DRISCOLL'S OF EUROPE: HOW TO APPROACH THE EUROPEAN MARKET?[1]

The members of the Board of Directors of Driscoll's of Europe (DoE) had a decision to make, when they met in February 2011, on a matter that had remained unresolved for far too long.

A few months earlier, one of the company's best customers, whom it had been working with since mid-2009, had informed them that it would only be able to continue stocking DoE's products if they were packaged under its own private label.

Working with private labels conflicted strongly with the model that the parent company, Driscoll's, had put so much effort into developing in the United States with consistently good results. DoE had been set up to replicate the original model in Europe and its executives were against marketing Driscoll's products under private label because *"it would undermine the very basis of the company's success: sustained differentiation and profitability".*

Driscoll's of Europe BV

DoE was founded in March 2009 by the Californian company Driscoll's Strawberry Associates, Inc. (hereinafter Driscoll's) – the world's leading berry supplier and marketer – with a Spanish partner (Alconeras) who held a minority stake (20 percent)

DoE was a new bid by both companies to enter the European berry market, following an earlier failed attempt. In 2007, Driscoll's and Alconeras, together with KG Growers (UK berry and stone fruit growers cooperative), created the company Berry Gardens to develop the UK market – Europe's largest berry market – under Driscoll's business concept. With the slogan "*From best breeds to best berries",* the model was strongly focused on building up Driscoll's brand in the United Kingdom.

[1] Case by the Research División of the Instituto Internacional San Telmo, Spain. Prepared by Professor Antonio Villafuerte Martin, from Instituto Internacional San Telmo, for use as basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation.

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However, UK retail chains were not willing to sell perishable products under a producer's label. In March 2009, Driscoll's and Alconeras therefore decided to withdraw from the project and move to mainland Europe. Berry Gardens remained in the hands of the national partner and was to continue producing Driscoll's varieties exclusively in the United Kingdom (under private label).

In 2010, DoE marketed fruit produced by its farmer partners in 21 growing areas located in 11 different countries (Netherlands, Belgium, Germany, United Kingdom, Ireland, Portugal, Spain, Morocco, Egypt and France). It also supplied its European customers with fruit from Driscoll's farmer partners in the United States, Mexico, Chile, Argentina and South Africa, thereby guaranteeing year-round availability (see the availability calendar for DoE varieties in Exhibit 1).

Driscoll's Worldwide

In 2010, Driscoll's was the world's leading berry supplier and marketer, with sales totalling over 1,300 million US dollars. Headquartered in Watsonville (California, United States), it was the US market leader in berries, with market shares of 90% for raspberries, 25% for strawberries, 20% for blackberries and 8% for blueberries. In Europe, its strongest product was the raspberry, with a market share of 25% in 2010. Between 2000 and 2010, the company's turnover rose by an average of 15% a year.

Berry sales had boomed in the United States in recent years (25% increase in volume and 27% increase in value between 2008 and 2010, according to figures provided by the US Department of Agriculture – USDA). Strawberries and blueberries accounted for 85% of berry sales.

The company marketed conventional and organic berries, mostly its own patented varieties, although it did also market some public varieties. Driscoll's used natural breeding methods (with no genetic modification) to create its own varieties. Most of the company's customers were retailers, although it also worked with some foodservice chains and wholesalers. Between 2005 and 2010, the average sale price of its varieties rose by 22%, while the volume sold rose by 56%.[2] Exhibit 2 shows the main stages in Driscoll's value chain.

Driscoll's had remained a family company since it was founded in the late-19th century. In 2010, it was being run by the third generation, and members of the fourth generation were also entering the business. Miles Reiter, the Chairman and CEO, was a direct descendent of the founders.[3]

[2] According to company executives, as well as the slight increase in the value of the products, this could also be explained by a change in the product mix, as raspberry growth outpaced strawberry growth (raspberries sold at a much higher price per kilo than strawberries).
[3] For further information, take a look at the company's website at www.driscolls.com.

The company's strategic directions were the following:

- Develop strong consumer recognition and loyalty towards Driscoll's brand to ensure consistently good prices. The company's senior management felt that the focus should be on building a stable future, rather than on achieving short-lived growth based on short-term sales. The company's mission "*To continually delight Berry Consumers through alignment with our Customers and our Berry Growers*" was often cited at Driscoll's Board and management committee meetings as a criterion to guide decision-making.

- Work with only one brand, *Driscoll's*, to build brand strength and keep delivery complexity to a minimum. A second brand, *Berry Valley*, was used to market fruit that did not meet premium brand requirements and surplus production (although efforts were made to avoid overproduction). The private label option (store brands) was expressly rejected.

- Work, wherever possible, with selected retailers. Driscoll's selected the retail chains that it wanted to work with under mutual collaboration agreements (these customers were known in the company as category managed accounts). Joint plans were formulated with these customers to develop and promote its range of berry products. They tended to be regional chains in the United States, with 80-150 outlets selling mainly fresh products, although there were also some national chains. Its preferential customers included Big Y, Wegman's, Schnuck's, Kroger, Whole Foods and Safeway.

  Driscoll's also worked with other US customers and wholesalers (the latter in New York), although the level of collaboration was lower. It worked very little with Wal-Mart and other retail chains with business strategies based on price and private label (it only supplied such chains occasionally at times of surplus production).

  Miles Reiter, would often say "*we can't delight consumers without the help of our customers, and they can't delight consumers without Driscoll's assistance".*

- Continue to outsource berry growing. Selected independent farmers grew the company's varieties in selected production areas under licence. Driscoll's farmer partners were mostly private companies (medium-sized to large), and there were very few cooperatives. Driscoll's provided farmers with training, assistance and advice on issues ranging from good practices for berry production and handling to management support. It also endeavoured to ensure that the prices paid to its farmer partners were higher than average market prices. Up until 1989, Driscoll's only had farmer partners in California. In that year, following a process of strategic reflection on the way forward for the company, it was decided to start producing berries in other areas, initially Mexico and then Chile. In this way, production was deseasonalized, and the company was able to supply berries all year round. In 2010, it had over 20