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1. EXECUTIVE SUMMARY

The marketing project that our workgroup has developed for Danone focuses on one of its star products: VITALINEA.

The main objective of our research is to implement Vitalinea's position in the yogurt market for low-fat products, as well as improving its marketing strategy by offering brand new and fresh ideas.

We believe that the strategy for this product line, in order to reach profitable growth, lies on strengthening close ties with consumers. The goal is, not only to offer them what they are looking for (a low-fat tasteful yoghurt), but to lead them to think that buying Vitalinea means buying the key to achieve confidence as far as self-image is concerned.

The way our group intends to reach these objectives goes from proposing a new slogan for the brand , “0% effort, 100% welfare”, to changing the packaging for Vitalinea's products (refer to page x).

We are not only keen on making changes in marketing's perspective for the product, but we are also willing to take profit of the current strategy that the company follows for Vitalinea and which is working quite properly.

Finally, we would like to say that the group has placed all of its hope in the project and that we believe that

those changes will lead the company to better financial results.

2. INTERNAL ANALYSIS

2.1 Mission, values and corporate philosophy

Danone Group's mission or main objective is to grow as a leader while working for consumers' health. It also wants to become a consultative organ for professionals through its research activities and its company's culture.

Danone is one of the World leaders in the food industry

- N° 1 worldwide in Fresh Dairy Products
- N° 1 worldwide equally placed in Bottled Water (by volume)
- N° 2 worldwide in Biscuits and Cereal Products

The main reason why Danone Group can be considered as a leader in the food industry is because this company has never stopped working to bring to its customers better products, more varied flavours and much healthier pleasures.

Danone's strategy, based on its corporate philosophy, is specially focused on the growth of its shares by taking in account the following criteria:

- Favoring the profitable growth of the business account, which is essential in this type of industry.
- Privileging the operative margin and the profitability of investments.
- Accomplishing human and social policies, which assures a part of the company's success.

In order to reach its objectives, it is essential to develop a company's global vision and to defend its core values. What are the values which make Danone Group unique?

Openness

"Diversity is a source of wealth and change a constant opportunity."

- **Curiosity:** Characterises an attitude of awareness and looking ahead, of being attuned to others, refusing to accept preconceived ideas and models, and imagination.
 - **Agility:** Synonymous with vitality, energy, speed, flexibility and adaptability.
 - **Simplicity:** Embodied in a management style that favours informality over formality and pragmatism over theory.

Enthusiasm

"There are no limits...only obstacles to be overcome."

- **Boldness:** As opposed to bureaucratic security. It symbolises the desire and capacity to take risks and explore new, unorthodox paths. It also implies the ability to endure and overcome failure.
- **Passion:** Synonymous with conviction, a drive to convince and lead, the pleasure of work, the ability to surpass oneself and achieve excellence.
- **Appetite for challenge :** Characterised by the optimistic, enthusiastic and almost physical desire to grow and take the lead.

Humanism

"The attention paid to individuals, whether they be consumers, employees or citizens, is at the heart of all our decisions."

- **Sharing:** An approach that emphasises dialogue, transparency and teamwork.
- **Responsibility:** DANONE pays attention to the safety of people and products, acts pro-socially and is environmentally friendly.
- **Respect of the other:** DANONE is sensitive to cultural differences, treats social and commercial partners with respect, and makes it easier for its partners to develop.

Proximity

"Know how to stay close to each person in the world: colleagues, consumers and clients, suppliers, stockholders and society, become a part of their everyday lives."

Internally, these values are the basis of their management principles. Externally, they exist in the attention Danone pays to the health of their consumers, to the quality and taste of our products, to the environment and to society as a whole.

2.2 Company's background

The company has its roots in Spain, where Danone was founded by Isaac Carasso in 1919. Having previously lived in the Balkans where yogurt was a dietary staple, Carasso decided to introduce this healthy product in Barcelona. He opened a small yogurt business named "Danone," meaning "Little Daniel" after his son.

Carasso was aware of scientific advances that had been made with fermented milk by Elie Metchnikoff at the Pasteur Institute in Paris. He perfected the first industrial manufacturing process by combining the traditional method of making yogurt with the pure cultures that had been isolated in Paris.

In 1923, the first Danone yogurts start to be sold in pharmacies as doctors recommend it for its therapeutic qualities.

The younger Carasso, Daniel, learned the family business in Spain and decided to establish Danone in France in 1929.

In 1949 the yogurt is almost a dairy product. The porcelain "envase" is substituted by the one made of glass. This innovation makes it easier to popularize the yogurt.

In 1968 Danone starts its first TV campaign.

In 1985, Danone creates its first "low fat yogurt" called "Danone Desnatado".

In 1992 Danone was the Official Sponsor of Barcelona's Olympic Games.

"Danone Institute" is created in 1993. Its main objective is to research and develop healthier and better products for the company.

In 2001 the company assembles its "low fat yogurts" under the new-born brand "VitalÃ-ne", in which we are going to focus in this presentation.

DANONE NOWADAYS...

Since 1998, Groupe DANONE has been organised in three business divisions worldwide which, in 2004,

represented more than 97% of its consolidated sales: Fresh Dairy Products which groups together yoghurts, desserts and infant foods represent about 50% of the Groupe's consolidated sales, Beverages, essentially packaged water, which represent about 25% of consolidated sales and Biscuits and Cereal products, which represent about 22% of consolidated sales.

The motors of this supported growth are: a strong health/ well-being positioning, at the heart of concerns of consumers and new consumption opportunities (times or places) combined with the dynamism of the growth of emerging countries.

This focus on 3 dynamic categories allows the company to have a determining strategic asset at its disposal to continue to display a growth rate that is higher than the average in the sector.

Balanced geographical presence

Today nearly 31% of the company's sales are on emerging markets. This brings Danone close to its target, which is to do 40% of business on emerging markets and 60% in developed countries - a balanced presence that means they benefit from both the high potential of developing economies and the steady demand of more mature markets.

In recent years, Group DANONE has built up strong positions on emerging markets to take the number-one place in each of their three core businesses.

This successful international expansion rewards a strategy focusing on a limited number of countries, selected for their growth potential, where Danone has the size to achieve significant economies of scale.

Products within the reach of most consumers, high-profile brands, and effective, wide-ranging distribution for sales close to consumers are the essential components of our model for profitable growth on emerging markets, which we sum up as affordability, awareness and availability.

In Western Europe, too, Group DANONE can look forward to continued, steady growth, building on strengths that include well-established positions.

Brand strength concentrating resources

With nearly 60% of sales under only four brands (DANONE, Evian, LU and Wahaha), Group DANONE is able to optimize advertising outlays. This is a key advantage in its strategy of profitable growth centered on innovation and close ties to consumers - and one that is being consolidated with the extension and promotion of tag brands such as Vitalinea for low-fat products and Prince for children's snacks.

World leadership built on local strength

In each of its business lines Danone is a world leader, which gives it a clear competitive advantage in terms of marketing expertise, industrial efficiency, breadth of product ranges and R&D. And in each case, world leadership is built on strong number one positions on local markets, enabling the company to forge both close ties to consumers and balanced, long-term relationships with major retailers., unrivalled familiarity with local consumers, and a recognized capacity for effective innovation

A steady flow of innovation for consumer satisfaction

At Group DANONE, successful new-product development begins with awareness of their customers' needs. It is built on universally recognized marketing expertise, effective R & D, strong brands, and unrivalled experience in nutrition and active health. To capitalize on their worldwide presence and leading positions in local markets, Group DANONE has introduced international cross-company structures to promote promising products and concepts in new geographical areas. The aim is to accelerate growth while keeping costs as low

as possible.

Focusing on sustainable development

DANONE Way is a unique program built on the dual philosophy that has underpinned Group DANONE from the start, making business success inseparable from respect for people and the environment. Deployment of DANONE Way throughout the Group is a means of reconciling globalization with the needs of local communities, while reasserting their own corporate culture and values.

Excellence drives success

In recent years Danone has demonstrated time and again its ability to adjust quickly and successfully to changes in its business environment. The company does so through the commitment of their teams and simple structures that promote initiative and shared experience.

2.3 Danone's international organization chart

The organization of Groupe DANONE:

Two entities are overseeing Groupe DANONE: The Board of Directors and The General Management. To assist them in their tasks they have set up specialised committees.

- > The General Management
- > The Board of Directors

The General Management is assisted by one committee: The Executive Committee

The 11 members of the **Executive Committee** coordinate the different activities of Groupe DANONE and meet monthly to review progress. The range and depth of expertise represented by its members reflect a wealth of experience as well as willingness to consider new ideas, qualities that help Groupe DANONE meet the challenges of international development while keeping pace with trends in distribution, new product development and information.

The Executive Committee (at 07/01/05):

Franck Riboud: Chairman and Chief Executive Officer

Jacques Vincent: Vice-Chairman and Chief Operating Officer

Georges Casala: Executive Vice-President, Biscuits and Cereal Products

Emmanuel Faber: Executive Vice-President, Asia-Pacific (since 07/01/05)

Antoine Giscard d'Estaing : Executive Vice-President for Finance, Strategy and Information Systems (since 06/01/05)

Bernard Hours: Executive Vice-President, Fresh Dairy Products

Simon Israel: Chairman, Asia-Pacific (since 07/01/05)

Thomas Kunz: Executive Vice-President, Beverages

Philippe-Loïc JACOB: Company Secretary

Franck Mougin: Executive Vice-President, Human Resources

Sven THORMAHLEN: Vice President Research & Development

2.4 Company's resources. Value-added chain analysis.

Balance Sheet

Danone's strategy is designed to differentiate its products from the competitors. The strategy based on

differentiation is to create a good perceived as a premium by the customer, to create loyalty to the brand and therefore low price sensitivity. Danone want to do that through the quality, the healthy and the real taste of its products. But also through the creativity, the innovation and the customer's service. This company makes huge investments in R & D in order to give responses to the market demands. The quality of the raw materials is high in order to make the most quality products. Furthermore Danone offers detailed information of its products and the company so the customer feels more acknowledged when he makes the achievement.

A good example of this is Vitalinea's product. Danone intends to make quality yogurts which arrive to consumer's houses with the freshness and flavour they deserve but with the lowest calories in order to maintain their weight.

In order to achieve this differentiation Danone implements a strategy all through the company. To understand how Danone give value-added to its products we must realize the value-added chain analysis.

This method helps to understand the part of the company's operations that create value and those that do not. It shows how a product moves from the raw materials stage to the final customers.

As we can observe in the image that follows, in this analysis the company's value chain is segmented into two main parts

Primary Activities

- Inbound logistics: Superior handling of incoming raw materials to minimize damage and improve the quality of the yogurt. Danone makes its yogurts with fresh products and the best ferments in order to improve the quality of its products.
- Operations: Consistent manufacturing of attractive products and rapid responses to customers unique manufacturing specifications. The yogurt's packing is ideally designed to protect and maintain the quality of the yogurt. Furthermore the label of the product is designed to attract the consumers, to give the maximum information about the Danone's product.
- Outbound logistics: Rapid and timely product delivery to customers. Thanks to its daily production, Danone, is able to satisfy customer demands at any time.
- Marketing and sales: There is a strong coordination among functions in R & D, Marketing and product development. Danone corporation believes that the product innovation is the key of success. Therefore the Danone's Institute is the one in charge of create new products and adapt the existing ones to the changes of consumer tastes in order to make them better. The marketing and sales department is the one who looks for those changes in consumer tastes, the one who look for new potential products and require it to the Danone's institute.
- Service: Danone has a client telephone service that give responses to consumer doubts and to attend its opinions. Furthermore he has created another phone and e-mail service for the customers which desires to have healthy feeding habits and have some doubts about that.

Secondary activities

- Infrastructure: Highly developed information systems to better understood customer's purchasing preferences. Danone implement several systems to better understand the customer such as: phone interviews, focused groups market research...
- Human Resources: Danone has compensation programs intended to encourage worker creativity and productivity.
- Research and Development: Danone makes investments in technologies that will allow them to consistently produce highly differentiated products.
- Purchases: Danone has some systems and procedures used to find the highest quality raw materials.

2.5 Product portfolio analysis

Danone's products can be classified into 3 main categories

Children's products:

These products are specially made to foster children's growth. Advertisement campaigns in one hand are focused on mothers, that want the best for their children, and on the other hand they are child oriented too through the appearance of cartoons or famous people (sportsmen, actors, singers...).

Those are easily-selling products and cash generators. They don't require high investment in R & D but, in spite of that, they need huge publicity reversal.

Danone has high market share in child products but this is a market with low growth, therefore we can consider that this range of products are, in general cash generators (cows).

MI PRIMER DANONE oriented to children from 6 months to 3 years olds, it is a whole nourishment for the youngest of the family

DANET (Natillas) Present in 20 countries. Dessert cream, Danone flagship of shared pleasure, adapted to the different tastes and customs of each country. this product contains a lot of calcium which helps children to have stronger bones.

DANONINO PETIT SUISSE the combination of milk and fresh fruit helps children to grow.

ARROZ CON LECHE rice, as it is a cereal, liberates energy all the day through helping young people to maintain their vitality.

DAN'UP The take away yogurt for young people. Particularly created to drink it at the school break to renew energy.

“The real treat to the palate” products:

This category gathers products for the market's segment which finds pleasure eating a dessert. Those are generally old products which keep generating cash and don't require high R & D investment. Thanks to its creamy texture and sweetness they are a whim for consumer's senses.

CUAJADA Based on a traditional receipt, it contains lots of calcium.

LA COPA DANONE Perfect mixture of chocolate and cream.

MOUSSE Special bubbly texture created thanks to the combination of yogurt and mousse.

NATURAL Y SABORES The most common Danone.

GRIEGO Unique flavor and creamy texture.

DANISSIMO “The round pleasure”

Healthy products

Here we find products specially created for consumer's health. This category of products usually needs deep

researches. It's a market in constant growth and Danone has a good position in this segment of the market, therefore we consider this healthy products in general as star products.

ACTIVIA Present in over 25 countries Registered brand which gathers the products made of fermented milk containing Active Bifidus which, if taken daily, contributes to regulate the intestinal transit It has got nutritional benefits.

DANAO This product offers the possibility to have a complete breakfast in just one beverage, because it contains fresh fruit, milk and cereals.

ACTIMEL Present in over 30 countries. Fermented milk which helps to strengthen the organism's natural defenses The most innovative product of the company in health's field containing the revolutionary natural ferment "Lactobacillus Casey Immunities".

ORIGINAL 1919 First Danone's receipt, originally sold in pharmacies because of its therapeutic properties.

DANACOL Particularly made for reducing cholesterol. One of the latest innovation based on vegetable's extracts.

Diet products:

In 1985 Danone created its first diet yogurt line of products, nowadays called VitalÃ-ne.

"Light" products are those which have a fat contain that varies between 0,1 and 0,5 gr of fat per 100 gr of product. VitalÃ-ne has 0,1 gr (in spots 0%), that is why we can call it a "low fat" product.

VITALÃ NEA This range of products take care of your weight and figure. In addition, with its wide range of yogurts it adapts to consumers by offering the yogurt that most feel their need in each moment.

The market for yogurts is in constant growth due to the fact that our society is suffering from an obsession for beauty and body perfection.

Danone has understood this market's evolution and has adapted to the needs and demands of its consumers. The company has created a wide range of fat free products and keeps improving and innovating in it. This allows Danone to win every year a percentage of the market and so to consolidate itself as a market leader.

We can consider that VitalÃ-ne is a star product for the company and brings big benefits to it, however, we ought to remember that Danone is constantly innovating and studying the market in order that consumers have it clear when they think about VitalÃ-ne: it means quality, lightness but always keeping 100% of its Danone yogurt flavor.

2.6 Channels of distribution

Until 1996, Danone had its own whole logistic network for the distribution of all its products from the factory to all the international selling products.

The logistics department was composed by 1299 employees with 600 trucks and worked in conjunction with over 160 local distributors. However, that year, Danone decide to externalize its logical activities through a logistic multicustomer operators.

The main objective of the decision was to reduce costs, focusing on Danone's industrial department and exclusively in the productive aspects and in all which concerns storage of final production.

The operator with was finally chosen the company Salvesen because even if it was a logistics operator with lot of presence in Spain at that time, it had huge experience in distribution at “controlled temperature” on many countries, as UK or France.

The externalization plan and the transfer of the resource (employees, drivers...) has been developed between 1991 and 2002. During that period, the local distribution structure has been rationalized, going from 160 to 50. In addition, new logistic basis have been built, due to the fact that the previous ones were not suitable for the operation's objectives.

Nowadays there are 3main logistic plants: Sant Cugat (Barcelona), Getafe (Madrid) and Aldaya (Valencia).

2.7 ABC of customers

The ABC of costumers is a tool used to classify the company's type of customers. It divides customers on three main categories depending on the sales percentage it represents to the company.

The A customers are the 20% of the ones that, together, represent de 80 % of the total sales. Danone's A customers are mainly huge distributors such as Carrefour, IntermarchÃ©, Mercadona, Eroski and “el Corte Ingles”.

The B customers of Danone are the basically big supermarkets chain like for instance, Dia and Caprabo.

Finally the third group is the one that groups the little supermarkets, mainly located in towns where the multinationals haven't arrive yet.

2.8 Communication policy

The Danone Group is convinced that a management approach which is based on proximity and social dialogue is a source of employee commitment and company efficiency.

Main levers:

Develop communication which allows each person to understand its results and the business issues facing the company, in order to enable people to project themselves into the future.

Encourage proximity management based on listening and participation. This style of management should be apparent at all times, both on an every day basis and when the company goes through major change.

Ensure that the different legal and conventional representative bodies work well within the company. Encourage the sharing of information, dialogue and negotiation.

Promote a policy of social dialogue at the European and international levels within

the framework of the Information and Consultation Committee and the signing of joint statements.

3. Macroeconomic environment

3.1.1 Demography

Population Characteristics

The population of Spain is approximately 44 million with an overall density of 79 persons per sq km. Spain is experiencing significant rural-urban migration with 78 percent of the population now living in towns and cities.

The longevity for women, 84 years, is the highest in Europe. For men, the longevity's average is around 74 years.

The population pyramid shows an increase of the elderly and as well as a huge immigration tax is making the birth rate increase.

Political Divisions

Spain comprises 50 provinces in 17 autonomous regions: Andalusia, Aragón, Asturias, Balearic Islands, Basque Country (País Vasco), Canary Islands, Cantabria, Castile-La Mancha, Castile-León, Catalonia, Extremadura, Galicia, La Rioja, Madrid, Murcia, Navarra, and Valencia.

3.1.2 Political and legal

Spain is a democratic country which belongs to the European Union.

The president of this parliamentary democracy is José Luis Rodríguez Zapatero and is the leader of PSOE (Partido Socialista Obrero Español).

According to the Spanish law, number 4 and 12 articles, establish that all the yoghurts must have the "yoghurt" consideration if they contain a high level of alive bacterium (not less than 10 million of yoghurt bacterium per gram). This requirement is totally fulfilled by Danone.

The best is to have a fresh product at our fridge, for this reason, law says that yoghurt must be consumed within 30 days. Companies are required to put the sell-by-date, the net weight and the sale's naming on the label of its products

3.1.3- Social and cultural framework

As a Mediterranean country, people follow the Mediterranean diet, in which yoghurt is essential.

From Greece, to Spain, going over Italy, each family has on its refrigerator some yoghurts.

Children, parents and grandparents, use to take a yoghurt as dessert, as breakfast, as snack or just for pleasure. Being a milky product means being good for health.

Products like Vitalina, are focused on people who want to be good looking, in order to be accepted by society.

3.1.4- The economy

Spanish economy has increased during this last years. The willingness to pay for food is higher.

ECONOMY GPD

The family consumption at the beginning of 2000 increased but at the end of the same year, and at the beginning of the next one, we observe an incredible decrease, going from 2.5 on average to 1.8.

After 2002, the level of consumption has being maintained in the same range.

In the last years, food consumption has grown because families has tended to spend more money on it. In 2004 ,74.752 million € were spent on foodstuff . Almost 72% was family spending, and the rest was spent in catering.

The average spent on food per year is 1292 € per person , this average vary depending on the social habits. People living alone use to consume more yoghurt than the ones living in a family structure.

Inside the CPI's basket, fruit is the most consumed product, followed by meat and fish (without considering bread and pasta)

Milky products are acquiring more importance in the Spanish diet, therefore, they are growing without stop. 32kg were consumed per person in 2004, mainly due to to the innovations made by the companies in the yoghurt beverage, snack time products, as well as the low fat products.

http://www.abc.es/informacion/alimentos/que_comemos.asp

3.1.5- Taxes

In order to apply the correct tax to the food products, Spanish government makes three main products differentiation.

The first one is the one related to products used by humans or animals for their diet, this tax is a 7%.

The second group is the one which includes bread, flour, milk and milky products, fruits, vegetables (if they are in the Food stuff Code) and other things not related. They have a super reduced tax of 4%.

The third group includes all the other products not above mentioned wich have a total tax applying of 16%.

3.1.6- Technology

Relating to R & D Spain is one of the latest European countries. The R & D percentage from the GDP was 1.1%, very far away from the European Union percentage, which is around 2%.

One of the consequences of this low percentage is that professionals emigrate to other countries, like Sweden, Finland or US, to find better job opportunities.

There are only seven Spanish companies that are in the top best Europe companies to work on them. One of them is Danone.

Danone has created an institution, the Danone Institute, that promotes the scientific investigation about foodstuff in the Spanish universities.

Through different scholarships and awards, Danone Institute encourages the young university students as the

scientific community to investigate and discover new advances in the three fields mentioned before.

3.1.7- Ecology

As time goes by, the Earth is being contaminated. This is the reason why the Spanish government and its society, are concerned about the natural environment.

A big company like Danone, that is around the world and produces so large amount of yoghurts, needs a clear idea about what to do in the natural environment to avoid damages.

Danone, as a company, wants to improve its production processes by using higher technologies and giving financial support to farmers in order to increase their quality in raw materials.

Nowadays, the Spanish State encourages the ecological farming; this step was taken in advance by Danone, that audits its farmers by the Danone Quality, Safety and Environment standard (DQSE) to decrease the use of fertilizers in their farms.

Another issue concerning to the Danone's Sustainable Development programme is related to control of water. Spain has to follow the European rules, in this case the 2000/60 Directive Frame, which establishes rules about the water's quality and the well care for natural environment.

From the mid 90s, the Company is increasingly involved in this subject. Green Plants initiative was created by Danone to help and encourage the reduction of water and energy utilisation.

As an innovator company, Danone is taking care of the environment since its early years and fulfilling law completely. The products are made by the highest technology to assure an efficient and ecological production.

3.2- INDUSTRY ANALYSIS

3.2.1 Structure

During the last years the yoghurts market recorded an important growth. Nowadays the consumption of this product is twelve kilos per capita. This information reflects that this product represents one of the basis in our daily menu.

As a supplier, Danone is the largest and the one which dominates the Spanish market.

NÂ°	Enterprise	City	2001	2002	Brand
1	Danone s.a.	Barcelona	281787	288000	Danone
2	Nestl�� Espa��a s.a.	Esplg. Llobregat	64000	65000	Nestl���
3	Corp. Alim. Pe��asanta s.a.	Granda-siero	50351	58900	C.L. Asturiana
4	Senoble Iberica	Torrejon de Ardoz	53000	55000	Senoble
5	Leche Pascual	Aranda Duero	45000	45000	Pascual/PMI
6	Clesa	Madrid	45000	44000	Clesa
7	Iparlat	San Sebastian	30000	35000	Kaiku
8	Lactalis Iberica	Madrid	20000	25911	
9	Lacteos Campina	Barcelona	20000	25911	Sumilch/Fruddis
10	Lactea Antequerana	Antequera	31500	23800	LA Vega

11	Jose SÃ¡nchez PeÃ±ate	Las Palmas	8500	5000	Celgan/Millac
12	Puleva Food	Pruchil	5000	5000	Ram
13	Feiraco	Negreira	1700	2900	Feiraco
14	Coop. La Fageda	Santa Pau	1775	1940	Fageda
15	Grupo Kalise-Menorquina	Las Palmas	1500	1500	Kalise

In 2003, 64,7 from each 100 euros spent in yoghurts by Spaniards were Danone. Its market share was 50,7%. After Danone's position, we find NestlÃ©, with 6,2% of market share and then Asturiana with 4,2%. The distributors brands records a good market share too and its production is constantly.

3.2.2. Competitive analysis. Porter's five forces model

1.- Threat of entrants

It is quite difficult to enter the yoghurt industry because Danone has most of the market shares and that makes it hard to make up a new brand. It would mean spending lots of money to arrive to a good position.

2.- Power of suppliers

In this case the power of suppliers is exclusively related to Danone because it has more than the half of the market share and this provides a lot of power for taking decisions about price and makes it easier to invest in new yoghurts and desserts.

3.- Threat of Product substitutes

Product substitutes are not a huge threat. The substitutes for fat-low yoghurts (VitalÃ©nea) are other fat-low yogurts which lack brand loyalty or whose prestige is not that big.

4.- Power of buyers

Buyers are the key element in order to know if the product is working or not in the market. In this case VitalÃ©nea's main target are consumers who wants to take a tasty dessert but low-fat. Danone with this product achieves it. Vitalinea is a tasty dessert with almost 0% fat.

5.- Intensity of rivalry among competitors

The real intense rivalry among competitors happens between little companies. As Danone represents more than the half of the market shares, this doesn't occur at that level. Companies like Grupo Kalise, La Fageda, or Feiraco have intense rivalry as they have to compete between them to reach their objectives.

3.2.3 Driving changes

Nowadays we can find four main tendencies in the yogurt market. The first one is reduced, the functional, the kiddies one and finally the "real treat" one.

The first tendency gathers yoghurts which have 0% or almost 0% fat. In a society in which appearance is a big worry, low-fat yogurts are winning consumers. Producers also insist on the important benefits of this kind of yoghurts for health.

Low-fat fruit yoghurts are better sold because it mixes the concept of low-fat with the taste of fruits and so pleasure is maximize (0% sacrifice and 100% taste). Now the novelty of this market is the fibres and NestlÃ©

is threatening Danone in this field.

The second tendency is the functional yoghurts. We can consider that a yoghurt is functional if we can prove scientifically that it benefits the body, improving general welfare and health and reducing the risk of illnesses. Pro-biotics are an example of this kind of yogurts.

The third tendency is for children and it combines the taste and the nutritional aspect. Messages that make kids amuse are often used. The company also tries to convince parents about the nutritional value of these products

And finally the last tendency is the “real treat” one. This tendency focuses on innovative ingredients. Then with this new tendency the product becomes more than a simple yogurt.

3.2.4. Key Success Factors

Vitalineá is different to other products because of its low fat and good taste.

One of the keys of success for Vitalinea is that there are several types of products inside the line. Vitalinea as a drink, Vitalinea as a mousse, and as mentioned Vitalinea as a regular yoghurt.

Obviously, Vitalinea took profit from the name of DANONE. Slogans like “Vitalinea Danone, for Danone Bodies”, were used in advertisements around the world. People started thinking that Vitalinea was the best yoghurt they could buy, because it was fat free and sugar free, and it tasted better than the competitor’s yoghurts.

Probably the key point that gave the success to Danone with its star product Vitalinea is that when they started to sell it, no competitor was giving the same service or selling the same type of product. Danone was the first one. That is why consumers never forget it and remember Vitalinea as the best brand.

Vitalinea uses as image for its brand people that consumers want to be like. Danone paid Cindy Crawford, Valeria Mazza and Pierce Brosnan to have them holding a Vitalinea in their hands for an advertisement. That way, Danone made consumers think that these famous people were eating these yoghurts every day, that is the reason why they have a perfect body.

Our workgroup, based on this philosophy, has created a new slogan for Vitalineá, which we think would perfectly suit the marketing message for that product:

“0% Effort, 100% Welfare”.

We focus on the fact that Vitalineá is so tasteful and healthy that it won't be a sacrifice taking care of your body.

3.3 ANALYSIS OF COMPETITION

Danone Vitalinea is well positioned in front of its competitors. Vitalinea has 56% market share of the total sells in Spain, when speaking about fat free yoghurts. A big 32% market share owns to store brands that are cheaper for consumers. Sveltesse, the subline for Nestlé has only a 6% market share, although Nestlé is a very powerful company in Spain. In order to finish, Leche Central Asturiana and Delice, have both 3 % market share in fat free yoghurts.

These statistics show us that people really think that Vitalinea is the best brand for these kind of yoghurts, because more than 1/2 of consumers buy the Danone brand. And analysing the rest of the consumers (44%),

32% of these buy store brand yoghurts. That means that people only want to pay extra money for a Danone fat free product, but not for a direct competitor fat free product, like Sveltesse or Asturiana.

Who are the consumers?

Consumers for Vitalinea are people that are worried about their weight and image. These consumers look for a “light” yoghurt that tastes almost as good as the regular ones and that are fat and sugar free at the same time.

Spreading out these consumers, we can consider that young women are the best consumers for these products. They care more about their body and weight as men or old people.

Anyway, we can say that Vitalinea is eaten by all ages, although young and middle aged women are more disposed to spend money in expensive fat free yoghurts like Vitalinea, than older people.

The kind consumers that buy Vitalinea, are consumers with medium and high purchasing power. A Vitalinea yoghurt is approximately 50% more expensive than a store brand fat free yoghurt. This means that low purchasing power consumers decide to buy the cheapest ones instead of the most expensive ones.

Where are Vitalineas sold?

Vitalinea are sold in little and big supermarkets. Consumers can find more Vitalinea products than any fat free product else when a consumer decides to buy a fat free yoghurt. The most differentiating thing here is that Vitalineas are not distributed to discount stores that sell only cheap products. Danone Vitalinea wants to show their consumers that the quality is superior and that they have to pay a price for it. And consumers accept it.

Danone knows that there are several brands of fat free yoghurts in the market, but Vitalineas position is strong enough. Vitalinea has the 56% of the fat free yoghurts market share. Consumers know that they can choose and Danone Vitalinea is not against it. If a consumer wants to buy the best fat free yoghurt (best quality, taste, flavours), he has to pay an extra price for it, but if the consumer doesn't mind about taste or different flavours, he can buy a cheaper one (Store brand) in discount supermarkets (Dia).

4. SWOT

-Strengths-

In this part of the SWOT analysis we will focus on the strengths of the company.

- Brand loyalty Danone disposes of an excellent background which, along with the consumer's product perception creates this brand loyalty which allows the demand to be inelastic. Therefore Danone guarantees its sales stability. (falta rollo)
- Innovation thanks to Danone Institute, this company is able to invest on a regular basis, in R&D, obtaining from it new product lines which fulfill consumer's needs.
- Distribution channels Since the beginnings Danone reaches daily every single supermarket in every corner of the world thanks to its perfectly adapted transportation system which maintains all the products fresh and ready to be consumed.
- Danone has a perfect flow of information inside the company. Information travels perfectly, up and down the hierarchical pyramid. Departments have coordination policies in order to take the maximum profit of their resources. This philosophy gives a chance to creativity and allows to improve current product lines as well as to launch new ones.

-Weaknesses-

- Danone depends basically on daily products. We consider that if the company really wants to keep growing and becoming one of the multinational leaders, it should diversify its income sources.
- A main problem Danone has, when willing to grow by exporting outside the EU is that its products are fresh and with a short caducity period. Therefore, if the company wants to take good positioning in foreign markets, it must invest in new facilities. Another option would be to create new product ranges of non-refrigerated yogurts which caducity periods are longer.

-Opportunities-

Danone Vitalinea has a strong presence in the fat free yoghurt market. Its 56% market share gives Danone the opportunity to invest in R&D in order to launch to the market new fat free products and sell them to the same consumers.

Taking advantage of the increasing personal image concern, Vitalinea should be one of the strongest ranges of Danone Yoghurts, in order to properly supply the latent demand.

Some segments of the population are not a target for Danone, and this should change.

Danone should be a brand that consumers would buy every time they go to the store. Danone should be a brand that every family should have at home.

The way to achieve it is to differentiate its products by offering special flavours and innovative possibilities. The consumer needs to know that Danone is the only brand that can offer the more specialized products, without forgetting about health, quality and price.

-Threats-

Danone Vitalinea is facing a market where too many products are offered to the different costumers. As we know, Danone Vitalinea has a 56% yoghurt market share, but competitors actually fight for the rest 44%.

Danone offers quality products with high prices and competitors offer lower prices for the same type of products. This means that the consumer should receive a big added value when deciding to buy a Danone product.

This market is plenty of imported products from other countries that accomplish with health and quality standards that Danone offers. The critical point is that they offer it at a lower price and if consumers decide to change Danone for another cheaper imported brand and they like it, Danone will definitely loose these consumers.

5- PLAN OBJECTIVES

Danone and specially, Vitalinea, which has a 56% of the market shares in the low fat yoghurts sales, is the leader of this sector, with an excellent position.

Being number 1 is one of the objectives Danone should purchase.

Consumers say: "I'm going to eat a Danone (yoghurt)"referring to the traditional yoghurt. But Vitalinea, is not one of those, it is a low fat yoghurt, almost a brand new one that consumers don't have completely assumed. It is there where brand loyalty works. The loyalty to a brand, to a product, is what lets a company start new projects and have a cushion which ensures an ease they wouldn't get if they had to start from the very

beginning. Consumers tend to perceive an “already positioned” brand as better.

Another target objective is what most of the companies want to achieve. The classic products are always at the market, and new ones come every year because demand and consumers' tastes changes as fashion. New flavours, new fruits coming from the tropics or Asia, break into the market and change demand.

Also people care about their eating habits, that is the reason why Vitalinea wants to encourage people to take the Mediterranean diet as way of life; their yoghurt means an opposition to the American fast food dominium.

6. BASIC STRATEGIES

6.1 Segmentation and selection of the target

First of all, everybody has the purchasing power to consume Vitalinea products, for this reason, there is no distinction between social levels. Everybody who desires to take care of their body is invited to consume Vitalinea.

What distinguishes the consumers of this product from the others, is shown in publicity, it is that healthy people already consumed it, and that's why they are like this, because it helped them.

During many years, women have been the main target of the healthy and diet products. Nowadays, men are also a sector to focus in. Both sexes symbolize the same target. Danone has to obtain their consumption.

Lots of men take care of their body, the metrosexual concept is the trend, and people accept it. If a man takes care of himself, the compliments increase, and he feels better. A revival of the “old Greece” arises , where the beauty was something very important to men.

The increase on the demand of cosmetics made specially for men is obvious, it has reached almost a 25% of market shares. The same happens with food, where good quality and healthy products are very valued, because people want to look nice and they start by the main and most daily actions, like eating.

To sum up, Danone is facing a new challenge because of this inclusion of men in this segment of the market. It is also good to remember that this target, as a whole, includes people from a very large age range, from teenagers to mature men.

6.2- Positioning strategy

Vitalinea image is well known by everybody, but just as a Low fat yoghurt.

Our objective is to position the product for all the features it really has: freshness, high quality, good taste, creamy texture.

It has to strengthen the good qualities of a Vitalinea. If people trust on it, people will consume it.

All the competitors, are very classical as far as flavors and textures are concerned -strawberry, natural, lemon, to drink, not to drink, etc...- Vitalinea, is the most innovative.

The brand, has the know-how to adapt their flavors to the demand. It launches new ones, being the first in the market. This is what convinces consumers: its experience (the same happens with medicines, that people prefer to use the original one than a generic)

The Danone Institute investigates issues related with health, for this reason, its certificate is a guaranty, a clear

sign for a “healthy” product.

People want to have information about the product, that means, a good and large information policy is good for sales. The “mouth to ear” system works, but it doesn't do it fast and efficiently if the product information is not clear.

The information, should be enhancing the multiple benefits of the yoghurt.

Danone as a whole, is the best rated company of yoghurts, that is why the prestige of its products is really high. All the competitors are considered followers and imitators.

Comparing prices at the different Spanish supermarkets, Vitalinea's products are not the most expensive ones. The price is a bit higher than the mean, but is not the highest. This makes the consumer think if it is worth buying a Danone: good quality at a reasonable price, higher than others, but with guarantees.

Consolidating Vitalinea is so the main goal.

The advertising campaign should show all the features the product has and, furthermore, an innovative image to attract consumers' attention and make them believe in Vitalinea, in its qualities which are good for both sexes, not only for women.

6.3- Competitive strategy

As it is already said in previous pages, Danone is the leader in the milky market, while Vitalinea is the leader for Low Fat milky products.

The Company has to take profit of this situation.

If the competition decreases prices, Danone has to continue with its pricing, because decreasing prices means “decreasing quality” to the subconscious of the consumer.

The Company should establish a high price. Even if they can't control the price of the retailers. This strategy allows Vitalinea to continue being the leader and keeping its high prestige as brand.

It is important to say that supermarket brands, are also competitors but their prices are very low and, normally, consumers don't have a good image of them. “Vitalinea or Carrefour?” The choice is quite clear.

The packaging in this market is very standardized, but Vitalinea reflects a vital image, with very light colors and real fruit and cereals.

Vitalinea's and Sveltesse packaging

Both packages are very similar, both company's logo are in a oval with white letters and frame, in a blueish background. Also pictures are very similar, but if we look at them separately, Vitalinea is lightful, this is an advantage, because consumer remembers it better.

Anyway, both are similar and people tend to confuse them. That's why it would be better to place the yogurts in a two levels 4x4 structure instead of a lineal one (8 yogurts).

Suggestion of packaging 4x4

This is an easy way of distinguishing Vitalinea yoghurt's pack. In the case of the 4 yoghurt's pack, the idea is

to put them 2x2.

Promotions like the “Vitalinea's plan” for giving advice to people that wants to take care of their body,

7- INTERNATIONAL MARKETING MIX

Before analysing Danone's international marketing mix, we would like to point out the type of market Danone works in.

Before Danone launched Vitalinea's range of product, the market was crystallized, that is to say that Vitalinea was created to satisfy the latent costumers needs.

Danone designed a strategy based on a unique niche: creating a new product which would satisfy the preferences of a concrete target.

The international marketing mix merges from four main points:

7.1- Product strategies

Product Vitalinea is a potential product because it brings Danone the future possibility to add new characteristics to its yoghurts. A clear example of it would be to add more calcium them, creating a line which helps reducing cholesterol...

Vitalinea can be classified, depending on consumption habits, as a “convenience product”, currently consumed.

Product mix set of products ranges which Danone offers to its clients

- Width: Danone has four ranges of different products in the mix. Cookies(LU) water (Evian and Lanjaron), yoghurts(Activia, Danonino, Vitalinea....)
- Length: It has 23 items in the market.
- Depth: Variety offered to the consumer en each line. Danone has a huge assortment in products lines over 52.
- Consistency: Danone has a strength consistency between lines, due to the fact joit has the same distributors, suppliers... So the Company can take profit of the economies of scale.

7.2- Pricing strategies

Price In order to establish the price of a product, we should take in account both the cost per unit of the product and the price that consumers would be willing to pay. That way, the price will suit the market.

There are other factors which have an influence when establishing the price. These are such as the legal framework and the company's objectives, the competitors and stakeholders and the market itself.

Perceived value method is the one used by Danone. As it is difficult to know about consumer perception on prices, the Company analyses the market and combines it with the Mark-up pricing method, which means to apply a percentage on the total cost per unit.

After the analysis, we believe that Danone should rise a little its prices to cope with its prestige so differentiation is essential, but not so much because it is a daily product.

7.3- Distribution strategies

One of the main features that Danone has, is that its products are very fresh. This is possible due to the distribution channels that owns the Company.

There are many ways to distribute a product, but Danone is the unique distributor. It is able to supply to all the supermarkets where the final consumer will buy the product. In this way, the transaction costs decrease because the amount of products that Danone sells is so huge that is not needed a merchant intermediary for the supermarkets.

From the point of view of the final costumer, Danone has merchant intermediaries (supermarkets) to sell its products, but we are analysing Danone and its direct costumer, not the final one.

The channel in both points of view is long because the yoghurt is not directly bought by the costumer to Danone.

Danone wants to achieve the maximum rate of costumers so its distribution should be massive. Arriving to every place where is possible to buy foodstuff.

7.4- Promotion and communication strategies

Promotion When dealing with consumers, we have main objectives:

- Stimulating sells.
- Having non-consumers tasting the product.
- Attracting these consumers which frequently jump from one brand to another.

Strategies as offering discount tickets, refunds, presents...are commonly used by Danone and are quite efficient, as far as consumers are concerned.

When focusing in distributors, price reductions, free merchandise or compensation are frequent.

Advertising Danone advertising style has a huge impact in the market. As Danone's advertisements are shown on tv all day long, the message arrives to all the targets in the market.

Danone, through its low-fat product line, Vitalinea wishes to attract all the people concerned with their figure and their health.

Up to now, women presented the whole target but the tendency is changing as men priorities are doing so: they care about the figure and health.

8. CONCLUSION

The market for yoghurt is constantly growing and offers a huge range of opportunities for creating new products adapted to consumers' swinging tastes.

Danone's perfectly structured organization is an example for all those multinational companies which would like to enter the market with such a big success as Danone.

Thanks to the Danone Institute, a pioneering project, it is one of the companies which invests the most in R&D.

We consider that this is the way to maintain its position as a market leader and our advice is to keep investing in R&D, training employees and awarding creativity and entrepreneurship. Hiring risk seeking new talents

could be challenging for Danone too.

As a prove of Danone's great philosophy, the Group has been ranked in 2005 number one as the best company to work for.(annex 1)

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LABORAL Un suplemento de EL MUNDO
DANONE GANA POR ORGULLO Y COMPAÑERISMO
La filial española de la láctea ocupa el primer puesto del 'ranking' de las 25 mejores empresas para trabajar. Ya van cuatro años en los que se ha colocado en puestos de cabeza.
Por Elena Hita

El 95% de los empleados dice sentirse orgulloso de trabajar en Danone. / QUIQUE GARCIA

Será por los tickets guarderá, por el servicio gratuito de asistencia médica, administrativa y legal o por su espacio Garden, en el que los empleados de oficina pueden tener un rato de asueto tras el almuerzo. El caso es que a pesar de que la multinacional francesa tiene una de las jornadas laborales más duras -cuatro turnos- y que el año pasado sufrió una reestructuración en su cúpula directiva, sus trabajadores la han elegido como la mejor empresa para trabajar en España, según Great Place to Work.

Un año más, la filial española de la láctea francesa vuelve a estar en los puestos de cabeza del ranking de los 25 mejores lugares para trabajar, que desde 2003 elabora Great Place to Work en España, a partir de una encuesta a los empleados. En la edición de 2006, el fabricante de yogures recupera el primer puesto que ya ocupó en la de 2004 -en las otras dos ediciones la compañía quedó en segunda posición-. Sin embargo, este año el nivel de participación ha sido muy inferior al de ejercicios anteriores, situándose en el 58%, frente a porcentajes de entre el 75% y 95%. «Es por culpa de la fatiga. Hacemos muchos sondeos y los trabajadores ya están cansados», se justifica la compañía.

Actualmente, Danone España emplea a 1.849 personas (27% mujeres), de las que 1.000 están en las cinco fábricas que la multinacional tiene repartidas por el país. El resto de la plantilla se distribuye a partes iguales entre ventas y oficinas centrales.

La mayoría de las encuestas se ha realizado en las plantas, precisamente la actividad donde la jornada laboral se hace muy difícil para compaginarla con la vida familiar. Existen cuatro turnos: mañana, tarde,

noche y fin de semana. Turnos que, pese a ser rotatorios -excepto el de sábado y domingo-, no están exentos de conflictos laborales -en la fábrica de Sevilla no se ha llegado a un acuerdo de la jornada laboral-.

Debilidad en conciliación

En este sentido, las dos preguntas del cuestionario relacionadas con la conciliación reflejan una de cal y otra de arena. El 77% de los encuestados considera que en caso de necesidad, tiene libertad para flexibilizar su horario laboral. Pero el porcentaje baja hasta el 61% a la hora de evaluar si la empresa anima a los empleados a buscar el equilibrio entre vida personal y profesional. «Debemos mejorar en conciliación», reconoce el director de Relaciones Humanas de Danone, Francesc Martínez.

Entre las prácticas de recursos humanos que Danone ofrece a sus empleados para compaginar vida familiar y laboral destacan: la ampliación a dos semanas por baja de maternidad y cuatro si el parto es múltiple, también compatible con el padre, tickets guardería (slo en Madrid), posibilidad de acumular las horas de lactancia, permisos sin retribución por excedencias de máximo seis meses, con garantía de recuperación del puesto de trabajo, y de dos años para el cuidado de familiares y apoyo en caso de convivir con un discapacitado. En cuanto a la salud se organizan competiciones, que incluyen incluso la posibilidad de pasar un fin de semana en Lisboa con la familia con gastos pagados, instalaciones deportivas (slo en Barcelona) y financiación del gimnasio. También ofrece servicio gratuito de asistencia y una prima por tomar las vacaciones en otras estaciones distintas al verano (slo para los empleados de fábrica).

Sin embargo, la flexibilidad horaria es slo un coto para administración y comercial, donde existe la posibilidad del teletrabajo. «Es complicado aplicarla en fábrica ya que rompe la cadena de producción», justifica Martínez.

Entonces..., ¿cómo motivar al personal cuando, en algunos casos, se tiene horarios difíciles de compatibilizar con la familia? Uno de los métodos es la formación. El programa carrera obrero establece un incremento del 8% del salario para todo aquel que se aplique y supere el plan de formación, algo que por otra parte sirve de promoción. Según el responsable de Relaciones Humanas, el 70% de los operarios está apuntado a este plan, muy útil para la empresa a la hora de cubrir puestos. «Es un coste que compensa con mejoras de polivalencia», dice Martínez.

Pero los trabajadores no ven tan claro las ventajas de este plan. Cipriano Mesa, delegado sindical de Danone por parte de UGT, se queja de que el sistema hace que al final sean pocos los que se benefician de esa subida salarial. Mesa explica que no hay un temario claro, que es el propio trabajador el que se tiene que preocupar por aprender otras funciones. El resultado, dice, es que «el examen no es objetivo y aprobarlo o no queda al albur de otro empleado de la casa». En cualquier caso, el delegado sindical considera que Danone es una «buena» empresa para trabajar. «Los salarios son aceptables, e incluso están por encima de la media del sector», dice. De hecho, el 82% de los trabajadores que ha participado en la encuesta de Great Place to Work considera que es justa la relación sueldo/trabajo (77% las mujeres y 83% los hombres).

Lo mejor del sondeo es el orgullo que sienten los trabajadores a la hora de decir que pertenecen a Danone (95%) y la existencia de trato justo con independencia de la orientación sexual (94%). Y lo peor, que slo un 49% considera que los ascensos son para los que se lo merecen y que un 56% cree que la empresa evita hacer favoritismos.

En cualquier caso, la puntuación obtenida por los cinco criterios generales en los que se ha basado la encuesta es alta y refleja que lo más valorado por los trabajadores es el orgullo por trabajar en Danone (86%), seguido del nivel de compañerismo (79%), la credibilidad en la empresa (77%), el trato justo (75%) y el respecto (74%).

Pese a los buenos resultados, Martínez asegura que no se van a dormir en los laureles y van a seguir

mejorando la relación con sus empleados en aquellos aspectos donde no han obtenido mejores respuestas. Por la cuenta que les trae, a Danone le interesa, y mucho, tener contento al personal. La imagen de la compañía es fundamental para mantener la confianza de los consumidores. Actualmente, los yogures y demás postres lácteos de Danone copan el 60% del mercado español.

- El veredicto de los empleados sobre el fabricante

Marketing Management Danone's project

- 6 -

market growth rate

High

Dog

Question mark

Cash cow

Star

Relative market share

Hi

gh

High

Low

???

low

Support

Activities

Primary Activities

Margin

Service

Marketing

and Sales

Outbound

Logistics

Operations

Inbound

Logistics

Human Resources

R&D

Purchases

Infrastructure (Treasury, planning)