeal to consumers who look for the benefit of fuller tasting more indulgent yogurts e.g. Muller Corner pots. This segment represents some 10%\* of the market.

### The Children's Segment

Traditionally fromage frais, brands in this segment are designed to deliver the unique nutritional benefits required for young children. These include the **Danone Gervais®** range and Petit Filous. This segment represents 21%\* of the market.

### The Drinks Segment

This segment includes dairy drinks which are mainly targeted at young teenagers and include brands such as Yop and Yazoo. These represent 5%\* of the market.

### The Dessert Segment

Brands in this segment are designed to appeal to consumers who wish to treat themselves to a more indulgent and convenient dessert. They include products such as chocolate mousse, crème caramel. This segment crosses the six other segments above and accounts for 11%\* of the market.

\* Source: AC Neilson.

## DELIVERING A UNIQUE RANGE OF BENEFITS

**Danone** examined the needs of consumers in these segments and concluded that its range of brands could deliver a range of nutritional and taste benefits, which had not previously been available in Ireland. It set about delivering these benefits to three core segments that were under utilised, namely,

1. The Natural Health Segment
2. The Diet Segment
3. The Children Segment.



### DELIVERING NUTRITIONAL BENEFITS TO THE NATURAL HEALTH SEGMENT

The Natural Health Segment is the fastest growing segment within the fresh dairy product market. Irish consumers are increasingly moving towards products that provide key health benefits. **Danone** has been instrumental in developing growth within this segment by bringing natural health products to Irish consumers such as **Danone Actimel®** and **Danone Activia®**. In effect **Danone's** entry into this segment has created an increased market for dairy products. Rather than competing with other companies for a market share **Danone** was instrumental in increasing the actual size of the market itself.

**Danone Actimel®** was first launched on the Irish market in 1997 introducing a totally new concept of 'probiotic yogurt drinks'. It contains the unique culture of **L.CASEI IMUNITASS®** which has been shown to help strengthen the body's natural defences. As such it is strongly positioned within the Natural Health Segment and appeals to consumers looking for a healthy lifestyle. **Danone Actimel®**, has grown rapidly to become the number one fresh dairy brand in Ireland with a market share of 14.8%\*.

**Danone Activia®** is one of the fastest growing brands within the **Danone product portfolio**, and is currently the number two player in the Natural Health segment. **Danone Activia®** contains another unique culture, **BIFIDUS ESSENSIS®**, which helps to improve digestion and keep the body healthy.

### BRINGING NEW NUTRITIONAL BENEFITS TO THE CHILDREN'S SEGMENT

The unique **Danone Gervais®** range, which includes **Danone Gervais® Baby** and **Danone Gervais® Toddler®** is positioned in the children's segment. **Danone Gervais®** is the only dairy range specifically formulated to meet babies' nutritional needs from the age of 4 months and upwards and is available as a fromage frais and yogurt drink.



### DELIVERING IMPORTANT NUTRIENTS TO THE DIET SEGMENT

**Danone Vitalinea®** is a range of fat free yogurts enriched with 6 essential vitamins, fibre, calcium and phosphorus. Because dieting can result in the loss of important nutrients **Danone Vitalinea®** has been designed to replenish important nutrients in a tasty format in both yogurt and a unique adult fromage frais.

## SUCCESS THE DANONE WAY

**Danone's** entry into Ireland has acted as a key driver of growth within the overall fresh dairy market due to its heavy emphasis on probiotic yogurts and yogurt drinks. Not only have **Danone** driven an increase in focus on the health benefits of yogurt, the activities of **Danone** have rejuvenated interest in the whole fresh dairy market.

The market grew by 22.3% in the year 2001 and is currently valued at over €150 million. Growth is expected to continue over the next five years and turnover within the category is expected to exceed €240 million by 2005.

Over the past three years **Danone** has been the fastest growing player commanding 25.6%\* in the market and 74%\* in the natural health market. **Danone** is also the highest spender in the Dairy sector on advertising and delivers some 60% of advertising spend in this sector. In 2002, through its extensive Consumer Relationship Marketing programme **Danone** will further consolidate its contribution to the fresh dairy market by establishing direct relationships with some 150,000 Irish households.

## CONCLUSION

**Danone** is changing Irish consumers' perception of the fresh dairy market. It has injected growth into what was a slow growing market through the provision of a variety of high quality, great tasting brands with health benefits specifically tailored around consumers' needs. This has led the Irish consumer to re-appraise yogurt, look for additional health benefits from products and increase their overall consumption of fresh dairy products in general.



## TASKS AND ACTIVITIES

1. (a) Explain what is meant by the term Research and Development  
(b) How has research and Development contributed to **Danone's** business success?
2. Outline the reasons why **Danone** decided to enter into the Irish Fresh Dairy market.
3. Describe **Danone's** market entry strategy into the Irish Fresh Dairy market.
4. (a) Explain the concept of Market Segmentation  
(b) List the different bases for segmenting markets.
5. (a) Describe the market segments targeted by **Danone** in the Irish Fresh Dairy market.  
(b) Explain how **Danone** satisfies the needs of consumers in each of its chosen segments.
6. (a) List three firms operating within a market of your choice.  
(b) Identify the key market segments within that market.  
(c) Describe the market segments targeted by each of the firms.  
(d) Explain how each company satisfies the needs of its consumers in each of its chosen segments.
7. Outline two dangers involved in not adopting a segmentation approach to business.
8. Identify three lessons that other organisations can learn from this business study.

[www.danone.com](http://www.danone.com)