

BONDUELLE IN RUSSIA¹

The week of August 25th, 2014 was a special one for Hervé Caroff, the outgoing General Manager of Bonduelle in Russia. It was his last week in Russia, after 4,5 years leading the company's operations in the country. He had been appointed to a new position as Managing Director of the Fresh business in France, Belgium and Luxembourg. He sat at his desk to thoroughly prepare the handover to his successor, Guillaume Debrosse, who was until then in charge of the position in the French fresh business that Hervé was going to assume now, so they had a lot to share and review.

Bonduelle was already the market leader in Russia in the canned vegetables category, with a particularly strong position (number one) in corn, peas and beans. Sales growth recovered strongly during the last two years, after the economic crisis that hit the country in 2009, and the group's expectations (and targets) were high and challenging. One way to deliver the targets was to continue developing the current range, but the task was becoming increasingly complex at the pace of increasing market maturation. A second opportunity was to spur the development of the frozen vegetables range, launched two years ago, to become a bigger part of the business, approaching the group's average (one third of the global business). And there could also be an opportunity for fresh products (bagged salads and vegetables, one fifth of the group's business, but still not launched in Russia). However, this business required a totally different approach and supply chain infrastructure.

Debrosse's job in the coming years would be challenging and demanding. He would have to adequately define the strategic priorities and actions and Caroff wanted to give him his best advice. How to continue developing the canned business and extending the brand knowledge to other products? How to speed up the business in Belarus and Kazakhstan? How to develop the frozen range? Was it the right moment to launch the fresh products? How to put in place the required infrastructure? What was to be

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prioritised? Was the current organization adequate for this business? How to build the right team? How could the increasing uncertainty derived from the recent Ukraine crisis affect the business and how to cope with it? In other words, how to secure short and long term growth in the country?

BONDUELLE GROUP: A WORLD LEADER IN VEGETABLE PRODUCTS

Bonduelle S.A., a family run company based near Lille, France, was Europe's leading producer of prepared vegetables. The company offered consumers and food service businesses in more than 100 countries a range of ready to use vegetables in 4 technologies: canned, frozen, fresh and prepared vegetables (ready-to-eat).

A bit of history: building the canned business (1926-1968)².

In 1853, two members of the Bonduelle family, Louis Bonduelle and Louis Lesaffre joined together to open a distillery business. Later on, the family divided up the assets among its branches and the Bonduelles continued to run the family farm. Pierre and Benoît Bonduelle launched the canning business in 1926 by installing some basic equipment in a former barn and planting 16 hectares of peas for canning. The company increased planting in 1936 to 230 hectares and expanded its canning facilities. Yet the company restricted itself to producing and canning, turning over marketing and distribution to another company until 1947, when it launched the Bonduelle brand and stopped using the sales network of its distributor. Bonduelle became a widely recognized brand for canned peas. The growth soon outpaced its own farm production, and Bonduelle began developing a network of farmer suppliers in the North. A new product launched in 1957, canned peas and carrots, positioned the company as a leading brand in the French canned vegetables market. In 1963, a new production facility was added in Estrées-en-Chaussée, and 600 hectares of peas were sowed. The company also moved into other agricultural areas in France.

The frozen business and the European expansion (1968-1990).

In 1968 the second business line (frozen vegetables) was launched following a request from a French wholesaler.

As the Common European Market developed, Bonduelle expanded beyond France, opening subsidiaries in Germany (1969), Italy (1972), United Kingdom and Belgium (1973), and foregoing local importers. By the mid-1970s, half of the sales came from outside France. The company also diversified to new crops, including corn and mushrooms. The expansion continued to almost all European countries, often through the acquisition of local companies. In 1989, the company bought Cassegrain, a French

² The information in this and the following sections was obtained from www.bonduelle.com/en/group/history.html; www.company-histories.com/Bonduelle-SA-Company-History.html and www.prodimarques.com/sagas_marques/bonduelle/bonduelle.php (accessed August, 4th 2014).

producer of high-end canned vegetable products. By the end of the 1980s the company was already the European leader in canned and frozen vegetables.

Expanding beyond Western Europe, going public and the fresh business (1990-2014).

The fall of the Berlin wall gave birth to the expansion towards Central and Eastern Europe, starting with the German Democratic Republic in 1990, and followed by the Czech Republic (1991), Poland and Hungary (1992), in this case through the acquisition of a factory at Nagykörös, which later became the group's biggest corn canning facility.

In 1994 the group entered Slovakia and Russia and added subsidiaries in Brazil, followed by Argentina in 1996. One year later, the company made a third technological and strategic leap with the acquisition of Salade Minute and its four dedicated plants, entering the fresh vegetable and salads (cut and washed) market. The movement was later reinforced with the acquisition of Cielo & Campo in 1998 (second fourth-range³ vegetables producer in Italy) and Ortobelli in 2001 (the Italian leader of the fresh vegetable segment). This category followed contrary preservation concepts: harvesting was required year-round, and transport and packaging had to be carried out as close to the point of sale as possible as the vegetables were to be consumed within 10 days after production. In 2003 the company acquired Vita, a German green salads company. In 2000, the company started cultivating 156 hectares in Torre-Pacheco (in the Southern Spanish region of Murcia) to produce fresh salad raw materials for its factories in France, Germany and Italy⁴.

In order to fund the company's expansion, Bonduelle went public in 1998, listing on the Paris Stock Exchange's secondary market⁵.

In 2004 the company opened a factory in Krasnodar (Russia) and its brand became number one in Russia. Three years later, Bonduelle completed the acquisition of Aliments Carrière, a Canadian frozen and preserved vegetable company which owned the Arctic Gardens brand. The acquisition gave access to 39,500 hectares of farmland.

In 2012, the Company had a quite advanced plan to build a new plant in Ukraine to overcome the saturation of its production capacity for Eastern Europe. However, the project was put on hold and replaced by the acquisition of Kelet Food industrial assets⁶ in Hungary (Nyiregyhaza, north-east of Budapest) and the Cecab-d'Aucy⁷ agro-industrial

³ Fourth range: fresh vegetables which are selected, sorted, cut and sometimes mixed, and packaged in envelopes or sealed food trays, to be sold ready for raw use or to be consumed after cooking.

⁴ The Spanish facility produced 4,400 tons of salads which had to be delivered in less than one day to the factories. Bonduelle announced in 2013 plans to add 100 more hectares. Source: "Bonduelle mise sur Murcia pour ses salades d'hiver", April 5th, 2013, www.lavoixdunord.fr/economie/bonduelle-s-engage-pour-rendre-ses-legumes-encore-plus-verts-ia0b0n2272170, accessed Aug. 7th, 2014).

⁵ As of 2014, the family (150 inheritors) held 52.5% of the shares and 68.5% of the voting rights.

⁶ The factory canned sweet corn and peas for private labels and operated well below its capacity. Located in a different production area from the other two Bonduelle Hungarian factories, it would allow for a better distribution of agricultural risks. Source: Bonduelle Press Release, Jan. 31st 2012 (www.reuters.com/article/2012/01/31/idUS199009+31-Jan-2012+HUG20120131, accessed Aug. 4th, 2014).

⁷ CECAB (Centrale Coopérative Agricole Bretonne) was a french cooperative group. It owned the d'Aucy brand (canned and frozen vegetables and ready to eat foods, acquired in 1979) and the Globus brand (the