

Citation for published version

Izquierdo Yusta, A. [Alicia]. Méndez Aparicio, M. [Maria Dolores]. Jiménez-Zarco, A. [Ana Isabel]. Martínez-Ruiz, [Pilar]. (2023). When Responsible Production and Consumption Matter: the case of Danone. In Jose Luis Vazquez Burguete & Enrique Carlos Bianchi & Ana Lanero Carrizo & M. Mercedes Galan Ladero (ed.). Responsible Consumption and Sustainability. Case Studies from Corporate Social Responsibility, Social Marketing, and Behavioral Economics (p. 199-211). Cham: Springer

DOL

https://doi.org/10.1007/978-3-031-30742-3_12

Handle

http://hdl.handle.net/10609/149256

Document Version

This is the Accepted Manuscript version.

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WHEN RESPONSIBLE PRODUCTION AND CONSUMPTION MATTER: THE CASE OF DANONE

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Abstract

Commitment by all stakeholders to responsible production and consumption is transforming the until now predominant form of business, as well as political and financial activities and consumer decision-making. Companies must be aware that natural resources are limited and can no longer be misused. This means seeking new production models, redesigning products, reusing materials that were previously considered waste and reducing consumption. Consumers, meanwhile, should change their consumption habits. This latter group is demanding social responsibility from companies and brands through their actions, which are in turn raising greater environmental awareness. Legal and political aspects are also embracing this new paradigm. Danone is one company that has initiated change to comply with the Sustainable Development Goals (SDGs). Here we analyze how this process is unfolding and the milestones that have been achieved.

Keywords: SDG 12 (Responsible Production and Consumption), Circular Economy; B Corp, Danone.

Learning objectives

The learning objectives are as follows:

- Understand how the macro- and micro-environment can influence an organization's sustainability strategy.
- Promote stakeholder involvement in the achievement of sustainability objectives.
- Describe what Danone has done well in terms of resource management to allow the company to adapt to the changing environment (best practices).
- Search, store, and process information related to Danone as a practice in decision-making and independent learning.

1. INTRODUCTION

The Sustainable Development Goals (SDGs) of the United Nations' 2030 Agenda are a milestone in overcoming the limitations of the current socioeconomic model, while also implying a joint commitment by all stakeholders (governments, civil society and the private sector) to the future of economic development. For this reason, it is essential to work towards integrating them into business strategies. In addition to reducing poverty and lowering the impact of climate change, strategic business goals are also achieved, thus encouraging the further development of projects with economic and environmental benefits.

The SDGs are also strongly related to the circular economy concept.

Among the SDGs, number 12 has a special link with the circular economy, as this new economic trend is restorative and regenerative by design. It seeks to redefine products and services to reduce waste through innovation while minimizing negative impacts. The circular economy requires us to rethink products and services using principles based on durability, renewability, and reusability, as well as the ability to repair, replace, upcycle, and refurbish materials and reduce their use.

Adopting a circular economy strategy helps companies to use their natural and energy resources more efficiently, reduce their greenhouse gas emissions, create more jobs and meet the SDGs¹, in particular SDG 12 on sustainable consumption and production. This is what led us to analyze the case of Danone and its commitment to sustainability.

¹ See Liu and Ramakrishana (2021).

Focusing on SDG 12 and its implementation at Danone, this objective requires innovation as well as the creation of a new development model based on technological and industrial partnerships that promote research into raw materials and the reuse of surpluses and waste from traditional processes².

2. CASE DEVELOPMENT: DANONE AND THE SDGs3

2.1. Danone evolution

Danone was founded in 1919 when Isaac Carasso developed a new product that began to be sold at pharmacies called Yogurt Danone.⁴ The innovative new product showed health benefits, especially for people with intestinal problems.

In 1929, Daniel Carasso (Isacc Carasso's son) joined the family business and set up in France, launching the brand under the name Société Parisienne du yoghourt Danone. In the 1940s, it began its expansion into the American market, choosing New York as a gateway, and increased its brand portfolio with new variants of the original product.

In 1973 the brand merged with Gervese. Throughout the 1980s, the group consolidated its position in the European market. Then, in the 1990s, BSN-Gervais Danone sought growth drivers further afield. Thus, countries in Easter Europe, Asia and Latin America become potential and logical targets.

Nowadays, Danone holds onto its original values, its mission still being to "bring health through food to as many people as possible". However, sustainability is starting to permeate the company, to the point that its frame of action has turned to "One Planet. One Health".

2.2. Vision: "One Planet. One Health"

Danone's current vision can be defined as follows: "to bring health to our planet and to generations of people through our company and its ecosystems now and in the future". This idea was born in 1972 when Antoine Riboud, the first company chairman and CEO, said, "There is only one earth; we only live once".

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² E.g. see EnAlimentos (2020), Universidad Carlos III (2021), Ailinia (2022) and LaVanguardia (2022).

³ All the information shown here has been obtained from the official websites: https://www.danone.com and https://www.danone.es.

⁴ See Cruz et al. (2022).

In pursuit of this vision, and reflecting on how people's health is interconnected with the planet's, in 2017 Danone created a new brand logo and company signature: "One Planet. One Health". Inspired by the growing number of people who cared about where their food came from, how it was grown, how it arrived to them, and brands' social and environmental practices, "One Planet. One Health" began to drive the company's decisions and actions.

Through "One Planet. One Health", Danone promotes a new global entrepreneurial approach that, in partnership with non-profit organizations such as Danone Foods-Grameen Bank⁵, leads to new, innovative product and process developments, as well as considering cultural, social, emotional and physiological aspects related to dietary practices in every part of the world. To bring health through food to as many people as possible, the brand plays an active role in the "food revolution".

Care for the environment – and by extension care for the planet – is part of Danone's "One Planet" mission, which involves a set of specific, tangible objectives that Danone sets year after year and considers strategic. At COP21 in Paris in 2015, Danone presented its climate policy objectives in two phases: "to achieve a 50% reduction in emissions by 2030 and to reach zero net emissions by 2050". Danone's concern for health is now more relevant than ever. Over the past two decades, the company's portfolio has evolved to offer healthy products in all four of its divisions: fermented dairy and vegetable products, mineral waters, infant nutrition and medical nutrition.

2.3. Mission: "Bringing health through food to as many people as possible"

In line with its "One Planet. One Health" framework of action and B Corp ambitions, Danone defined "Bringing health through food to as many people as possible" as its purpose or "raison d'être" (Danone 2022j). The social and environmental objectives that Danone adopted as a "Société à Mission" (i.e., its mission) are aligned with the United Nations' SDGs and cover four themes related to health, environment, socialness (with Danone's employees) and inclusiveness (referring to engaging with actors and communities within the company's broader value chain).(Danone, 2022j)

The mission objective is as follows: "impact people's health locally with a portfolio of healthier products, with brands encouraging better nutritional choices, and by promoting better dietary habits" (Danone, 2021, 2022j).

⁵ E.g. see Avelino and Palacio (2021) and Di Tomasso (2022).

Danone also preserves and renews the planet's resources by supporting regenerative agriculture, protecting the water cycle and strengthening the circular economy of packaging throughout its ecosystem to contribute to the fight against climate change.

Building on this mission, the brand will be renewed in order to find a balance between its purpose and performance. For a century, Danone has been faithful to its original purpose, namely selling healthy, delicious products tailored to the nutritional needs and eating habits of its consumers. Essential Dairy and Plant-Based Products, Waters, Early Life Nutrition, and Medical Nutrition – all of its ranges share the same goal: to offer innovative, top-quality products that meet the expectations of consumers at every stage of life. And while the company's business is about nourishing people and helping them take care of their health, it never forgets that it is also about helping them to live better lives and share their enjoyment with others. This is a new journey for Danone, one which builds upon its values and sets it up for success (Danone 2021, 2022j).

2.4. Danone's 2030 goals⁶

Danone believes that people's health and the planet's health are interconnected, that both need to be cared for and fed. Accordingly, it has set its goals for 2030 in line with the "One Planet. One Health" frame of action, and to offer a perfect response to the challenges and opportunities of the ongoing food revolution. For that, the brand has integrated a set of 9 global and long-term goals into its business model, that aligned with UN's SDG⁷.

According to its business model⁸, the objectives of its business model most closely related to SDG 12 are the following:

1. Offer superior food experiences and innovation: According to its reports, Danone "commits to the highest quality and food safety standards" (Danone, 2022a). To that end, the brand chooses natural and sustainably sourced ingredients, as well as simple and traditional recipes and clean labels. Danone's strong innovation

⁶ All the information shown here has been obtained from the official websites: https://www.danone.com and https://www.danone.es.

⁷ See Danone (2022a; 2022b).

⁸ See: https://www.danone.com/about-danone/sustainable-value-creation/our-company-goals.html

https://www.danone.com/content/dam/danone-corp/danone-com/investors/en-all-publications/2022/shareholdersmeetings/committeereportva0422.pdf

- capabilities are key fundamentals to creating superior food experiences for people, as this will remain the first driver of healthier and more sustainable choices.
- 2. Deliver superior sustainable profitable growth: Danone's roadmap focuses on accelerating growth, maximizing efficiency and allocating resources with discipline.
- 3. Be certified as a B Corp: As Danone notes, B Corp Certification is given to businesses that meet high standards of verified performance, accountability and transparency with respect to factors including employee benefits, charitable giving, supply chain practices and input materials.
- 4. Grow manifesto brands: Danone plans to turn its brands for all its product categories into "true manifesto brands" that show a real commitment to change through a healthy and caring planet.
- 5. Foster positive solutions for the planet, preserving and renewing the planet's resources: Noteworthy actions include (1) using natural and sustainable sources of ingredients, as well as protecting soil health through regenerative agricultural practices co-developed with partners (it will even amplify its ambitious water stewardship journey); and (2) fighting against climate change by implementing carbon-positive solutions and aiming to achieve carbon neutrality by 2050.

3. DANONE: RESPONSIBLE CONSUMPTION AND SUSTAINABILITY

As B Corp company since 2016, Danone is developing numerous initiatives around responsible consumption, including sustainable production. To achieve the nine global objectives of its business model that underpin its "One Planet. One Health" vision from a global and long-term approach, Danone has developed important lines of action that have guaranteed it a position as a company 100% aware of sustainability (IMF, 2022). The main initiatives are:

- Promotion of a circular production and consumption model as corporate culture, including raising public awareness and involving its employees.
- **Optimization of resources** in production by harnessing alternative energies, recycling water, reducing emissions, etc.
- Recovery of packaging and subsequent recycling of plastic.
- Research into renewable materials.
- **Eco-design** that facilitates the recycling of packaging.
- Last mile cost reduction.

- Promotion of healthier, more sustainable and more inclusive eating and drinking habits.
- Reduced food waste.
- Regenerative agriculture.
- Social and economic development through education, sanitation, job creation, technology transfer, and improved agricultural production.

Let us look at these initiatives in detail:

Corporate culture. As a B Corp company, Danone aims to promote a responsible and sustainable production and consumption model that ensures a more sustainable food system that allows progress towards the decarbonization of the planet (Danone, 2022d). Presented during COP21 in Paris, Danone published its new climate strategy to cut its worldwide CO₂ emissions in half by 2030. This goal is already being achieved in many of its production plants. As seen in Spain in the dairy and water divisions, an organic reduction in CO₂ emissions of 30% and 45%, respectively, has been achieved between 2008 and 2015, and they aim to reach 0% emissions by 2050 (Danone, 2022h).

To achieve this goal, employee involvement is necessary. Through the creation of the "One person, one voice" program, since 2018, each of Danone's 100,000 employees is invited to actively participate and shape the future towards the Danone 2030 Goals. Through empowerment, innovation and co-creation, the project's commitment is to extend and involve all employees under the same vision of the circular economy (WTWCo, 2021). In terms of social awareness of responsible and sustainable consumption, through the RECONNECT project (Danone, 2022h), Danone encourages consumers to connect with nature. Through a platform open to citizen participation, ideas will be collected to bring nature closer to the city. Through other channels, Danone also seeks to bring together relevant representatives of the entire food chain. One example was the Envifood Meeting Point (Madrid Meeting, 2016), which brought together more than a hundred of the most prominent representatives of this industry to discuss the importance of producers in the development of environmentally friendly policies.

Optimization of resources in production processes. Danone has reduced its **energy consumption** by almost 20% in the dairy sector and by more than 12% in the water business over the last 10 years thanks to the use of 100% renewable electrical energy in all its sites, factories, R&D centers, head offices and logistics centers. In terms of **water consumption**, thanks to research and innovation in manufacturing processes and

water reuse, Danone has achieved industrial water savings of 30% in its dairy division and 55% in its water division.

Concerning waste, Danone expects to recover 100% of the waste it produces in different countries. This will be accomplished at its facilities in Spain, for example, by using sustainably sourced materials and promoting the recycling of waste produced at all plants. To meet this objective, the company has recently obtained the Saica Natur seal "From Waste to Resources: Zero to Landfill", which guarantees that all its water plants in Spain are zero waste: Lanjarón in Andalusia, Sant Hilari Sacalm in Catalonia and Sigüenza in Castilla-La Mancha. Specifically, the company recovers more than 98% of its waste and ensures that it is given a second life, preventing it from ending up in landfills and thus converting it into new resources. Danone is committed to making its entire water portfolio 100% recycled plastic (rPet) by 2025, a goal it recently achieved with Lanjarón. At the moment, Font Vella has two bottles made entirely from rPet, in 1.5 I and 50 cl formats for the restaurant sector. In addition, its second best-selling format, the 6.25 I carafe, already contains 15% rPet.

To reduce waste, it is necessary to **recover packaging** generated in the out-of-home consumption channel. This allows it to be given a second life by incorporating it as raw material for the creation of new packaging. In Spain, this initiative is being carried out together with the Trinijove Foundation and Ecoembes, where the online sales and home delivery platform will integrate the collection and subsequent recycling of plastic bottles delivered to its customers into its service. The management of this waste will be carried out through the **Renueva** container sorting plant, a Spanish project that aims to increase recycling in the out-of-home waste market and, at the same time, to train and create jobs for people with disabilities or in situations of social exclusion. In this way, the company is taking a further step in its commitment to the circular economy, helping its consumers to recycle plastic bottles and reintroduce them back into its value chain in the form of recycled plastic in its new bottles. Danone's e-commerce platform has obtained Clean CO₂ certification, meaning that the online sales and home delivery service is carbon neutral (Danone, 2022f).

The use of renewable bio-based materials through a project underway in conjunction with Nestlé, PepsiCo and Origin Materials to bring to market the first 75% bio-based bottle in 2021 and then launch 100% bio-based bottles in 2025.

Eco-design that facilitates the recycling of packaging. Danone is working on eco-design and on its commitment to giving a second life to resources for the production of all its bottles. For this reason, in addition to using 100% recyclable materials, the label

has been removed from the bottles and the cap has been integrated to guarantee total recycling. All the profits obtained are allocated to projects to clean up natural spaces. To make 100% of its packaging recyclable, reusable or compostable by 2025, Danone has redesigned the "Danacol" brand bottle following the principles of Design for Recycling, in order to ensure that it is easily recyclable. To this end, it has eliminated its PET label and replaced it with a relief on the bottle itself, thereby improving its recyclability and reducing 0.72 g of plastic per unit. Since its launch in November 2021, this has amounted to an annual saving of 130,000 kg of plastic (Alimarket, 2022).

Last mile cost reduction. In its desire to become increasingly "more local and sustainable" (Expansion, 2019), Danone has divided the world into thirteen autonomous decision-making regions within this new local approach. This strategy enabled the company to increase sales by 2.9% in 2018, to €24.7 billion, with an increase in its operating margin of 51 basis points, to 14.45% of sales. For example, Danone's Horizon Organic milk aims to be farm-to-table carbon positive by 2025. Horizon, ranked as the largest USDA-certified organic dairy brand in the world, believes it will be the first U.S. dairy brand to reach this milestone. Doing so will require shaking up industry standards in emissions-prone agriculture (Heaven32, 2020) by reducing the cost of the "last mile" of delivery. That is, optimizing the circuit from the farm to the transportation hub and from there to households.

Promotion of **healthier**, more sustainable and more inclusive eating and drinking **habits**. Alpro has been recognized by B Lab (B Corp, 2022a) as one of the best companies for the world in the environment category, naming it Best for The World B Corps 2021 in Environment (B Corporation, 2022). Sustainability is part of Alpro, Danone's brand of beverages and plant-based alternatives to yogurt, which was launched more than 40 years ago with the mission to change the way the world eats, contributing to the global "**food revolution**" — a movement to encourage the adoption of healthier, more sustainable and more inclusive eating and drinking habits.

Food waste reduction. Danone fights climate change by reducing food waste. After announcing the introduction of the best-before date in May 2021, Danone aims for more than 90% of its products to carry the best-before date to reduce food waste. Danone has also incorporated the "**Dates with Sense: Look, Smell, Taste**" TGTG label promoted by Too Good To Go to help consumers check whether a product is still fit for consumption past that date using their senses.

Danone also collaborates in campaigns and actions to raise awareness and sensitivity among society and its own employees (Danone, 2022c) through the Waste Warrior

Brand movement, a community of companies from different sectors that use their power to combat the food waste. Danone aims to reduce the food waste generated in its factories and production sites by 50% by 2030, in line with the objectives set out in SDG target 12.3 of the UN 2030 Agenda. Additionally, we see Danone pursuing responsible and sustainable consumption in its operations – in order to reduce the impact of food waste – through projects such as the Zero Impact Operations program. This project aims to reduce waste throughout the value chain, from the factories to the final product. In this way, waste is revalued and can be reintroduced as a resource for other uses.

Regenerative agriculture. Danone is committed to regenerative agriculture, working directly with family farms. The idea is to engage farmers in best practices and training in sustainable production. Its goal for 2025 is for 90% of its dairy supply to come from farms with generational renewal (Danone, 2022e). One noteworthy example is the initiative in France called "One Planet Business for Biodiversity" (OP2B). The aim of this initiative is for French farmers throughout the country to learn how to carry out 100% regenerative agriculture from an inter-sectoral approach, beyond their supply chain, by 2025 (Expoknews, 2022).

Social and economic development of its partners. Among its noteworthy initiatives, Danone pursues objectives such as "social and economic development through education, sanitation, job creation, technology transfer, and improved agricultural production", corresponding to SDGs 7, 8, 12, 13 and 15. An example can be found in the **Frezna project** (Danone, 2022g), which addresses the three main aspects of Danone's strawberry production in Morocco: social, economic and environmental.

4. CONCLUSIONS

Today, sustainability is a central issue for both companies and consumers, and society is becoming increasingly aware of the importance of preserving natural resources. For companies, this is increasingly reflected in the development of more sustainable production and marketing practices. On the consumer side, there is growing awareness, which is usually reflected in the selection of more environmentally friendly products and brands.

Danone is one brand to have adapted an important part of its organizational culture to the SDGs. Traditionally, the brand has been committed to health care; today, under the slogan "One Health. One Planet", it recognizes that people and the planet are interconnected, meaning people's health affects the planet's health.

The brand's objectives are both in the area of learning and processes, as well as in strengthening relationships with its customers through education and experience creation. Innovation is a constant, so in addition to investing heavily in resources and training, it also collaborates directly with organizations, companies and institutions with a solid reputation in the field of sustainability. Furthermore, Danone's ambition to become a Certified B Corp underlines its long-term commitment to creating and sharing sustainable value for all, in line with its dual economic and social agenda. In today's world, big companies and their brands are fundamentally challenged in terms of whose interests they really serve.

The main actions developed by the brand are established in each and every stage of the value chain, giving a perfect example of what a true circular production and consumption system is. In the area of production, the company is committed to the collection and recovery of packaging, the use of recycled materials and the use of eco-design. Meanwhile, as regards production, the company is committed to production models that focus on energy savings and reducing its carbon footprint.

Finally, Danone is committed to training, both among its employees and its customers. Communication has become a powerful tool not only to educate and raise awareness, but crucially to encourage sustainable use and consumption behaviors.

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TEACHING NOTES

SYNOPSIS

Commitment by all stakeholders to responsible production and consumption is transforming the until now predominant form of business, as well as political and financial activities and consumer decision-making. Companies must be aware that natural resources are limited and can no longer be misused. This means seeking new production models, redesigning products, reusing materials that were previously considered waste and reducing consumption. Consumers, meanwhile, should change their consumption habits. This latter group is demanding social responsibility from companies and brands through their actions, which are in turn raising greater environmental awareness. Legal and political aspects are also embracing this new paradigm. Danone is one company that has initiated change to comply with the Sustainable Development Goals (SDGs). Here we analyze how this process is unfolding and the milestones that have been achieved.

POTENTIAL AUDIENCE AND INSTRUCTOR'S MATERIAL

This case has been developed for use in courses on marketing, corporate social responsibility (CSR) and the circular economy. There are two potential audiences for this chapter: undergraduate students pursuing degrees in business administration or

marketing; and graduate students pursuing MBAs and master's degrees in marketing, consumer social responsibility, innovation and the circular economy.

TIME FRAME FOR CLASS DISCUSSION

Estimated class time is 100 minutes. Students must come to the discussion having read the chapter and looked for additional information (if they consider it necessary). It would be interesting to work on the case in groups of three students.

SUGGESTED DISCUSSION QUESTIONS

We propose the following discussion topics:

- 1. How can we assess the implementation of these strategies in companies (CSR, circular economy, sustainability)? Is this a passing fad? Is it an attempt to convey a different image? Are the messages that companies are sending out true?
- 2. What is your take on the "roadmap" used by Danone to implement its sustainability and corporate social responsibility strategy, taking its business model into consideration?
- 3. Do you think Danone has communicated its sustainability commitment to consumers? Analyze some of the examples used in the case, or use others.

ANALYSIS

Answer to Question 1. How can we assess the implementation of these strategies in companies (CSR, circular economy, sustainability)? Is this a passing fad? Is it an attempt to convey a different image? Are the messages that companies are sending out true?

This is an open-ended question (there are no right or wrong answers), so each student can give their personal opinion. What is key is that students make strong arguments for their opinions.

Some possible reflections might include: Are companies following through on their corporate social responsibility? Are the SDGs the solution to economic and social problems?

Answer to Question 2. What is your take on the "roadmap" used by Danone to implement its sustainability and corporate social responsibility strategy, taking its business model into consideration?

This is also an open-ended question.

Here are some ideas to work on this question:

- How has Danone been implementing this strategy based on its vision and mission?
- What are the pros and cons of this strategy? Students should try to link this strategy with the principles of the circular economy (designing ways to minimize waste and pollution; continuing to use materials; regenerating natural systems).
- It would also be interesting for students to take into account that Danone is a B Corp company. How has this has influenced its strategy?

Answer to Question 3. Do you think Danone has communicated its sustainability commitment to consumers? Analyze some of the examples used in the case, or use others.

This is also an open-ended question.

- By analyzing some of the initiatives implemented by Danone in its 2030/2050 sustainability strategy, students should assess how the company has dealt with communication. They should take into account communication campaigns, press reports, etc. It would also be interesting to analyze whether consumers are aware of the actions undertaken by Danone.
- It would also be interesting to carry out an analysis of a specific case of how Danone carries out its corporate social responsibility policy. Is society aware of these actions?