BAIN & COMPANY

Revitalizing Orangina Schweppes

An interview with Hugues Pietrini and Patrick Mispolet, Orangina Schweppes, France

Hugues Pietrini, CEO of Orangina Schweppes, France, left, and Patrick Mispolet, former CEO

With this issue, we inaugurate a series of interviews with prominent consumer products leaders to provide a forum for discussing the challenges they face – and how to overcome them. In our first interview, Bain partner Jean-Charles Van Den Branden sat down with Patrick Mispolet and Hugues Pietrini to talk about their highly successful turnaround of French-based soft-drinks producer Orangina Schweppes. Mispolet is the former CEO and Pietrini took over as CEO in September 2010 after serving as the director of marketing and R&D. The Orangina Schweppes success story provides lessons about how a well-focused strategy with the right priorities and coherent execution can breathe new life into a company's "sleeping beauty" brands. Blackstone Group LP and Lion Capital LLP bought the beverage maker in 2006, with plans of reversing the brand's disappointing performance. In four years, the company's sales grew by double digits every year in a relatively flat category, leading to the successful November 2009 sale of the company to Suntory, a leading Japanese beverage maker. Here are highlights of the full interview; a concise videotaped version is also available at http://www.bain.com/bainweb/media/video/consumer_products_orangina_video.asp.

Bain: What was the challenge you faced when you took over the company?

Mispolet: The situation was rather critical. Market share was declining, sales were declining, profitability was declining and marketing investments had been gradually cut over time. No one knew exactly what was going on, other than that both volume and market share had been falling fairly steadily for the past 10 years. People were accustomed to the disappointing performance and considered it quite normal. There were no long-term views of the future, no plans and little sense of priority. The first thing we did was to inform our teams of how critical the situation had become. Our idea was to create a shock wave and regroup our teams around a plan.

I told them that I felt like the newly appointed captain of a ship, but not just any ship—I was at the helm of the *Titanic.* I offered them a proposal: to do what we truly want with the company, to together build a company that would make us all extremely proud. I was saying, "Let's work together to rebuild a racing boat that wins."

Bain: At that time, what was your vision of the long-term potential of the portfolio? What assets were there to rely on?

Pietrini: Two important facts emerged from our initial assessment. First, we had a portfolio of fabulous brands—brands with a real history behind them, real equity—and above all the exciting challenge of revitalizing them. Second, the managerial context of an LBO enabled us to pull all levers simultaneously, from R&D to commercial execution.

Bain: What was your strategy to turn around the company?

Mispolet: One of our first actions was to prioritize brands in the portfolio. We have a dozen brands and it was essential to make the role of each brand very clear. So we identified three brands as strategic—Orangina, Oasis, Schweppes—and two brands to develop—Pampryl and Champomy. The rest of the brands were to be maintained. The act of prioritizing brands allowed us to clearly allocate resources based on the perceived potential of each brand.

Another action was to define a positioning for the company that would enhance its value as a whole. We realized that our brands were all beverages made with fruits. So we repositioned our company as the leader in fruit beverages. We then had the unique characteristic of being more natural than other refreshing drinks, and we decided to use this strength to focus more on naturalness. Consequently we very rapidly introduced a program of better nutrition. We did away with artificial colorings and, whenever possible, with preservatives.

Bain: Which insights helped you change the way you looked at your brands? What did you do differently based on this new perspective?

Pietrini: During the brand diagnosis, we identified a key point. Orangina, Schweppes and Oasis were leading iconic brands that benefited from exceptional brand awareness.

Mispolet: Orangina is a totally iconic brand in France. If you mention Orangina to any French person, they'll start telling you stories about their childhood and go on forever.

Pietrini: The brands were much loved by the slightly older generations in particular, but the generation that really drives the market, the 15- to 35-year-old group that generates about 50 percent of sales in the category, had only a vague awareness of our brands but they were no longer in their "repertoire." This was quite a shock because we didn't expect such weak results from the young segment. So with Orangina, for instance, we looked into the brand's history, its DNA, to find a new positioning that would be relevant for young people and more in line with their needs. We said to ourselves: Let's try to understand the history of the brand, its founding myth and what underlies it, and then try to build a positioning that's really in phase with the brand's history, so that we can modernize it and make it more interesting and relevant for young people today. The idea was quite simple: It's a personification of the brand's positioning. Orangina is a very natural product and at the same time, fun and a bit whimsical. So we created slightly hybrid creatures, half-human, half-plants or animals.

Mispolet: We adopted a very differentiated positioning for each brand. Our idea was rather than make something that everyone would like, we could have a greater impact by doing something exciting that would fire up even just a small percentage of our target.

Pietrini: For Schweppes, historically we had been targeting homemakers, and now we were going to target the 25- to 35-year-olds and the high-income socio-professional category. We worked on its 225-year history. It was the London gentry's much-loved drink from the beginning of the 19th century, and the first brand to come up with flavored and carbonated water that later became soda. So we had the idea of positioning the brand as a "Creator of Flavors," a brand that creates extraordinary blends, that is able to bring together fabulous and highly sophisticated tastes, a bit like a "nose" in fragrances. And in order to sell this platform, we chose upscale execution tactics that were unusual for soft drinks or mass consumer goods, and more common for premium categories. For our print campaigns, we went straight to the greatest fashion photographers. We worked with famous movie people. We produced an ad with the internationally known star Nicole Kidman. For below-the-line activities, we associated ourselves with events that matched our positioning, in particular the Cannes Festival, which has become a high point for us.

Mispolet: What you have to do once you have a good positioning and a good brand platform is to be very consistent in messages—in the signals that you send out to consumers. You have to keep this consistency not only in advertising, because that's only the tip of the iceberg, but also at all contact points, especially the sales contact points.

Pietrini: So at each contact with consumers, in all our communication, we would have this premium Schweppes iconography, the "Creator of Flavors" platform.

Bain: What were the main challenges to overcome in this journey?

Mispolet: We had to convince the whole company to adopt a new culture. This was a big challenge. How do you change from being accustomed to bad results to having a real winner's mindset? Another of our most difficult challenges was the fact that half the management team changed during the first year. There were people who decided to leave because they didn't identify with the project, and there were also some people whom we asked to leave. And that is something that is very hard to do, even if you deeply think it is a condition required to succeed.

Another challenge came up regarding our distribution partners, grocery retailers. It took us a while to convince them that Orangina Schweppes had changed. At the beginning, retailers were extremely skeptical. However, we quickly invested in our brands and ended up gaining a lot of visibility on TV, on billboards, on the Internet. And when we started to get results, slowly our clients started to take us seriously.

Bain: Did the revitalization efforts pay off? What results did you achieve?

Pietrini: In the past four years, turnover has increased by about 50 percent. Volume is up 25 percent to 30 percent, with regular gains in market share over the last two and a half years. The Orangina brand experienced the fastest growth rate across all consumer goods categories in 2009 in France. The year ended on a volume increase of more than 20 percent. These results are pretty convincing.

Bain: Looking back, what were the key success factors behind these results, what was the biggest lesson you learned?

Mispolet: FMCG [fast-moving consumer goods] companies are above all about brands and teams, and these two treasures should be cherished. We managed the company by trying to concentrate energy, talent, resources and money on the brands. In many companies, marketing budgets are adjusted according to results. But for us, marketing was an investment that you keep up whatever happens, consistently across media. In three years, we doubled our marketing investment and at the end of each year, rather than boosting our profits, we would regularly reinvest in marketing. We were unwavering when it came to our focus on growth and development.

Pietrini: The proximity of our marketing and sales teams, the very strong integration and consistency between marketing development and sales execution, was one of the key success factors. There was no bickering between marketing and sales. Everyone felt accountable for the company's success, and worked hand in hand.

Mispolet: Beyond the results in market share and profit, it was a human adventure.

Pietrini: What we have experienced was a sort of impossible dream that we somehow made come true. Even with brands that have been losing market share for 15 years, you can rewrite history. Fate is not sealed.