



**DANONE**

# From Demand Shaping to PRGM Lead the business relevance trajectory

*Supply Chain Conference 2014  
4th September, Stockholm*

## GET ACQUAINTED WITH DANONE ITALY WITHIN DANONE WORLD

- **DISC'OVER, STEP CHANGE IN DEMAND SHAPING: IT HAS, IT DOES**
- **CURRENT EVOLUTION: TRUE BLUE AS PRGM ENABLER**
- **CONCLUSIONS**

# Les Métiers DANONE WW Figures



**€3.7 Billion**  
+10.7%\* growth  
No. 2 worldwide  
Baby Nutrition



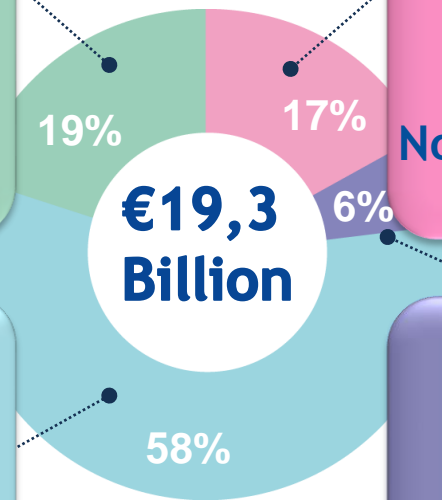
**€3.2 Billion**  
+15.7%\* growth  
No. 2 worldwide (by volume)  
Waters



**€11.2 Billion**  
+4.6%\* growth  
No. 1 worldwide  
Fresh Dairy Products



**€1.2 Billion**  
+9.4%\* growth  
No. 1 in Europe  
Medical Nutrition



**€19,3  
Billion**

*\*Like-for-like sales growth by division (2011)*

# Bring Health Through Food To As Many People As Possible

## DANONE STANDS FOR



### Infant nutrition

provides specialized products to meet the specific nutritional needs of babies from 0-3



**Water** is the only drink essential to human life



Consuming **yoghurts** is at the heart of nutritional recommendations and contributes to a balanced diet



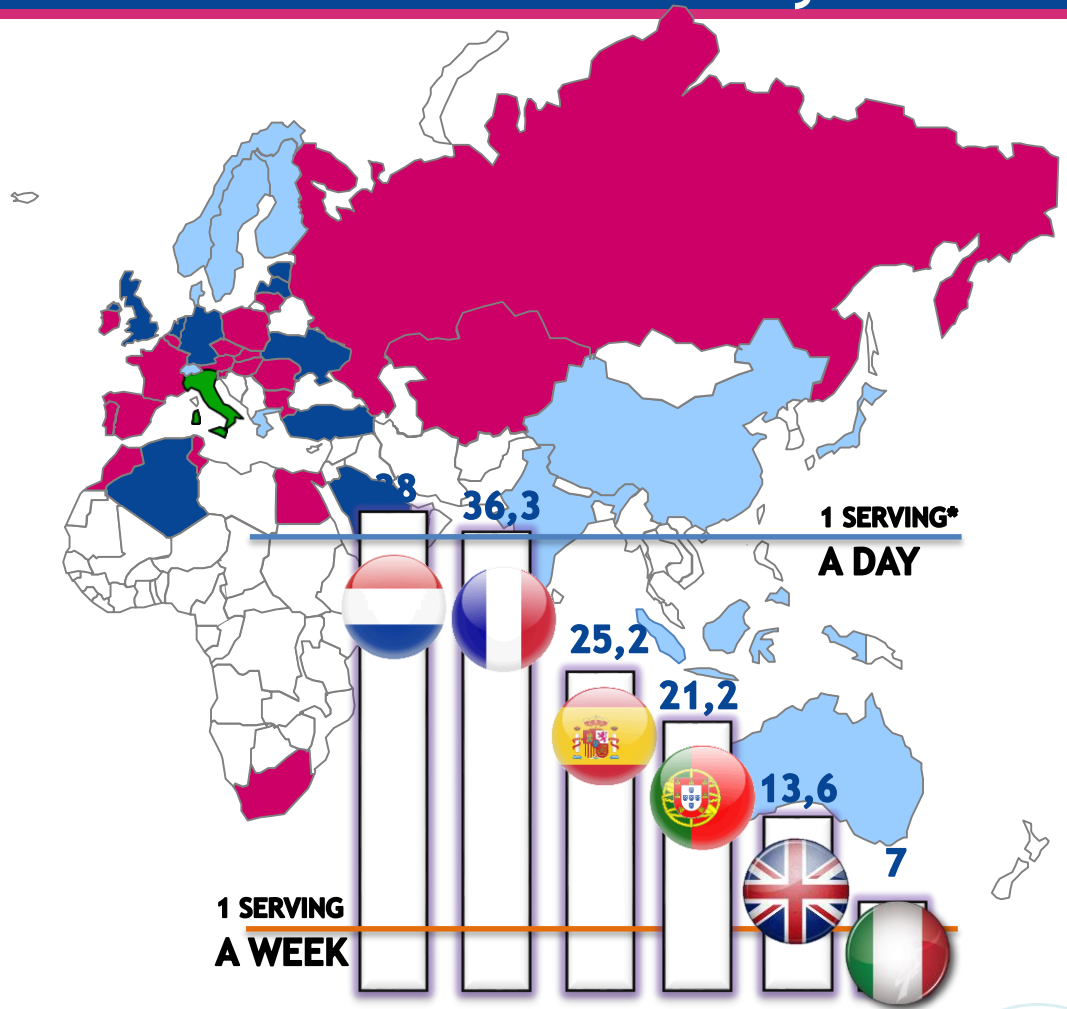
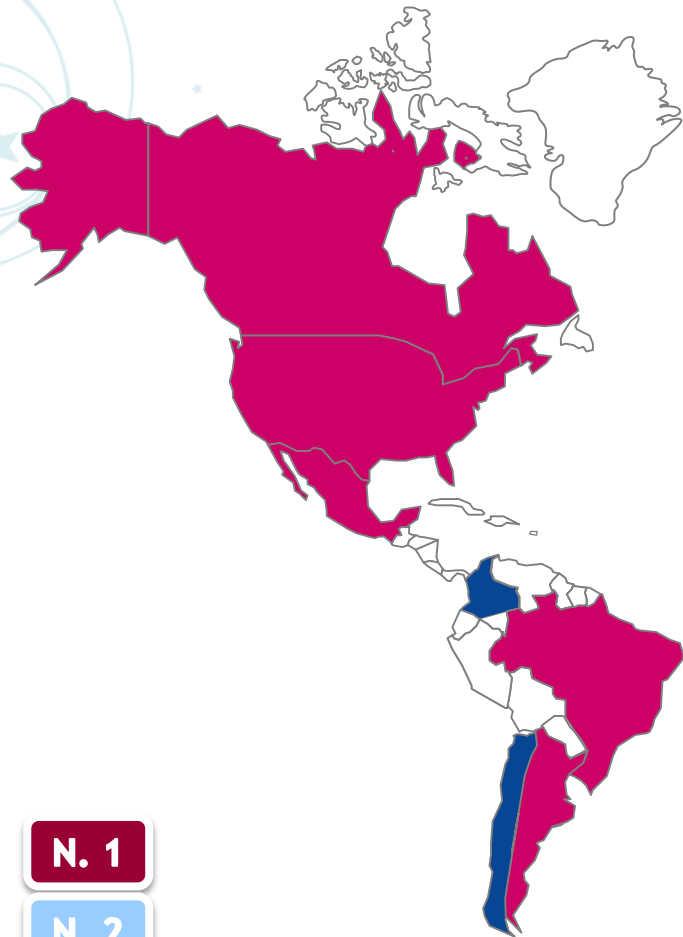
### Medical Nutrition

products provide solutions to fight against malnutrition in the elderly



# DANONE ITALY

## Within the Fresh Dairy Division



\*1 SERVING = 100 g.  
PCC for Europe



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Contact: [alberto.boninsegni@danone.com](mailto:alberto.boninsegni@danone.com)

## 2 Growth Engines: the Call for Demand Shaping

### ENGINE #1: MEDIA Investments

- DIT top 5 media FMCG investors
- DIT top 10 TV market investors
- DIT SoV of UF dairy market ~ 80%

### ENGINE #2: PROMO Investments

- Promo Pressure (PP) UF Market ~40%
- PP UF market x2 in the last 3 years
- @ DIT >15.000 promo events yearly



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# DISC'OVER THE PROJECT

## The Technology Enablers

### NEEDS

Scalability  
High Frequency Control

Self-Learning & Adaptive  
Automated Forecasting

Quick Response  
to Market Changes

Open to Multiple Demand  
Signal Sources

Wide and Accurate Demand  
Shaping Capabilities

### GOALS

**BIG DATA MANAGEMENT**

**LOW HUMAN TOUCH  
SOLUTION**

**MACHINE LEARNING  
TECHNOLOGY (MLE)**

**DEMAND SENSING**

**PROMO, MEDIA, NPI  
FORECASTING**

### READY



 TODAY

 TOMORROW



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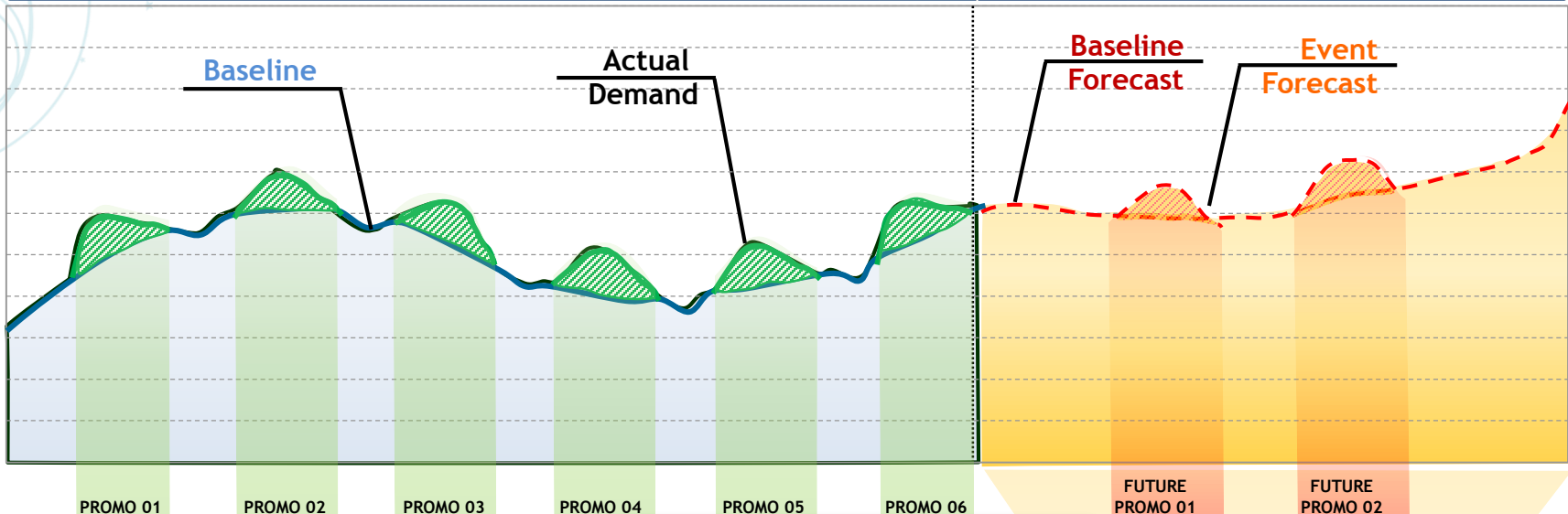


# DISC'OVER THE PROJECT

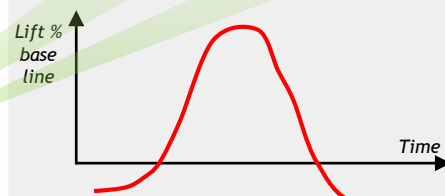
## MLE works with PROMO

PAST | LEARNING

FUTURE | FORECASTING



MACHINE LEARNING ENGINE

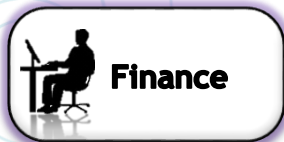


DEMAND SHAPING ENGINE

- 1 Identify **BASELINE** for past demand
- 2 **PROMO** events recognition and sizing
- 3 Sample **PROMO** analysis by MLE
- 4 Uplift by client/SKUs **PROMO** Cluster
- 5 **Future BASELINE** Projection
- 6 **Planned PROMO** Event phased input
- 7 **Sizing Future Promo** Demand (volume)

# A DAY IN LIFE

## Turn Demand Insights into Business Savvy Decisions



**Finance**



**Trade Marketing**



**Trade Marketing**



**Key Account Team**

TPM PROMO MANAGEMENT

23 / 07 / 2011 PROMOTIONS CREATE PROMOTIONS GANTT DIAGRAM MASSIVE COPY P. COMPLIANTS FLYER CUSTOMER

PROMO SEARCH: Promotions > 711205 | 711206 | 711213  
Creation date 20/10/2010

CUSTOMER

AFFILIATION CUSTOMER

PROMOTION ID: 658005 STATUS: DRAFT

PRODUCTS

| BRAND               | PRODUCTS              | PAP PROMO | BASLINE | UPLIFT | TOT. VOLUMES |
|---------------------|-----------------------|-----------|---------|--------|--------------|
| YOGURT FACTORY LTD. | 0320 FITNESS CREAM X3 | 2,08      | 3,145   | 1,862  | 4862         |
|                     | 0324 FITNESS CREAM X8 | 2,14      | 3,145   | 1,861  | 5033         |
|                     | 0203 FRUIT CREAM X3   | 2,08      | 3,158   | 1,853  | 8503         |
|                     | 0204 FRUIT CREAM X8   | 3,01      | 3,847   | 1,808  | 7582         |

ESTIMATE VOLUMES ECONOMICS

PROMO DETAILS

| SELL-IN                              | CHARACTERISTICS   | DISCOUNTS   |
|--------------------------------------|---|---|
| Start: 12/01/2011<br>End: 28/01/2011 | Promo Activity: CUT PRICE + FLYER<br>Extra Visibility: NO | Theme: 3 X 2<br>Hostess: NO<br>Additional Discount 1: NO<br>Additional Discount 2: 5% |

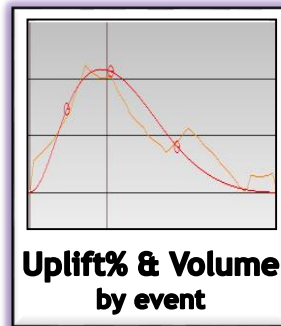
SELL-OUT

Start: 12/01/2011  
End: 28/01/2011

MODIFY CONFIRM



**Operations (Demand)**



TPM CUSTOMERS

PROMO DATA: Promo nr. 800852 Typology: Cut Price + Flyer 3x2  
SELL-IN: 07/11/2011 - 25/11/2011  
CUSTOMER: 48021878 - 7ELEVEN inc

DISCOUNT: 15%  
EXTRA DISCOUNT 1: 0,00%  
EXTRA DISCOUNT 2: 5,00%  
BRAND / FORMAT: Fitness Yogurt X8

| INCOME STATEMENT    |               | CANNIBALIZATION PROMO    |                |
|---------------------|---------------|--------------------------|----------------|
| Baseline (tons)     | 16,1          | Vol. Cannibalized (tons) | -0,30          |
| % Uplift            | 52%           | Cann. Cannibalized (\$)  | -593,36        |
| Incr. Volume (tons) | 7,90          | <b>ROI Cannibalized</b>  | <b>132,25%</b> |
| Total Volume (tons) | 23,08         |                          |                |
| CAB (\$)            | 130,312,00    |                          |                |
| Promo Cost (\$)     | 22,935,00     |                          |                |
| Caf (\$)            | 91,740,00     |                          |                |
| Cann (\$)           | 53,500,15     |                          |                |
| Co (\$)             | 34,500,41     |                          |                |
| <b>ROI</b>          | <b>135,2%</b> |                          |                |

| RETAILER INCOME STATEMENT |        |
|---------------------------|--------|
| Vol. CanCust. Sell-out    | -0,30  |
| 1st Level Margin          | -21,6% |
| 2nd Level Margin          | 28,51% |

DASHBOARDS

ROI ROI CANNIBALIZATION INCREMENTAL VOLUMES INCREMENT. CANN.

**Ex Ante Promo Plan (Quarterly) in compliance with Finance OBJs set at lowest detailed level**

**HDQ & Sales Team Members validate Promo events which best fits with Financial OBJs**

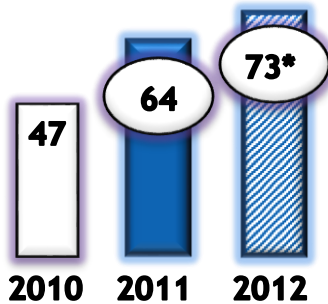
# DEMAND SHAPING “NEW NORMAL” Results AND Performance

## DEMAND SHAPING KPIs (PROMO)

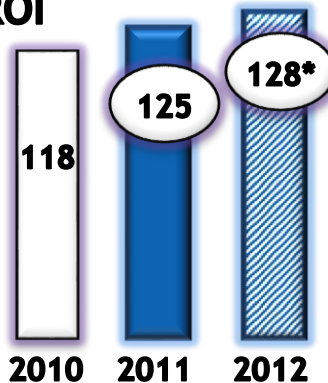
## “TRADITIONAL” SUPPLY CHAIN KPIs

## ...BEYOND NUMBERS...

### Net UPLIFT %



### Net ROI



FORECAST  
ERROR



LOST SALES  
(SELL IN)



FG  
OBSCOLESCENCE



- ROBUST FOUNDATION OF A VALUE DRIVEN ADVANCED S&OP
- CONTINUOUS OPTIMIZATION OF INVESTMENT EFFICIENCY
- CONSISTENT BUSINESS STEERING CYCLE
- FLEXIBILITY AND RESPONSIVENESS TO BUSINESS OBJS SHIFTS

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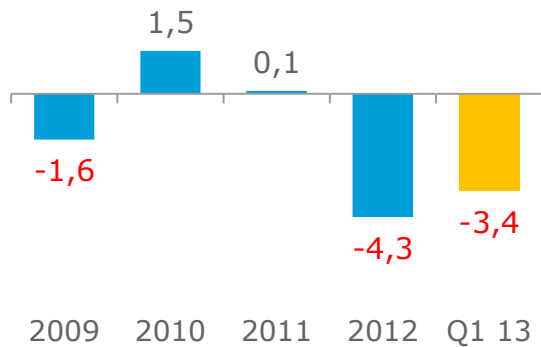
- **CONCLUSIONS (Q&A, if any)**



# MARKET “NEW NORMAL” MAXIMISE TOP LINE FUEL OR DIE

NOTHING

## Consumption<sup>1</sup> Trend



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Source: ISTAT , May 2013.  
<sup>1</sup> HH consumptions.

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# HARDER TIMES EXPOSE DISC'OVER LIMITATION

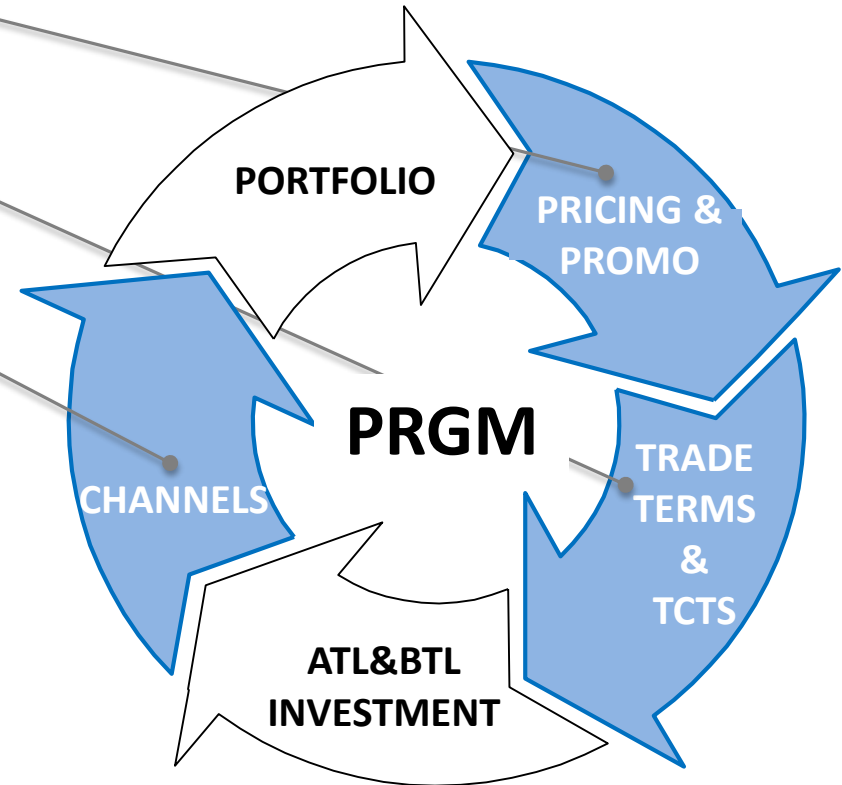
## The (last?) call for comprehensive PRGM approach



PROMO FORECAST  
ACCURACY STILL POOR IN  
MID-TERM HORIZON

ROI CALCULATION GET  
SKEWED BY SALES TERMS  
EVOLUTION

RETAILERS MARKET GET  
BLURRED DUE TO PLAYERS  
CONSOLIDATION



**P**rofitable **R**evue **G**rowth **M**anagement

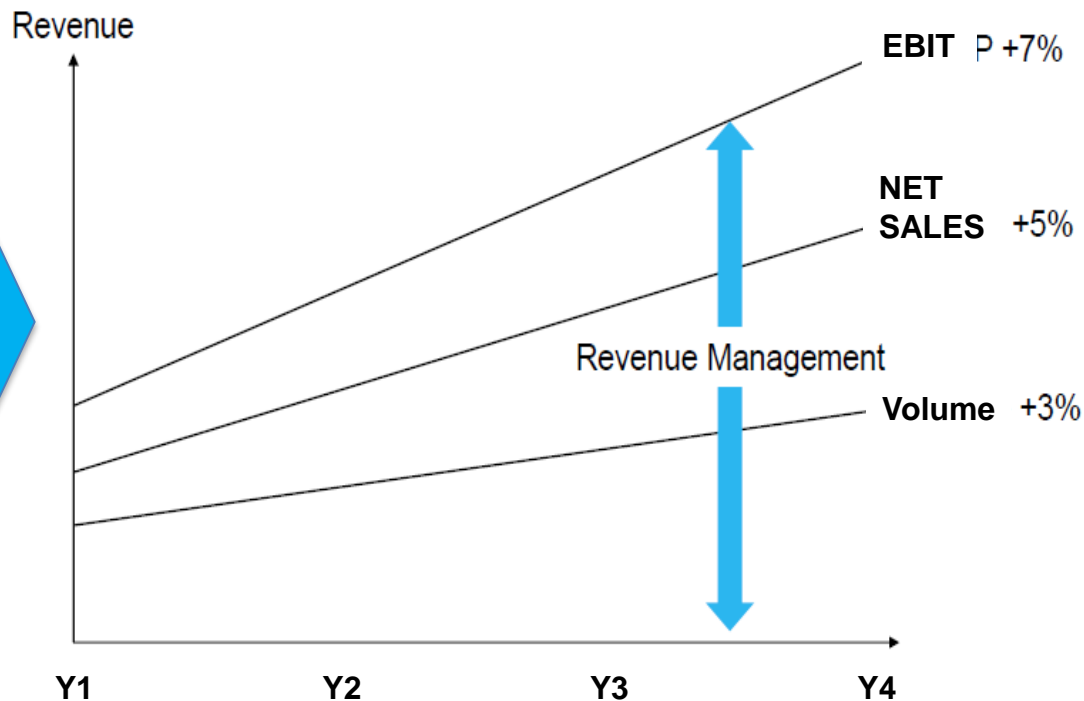
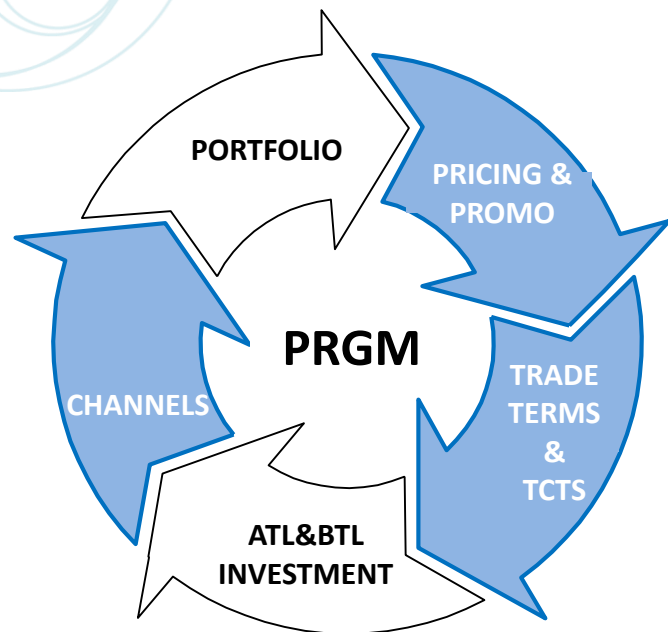
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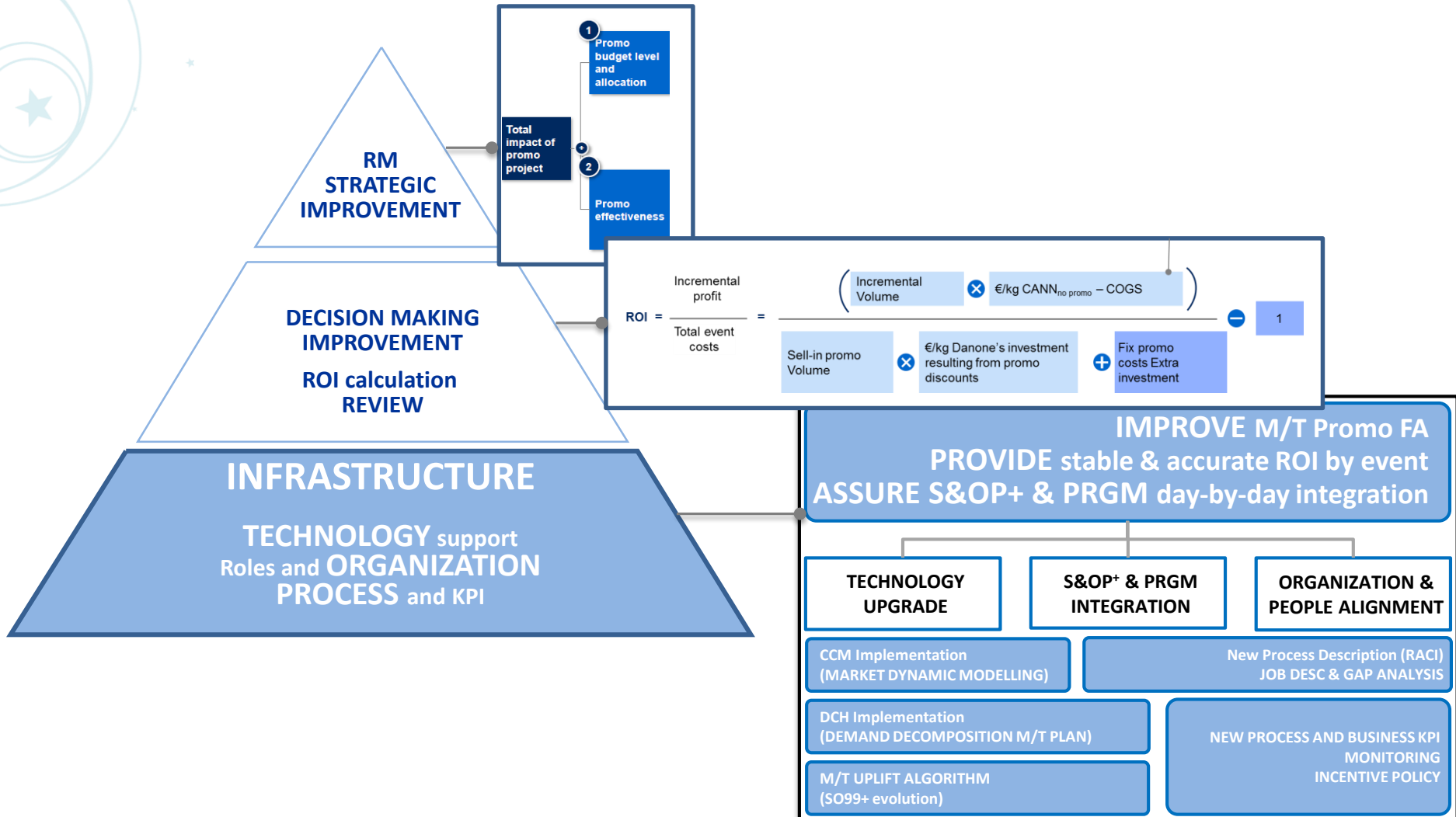
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# PRGM to support decision makers MAXIMIZE Top and Bottom Line Growth



# DISC'OVER ONGOING EVOLUTION

## TRUE BLUE Project: Build PRGM's ROBUST LEGS

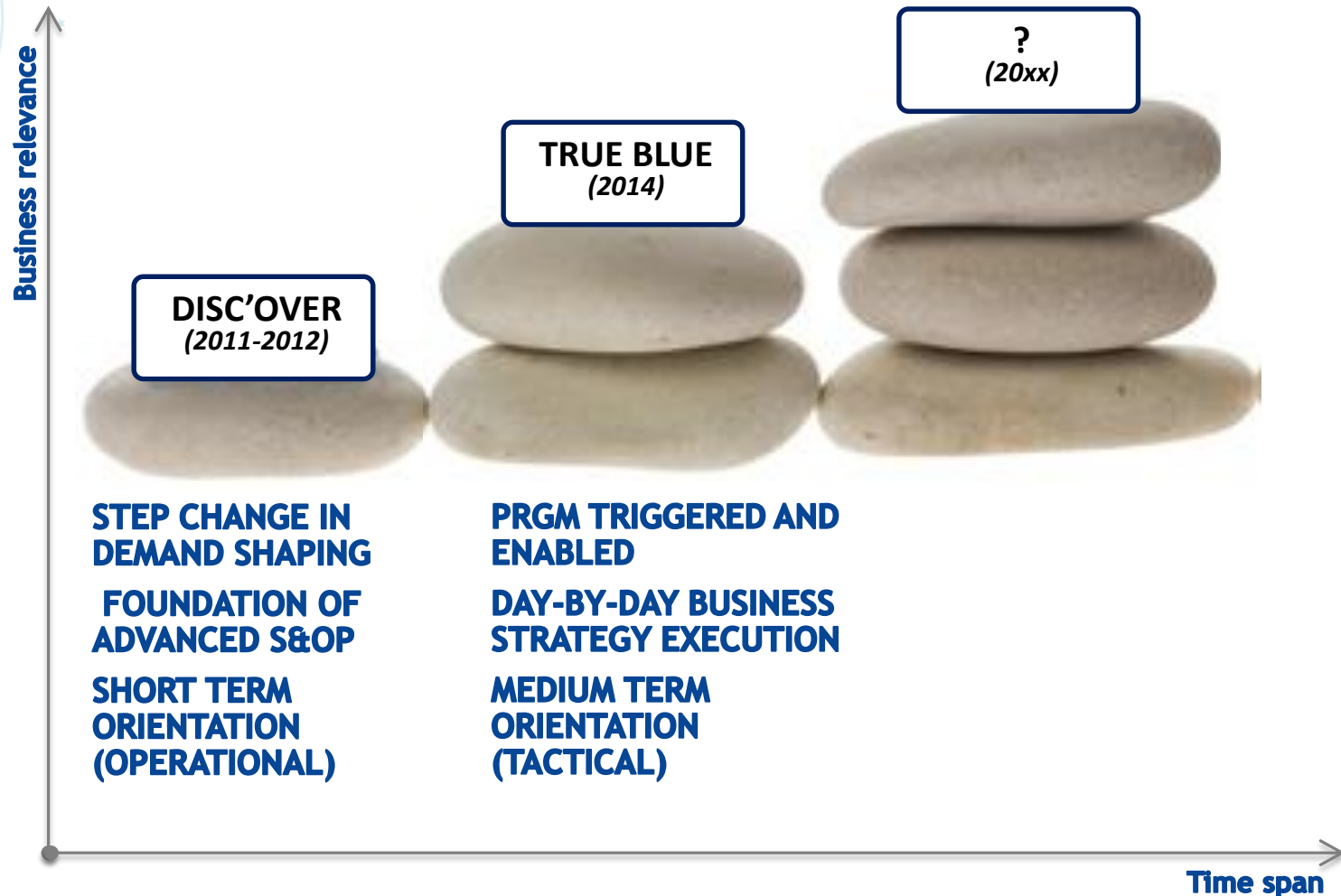




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**CONCLUSIONS (Q&A, if any)**

## Lead the Business Relevance Trajectory



**THANKS**

