At the beginning . . . I set the challenge of putting industry to work for people, reconciling business and society at large. I am profoundly convinced that it is possible to be at once efficient and truly human. In leading a business, we must use our hearts as well as our minds, remembering that while the earth’s sources of energy are limited, those of truly motivated people are not.1

— Antoine Riboud, CEO of Danone (1972)

At the end of 2009, The Dannon Company (Dannon) was at a strategic crossroads. Sixty-seven years after first entering the U.S. market, Dannon was poised to become the leader in America’s domestic yogurt sector. As Michael Neuwirth, senior director of public relations, considered strategies that would take the company to the next level, he wondered how Dannon’s long-standing, deeply ingrained corporate social responsibility (CSR) efforts could play a role.

Dannon was a U.S. subsidiary of Danone, one of the largest health-focused food companies in the world. Danone’s global business focused on fresh dairy (e.g., Activia yogurt), bottled water (e.g., Evian), medical nutrition, and baby nutrition. Dannon manufactured and marketed fresh dairy products in the U.S. and was the No. 2 player in the domestic yogurt market in 2008. Interestingly, Danone viewed the U.S. as an emerging market for yogurt, and therefore Dannon’s marketing efforts had focused on growing U.S. yogurt consumption and expanding the category, while also growing its brands.

Dannon, following in the footsteps of Danone, had maintained a strong commitment to CSR. CSR was not a stand-alone focus area, but integrated into the company’s overall mission of “bringing health through food to as many people as possible.” To date, the company’s CSR commitment and programs had been very internally focused. For example, through its foundation, The Dannon Institute, the company was active in research and education on healthy eating, but few consumers were aware of such activities.

Yoplait, a portfolio brand of the U.S. food conglomerate General Mills and Dannon’s top competitor, was well known for its annual “Save Lids to Save Lives” breast cancer awareness campaign. With the strong connection between Dannon’s production of health and wellness foods...
and its commitment to health and nutrition-based CSR activities, Neuwirth saw an opportunity to communicate these synergies to consumers and potentially enhance the company’s success. He wondered, “Should Dannon start to proactively communicate to consumers about its CSR initiatives, and if so, what benefits and risks would Dannon face?”

Before posing this question to the executive committee, Neuwirth decided to feel out the perspectives of various stakeholders within the organization, including members of the marketing, human resources, and corporate affairs departments. Some of the specific questions he planned to ask these stakeholders were:

- Should we communicate Dannon’s CSR activities?
- What would be the best means to do so?
- Should it be a corporate-level or brand-level campaign?
- What would Danone think about this decision?
- What would be the implications on Dannon’s current CSR initiatives?
- What, if anything, would it require in terms of additional CSR programs?

Danone

Danone traced its heritage to Barcelona, Spain, in 1919, when Isaac Carasso wanted to create yogurt with inherent health benefits. He introduced “Danone,” an innovative yogurt product made with pure lactic ferments he had obtained from Institut Pasteur in Paris, which helped treat intestinal disorders and was initially prescribed by physicians. Ten years later his son, Daniel, founded Danone in Paris, which leveraged its unique emphasis on health to differentiate itself from other yogurt manufacturers. Upon his father’s death in 1939, Daniel Carasso became CEO and in subsequent years Danone embarked on a rapid expansion plan in Europe through mergers with Gervais, a leading French fresh cheese business, in 1967, and with Bousois-Souchon-Neuvesel (BSN), a leading glass containers and beverages company, in 1973. In the 1980s and 1990s, the conglomerate, renamed BSN, became one of the world’s largest food manufacturers with a presence in 30 countries.

In 1994, CEO Antoine Riboud began to lead BSN through a strategic reorientation, refocusing on the company’s products with health and well-being benefits. As a first step, the company was renamed Danone, after the name of the company’s best-known international brand. Riboud and later his son, Franck (who became CEO in 1996), reorganized the company around four focus areas (dairy, bottled water, baby nutrition, and medical nutrition) and as a result divested several profitable, though noncore, businesses and acquired others.

In 1997, Danone made its debut on the New York Stock Exchange (NYSE). “We are not listing on Wall Street simply for the U.S. market,” explained Chairman Riboud, but “just as much to consolidate our position as leader,” particularly in dairy products and water. Danone was already quoted on the Paris, Brussels, and Swiss Bourses and on the London Stock Exchange, but said it was now turning to the NYSE in order to raise its international profile. In 2008, Danone posted net revenue of $21.2 billion and employed 80,143 people worldwide. Its dairy and medical nutrition businesses ranked No. 1 worldwide, with bottled water and baby nutrition holding No. 2 positions.

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\^ Danone, meaning “Little Daniel,” was named after Carasso’s son, Daniel.
A Focus on Social Responsibility

To bring health through food to as many people as possible.

— Danone Mission Statement

Danone historically took a holistic approach to social responsibility and, as the mission statement indicated, social values were deeply embedded in the culture of the company and the business. Antoine Riboud communicated his vision of Danone’s dual commitment to economic performance and social responsibility in 1972 when he stated, “Corporate responsibility does not end at the factory gate or at office doors. The jobs a business creates are central to the lives of employees, and the energy and raw materials we consume change the shape of our planet.”

According to senior leadership, social responsibility was as fundamental to Danone’s purpose as its economic performance. This was referred to as the “double project” (in French, le double projet), and stipulated an equal respect for the social impacts and financial results of business decisions. Employees, such as Tony Cicio, the vice president of human resources at Dannon, took pride in the authenticity of Danone’s CSR activities, explaining that it’s “not done for the ‘wrong reasons,’ it’s really done from the heart.” He described Danone’s approach as “humble” and “internal,” further explaining that it “is not about ticking a box or proving something to the public; it’s engrained. The reason the business developed in the first place. [It’s] not about looking good externally; it’s a part of our culture.”

Danone’s social responsibility focused on three areas: “Nutrition and Health,” “People,” and “Nature” (see Exhibit 1):

- **Nutrition and Health:** At the center of the company’s CSR activities were the Danone Institutes, the first of which was established in 1991 in three countries in Europe and in 1997 in the U.S. as a nonprofit organization with the mission “to develop and disseminate scientific knowledge on diet and nutrition to benefit public health” through a collaboration with academics and scientists focused on nutrition research and health professionals. The institutes focused their efforts around children’s nutrition education in ways that were pertinent to each region. For example, program areas in the United States included promoting children’s nutrition, especially preschool nutrition education, and fostering the success of tomorrow’s leaders in the field of nutrition. As of 2010, there were 18 institutes worldwide (established by local Danone companies) sponsoring over 800 research projects and 60 continuing education programs for the general public, at a value of €16 million in financial support. For example, in the United States, amidst the struggling economy of 2009, the Dannon Institute produced a webinar on “Maintaining School Wellness during Tight Budget Times,” while in Indonesia, the institute convened a meeting of experts on “Child Growth and Micronutrient Deficiencies.” The network was continuing to grow, with the most recent establishment in 2008 of the Southern Cone Danone Institute, representing the countries of Argentina, Chile, and Uruguay.

- **People:** Danone established both internal and external programs. Internally, the company focused on the development of employees through activities such as the “Danone Way,” a management tool designed to enable managers to assess performance along multiple dimensions (e.g., quality, ethics, management, environment), and the integration of social goals in the remuneration of the company’s 1,500 directors and key managers. For example, at Dannon US, 30% of employees’ variable compensation was tied to the company’s social and environmental performance. Externally, Danone supported its consumers, its suppliers, and the local communities in which it operated. For consumers, the company not only created

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nutritional education initiatives, but also updated the nutritional formulas of over 600 products to be healthier. Suppliers were expected to maintain the social principles of Danone, in addition to ensuring product safety and promoting the economic development of local producers. The company was also actively involved in local communities, committing an additional €5–€6 million to sponsor local events and provide product donations and emergency aid relief. Additionally, in 2005, Danone’s Volvic brand collaborated with UNICEF to launch the “1 litre for 10 litres” initiative, which financed the digging of wells to increase clean water access in Africa.

**Nature:** Danone took a firm stance on sustainability, with a target of achieving carbon neutrality on five of its brands by 2011. Accordingly, in 2001 it instituted the “Sensible Plants” program to reduce water consumption by 30%, energy consumption by 20%, and packaging weight by 10%, and increase waste recycling to 80%; by 2008, all targets, with the exception of water consumption (93% of target), had been achieved and surpassed. Further, between 2005 and 2008, the company spent €90 million on environmental investments, including tools to measure carbon and water footprints. Danone also expected its suppliers to promote environmentally friendly farming practices and planned on developing tools that integrate sustainable development indicators into supplier evaluation and monitoring.

As a testament to its commitment to social responsibility, Danone was selected for the Dow Jones Sustainability Index from 1998 to 2008, and for the INNOVEST classification of the world’s top 100 companies with high involvement in sustainable development from 2003 to 2008.

**Danone Enters the U.S.**

Danone originally entered the U.S. market in 1941, when Daniel Carasso immigrated to the United States in search of a safe haven during World War II. In 1942 Carasso founded Dannon Milk Products, Inc., in New York, changing the name from Danone to Dannon to make it sound more “American.” At its inception, the company faced a major challenge, because the U.S. yogurt market was practically non-existent—most Americans had never even tried yogurt, let alone purchased it. As a result, Carasso was forced to think innovatively in order to garner interest among the skeptical American consumer base. In 1947, Carasso achieved a major breakthrough with the introduction of the “Fruit on the Bottom” yogurt product; its perfect balance of tartness and sweetness suited the American palate and made it an instant success. In 1955, Dannon proved innovative once again, introducing a low-fat yogurt that appealed to health enthusiasts.

Although the decades after World War II brought various structural and ownership changes, including a period when the brand was owned by Beatrix Foods, in the 1980s Dannon once again became an “official” part of Danone. By then, the company had grown to 17 product categories (SKUs) and was poised for additional growth. The remainder of the 1980s and the 1990s were characterized as periods of innovation for Dannon. In 1988, the company capitalized on the new FDA approval of aspartame and launched “Dannon Light,” the company’s most successful product launch until that point. Moreover, it developed many novel products targeted at the children’s sector and the desserts sector, including premium frozen yogurt. After Danone’s strategic reorientation around health began in 1994, innovation at Dannon changed as product development became anchored on health benefits.

In addition to the Dannon business, Danone’s U.S. subsidiaries included Danone Waters of America (Evian bottled water) and Stonyfield (organic yogurt).
Dannon’s Relationship with Danone

Dannon was a wholly owned subsidiary of Danone. At Danone, local decision making was encouraged and trusted. Local executives were completely responsible for the profit and losses of the country-based business units (CBUs). While the scientific formulas for many products were created at the global headquarters, specific taste profiles were typically adapted to a local environment. Dannon had a fiduciary responsibility to its parent and was accountable for a set of deliverables and data for reporting purposes. For example, Dannon was obligated to meet annual targets for profitability, operating free cash flow, manufacturing safety, and environmental sustainability.

Danone also worked to train its leaders and communicate the broader company values. Programs, such as Danone Way, a leadership training program, ensured cultural cohesion and outlined the practices through which Danone operated. The company values were referred to with the acronym HOPE: humanism, openness, proximity, and enthusiasm. “Humanism” embodied being people oriented and was linked to the mission of health through food. “Openness” addressed the goal of an open global culture. For example, CEOs and senior management regularly transferred among Danone subsidiaries in different countries, which created exciting opportunities and growth platforms for individuals and the firm as a whole. “Proximity,” with its Latin root for being close, emphasized the need for local subsidiaries to meet their financial commitments to the parent company. As Cicio said, “Our responsibility to our parent company is to live the values and deliver financial return.” Finally, “enthusiasm” was the result of the preceding three values that enabled exciting opportunities for individuals and the company.

Gustavo Valle, the CEO of Dannon in 2009, exemplified the value of “openness.” He was originally from Argentina, and before starting his position at Dannon US, he was the CEO of Danone Brazil. However, he was not unique; of the 300 employees at the Dannon US headquarters, 50 were born outside the United States. Marketing Vice President Marc Jove, for instance, was born in Barcelona and before taking his current position, he was the marketing vice president at Danone Argentina.

The U.S. Yogurt Industry

Sixty-seven years after Dannon introduced yogurt to the U.S., Danone still viewed the U.S. as an emerging market for yogurt. In 2007, U.S. yogurt consumption per capita was only 11.8 lbs, versus 62.4 lbs in Switzerland and 42 lbs in France (see Exhibit 2). From 2003 to 2007, yogurt consumption grew 31% in the U.S., versus only 6% in Switzerland and a downturn of 3% in France. These two statistics, combined with the much larger U.S. population, marked the United States as a high-potential growth market for Danone in the next 5 to 10 years. Growth had slowed in the past 2 years, and therefore Dannon continued to focus on growing the yogurt category and proving its relevance to Americans.

Yogurt was not as core to the American diet as to the European diet. As of 2008, the total U.S. yogurt category was $3.7+ billion, growing at about 1.5% per year. The main product categories were Staples/Quarts (38%), Light (27%), Proactive Health (13%), Kids (12%), Indulgent (6%), and Drinks (3%). Proactive health, the newest product segment first introduced in a test market by Dannon’s DanActive in 2004, was defined as products with health benefits beyond basic nutrition, such as probiotics for improved intestinal transit and immune function. Recent growth in yogurt

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b The source of most of this sales data is IRI, a database that does not reflect some of the category’s largest retailers, most notably Walmart, where Dannon has a strong position and is growing faster than IRI-covered retailers.
consumption was driven by the Proactive Health, Light, and Quarts segments (see Exhibit 3). Core yogurt consumers were 45+-year-old women. They were typically from a high- or medium-income household, although low-income household consumption was increasing. Demographics with high potential for growth included 45+-year-old men, 0- to 11-year-old kids, and 25- to 54-year-old women. While 85% of American households had yogurt and consumed it, they significantly trailed European households in amount consumed. The average American consumption was around 13 lbs per capita on the coasts, decreasing to 9 lbs per capita in the middle of America. A core goal at Dannon was to increase not only the number of Americans who consumed yogurt, but also how frequently they consumed it.

In 2008, Yoplait was the market leader with a 35.4% market share and Dannon was close on Yoplait’s tail with 28.9% market share. The third largest market share, about 11%, belonged to private label brands. The other main segment of competitors consisted of small, niche companies catering to a specific consumer, such as Fage (Greek) (see Exhibit 4). Another niche player focused on organic yogurt, Stonyfield, was 85% owned by Danone. Yoplait was the market leader in the Light and Staples segments, and these two segments represented 67% of their sales. Dannon was the market leader in Proactive, and it represented 40% of sales (see Exhibit 5).

Organizational Structure

Dannon valued collaborative decision making, and therefore major strategy and resource allocation decisions were presented to the executive committee, which represented all the major parts of Dannon’s business (see Exhibit 6). Decisions were always strongly influenced by Danone’s global strategy and mission.

The White Plains, New York, corporate headquarters was home to the executive committee, as well as most corporate-wide departments such as marketing, finance, human resources (HR), and CSR. Nationwide, Dannon had 1,150 employees, most of whom worked at one of Dannon’s three plants located in Ohio, Texas, and Utah (see Exhibit 7). The Ohio plant was the largest yogurt manufacturing plant in the U.S. and among the largest in the world.

Products

Dannon sold and produced 6 million cups of yogurt per day in almost 100 flavors, styles, and sizes.9 Dannon’s product portfolio covered most of the major categories: Staples/Quarts (Dannon brand: Fruit on the Bottom, Fruit Blends), Light (Light & Fit), Proactive Health (Activia & DanActive), and Kids (Danimals & Dan-o-nino) (see Exhibit 8).

Proactive Health had become a major area of growth and competitive differentiation for Dannon since it launched Activia, the leading proactive health brand, in 2006. Activia was a yogurt that contained Bifidus regularis, a probiotic culture clinically proven to help regulate the digestive system. Activia’s ads featuring Jamie Lee Curtis were well known and were actually spoofed in a Saturday Night Live skit in 2008. Within 1 year of launch, Activia reached $100 million in net sales—less than 1% of new products ever achieve this milestone in their first year.10

Marketing Strategy

As one of the top two yogurt producers in the U.S., Dannon was poised to benefit from growth in U.S. yogurt consumption, and therefore focused its marketing strategy on increasing category relevance and per capita consumption. Starting in 2006, Dannon focused on providing products that delivered a high health benefit, and then communicating that benefit to make yogurt more relevant.
Dannon allocated its marketing budget among the different brands, and did not advertise the corporate Dannon brand. Dannon brands typically spent their marketing budgets on TV ads, in-store shopper marketing tactics (e.g., coupons and aisle banners), and branded websites. In 2010, the main priority for Dannon was to help consumers understand what yogurt could do for them and how it impacted everyday life. Once the yogurt category was further developed, the company expected to reevaluate its marketing priorities.

The Dannon Company CSR

The responsibility of The Dannon Company, Inc., goes far beyond our business of producing wholesome yogurt products. It is our privilege to be an active partner in providing families with the tools and information they need to live healthier lives.

— Gustavo Valle, President and CEO

Dannon’s CSR activities fell under the Regulatory and Corporate Affairs Department, which also covered legislative, regulatory, and public relations activities. Gayle Binney, manager of Dannon Corporate Responsibility and The Dannon Institute, was the only full-time employee dedicated to CSR activities. Neuwirth, as her manager, was also highly involved with CSR in addition to his PR responsibilities. As with all Danone subsidiaries, Dannon was encouraged to develop projects that capitalized on Danone’s three key CSR themes: nutrition and health, nature, and people.

Nutrition and Health

Created in 1997, the U.S. Dannon Institute was an independent, nonprofit foundation dedicated to promoting excellence in the field of nutrition, and communicating the link between nutrition and good health. The Institute pursued two main program areas in the U.S.: promoting children’s nutrition, especially preschool nutrition education, and leadership development of promising and established nutrition researchers.

The institute was unique in a variety of ways. First of all, both academic experts and Dannon executives sat on the institute’s board of directors. Unlike many company-organized foundations, the Dannon CEO was not the president of the institute. As of March 2010, Virginia A. Stallings (M.D.; Director, Nutrition Center at The Children’s Hospital of Philadelphia) was the president of the Dannon Institute. Dannon’s intention was to give leading academics authority, and thus maintain the integrity of the institute. In January 2008, Dannon U.S. received Virgo Publishing’s Focus on the Future Humanitarian Award for the institute’s contributions to nutrition education over 10 years.

The institute was dedicated to spreading awareness and encouraging leadership in the realm of health and nutrition. For example, the institute held a Nutrition Leadership Institute® that was designed to equip outstanding nutrition doctoral graduates with a broad perspective and leadership skills. Many of the program’s alumni took on important roles at academic institutions, government offices, and industry. The institute also created a nutrition education curriculum, Celebrate Healthy Eating, which was specifically designed for preschool children in day care settings. It provided educators with lesson plans about the food groups and classroom activities. The original four program modules were distributed as a supplement to Scholastic’s Early Childhood Today magazine, with a distribution of 40,000 teachers, directors, and early-childhood coordinators and administrators. Additionally, in 2006, the federal government mandated the establishment of school wellness policies for public schools. The institute worked with District Administration magazine to publish Healthy Steps Forward, a special edition publication and webinar, that provided school administrators with information about how to move district school wellness policies from implementation to assessment.
Dannon also made efforts to make healthy eating accessible to children in every socioeconomic group. In 2008, Dannon developed a quality, low-cost blended yogurt called NutriDay™ (later renamed Dannon $1.00). At a cost of $1.00 per four-pack, NutriDay™ provided schools with an affordable, nutrient-rich food item for students. Additionally, starting in 2002, Dannon donated excess product to Feeding America, the nation’s leading domestic hunger-relief charity. In 2008 alone, Dannon donated more than 2 million pounds of fresh dairy products. Dannon Next Generation Nutrition Grants were established in 2006 with the mandate to help teach children and their families about healthy lifestyles to combat childhood obesity. Each year, Dannon contributed $30,000 to one nonprofit organization in each of the four communities with a Dannon plant or office, totaling $120,000 per year. The organizations receiving grant funding tracked and monitored how the children enrolled in their programs changed their eating and physical activity behaviors. For example, the 2006 New York grant recipient, Hudson River HealthCare, reported that among the children participating in their program, there was a 154% increase in those who ate the USDA-recommended number of fruit and vegetable servings per day, and an 81% increase in those who participated in at least 30 minutes of physical activity per day.

Dannon worked to keep its advertising in line with these ideals. In 2008, unlike many of its competitors, Dannon joined the Children’s Food and Beverage Advertising Initiative, pledging that 100% of its advertising to children under age 12 would be for products that met key nutritional guidelines reviewed and approved by the Council of Better Business Bureaus.

People

Consistent with the Danone philosophy of engaging with the social environment, Dannon supported local community organizations through donations and volunteer time. Some initiatives were consistent across the company, such as “Children’s Day” in December, when historically all of Dannon’s locations provided volunteers at local charities to help children in need during the holiday season. Various locations also had unique initiatives. For example, employees at Dannon’s Fort Worth facility visited Cook Children’s Medical Center to decorate the doors to patient rooms and leave gifts in hospital beds; Dannon’s Utah Finance Department actively supported the American Heart Association’s annual Heart Walk and Run, where 100% of employees participated, raising $5,135 and donating Dannon smoothies to the event.

Dannon also worked to enrich the health and well-being of its employees through the development of a comprehensive work-life wellness program. This included free exercise programs on site during lunch and after work, tuition assistance, financial assistance for adoption-related expenses, and a scholarship program for the children of employees.

Nature

Following the lead of Danone, some of Dannon’s CSR initiatives focused on the environment. Dannon’s cross-functional Green Obsession Team brought employees together to identify and promote ways of reducing Dannon’s environmental footprint. From 2004 to 2009, Dannon reduced the quantity of its primary packaging (on a per-ounce basis) by 15%, and plants and offices had regular recycling programs.

In 2008, Dannon hired a senior director of environmental sustainability, who led the Green Obsession Team and helped to ensure that green initiatives were incorporated into all of Dannon’s products and business strategies. In 2008, more than 85% of Dannon’s products were carried by trucking companies participating in the U.S. Environmental Protection Agency’s Smartway Transport...
partnership, a program aimed at reducing carbon dioxide emissions through improvements in truck design.

The same year, Dannon conducted a Carbon Footprint Analysis to better understand the breakdown of carbon generated during the life cycle of its products. Based on the results, Dannon prioritized nine key areas for improvement: packaging, manufacturing plant energy & water use, employee education & engagement, waste & losses in the entire life cycle, supply chain & logistics, external communication, office and workplace, raw materials, and retailer/consumer engagement.

Discussions with Key Dannon Leaders

Over the course of a few weeks, Neuwirth approached many of his colleagues to propose the idea of communicating Dannon’s CSR efforts to its consumers and to understand their perspectives. He appreciated that there were many different opinions on the subject and by no means was his mind made up. He reflected back on the key points conveyed by each of his colleagues.

Alessandro Arosio, Senior Director of Marketing

Neuwirth’s conversation with Alessandro Arosio was informative; as a marketer with consumer packaged goods companies for nearly 12 years, Arosio noted the tension between dedicating resources to advance the brand and dedicating resources to promote the social mission. “We have an internal debate on whether we should spend more money on the corporate level promoting social programs or whether we should put those resources towards fueling the stand-alone brands first. The reason why we haven’t committed is because we haven’t identified how we’re going to measure the impact of the corporate program.”

If Dannon did choose to increase its marketing efforts to promote this social mission, a consumer communication strategy explaining Dannon’s CSR programs would be a natural “next step,” because it would demonstrate consistency in its marketing message and could translate to increased consumer confidence in Dannon. Through a combination of corporate-level and brand-level advertising campaigns, Dannon could potentially differentiate itself as a leading player that promoted the health of its consumers through its product line, as well as the progress of the community in which it operated.

On the flip side, Arosio felt there were several challenges with this strategy. First, given that Dannon was a company focused on measurability and impact, this initiative would be difficult to calculate a return on investment (ROI) for since it provided mostly intangible benefits. There would be limited short-term sales impact, if any, and as a result its success would be difficult to measure. Moreover, Dannon’s key business objective was to generate consumption of its products, and the promotion of healthy habits through this initiative might not immediately impact consumption. A CSR communications strategy could increase consumer confidence in Dannon, but patience would be required to assess its impact on business growth. Finally, Dannon’s competitors could take advantage of a potential halo effect if consumers were confused about which company had been promoting these CSR programs.

There were also some specific considerations around the dynamics of the situation described by Arosio that resonated with Neuwirth. Arosio explained:

I would love to [communicate our CSR programs to consumers], but it would require a change in our fundamental commitments with [Danone] in Paris, including the budgets we
agree to deliver. This drives our prioritization of investments, to ensure that we are able to deliver on our commitment. If we were to revisit these commitments, perhaps we could reinvest in communication of CSR programs. Alternatively, if Dannon received a financial benefit or tax incentive from the government to help promote public health and ultimately lower healthcare costs through prevention and education about health, it would make it possible for Dannon to pursue more of this strategy.

**Jon Pollock, Brand Manager**

During his conversation with Jon Pollock, brand manager for Activia (who joined Dannon after receiving his MBA from Harvard Business School in 2007), Neuwirth gained some additional insights. Most illuminating was Pollock’s opinion on how Dannon should embark on the communication strategy if the company decided to pursue it. In Pollock’s words:

We already advertise tremendous amounts on our individual sub-brands, with a focus around health benefits, and Activia, for example, is becoming one of the most heavily advertised brands in the CPG arena. To that end, a bigger opportunity could be to communicate about what Dannon overall stands for and how it brings health, nutrition, and social well-being to the communities it is involved in, which aligns its business with its social mission.

In addition, Pollock believed there was an opportunity to use the global Danone brand. “Since the equity of the Dannon brand is relatively modest compared to Danone at a global level, there is a huge opportunity to leverage the Danone brand’s halo to define how Dannon as a company brands itself in the U.S.” Bolstering the Dannon brand could especially help the two proactive health brands, Activia and DanActive, if Dannon came to stand for nutrition expertise as a result of communicating its nutrition-focused CSR efforts, especially the Dannon/Danone Institutes. This could then provide further credibility to the health benefits promised by Activia and DanActive.

Pollock also expressed some concerns. First, like Arosio, he was concerned about the measurability of the ROI and the opportunity cost of making the investment. He wondered, “Would Dannon be sacrificing short-term profitability for no guarantee of long-term value?” Pollock also struggled with the idea of opening Dannon up to additional scrutiny by publicizing its CSR efforts. Critics could potentially emerge and start analyzing all of Dannon’s activities and claim that the company could be doing even more. As such, Dannon could be forced into a defensive position and be perceived as disingenuous by its consumers.

**Marc Jove, Senior Vice President of Marketing**

Marc Jove had been at Danone for 13 years, after working in marketing at Wrigley. Jove started with Danone in Barcelona. In one assignment, before joining Dannon in the U.S., he was the global director of marketing for the Activia brand.

Jove’s reaction was immediate and definitive. No, he would not recommend speaking with consumers about Dannon’s CSR activities. The crux of his argument focused on this question: “Why would someone buy a product because they like the company, even if the product is not relevant to them?” As the head of the Marketing Department, Jove knew well that the main marketing challenge for Dannon was not getting consumers to want Dannon—rather, it was getting consumers to want yogurt. Jove said:
The U.S., strangely enough, is still an emerging market for yogurt. The yogurt category is not yet as relevant to Americans as it is in other geographies of the world, and they don’t yet understand what yogurt is providing. Maybe, when consumers have decided to pursue the yogurt category, talking about our CSR would help them to decide among brands. But first, we need to educate Americans on the properties of yogurt and the health benefits.

He believed that good marketing required making trade-offs and deciding on the best messages, because you couldn’t communicate too many messages at once. In Jove’s opinion, marketing dollars should first be spent building the category, and then increasing the consumption of Dannon’s specific products. Speaking to consumers about CSR before either of those landmarks was met would just muddle the marketing message. As Jove said, “I cannot put the chariot in front of the horse. First is product. Then we can enrich it with community and social activities.”

Jove had developed a corporate-level CSR-focused campaign when he was VP of marketing for Danone Argentina, just before he transferred to the U.S. in 2008. However, he saw that as a completely different situation since the yogurt market in Argentina was very mature, with 30 lbs per capita consumption, and Danone was well positioned there as the leading brand. In that situation, marketing around a more emotional bond with the company made more sense to him, versus the need to focus on rational benefits in the U.S. market.

Once the yogurt industry convinced U.S. consumers of its relevance and had moved them to a much higher consumption rate, then Jove would consider a CSR marketing message. However, he would still avoid one-way, mass market communication channels. Instead, he would want to use two-way, targeted communication channels such as PR programs and interactive media initiatives. “We would need to open our ears to all the stakeholders and create relationships. The key would be to be completely honest and to have a credible CSR program to back up the marketing message.”

While he did not want to use CSR as a tool to sell products, Jove did value the CSR commitment of Danone, and that was part of what had kept him with the company for 13 years. “This is the type of company where I can feel really good—I’m not only selling products with health attributes, but doing so in a responsible way. There is a perfect match between my way of being and the company’s way of being.”

**Claudia Sargent, Director of Media**

When Neuwirth approached Claudia Sargent about this idea, she immediately grinned and said, “I’ve gone down this road before.” Sargent spent most of her career on the advertising- and media-agency side focusing on strategic media planning. A few years ago, she joined Dannon to manage all of its media planning and investment, and one of her first suggestions was to run a corporate image campaign that would feature the CSR activities. She noticed that Dannon’s marketing focused on selling individual brands and not Danone as a company. “I wanted to develop more of a corporate campaign—it would be an umbrella campaign that could feature all the different brands. And it would have a health halo effect down to the individual brands. It’s not something you would run all year-round—you would want to find specific times of year when you would either layer it over brand campaigns, or it could be a bridge between different brand campaigns.”

She still liked the idea of a corporate campaign focusing on Dannon’s health and nutrition CSR initiatives, especially the Dannon Institute. It could create credibility for the Dannon brand and its key message around the health benefits of yogurt. “This type of campaign would allow Dannon to develop a more personal engagement with consumers by showing them that we care about the things that they care about, such as health education for children and developing healthier products. If we
advertise that, and have a tasty product as well, then it just makes an easier sell. . . . However, I don’t think we have a competitive advantage in this, because Yoplait has been doing ‘Save Lids to Save Lives’ for years, and General Mills is a powerhouse in CSR marketing, at least in the U.S.” Sargent felt that the differentiator would need to be Dannon’s focus on health and nutrition, and its tie to the products Dannon sells.

Having been at Dannon a few years, Sargent saw it as a “nice to have,” rather than a “must have.” She said:

When it comes down to budget allocation between this or a specific brand campaign, I’m not sure this could make the cut. The main issue is reallocating funds away from a specific brand campaign with a very functional message that we need to generate revenue for our business. We need to focus on brand growth related to the benefits of our core brands. Our benefits are very brand specific, and so need to be communicated on a brand-campaign basis.

As a last thought, she mentioned the potential for a negative backlash if consumers felt Dannon was just jumping on the CSR bandwagon. Although this would be undeserved with Dannon’s long history of CSR commitment, it could certainly happen with the current skepticism around “green-washing” and ”pink-washing,” practices in which companies disingenuously emphasized social and environment benefits.

*Tony Cicio, Vice President of Human Resources*

After spending his career in finance, Tony Cicio moved into the position of vice president of human resources at Dannon in 2008, seeking to challenge himself in a new role. As vice president of HR, Cicio added a unique perspective about the intangible “people” aspects of the strategy. However, having spent his entire career in finance, and most recently as CFO of Dannon US, Cicio could also speak to the feasibility of the strategy. For many of the reasons mentioned by the other stakeholders, including the authentic alignment of Dannon’s mission statement with its social initiatives, Cicio was open to exploring the strategy, and with his financial lens, he was curious about how it connected to the company’s profits.

Cicio saw this question as not simply a strategic choice, but a “moral dilemma.” He reminded Neuwirth that although the two pillars of Dannon’s purpose, economic and social, were separate, they were equally as strong and important. Cicio did not want to compromise either pillar. In his words, “Business interests are the business interests. And the social interests are the social interests.” Yet Cicio also felt that Dannon could benefit from an emotional connection that fueled consumer loyalty over time because “consumers are becoming wearier of corporate greed and thus are more savvy in their purchasing decisions.” Cicio continued to say, however, that Dannon would have to balance this benefit with a risk of misconstrued consumer perception that “Dannon is just another corporation trying to increase its commercial presence.” Accordingly, he believed that the strategy should be launched on a small-scale, grassroots basis initially, with local community engagement. Cicio preferred to do it “for the right reasons.” Overadvertising could create a backlash and result in the company losing credibility.

Cicio saw an important role for CSR in the recruitment and retention of employees. In fact, when personally recruiting employees, he started by telling them the mission statement: to bring health through food to as many people as possible. Cicio believed in the importance of employees connecting with the emotional purpose to “better the lives of people through the products that they offer” and thus fully understand how working at Dannon connects with their individual passions. He noted, “with the newer generation of employees coming in, there is a need to have a social mission.
While some companies are now jumping on the bandwagon, this is not new to Dannon. A meaningful part of why they want to be part of the company, and why they stay, is that they have the opportunity to make a difference in the community.” He had observed that more people were choosing companies with CSR programs, because it fit with what they wanted out of life.

As the conversation with Neuwirth began to wind down, Cicio noted that while he took pride in the CSR initiatives, he was well aware that Dannon was not a nonprofit, and did need to make profit. But he also struggled with the costs of CSR activities and the measurability of impact. He asked Neuwirth how sustainable the company’s CSR effort was without profit. Since CSR at Dannon was not alienated from economic aspects, and since he believed that indirectly there was an economic value, he admitted that he was open to ways in which CSR could provide an additional return on investment.

Gayle Binney, Manager of Corporate Responsibility and The Dannon Institute

Gayle Binney was the only employee at Dannon dedicated full time to CSR. She had joined the company in 2004, following a career in nonprofit management and at academic research institutions, such as New York Hospital-Cornell Medical Center and New York University Medical Center. She had witnessed the benefits of communicating the company’s CSR initiatives to employees, noting that it provided “employees with a tangible way to be a part of the solution.” At the same time, however, she recognized the challenge of attempting broader reach, given that Dannon’s smaller scale in the U.S. might limit its ability to impact society at large and therefore might force it to focus its tactics and resources.

According to Binney:

While Dannon hasn’t made communicating its corporate social responsibility initiatives a priority, if you look at the communication dollars spent, it also hasn’t hidden it from the world; the company does communicate through the Dannon Cares section on its website and the 16-page Corporate Social Responsibility Overview that provides consumers with a perspective of the areas that Dannon has prioritized, and communicates Dannon’s commitment to nutrition and health.

Additionally, financial analysts were aware of these efforts. Finally, Dannon focused on the communities in which it operated. For example, through the Dannon Next Generation Nutrition Grants, Dannon initiated and supported nutrition education for children in the four communities where it had its headquarters or factories.

Binney was comfortable with the fact that Dannon had not been overt and promotional about its CSR with the general public, because these programs were first and foremost an internal initiative and not designed for public relations. She acknowledged that the company could have sought more credit externally and that advertising CSR could definitely support the business. However, Binney stressed the complexity of that marketing message. In Binney’s opinion, any advertising would require articulating the connection between Dannon and Danone, then explaining what Danone has done and what Dannon has done. Although Binney felt it was an admirable story that would impress people, it would have to be told through a very well-thought-out campaign.
The Decision

The last executive committee meeting of the year would be taking place tomorrow, and Neuwirth knew that this was his last opportunity to propose this CSR-consumer marketing strategy for inclusion in the 2010 strategic plan. After several conversations, he was more confused than ever as each individual raised legitimate arguments for both sides.

- Should he take a stand and propose this to the executive committee? If so, who would spearhead this strategy?
- What type of communication strategy and media channels should he suggest?
- Should he recommend a corporate-level or brand-level campaign?
- Would Dannon have to make changes to its current CSR initiatives? If so, what potential implication would it have for future initiatives?
- Would speaking about Dannon’s CSR efforts to consumers result in greater attention toward health and nutrition generally? In greater financial rewards for Dannon? Would this strategy lead to greater internal investment in CSR activities?

Ultimately, the matter boiled down to a single question in Neuwirth’s mind: “If we could grow our business, while helping Americans choose better foods that led to better health, why wouldn’t we want that?” Neuwirth took another spoonful of his delicious Activia vanilla yogurt as he contemplated this decision.
Exhibit 1  The Three Focus Areas of Danone’s CSR

Source: Company document.
Exhibit 2  Global per Capita Consumption of Yogurt

Source:  Company document.
Exhibit 3  Retail per Capita Yogurt Consumption in the United States

Source: Company document.
Exhibit 4  Market Shares of Leading Yogurt Labels

Dollar Share of Category: Total U.S.

Source: Company document.
Exhibit 5  Dannon’s Sales by Category as Compared to Competitors

Source: Company document.
Exhibit 6  Dannon’s Executive Committee

Source: Company document.
Exhibit 7  Dannon Headquarters and Plants in the United States

Source: Company document.
Exhibit 8  Dannon Product Portfolio

Source: Company document.
Endnotes

1 Dannon’s “Corporate Social Responsibility: The Dual Project.”


5 http://www.danoneinstitute.org.

6 “History of Danone—Dannon 2009.”

7 “US Snapshot Updated Q3 2009 MN Clean,” IRI database analysis provided by The Dannon Company.


