

Danones risk management analysis marketing essay

[Business](#), [Marketing](#)



Abstract

I chose the Danone SA Company because it is one of the biggest French established companies and it is important to study business model as successful as Danone's one. It is a food company; I indeed think it is very exposed to different risks due to the nature of product they sell and their life cycle. The products can deeply impact the health of the customers. We saw for example the example of Danone's water in under developed countries. This factor adds a new dimension to the risk management policy of the group that indeed becomes more complex. It is thus a very interesting model in my opinion that could help understand more basic models afterwards. It is also important to better know the leading companies of my country of origin. Finally as it is a big group, it is easier to find information on it and indeed produce a more detailed study about the subject.

Executive summary

The Danone Company is a global player of the food industry. It is present in several countries around the world. All those factors add new risks threatening the Company. The nature of its products, the regulations in the different countries, the production of the trademarks, different other activities that are generated by Danone are more and more risks that once reunited form a terrible machine that has to be studied and destroy day after day. This is when the Danone's risk management policy enters in action. The department is in charge of controlling and reporting all the new threat they encounter, analyze them and destroy them. Their number forces a prioritization before action. Thousands of millions of dollar are invested to

protect the brand, the customers and the shareholders of all those threats. The Company must secure its activity to stay in the lead in the different market where it operates. Danone has an efficient risk management policy in most of its departments, however some adjustments have to be made, notably concerning the nature of products and new expenses are needed like in R&D for example. We indeed study a very complex methodology in this report that could be used for many other simpler models.

Introduction

Danone is a global food company established in Paris, France in 1919. The headquarters are situated Boulevard Haussmann, Paris, France. It produces and distributes food, dairy products, baby food and water and employs 76, 000 employees worldwide. Franck Riboud is the chairman and C. E. O, Jacques Vincent is Vice-Chairman and COO. Here is the variation of the Share price and volume produce by the company. In 2007, Danone made a profit of €4. 180 billion for €12. 78 billion revenue. The operating income represents €1. 696 billion. The group is world leader in dairy products and bottled water thanks to its numerous brands. It is also number 2 on the baby food's market, the cereals' and biscuits' market. Here is the Group presence worldwide Danone is an interesting multinational company that operates in developed countries such as Europe, U. S, Canada, etc, and developing countries like Brazil. But it also operates in third world countries and emerging countries of the South East were partnerships, joint ventures, mergers and acquisition are they key to succeed. They are using an expansion technique that helped them gain market shares in new countries

and therefore take the leading position out there. They also try to consolidate their position in the key countries. They do not try hard to enhance the consumption of their products whereas they dedicated to position themselves as a global leader worldwide. We can therefore note that the situation is not very could right now which is the case for almost all business worldwide at this time of crisis. It is also an important company to study since the nature of their products (impact on health, life cycle, etc.) in addition to the areas where Danone operates make it a complex example concerning the risk management policy, which we are going to study.

Program and Risk Management Policy of Danone

The development of Danone in recent years is based on a dual strategy: A focus on 3 main areas: Adopting the name of its flagship brand, Danone has made an early focus of its activity around fresh product, water and biscuits & cereals. In those areas, Danone has introduced a policy of internal and external growth to make the company the world leader in these businesses based on a position of dominant local player. This strategy, amongst other things allows the company to focus it's financial and human resources on a limited number of industries. Completed in 2000, the refocusing of the Danone Group is reflected in the fact that over 97% of its turnover is now conducted in these 3 businesses. The sustain of its global growth around its strong brands: the strategy of refocusing the group Danone is coupled with the desire to enjoy an International Development worldwide on a limited number of brands. In the eras of beverage, there is Evian, for biscuits, LU and fresh dairy products, Danone (Dannon in the USA). This, in addition to a

saving in terms of advertising costs, can enhance growth of the group. The brand LU of Danone, for example, is alone more than 50% of group sales in the biscuits at the global level (outside Asia-Pacific) and is the first brand of biscuits in Asia. As a conclusion we can note 2 mains goals conquer new territories and maximize the potential of their strong brands over the territories where Danone operates. We are now going to state the different risks to which the Danone Company is exposed. In the first party, which is mainly descriptive, we are going to see the different risks around the Danone Company. The description of the risks has been found on the French Danone Website; I traduce them and organize them to give an overview of those risks. In the two other parties we are going to see what impacts those risks could have on the Company and how the Danone Company deal with them in order to minimize their impact.

Risk control and Identification Policy

Danone is conducting an active policy of risk management to ensure the best defense of his heritage and that of its shareholders and to respect the interests of its employees, consumers and the environment. Since 2002, the Group has established a comprehensive identification of risks (with specific tool named " Vestalis") through a mapping of major risks that allows prioritizing the problems according to the level of occurrence of risk and their financial impact for the Group. Vestalis was deployed in 56 group companies, which represent about 90% of consolidated net sales to 31 December 2007. This mapping allows to identify risks and weaknesses of the processes of companies covered, to consolidate and prioritize the level of a country or a

pole, and thus to define preventive or corrective actions which can be local or global depending on the case. The most significant are reviewed once a year with the directions of poles and geographic areas at specific meetings. A comprehensive review is conducted regularly with the Executive Committee and the Audit Committee. Numico has also established a procedure for identifying risks, applied since 2006 in its subsidiaries. As of 2008, the methodology for mapping is gradually deployed.

Risks due to activity

We can also find risks associated with the activity of Danone. → Risks associated with price volatility and the possible shortage of raw material: The availability and price of raw materials, particularly those which the Group uses to manufacture its food and beverages (mainly milk and fruit), for packaging its products and transport (PET, PVC, light boxes and petroleum) are likely to adversely affect results of operations of the Group. Variations in supply and demand on a global or regional climatic condition and the state controls could have a significant effect on the price of raw materials involved. → Risks related to the concentration of purchases of certain products and services from a limited number of suppliers, there is a need to optimize the process, purchase of certain goods (including raw materials) and services, in particular subcontracting arrangements, such as the seeds used by the cluster Dairy Fresh, or IT services with a limited number of suppliers. → Risks related to the concentration of distribution resulting in a smaller number of customers while consumers of products of the Group are individual consumers, the Group sells its products primarily to

retail chains. However, the distribution sector is becoming more concentrated. In 2007, the top ten global customers of the Group represented 24% of its consolidated net sales; six of them are of French origin and Carrefour, the first customer of the Group, representing approximately 7% of turnover Consolidated net. The continuing trend towards concentration of distribution, which would result in a smaller number of customers, could affect the margins of the Group.→ Risks related to dominance of the Group in some marketsThe Group in positions of local number one on some of its markets, it is likely to be affected in these markets for abuse of dominant position. The allegations could affect the reputation of the group, lead to court proceedings and the imposition of sanctions that could adversely affect the Group's activities and its results.→ Risks related to competitionThe Group is present in highly competitive markets, which involved large groups of many international and local actors. In Western Europe and North America, markets where it operates are relatively mature and competition to gain market share is particularly intense. In the rest of the world, some international food and beverage occupy strong positions in certain emerging markets and seek to strengthen these positions and to penetrate new markets. In addition, some retail chains have developed their own brands. If the Group fails to differentiate itself against its competitors in terms of product offering, quality and positioning, it might not be able to compete effectively with major players in these markets.→ Risks related to the geographical distribution of the Group's activitiesThe activities of the Group and its employees may be exposed to risks and uncertainties relating to commercial and industrial activities in

many countries likely to know, or have recently experienced a period of economic or political instability, particularly in Latin America, Asia, Africa and the Middle East. In addition, several countries in which it operates offer less developed legal regulation and less protective (especially with regard to intellectual property rights), maintain controls on the exchange or repatriation of profits and capital invested, set taxes and other charges and set up restrictions, sometimes retroactively, to the activities of international groups. The growing internationalization of the Group, however, offers a better geographical distribution for the risks which are reduced from a global point of view.→ Risks related to economic conditions in key markets of the Groupthe Group is a major player in the food and beverages, and sales depend on economic conditions in its main markets. In periods of economic slowdown, consumers' purchasing decisions may be dictated by specific considerations, particularly in terms of purchasing power, which may affect the turnover of the Group.→ Risks associated with seasonal and weather conditionsthe seasonal cycles of consumption of some products of the Group and climatic variations may affect the interim results and annual results of the Group: the consumption of beverages is generally higher during the summer months. Therefore, the turnover of the Group is higher during this period. However, relatively cool summer temperatures, like those experienced in 2007 in Western Europe, may cause a reduction in the volume of sales of beverages, including bottled water on the area compared to a normal year and are likely to adversely affect the Group's activities and its results.→ Risks due to the nature of products the objective is to control the risks both within the group than among suppliers. The risk of

contamination is classified into four categories: microbiological, chemical, physical or allergic and depends on the nature of products. There are at each stage of production cycle, at the time of purchase and delivery of raw materials, manufacturing processes, packaging products, storage and delivery of products to distributors and retailers, storage and the shelf products at the point of final sale. Many of the products, including fresh dairy products should be stored at certain temperatures to retain their nutritional value and flavor, and avoid contamination or deterioration. In the areas of Baby Food and Medical Nutrition, the absence of chemical contamination of raw materials, contamination by allergens and maintaining sterile conditions of packaging are crucial. Furthermore, in the waters, there is a risk of pollution of natural water sources that provide the resources necessary for this activity. The Group's strategy is based on developing new products with a high nutrition / health impact. In this context, the Group remains vigilant particularly beyond the scientific evidence clearly identified and the regulatory context, including the origin of ingredients used. In addition, the Group develops products increasingly complex based on active ingredients and organic matter, including probiotics. The Group also remains vigilant in monitoring the risks perceived by consumers, including GMOs (Genetically Modified Organisms) and the risks of obesity for example. → Risks related to information systems

The group relies more and more common applications for all its activities. The main risks relate to confidentiality, data integrity, and interruption of services. Indeed, any failure of these applications or networks of data and lack of secure data centers (Data Centers) or networks could block or slow down production, delay or skew some decision-making

and lead to financial losses for the Group. → Risks related to the consequences of restructuring The Group has carried out restructuring in the past and more recently in connection with the acquisition of Numico and could continue to do so. Restructuring consist mainly of plant closures and staff cuts to reduce production costs, improve efficiency of production processes, exploit synergies and to adapt to the demand of a market constantly changing. Such restructuring may affect the Group's relations with its employees and lead to social conflicts, including work stoppages, strikes, disturbances and thus might have negative effects on the image, the activities of Group and its results. → Risks associated with the Group's growth strategy Acquisitions. The Group's strategy is to become a leader in each of the markets in which it operates. Against a background of continuing concentration of the food and beverage industry, this strategy rests in part on continued external growth through acquisitions. → Risks related to the reputation of the Group International expansion and strong reputation of the Group expose it to attacks of any kind which would impair his reputation through various means of communication. The Group has crisis management procedures to minimize the impacts of such attacks.

Legal Risks

→ Risks related to trademarks and intellectual property given the importance of the reputation of its brands for its activities, the Group has made considerable efforts to protect its brand portfolio, including the Danone brand, with product lines Activia, Actimel, or brand Evian. The Group takes steps to protect its patents, licenses and revenue. However, the Group can

not guarantee that sufficient measures are taken to effectively protect its intellectual property, or that others will comply or not misusing its intellectual property rights. In addition, in some countries where the Group is now providing protection for intellectual property we note less effective results than those in Europe or North America. → Risk regulations As a food industry in many countries, the Group is subject to all regulations set by many states and international organizations, including corporate governance, labor law, environment, health and safety, quality control or tax regulations. The Group is also subject to all state barriers or sanctions which may be implemented to restrict international trade. In addition, the Group's activities are subject to extensive regulation, changing and becoming more stringent. This regulation applies in particular health protection and food security, the statements relating to health benefits of products marketed by the Group, the repayment of some of the products of the Medical Nutrition.

Industrial risks

Safety of industrial plants, employees and residents is a key priority for industrial policy of the Group. The main industrial sites are relatively little exposed to major natural hazards (floods, earthquakes, hurricanes). These risks are evaluated prior to any major relocation project and the new industrial facilities of the Group are designed by integrating all existing safety standards. However, the international development sometimes requires the Group to settle in areas prone to natural hazards, including earthquake (Japan, Indonesia, Turkey, Mexico or Algeria). Also the control the

risks of fire and explosion remains a major concern for directions industrial centers of the Group.

Environmental risks

The Group's environmental policy aims to meet the expectations of various stakeholders in this area, including consumers who are increasingly attentive to the environmental impact of products, while controlling risk. The Group's activities are subject to numerous regulations (mainly on water, air, natural resource use, noise and waste), more and more strict and constantly evolving. These activities are subject to obtaining licenses or declaration prior to the application in France of the legislation on classified installations for environmental protection and implementation of the equivalent regulations in other countries. Packaging is are subject to specific regulations, including the European Directive 94/62 (revised 2004) on packaging and packaging waste, which includes resources reduction, reduction of substance dangerous for the environment, offering of recycling possibilities and valorization at the end of the life cycle of the product. The main risks are the risks of water pollution (pollution mainly organic and biodegradable), the risks related to refrigerating installations (ammonia and other refrigerants) and storage of raw materials or products for cleaning and disinfection facilities (acidic or alkaline), and especially when they are located in populated areas. The Group assessed by analysis of life cycle that, given the nature of its activities, its direct environmental impact is relatively limited. For activities of Dairy Fresh products and Waters, the estimating

carbon emission of Group in the world in 2007 represents a direct and indirect impact of 16 million tons of CO₂ (or 0, 003% of global emissions).

Market risks

The Group has established an organization to centrally manage all of its financial liquidity risks, foreign exchange, interest rate and counterparty. A description of these risks is set out in paragraph 20. 1 in Note 15 of notes to consolidated financial statements. The Treasury Department, incorporated into the Finance Department provides for the management expertise and tools (room, software front and back office) to intervene in financial markets according to the standards generally set up in groups. In addition, the organization and procedures are reviewed by the Directorates of Internal Control and Internal Audit. In addition, some banking activities that are subject to the supervision of the " Commission Bancaire". Finally, a monthly cash flow reporting is communicated to the General Direction of the Group who can validate the approach taken under the management strategies.→

Equity risk- Risks on the Company's sharesAs indicated in paragraph 21. 1. 3 - shares, the Company held on 29 February 2008, 37 100 shares and 174 shares, worth a total of 1 260 million euros (37 395 559 shares at 31 December 2007 for a total of 1 270 million). Treasury shares are deducted from equity at their cost. Based on the closing price of the Company's share at 29 February 2008 (or 51. 98 euros), the market value of shares held on that date (or 37 100 174 shares) was 928 million À1 euros. A 10% to increase or decrease the share price of the Company would result in a variation of 193 million euros in the market value of shares and self.- Risks

on other securities. At 31 December 2007, included shares of listed securities whose market- Other risks. Investment securities consist primarily of negotiable debt on which the Group's exposure is weak. Other financial assets include up to 87 million euros, securities investment money without risk quartering provisions for insurance and risk damage. Pension funds of the Group, whose market value amounted to 443 million euros at 31 December 2007, are invested in equities to the tune of 29%, according to the policy applied by the agencies that manage these funds.

Insurance and risks coverage

The Group has a policy of comprehensive financial coverage based on rigorous technical evaluations that use insurance products to the world market, depending on availability and local regulations. The policy cover is uniform for all companies in which the Group has the operational control. This policy is as follows:

- Traditional risks potentially major (damage to property, loss, liability) are negotiated at the Group level for all affiliates with international insurances. The covers are "all risks except" on the basis of guarantees the widest on the market, with free variables, but relatively low compared to those given to groups of comparable size to accommodate the autonomous subsidiaries. The limits of guarantees are established on the basis of scenarios estimated according to the rules of the insurance market.
- Special Hazards: potentially significant, they require a centralized processing as the responsibility of the Group's corporate officers, acts of fraud, as well as various risks (withdrawal of products, credit risk, environmental risk) are covered in terms of available capacity on contracts on the basis of scenarios

for probable losses of intensity. • Risks traditional common, these risks, which require local management, including coverage of vehicle fleets, guarantees transport of goods, industrial accidents (in countries where they are covered by private insurance) and insurance country-specific. These assurances are negotiated and managed in accordance with local regulations and practices, within the framework of guidelines and data controlled by the Group. The Group decided to adjust the covers of Numico by the same mechanisms. This integration will take effect in 2008. Moreover, to maximize its insurance costs and have a good command of risk, the Group has a policy of self-insurance through its reinsurance subsidiary Danone Ré, a company in its consolidated accounts.

Risk Management Policy Analysis

After having described the whole Risk Management Policy of Danone we can add some personal thinking about it. For example the Vestalis system in charge of controlling, analyzing and prioritizing risks is a very effective tool that constitutes a great investment for the company. It will help them save time which represents less cost on the long run. It is also more precise and facilitates the work of supervisors and employees. It is also very useful concerning their strategy of expansion which each risk need to be studied and prioritized since many new ones emerge day after day. It is also a very good point from the investors point of view since it represent a company in its time, aware of new technology that uses it to aim higher and be more profitable. But if they can control certain risks, there are ones they can not like the fluctuation of raw material price. However there is not anything they

can do for this. They have to have a plan to minimize the impact of those fluctuations, which is the case at Danone's. Competition also represents a risk for Danone. They indeed have to invest massively in order to confirm their competitive advantage and keep their leading position over the markets where they operate. It has a direct impact on earnings and shareholders' behavior. The impact on goals is qualitative since they could lose market shares what Danone do not absolutely want to. It has indeed a direct impact on goals and global strategy of the Company. Another impact is that it could engage legal issues like lawsuits. For example in China many company propose counterfeit products for a cheap price and Danone is a target of choice for those company that enjoy the mage of the company will producing low quality products. It has already been the case. That is why Danone has a large number of lawyers and others persons of law around it. Concerning the risks due to the nature of products, we know that massive investments are made every year. This is totally normal since they are ultra sensible products. If some of the group was contaminated or harmful to health the group's revenues could be deeply affected. Furthermore if a report or a person shows that the company does not invest enough on controls, etc. it would also have a negative impact. Contrary to the risks we studied before this one is more on a long term focus. First it will deteriorate the image of the Group which would deeply affect the strategy of the group to develop their business in new areas around their key, world famous brand. The customers could in fact boycott the products, many lawsuits will arise and the company will be a very bad shape. It would have to massively communicate saying that it was just a mistake or totally refuses those

allegations if possible. It will also have to put in place new brands and communicate on the controls made every period, etc... The shareholders will quit the company, and the earnings will be affected severely. Hopefully it looks like the Company has put in place enough controls and internal audits in order to prevent this scenario from happening. This is certainly one of the major risks of exposure for the company since it will affect Danone at all levels almost immediately. To conclude on the risks due to the nature of products, we can speak about the changing in consumers' taste, which is a very present notion nowadays. It is scientifically proven that customers need new products to keep buying even if some miraculous cash cows products get on the shelves once a while. To prevent from this risks the company have a have a well established R&D department with great productive scientist and marketers that study the trend and produce a product in accordance with this trend. The direct impact would be a decrease of sales and an interest for Danone in slow down, a loss in brand recognition and awareness also. The group must also remain vigilant on its online activity and guarantee things like confidentiality of users. If this is not accomplished users will stop trusting the brand and this negative image will have an impact on sales and shareholders decision depending on the size of the mistake. Some affected users will certainly ban the brand from their shopping cart and communicate this fact to their friends. That is why a crisis communication should be established and users compensated for that. Not too much maybe since it is clear that more than 90% of them will never buy a Danone's products again at least if they pay attention. Concerning the regulation issues with trademarks and patents notably and especially in

emerging countries the group must invest to protect its properties. If the Group fails to protect its intellectual property rights, the revenues could be affected and the growth slow down. That could engage long and costly procedures. The customers would indeed be abused by possible fake products commercialized under the Danone Brand name and shareholders will have the impression of a weak non capable company and will get their money out of the machine. The company should indeed pay for studies to be made around the world to protect all the patents and trademarks they own. It is not necessary as a website for example to register all the possible names (extensions) in every country of the world, but you have to be rational in order to prevent a catastrophe from happening. Danone's properties are really costly since only the name has a huge value, the idea is to prevent possible losses and avoid properties to be stolen by malicious individuals or adversary corporations. Furthermore the risks of seeing regulations changing in the country where Danone is present, is an every day situation that need to be monitored and evaluate, and even anticipated. Different persons around the world, each aware of a special country regulations should be able to report to the company any change in the regulation which has a link to Danone activity. The risks should be evaluated and response should be found quickly or when the new law will begin for example. This is hard to put in place but it is a crucial issue that needs to be undertaken. If for example Danone does not respect a new law it could lead to significant loss issued from lawsuits, and we know that when a big company does not respect the law many persons employ themselves to make it give the more money possible. The activities of Danone in this country will immediately decrease,

depending on the importance of the violation for example. The consumer demand will also decrease and the brand image will be affected which will certainly again have an impact on Shareholders. The integration in " this country" will be delayed or even canceled and it would take longer for Danone to reach its objectives. Maybe they will have to lower them if they want to reach them. The management of risks in the plants is also crucial in order to prevent the employees of getting hurts. It is therefore important to invest in order to a secure working environment. This is also part of a brand's image to offer likeable working conditions for the employees. Strong investments should indeed be made, same for communication about it. It is part of the image to offer this. It could also represent a competitive advantage. It will help in the recruitment and in dialogue with distributors. Furthermore regulations in vigor must be respected; it is certainly not the same in every country where Danone operates. A non consideration of those regulations could lead to lawsuits and all the bad advertising consequences we know for the company. The company should also look one step forward in order to avoid exceptional expense that could lead to an insufficiency of treasury. We are now going to talk a little about environment which is a major preoccupation nowadays. Many companies deeply communicate on their actions to meliorate everybody's environment, etc which is a good thing. Danone is a good example for this kind of communication. We can give the example of several actions like the tap water in African villages put in place with Volvic or the different communities they sustain around the world. Those actions lead to a better brand image that is traduced by an increase in terms of sales. But talking about risk, if we learn for example that

Danone rejected too many toxic gases for example, it could lead to a decrease in consumer purchase and the total abandon of the brand by people really focus on environmental issues. The good thing with Danone is that they are deeply committed with notions like sustainability, environment, atmosphere preoccupations, help of different communities etc, or at least that is what we get out of the different studies and their communication. Their communication and action fit well in the actual context, and this is also one of their competitive advantage and reason of success. We saw that Danone had many reason to invest in their risk management policy because they are a fragile company that could be attack by many parts. We are now going to see how they deal with those risks and give recommendations if needed.

Solution Analysis

Danone expansion's strategy is well thought. In fact as they are a global leader risks are split between countries and when one of them is doing bad it become possible to adjust the production in the other ones. Global risk of failure is indeed largely reduced and chance of success increased. It can not help in the global situation since a lot countries are consuming less. But when the situation will get better, end of 2010 according to the analysts, there is no doubt Danone will be a great player of the global food industry. We are now going to see which solutions Danone employs to limit the risks and propose ideas to avoid or respond those risks Concerning the solution that Danone offers we can not the Vestalis system of risks assessment and prioritization which is very effective. This is a very smart system that justify

by itself the investment made on it, It will represent a time and cost saving for the Company and also distribute fewer dividends to shareholders. But it still has a positive image from the shareholders point of view for the security it brings and the efficiency it has on the global Risk Management Policy of Danone. This measure is also participating in increasing the revenues on the long run since it does a good job while saving costs in salary and extras. This technique justified the large investment made because of its qualitative impact on the global image of the company and the security it brings. It is an important tool of the Company's Global expansion strategy and will participate qualitatively to this expansion, and also quantitatively from the time saving point of view. More countries would be managed in less time. Consequently more people would be able to work on different projects. The possible increase in raw material however represents a huge risk for the company. The impact is even bigger since and more damaging since the Company can not act to fight back. It is an independent factor that depends on way bigger macroeconomics effects. The role of the Company here is however to have a plan to counter this possible increase. For example they could use a high treasury system that makes available to her immediate treasury in order to pay the suppliers in the first time. It could also have a contract with some banks in order to make them support an exceptional credit. A crisis communicate should also be put in place in order to, first of all communicate to the shareholders that could be anxious and tell them about the plan in place. The plan is of course already set up. A repercussion will have to be made on the products, now the question is on which products? I propose to higher the price of best seller, products that are sold because of

their image like the " Activia" from Danone. The impact on sales is quasi immediate and that is one of the reason responsible for the actual results of the Company. Concerning suppliers the company should prospect around the world to get the better prices but above all to avoid the risks of not getting the products, the quantity they need when they want it. Danone has many agents traveling the world to prospect for new suppliers; their power in negotiation is also a great asset thanks to the volumes they are doing every year. They indeed have a strong impact on price cuts on the suppliers, a little like Wal-Mart does for its. New emerging countries like India should be looked at, same for eastern European countries. United States also offer a great choice of suppliers for the agricultural products. The negotiation on suppliers and the delivery on time have a direct impact on production and final prices. This impact is closely linked to sales. The quantitative impact on volume strategy is thus obvious and every aspect of this Customer / Suppliers / Goods procedure have to be well established with less indecisions or approximation possible. The risks due to the nature of goods are also very important and must concentrate the attention of the persons in charge. The group is producing products more and more complex tat need to taste good to keep the customers and acquires new ones, but also not harmful to the body. This has a direct impact on sales and all the goals depend on this factor. The Danone Risk Management Policy is particularly efficient on this point. The communication around is also great. I would therefore suggest staying in this focus, and get inform on possible change of rules and regulation of the industry in order to stay on step forward. One step forward the regulations means one step forward the Competition. Since people are

more regarding to the nature of goods, they have to sell quality goods with no risks for consumers. The ISO regulations are important but also as that produce fresh dairy products, ingredients must be carefully chosen and analyzed in amount. Concerning the global strategy of the group which consist in getting bigger thanks to mergers, acquisition, synergies, etc it is crucial that they invest massively in H&R to make understand the employees and help them cohabit peacefully and efficiently. " Acquisitions are likely to have a negative impact on the business if it fails to integrate acquired companies and / or synergies and savings are not realized". This also generates cut offs or strategic decisions concerning the employee that needs to be communicated in order to keep a great working environment, which is crucial to optimized the production, marketing, and selling process. On this topic, I would suggest a bi annual meeting between the H&R major representative to discuss the situation and brainstorm about the implementation of the decided strategy and the repercussions on actions. Brainstorming is here an efficient tool to help H&R managers to decide how they are going to deal with the employees they represent in order to produce a great working environment." For example with the acquisition of Numico, the Group has appointed a committee responsible for integrating the implementation of an integration project designed to achieve synergies in terms of turnover and cost reductions." This is a great example of H&R department efficiency at Danone's. It is clear that the integration of Numico is a crucial decision and it must be implemented carefully, every body in the company could be reached by incertitude and it is crucial they understand what is happening and what will be the consequences for them. In addition, "

uncertainties related to the integration of Numico could lead to departures of key people and the slow recruitment of qualified staff", which could have a negative impact on the group's earnings. Concerning the trademarks and patents of the company we note that investment must protect these assets in order not to jeopardize the Group's image. The group policy is very effective in this area. I would however suggest a precautionous attention to certain countries like China for example where Danone must implement a severe protection policy for their properties. No excess must be tolerated and exemplary sanctions should be taken to the persons that try to steal those properties. This must represents serious issue. Also an important point is that Danone contractually engage its employees to let go the patents of their creation to the Company, no losses would be indeed generated. The industrial risks are also a crucial issue for Danone. In order to strengthen its risk control, the Group has established procedures for evaluating the security level of these industrial sites. Independent audits are used to ensure a perfectly objective point of view. The decisions implemented are made on an international basis but most of the time they go beyond regulations. " In 2007, 110 security audits on industrial sites of the Group (excluding Numico) were conducted by independent bodies which have given a score of 1 to 5 for each industrial site audited. The average of the sites was 4. 19 in 2006 (against 4. 00 in 2005) reflect the improved security since the establishment of this system of prevention. In late 2007, taking into account the separate audits performed by Numico on its own sites, the average of all sites of the Group amounted to 3. 76. In addition, at 31 December 2007, the Group has 33 sites classified as level 5, allowing them to obtain certification RHP

(Highly Protected Risk). Specific measures will be taken to gradually improve the safety of industrial sites within the next years." The Danone policy is very efficient on this point. This is a real competitive advantage for Danone to ensure security in its plants. I would indeed suggest pursuing this strategy with a special work on future regulations in order to stay on step above the law and the competition. Talking about the environment which has a direct impact on sales due to the consumers' perception, massive expenditures and environmental investments have been made, which is according to me a crucial point regarding the growing interest of populations for environment. This is indeed more important in developed countries because they are more regarding about this issues and the trend is going increasingly. It is important to show that Danone takes care of the planet in those countries. " In 2007, investments for environmental protection were approximately 17 million euros (excluding Numico), or about 2.3% of total industrial investment of the Group. The four main categories of investments are as follows: 37% waste (including improving the collection, storage, sorting), water for 17% (water treatment, sewage treatment plants, economies of consumption) atmosphere for 16% (reduction of emissions of greenhouse gases, treatment of odors, smoke, noise), energy for 13% (savings of consumption, switching to cleaner energy). Operating expenses related to the environment amounted to approximately 109 million euros in 2007. They include up to 40 million, water management, energy, waste and environmental taxes. The latter amounted to 68 million euros in 2007. " It is indeed important that the group has a great coverage for all these risks. They give a lot of money for this in order to avoid all kind of extraordinary

loss, or any judicial action that could be engaged against the group and which could deeply hurt Danone. Talking about the coverage notably by insurance, the covers are renewing periodically to ensure maximum protection. The overall budget for insurance amounted to approximately 33 million euros in 2007 including worldwide and local assurances. This is indeed a strict policy that Danone has implemented in order to protect its assets. I would indeed suggest they keep this policy, and work with agents in order to cut costs on those insurances. Obviously the protection must not be lower but there are companies that offer the same product at different prices. Danone just has to find the most efficient partner. In conclusion we can say that Danone is really a "in its time" company since it has well understood the need to invest in its risk management policy in order to avoid major catastrophes and sustain its development.