{Jeff Cooper}

ABOUT CEREAL PARTNERS WORLDWIDE (CPW S.A.)

Cereal Partners Worldwide (CPW S.A.) is a successful 50/50 joint venture between Nestlé S.A. and General Mills Inc.

It is one of the world's leading breakfast cereals producers. Realizing over CHF 2 billion in sales, Cereal Partners Worldwide has a strong portfolio of over 50 brands – including the Fitness® franchise, Cheerios®, Chocapic® and Nesquik® – and sales in over 130 countries worldwide. The company operates in seven regions covering Europe, the Middle East & Africa, Latin America, Asia and Oceania, with strong positions in emerging markets such as Russia and Brazil.

Headquartered in Lausanne, Switzerland, Cereal Partners Worldwide has 14 factories and employs over 4,000 people all over the world.

Cereal Partners Worldwide was set up in 1989 to produce and sell ready-to-eat breakfast cereals worldwide outside of the United States and Canada. By leveraging the strengths of its two partners, the company has achieved strong growth and market share development over the past 20 years.

ABOUT JEFF COOPER

Jeffrey S. Cooper has held the position of Global Director of Consumer Insights of Cereal Partners Worldwide since 2009. Before, he was Head of Consumer Insights for the Oceania Region and lived in Australia for a few years. His team is responsible for all aspects of consumer research and syndicated data management.

He graduated from Northwestern University, Illinois, USA, in 1985, where he studied Political Science and Psychology. In 1989, he earned his Master's degree at the Thunderbird School of Global Management, Arizona, USA.

In 1989, Jeff started his career at Hershey Foods Cooperation as an export manager and research analyst. In 1995, he transferred to General Mills where he was responsible for consumer insights management for a range of divisions. After working as Director of Global Marketing Research for Avon Inc. for one year he returned to General Mills in 2006.

THE INTERVIEWER

The interview was conducted in December 2011 by Alain Jolibert, Professor of Marketing Research, University of Grenoble, France, and member of the editorial board of MIR.

MIR TALKS TO JEFFREY S. COOPER, DIRECTOR OF CONSUMER INSIGHTS OF CPW – CEREAL PARTNERS WORLDWIDE, A JOINT VENTURE BETWEEN NESTLÉ AND GENERAL MILLS

Interview by Alain Jolibert

The cereal industry is characterized by heavy competition and a pressure to reinvent itself to meet changing consumer lifestyles and retail environments. Jeff Cooper, Director of Consumer Insights of CPW, one of the world's biggest players in cereals, offers some interesting information on how to keep this business growing in a difficult market environment.

MIR: *The global economy is facing turbulent times and companies are confronted by rapidly changing business conditions. What are the key challenges in the food industry in this climate?*

JEFF COOPER: Right now there are two very strong challenges. On the one hand, you have consumers who are in financial straits. In Europe, consumers are not necessarily getting increases in their salaries and feel that their savings are at risk. The unsolved currency situation and adverse economic forecasts make consumers very tight with their money and very cautious regarding their spending.

On the other hand, we deal with retailers who react to this situation with promotions like "buy one, get one free" or even "buy one, get two free". So one of the main challenges is to find ways to decrease cost and increase value.

MIR: *How do you cope with the economic crisis in Europe?*

JEFF COOPER: It is a very tricky issue. On the consumer side we really need to make sure that we are delivering value and informing consumers that this is what they are getting. One aspect of this is offering value packs and being very clear in the labeling, for example, "20 % free". But we also spend a great amount of time trying to improve the

nutritional credentials of our products, to increase the value inherent in our brands and products. Quite honestly, I think that the nutritional quality of our products is better than anyone's. Plus there is certainly a lot of legislation with regard to sodium and sugar. In the UK they have a sodium pledge. We made commitments to reduce sodium and to reduce sugar. We want to communicate all the nutritional things that we are doing so consumers can see the value we offer.

MIR: *Many Swiss-based companies suffer from the recent currency developments. How do you handle any problems arising from the sharp appreciation of the Swiss franc?*

JEFF COOPER: Well this is where our corporate headquarters are, so for the most part the exchange rate hurts when you are translating market profits back to the center. The translation creates a bit of a squeeze, but every company with its headquarters here has the same problem.

From a manufacturing standpoint it's not as much of a problem because we do not manufacture here in Switzerland. I don't know exactly how many plants we have, but we have a couple in France, one in Portugal, a couple in the UK and one in Poland. So the exchange rate is mostly euro to euro because factories located in Europe serve mostly Europe.

MIR: *Product innovation is a key factor in mature markets like cereals. Is your product innovation more long or short-term oriented?*

JEFF COOPER: Both: long term and short term. There are things that we are doing short term, for example in terms of renovating products for health and nutrition reasons, like more whole grain or more fiber. We do that routinely, as best as we can and as long as we are maintaining the taste and flavor acceptance of the consumer.

There are other things we are also doing on a short-term basis involving flankers. To give you an example, in Russia we extended the *Nesquik*

brand and introduced what is called “*Nesquik Alphabets*”. This was not a grand strategic move, but it did provide something for the sales force to rally around. We used it to leverage distribution and to increase our presence on the shelf. It provided incremental volume. So this was practical, if you will, and we do things like this on a relatively routine basis.

Then, there are of course more strategic projects that are of a bigger or broader scale and take years to develop. In South-West Europe and Mexico we are just launching a version of what we call “pillows”. Pillows are basically filled products with a cereal outside and some sort of cream filling of chocolate or vanilla inside, for example. This product is launching in Italy right now and we will see how it goes. We did a lot of consumer testing and consumers really liked it. Kids like the combination, because they like Nesquik and they also like the pillows.

MIR: *Many grocery brands face heavy competition from retailer brands. How do you position your brand to compete against private labels?*

JEFF COOPER: In most of Europe, retailer brands, like the Carrefour home brand or Tesco home brand are about half the price of our products, but we still outsell them. Obviously there are consumers who are seeing the value that we are offering.

» What retailers care for is growing the category and we talk to them about what we can do to grow it. «

We need to keep that value fresh in their minds and we have to always keep that value new. What can we tell them? We are always looking for new elements for our brands, generally around health or nutrition but sometimes taste. Taste is obviously huge and in the last few years we have also done things like adding more chocolate flakes or more chocolate. Because at the end of the day, if it doesn't taste good, they don't really care, how healthy it is and it will not sell.

MIR: *And what about price?*

JEFF COOPER: We do not compete on price alone. We want to be competitive because prices are part of the value equation. Specifically, we target value-added products. Concerning nutrition, we aim to have the best nutritional value possible, no matter if it would be for adults or for kids. We strive to provide products that offer substantial inherent value and we want to price fairly.

MIR: *Which arguments do you use in your negotiations with retailers offering private labels? Why should they still keep your premium brands?*

JEFF COOPER: Actually, we prefer the term retailer brands. They are brands. Tesco, for example, is a very powerful brand. They act like brands, they have certain pricing tiers and the retailers support their brands. They spend real money on product quality. The quality is indeed very good and has improved immensely. We routinely do blind product testing. We still win, but it is getting harder and harder to stay ahead of them.

Brands play a role in the category too. The cereal category is variety seeking by nature. You want to offer variety to consumers. They do not want to buy the same thing over and over. The fact that somebody goes from our *Chocapic* brand over to *Kellogg's* is a fact of life. Obviously we want that they choose our brands more often than others, but there needs to be variety in a repertoire. Each individual in the household has their own preferred set. Some are enjoyed by everybody in the family, others are very personal.

MIR: *Are your brands in danger of being delisted at the cost of retailer brands?*

JEFF COOPER: Sometimes hard discounters want to freeze out premium brands. We provide them with a lot of information, showing them what they are losing because there are people who only buy premium brands. What retailers care for is growing the category. That's their primary interest and we talk to them about what we can do to grow the category. Our brands play a role and the retailer brands play a role as well. So do shelving principles, facings and merchandising techniques. They all play different roles in different markets.

MIR: *Do you provide them with some kind of facing organization?*

JEFF COOPER: Yes, certainly. We have huge shopper centers. *Nestlé* has been very good at developing these shopper centers where we can bring retailers in. This is a real retail environment, a live thing, where we can actually show them: “Here is what we are thinking and this is what your store might look like”. The dialog that happens as a result is much richer than when you do a PowerPoint presentation. It brings ideas to life.

MIR: *Where are these shopper centers located?*

JEFF COOPER: Nestlé has one in Paris, there is one in the UK and there are some others elsewhere, I don’t recall where exactly.

MIR: *How do you cooperate with retailers in countries where you do not have these centers?*

JEFF COOPER: In some markets it is still pretty much a paper approach, in some others we work with virtual shopping experiences. There are companies like *Fifth Dimension* and *Red Dot Square* who create virtual shopping worlds. The objective of creating such real experiences is to move up the level of engagement of the retailer: If the retailer is more engaged you are going to increase the dialog, the ideas will flow, and the acceptance of your ideas will be better.

Understanding retailers’ wants and needs is just as important as understanding consumers’ wants and needs. There is a lot of concern about profits, but they also have growth strategies and other strategies that go beyond simply wanting to get the lowest price. They have images that they want to project and we need to understand what those are.

When, for example, Walmart approaches us and says they want sustainability, you have to discuss how your brand can be part of their sustainability efforts and talk to them about what you do in term of sustainability.

MIR: *I am sure consumer insight management plays a crucial role in creating value in your products. How do you proceed? What is your emphasis?*

JEFF COOPER: In fact, I am very fortunate to work on consumer insights in a company like CPW. I actually come from the General Mills side of the joint venture where consumer insight isn’t just appreciated, it is actually right in the center. Consumer insight is discussed in every meeting with marketing and R&D, no question. We always need to bring in fresh insights and new ways of seeing things. We are very much consumer champions. We place the consumer at the heart of everything, always start with the consumer. Business reality then shapes and moulds what the final execution will be, whether it is a new product or an ad or whatever. Everything starts with the consumer who is involved every step of the way.

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MIR: *Have the new technologies changed your ways of working with consumers?*

JEFF COOPER: We are doing a lot more co-creation with consumers both on advertising and products than five years ago. Ten years ago you would go and sit in a focus group and would say “Here, what do you think?” and would take back the information and change the product. Now we have online communities that will last for a few weeks. We put a product out and they exchange ideas there. Then we give it to another group and they play with it for a while and then give it back again. That’s the way people communicate nowadays. People sitting around on a porch and talking is not the reality anymore. Now, everybody is on Facebook. Social networks are therefore one of our bigger emphasis areas. You want to talk to people where they are.

MIR: *Can you give us some examples of your activities for collecting insights in social networks?*

JEFF COOPER: For instance, for a while we did some stuff with teens who were blogging about one of our brands. And we are utilizing all sorts of social networks in order to gather information. Another example are fan pages. We have fan pages on some of our brands but we did not create them, someone else did. And there, you don’t even have to ask questions, they are already telling you. You can just follow what is going on. We are following online chatter and we are listening.

» If we can make good connections that other people do not, that creates points of difference. «

MIR: *How do you listen to your fans in online chatter?*

JEFF COOPER: Well, there are tools out there for helping to listen. We use a tool by a company called *Radian 6*. Basically you can go through what is being searched, what is being said on blogs, what is being said on these web pages. You kind of listen to what the chatter is. And actually, it is less about listening to the chatter on your brands but more on the chatter on topics. So if you are interested in what is said about sodium, you know when it comes up. What do people say about sodium? Are they tying it to cereals? How do they relate it to cereals? You get a feel for what is being said out there on the net.

MIR: *Do you create your own brand communities as well?*

JEFF COOPER: We create some brand communities, but we do not want to keep them going continuously. We tend to do them for a defined period of time because we want to maintain engagement. We want fresh information and consumers are not that interested in a fan page of just any packaged good as they may be for *Coca-Cola* or *Nescafé*. We run brand communities for a couple of weeks or months and actively engage people in a kind of co-creation conversation. We no longer say: "Here's what we have got. What do you think?" You sort of throw a question out there and after a couple of weeks, ideas flow on and on. Some consumers are really engaged in this and may be talking about a cereal idea or fiber or whatever you ask. Maybe they don't have anything to say today but all of a sudden they see something in the store and like it and then they start talking and somebody else loves this idea and sparks another idea. This is better than a focus group where you ask people: "Be creative now!" It just doesn't work like this.

MIR: *Are there any long-term trends in consumer behavior that are relevant for your business?*

JEFF COOPER: There are some long-term trends concerning health and nutrition. For example, the gluten issue can be seen as a long-term trend. In the US, just last weekend, the Herald Tribune wrote about what General Mills is doing with respect to gluten-free products. There is a huge population with celiac disease. I think in the US there are 33 million who cannot eat wheat and almost everybody has a degree of wheat allergy. All of a sudden somebody realized that there are a lot of people out there who need gluten-free products. In some cases we did not even have to reformulate the product, we just had to talk about it and communicate it more. "Gluten free" was really kind of taking off. Sales just jumped and this is part of a broad trend.

MIR: *How do you detect such trends?*

JEFF COOPER: We are very fortunate in CPW. We are owned by two very large companies Nestlé and General Mills who have great resources when it comes to trends. They have trend departments who are actively looking at what is being said in journals, what is being said in books or what is going on from the consumer stand point. They do all this listening and they are speaking to experts. They act as connectors. They connect you to the trends, they connect you to all sorts of experts and inform you which resources you can use or which people to meet if you are interested in a certain development. They are actually resource experts.

MIR: *How do you collect and create marketing intelligence in your company?*

JEFF COOPER: The value of our insight generation is not the sample or questionnaire design. Even writing the analysis is not the value. What I am expecting from my managers is their ability to connect the business issues and questions to the consumer. It is much more a matter of thinking and being very good in asking the right questions. We know which market research supplier can best answer certain questions. We have good relationship with them and we tend to be very clear about how we want things communicated.

MIR: *So you cooperate with some supplier for consumer insight generation?*

JEFF COOPER: We do our copy testing with IPSOS on adults and we happen to use GfK for kids. Both relationships are more than 10 or 12 years old. This does not mean that we have not reviewed them. I have already done three review processes with them; I want to make certain that I am still happy and that there is not something better and the suppliers are very aware that they need to keep up and that we are always looking for the best of the best.

But I believe in having a very cooperative relationship with our suppliers. We want to have a business model tailored to our needs and to have a fair value for them too. Therefore we look at their processes and question things we do not value. I do not want to take away the profit, but I want to lower the cost. I want to eliminate waste in their system. I have somebody I use in the UK for product testing. They were spending hours and hours doing something that I did not even look at. I asked them to stop doing it and reduce the cost of it in the price. That makes them more competitive and I am much more likely to stay with them. They actually very much welcome us looking at their processes and they can certainly apply it to other clients as well.

MIR: *Well, there are quite a few players involved in insight generation and strategy formulation. How is it organized? Who is responsible for what?*

JEFF COOPER: We are working in a cross-functional environment. CI managers are working with the teams, with the marketing directors, marketing managers and R&D people and collectively they create the strategies and communicate them out. Things are going back and forth, then. Tomorrow, for example, I will be spending the entire day going through the long-term plans that each of the brand teams is going to present. This is one of the check points to see where they are going. The strategies are theirs. They are the ones that are closest to the business.

MIR: *How do you cooperate across regions?*

JEFF COOPER: We have global brands which are actually managed out of this office. Globally, the brand strategies are set by our teams' input from the regions. There are aspects they will take on strongly and other aspects that have to be adapted, but the regions do not change the overall strategy. Regions have the flexibility to fit strategies to their needs and in a feedback process we get to know what is working and what isn't.

Research actually happens at various levels. We have research teams who are integrated into brand teams and they do research in various markets. The UK carries out a lot of its own research, Australia and many other markets do a lot of their own research as well. We have research professional in those markets. Within regions there are certain principles we have agreed upon as a research community. There are approaches and techniques we consider best practice, but there are instances or regions where our global best practice does not work. We provide guidance but we change and evolve and re-evaluate things all the time.

MIR: *Before coming to an end, let's move to a different topic: how do you select your people for Consumer Insights Management. What type of background do you expect?*

JEFF COOPER: In fact, there is no set profile. I have somebody working for me who has a background in anthropology. She was studying Native-American rituals and became interested in studying consumers. In consumer research she needs the same skills and the same questioning mind set. My background is in psychology, others have a background in business.

To me the background per se is not so important. What I want is somebody who can think. I do not really care if they know statistics or not, but I do care if they can think and draw conclusions. A good CI person can synthesize, tell a story and take a stand, that's what counts.

However, most of the Consumer Insights team have an MBA. The actual background also depends on the country's schooling system. In France, for instance, there is a great focus on engineering. But I need an engineer who thinks broadly. We need people taking a large variety of information from a large variety of sources and somehow make connections. If we can make good connections that other people do not, that creates points of difference.

MIR: *Well, I think this makes a good concluding statement! Thanks very much for this interesting conversation. Good luck and we wish you many interesting insights in the coming years.* •