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Global business process transformation helps Groupe DANONE reach new, appetizing levels of performance

Groupe DANONE is widely recognized as a world leader in the food industry. With international brands, such as DANONE, Dannon, Evian and Aqua, Groupe DANONE is the world leader in fresh dairy products, and also boasts an impressive number two position in the beverages and now also the baby food market worldwide. Groupe DANONE was among the first to recognize the need for a wider variety of healthy, easy-to-consume, anytime, any place foods. In its mission to "bring health through food to as many people as possible", the foods leader employs 90,000 people, operates more than 200 plants around the globe and commercializes its products in more than 120 countries. Groupe DANONE reported €14 billion (over US\$20 billion) in total sales for 2006, and posted 13.6 percent operating margin.

Business challenge

At the end of 1996, Groupe DANONE began moving assertively to further grow its business, disposing of non-core activities while refocusing its portfolio (through acquisitions and product innovations) on high-growth, high-margin, core businesses such as dairy products and beverages. It expanded across Asia, Latin America, Central Europe, Africa and in the Middle East. The strategy worked well, helping Groupe DANONE to quickly grow and to see several of its country business units growing by some 20 percent or more. Though the strategic refocus yielded a one percent growth in operating margin to 10 percent over 12 months, senior leaders at Groupe DANONE were looking for ways to achieve and maintain much stronger margin growth over a sustained period.

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"The approach developed together with Accenture is delivering tremendous results. We have been successful in connecting the major companies within Groupe DANONE and effective in delivering value to our business units. We now have the foundation in place to enable our IT organization to bring meaningful proposals to the executive team while Groupe DANONE is further growing its business."

—Jean-Marc Lagoutte,
chief information officer,
Groupe DANONE

Executives at Groupe DANONE acknowledged that having many small business units with their own processes, working independently, caused inefficiency and control issues that were threatening margin growth. The company needed to create a highly integrated and flexible operation with more insight, speed, efficiency and seamless execution. This would set it apart from the competition and provide what Accenture terms "distinctive capability," an organization's unique formula for business success aimed at outperforming the competition. Through its extensive research into what makes a high performing business, Accenture identified distinctive capabilities as one of three building blocks that underpin high performance in the food and non-alcoholic beverage industry.

As a first step to improving growth, Groupe DANONE undertook a preliminary study with Accenture to determine how a group-wide Enterprise Resource Planning (ERP) transformation program could help to:

- Drive a single corporate strategy across the company's three core businesses
- Generate new and streamlined operational synergies
- Ensure more even investment across the organization to benefit both large and small business units

How Accenture helped

Thanks to this preliminary study, Groupe DANONE began its transformation journey in the summer of 1999 by exploring and defining how it could redesign the group's global operations based on an ERP program. Accenture brought together a diverse team of professionals from its SAP, consumer goods and services, customer relationship management, supply chain management and finance and performance management practices to provide insight and advice. By January 2000, an ambitious initiative named THEMIS was conceived by Groupe DANONE and Accenture and approved

by the executive committee. THEMIS would transform global operations from a cluster of disparate small- and medium-sized business units into one, integrated enterprise with common global processes. Over time, this large-scale process transformation program would pull together most of Groupe DANONE's business units under a set of DANONE Operating Models ("the DOMs").

As part of THEMIS, the new DANONE Operating Models would focus on process excellence and improved efficiency in order to support corporate governance, bring flexibility for future mergers and acquisitions and enhance return on investments. Accenture identified that a new ERP solution, based on SAP software, would harmonize common practices and processes across key business functions including commercial, supply chain and finance and streamline information systems worldwide. Groupe DANONE and Accenture first worked to confirm the business case, analyzing and quantifying the value of the proposed SAP-based solution, such as process improvements to enable on-demand manufacturing and a more than 10 percent reduction in inventory. This value-driven approach helped the Groupe DANONE and Accenture team to better clarify Groupe DANONE's business vision and objectives. Groupe DANONE expected early returns of THEMIS to include better circulation of information, increased synergies across the organization and enhanced operational effectiveness.

Having defined with Accenture its vision and what it would take to implement that vision, Groupe DANONE was faced with the task of transforming its processes and deploying the underlying ERP system. In September 2000, Groupe DANONE elected to continue collaboration with Accenture, tapping into Accenture's broad industry process resources and SAP skilled professionals, as well as its experience of large scale transformation. "In pursuing a strategy to create synergies across our businesses, we initially selected

Accenture to help us clarify the business benefits of implementing an ERP. Accenture brought the level of consumer goods industry expertise, experience in delivering large scale ERP implementation that we believed valuable to our effort. Based on the results of the ERP value review and selection, we chose Accenture to help us to build the system and deploy it worldwide," said Jacques Vincent, vice chairman and chief operating officer, Groupe DANONE. This would be the first time Groupe DANONE had launched a cross-country, enterprise-wide effort to implement a group ERP solution. Groupe DANONE, working with the Accenture team, designed an overall approach for implementing the ERP solution following best practices, but customized to Groupe DANONE's strategy and culture. Accenture continued to leverage its best experiences and experts, Global Delivery Network resources and alliance with SAP to design, customize and build the SAP R/3-based system. The ERP system provides real-time visibility into key processes, including finance and controlling, sales and distribution, production planning, materials management, e-procurement and inventory management, plant maintenance, quality management and supply chain planning. As part of the solution, a custom trade terms management system, built previously by Accenture and enhanced specifically for Groupe DANONE, also helps the foods company handle rebates to customers.

While development of a core system of this scale was a challenge, after rigorous system tests and pilot implementations in four country business units, Groupe DANONE and Accenture began an ambitious roll-out plan to deploy the solution at more than 30 business units in North America, Latin America and Western, Central and Eastern Europe from May 2002. At the end of 2007, the solution supported close to 8,000 users, some 350,000 customers and 70 percent of Groupe DANONE's business (total turnover). It is scalable, transportable

and customizable to support all business units within Groupe DANONE, from larger units supporting up to 1,000 users to those with less than 50 users. According to Jean-Marc Lagoutte, chief information officer for Groupe DANONE, "The approach developed together with Accenture is delivering tremendous results. We have been successful in connecting the major companies within Groupe DANONE and effective in delivering value to our business units. We now have the foundation in place to enable our IT organization to bring meaningful proposals to the executive team while Groupe DANONE is further growing its business."

Accenture research into how high performers use enterprise systems such as SAP emphasizes that organizations increasingly consider the management of those systems as a journey rather than a series of discrete projects. Accenture is focused with Groupe DANONE on drawing the very best from its system investment over the long term. An example of this is Groupe DANONE's competency center called the THEMIS Agency. Established with Accenture, the center evangelizes the benefits of THEMIS and promotes process and deployment excellence. In addition to managing maintenance and improvements to the core system, the Agency provides the full range of resources required for the deployment or extension of THEMIS in country business units. This contributes to overall technological consistency as well as standardized business operations and processes. A second example is the support that Accenture has provided to Groupe DANONE since 2006 to manage and maintain the application for businesses already deployed to the system, as well as for new developments, such as for the opening of a distribution center or factory. Additionally, Accenture is also helping Groupe DANONE to roll out solutions to 30 more companies under THEMIS One, a streamlined approach for the project dedicated to providing SAP ERP to units with less than 50 users.

"Through this innovative approach, THEMIS is affordable to all our country business units, while at the same time providing them with a scalable solution", says Jean-Michel Egu, DANONE THEMIS program director.

Thanks to the solid commitment of Groupe DANONE's executive leadership from the outset of the project, THEMIS reached its objectives and continues to be successful. Involved throughout the entire effort, executive leadership aligned some of its best people to the program. For example, three of Groupe DANONE's 150 general managers served on the project full time for the first 18 months. Additionally, Groupe DANONE nurtured an atmosphere of empowerment so that teams—from the user to the general manager—made defining decisions to further the implementation.

High performance delivered

Now with a single core system to run its global business operations across its different products businesses worldwide, Groupe DANONE has created a stronger business foundation and the ability to reach new, appetizing levels of growth on its journey to achieve high performance. In fact, THEMIS satisfied all three of the business objectives identified by Groupe DANONE's senior executives: it was successful in driving a single corporate strategy across the company's three core businesses, generating new and streamlined operational synergies and ensuring more even investment across the organization to benefit both large and small business units.

In driving integration across Groupe DANONE, the program helped connect the different businesses under a single business platform with common practices, processes and information systems. For example, rather than having data isolated within each country business unit, Groupe DANONE now has a central database offering business insight, particularly across supply chain processes. The improvement

helped reduce end-of-month overdue receivables by 75 percent in some country business units. Improvements are also occurring around inventory management. Likewise, better visibility into integrated sales and logistics networks, from the factory to the distribution center to the customer's site, allowed Groupe DANONE to significantly reduce finished goods inventory and finished goods losses, sometimes by as much as 50 percent. With a system that integrates inventory management, executives also better understand where finished goods losses occur, such as scrapped water bottles due to low quality. Now, they can act quickly to address the issue and minimize loss. Groupe DANONE identified that it could work more effectively with customers such as large retailers. Improvements include "order monitoring" which helps provisioning, superior forecasting of demand for promotions and reduced omissions for stores running new products. As a consequence, in some of the largest country business units, customer service satisfaction rose from 95 to 99 percent. Additionally, in mature country business units such as France, THEMIS facilitated initiatives with key customers to improve their logistics operations enhancing store order preparation and facilitating presentation and shelf quality. THEMIS impacts Groupe DANONE's own operations and can have a positive influence on client supply chains also.

THEMIS is also helping Groupe DANONE generate operational synergies; among them is the standardization of the purchasing function. For example, a new e-procurement system provides tools, such as an electronic catalog, that standardizes procurement processing. The streamlined process has engendered a more strategic selection of suppliers and thus less of them, lower procurement costs, greater options for managing prices and more efficient spending.

Additionally, the financial and resource investment in the new solution is returning important benefits to both small and large business units. The company has also uncovered more than €100 million (over US\$147 million) in operating financial cash flow over the past two years through more visibility and tighter controls.

Today, Groupe DANONE enjoys its strongest growth ever. As an integral part of the Groupe DANONE strategy to build a robust, nimble business, THEMIS has played a role in the company's success and has contributed to achieving group operating margin of 13.6 percent in 2006—that is €1.9 billion (US\$2.8 billion) and 19 percent growth over 2004. At peak, THEMIS directly contributed to a group operating margin growth of 20 basis points. Groupe DANONE can better respond to and manage a wealth of business opportunities across the globe, which over the last five years has contributed to 6.7 percent annual, organic sales growth. For example, when Groupe DANONE decided in 2006 to launch a new company and dairy brand in France, the SAP-based solution helped to ensure business systems were up and running in just two months. Jean-Marc Lagoutte comments, "THEMIS was extremely important in delivering our financial results over the past five years. Looking forward, it will be absolutely essential as the foundation for supporting Groupe DANONE's market innovation and helping us meet our future business development goals. Having implemented the core solution, we are able to react very swiftly to business needs and, thereby, grow our business."

With THEMIS, Groupe DANONE is best placed to fulfill its mission to "bring health through food to as many people as possible" in the most competitive, profitable way.

About Groupe DANONE

With around EUR 14 billion of total sales in 2006, Groupe DANONE is the world leader in fresh dairy products and number two in the bottled water and the biscuit market worldwide. In fresh dairy products, Groupe DANONE posted sales of EUR 7.9 billion with strong positions in Western Europe, Eastern Europe, North America, Latin America, North Africa and Middle-East. In Latin America, Groupe DANONE posted sales of more than EUR 1.4 billion with strong positions in fresh dairy products and beverages markets.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With more than 175,000 people in 49 countries, the company generated net revenues of US\$19.70 billion for the fiscal year ended August 31, 2007. Its home page is www.accenture.com.

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