

HERO BABY SOUTHERN EUROPE¹

“Best way to sell something - don't sell anything. Earn the awareness, respect, & trust of those who might buy.”

Rand Fishkin²

It had been almost a year since Javier Uruñuela³ had been appointed CEO of Hero Southern Europe. Foremost in his mind in recent months, was the strategy the company should follow to face the gradual decline in the infant food market as a result of the falling birth rate.

In January 2019, Uruñuela summoned his team at the Hero's facilities in Alcantarilla (Murcia). He began the meeting with the following words:

“We all know that, since the beginning of the recession, birth rates have been declining in southern Europe, most significantly in Spain (see Exhibit 1: the evolution of birth rates in Spain); however, we do not know if this decline is a consequence of the crisis or a general trend of society. The market of infant food has suffered an impact that was inevitable, and decreases by 4 % every year.”

¹ This is a case of the Research Division of San Telmo Business School, Spain. It has been written by Professor José Luis García del Pueyo, of San Telmo Business School, in collaboration with research assistant Carmen Gómez González, and is intended as a basis for class discussion only and not to illustrate any judgment on the effective or ineffective management of a specific situation.

Copyright © november 2019, San Telmo Business School, Spain

The reproduction of all or part of this document or its storage and/or transcription in any form and by any means, whether electronic, mechanical, photocopying, recording or otherwise, without express authorization from San Telmo Business School is hereby strictly prohibited. If you would like to order copies or request permission to use this case, please contact Case Publishing Department at +34 954975004 or send an email to casos@santelmo.org

² Rand Fishkin was the founder of Moz, a world benchmark in SEO.

³ Javier Uruñuela graduated in Law from the University of Seville, holds an MBA from the Instituto de Empresa and did a PADE at the IESE. He began his professional career at Colgate and Schweppes, where he held different business positions. In 2002, he joined the PepsiCo team, charged with various responsibilities: in 2008, he was appointed Business Development Director in Geneva, and two years later, he moved to Bucharest to lead the snacks division for Romania and Bulgaria. In 2012, he was the general manager for the Beverages division in Spain and Portugal, and in 2015, he was appointed CEO of the Business Unit in the Nordic countries. In June 2018, he joined Hero as the CEO of Hero Southern Europe.

This fall in birth rates, together with new consumer habits and demands regarding children's nutrition, is a challenge for all of us who are dedicated to infant feeding.

Are we doing what consumers demand? How can we recover our market in Spain? Can we take our Spanish learning curve to Italy and Portugal? Are we taking the right strategic approach? What remains to be done? Do we still have growth potential in our infant food market? If we do, can we grow in the same categories or different ones? What is that growth potential? Regarding the elderly, do you think we can enter this new segment?"

HERO GROUP

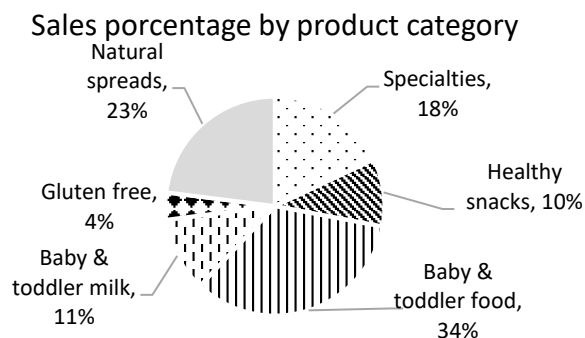
Hero Group was a multinational food company founded in the Swiss city of Lenzburg in 1886 to process fruits and vegetables. Over the years, the company found its niche in the international market of jams and preserves, gradually adding other products, namely infant food, cereal bars, and other such products. (See Exhibit 2: Hero Group milestones).

In 2018, the Group had a turnover of 1,032 million EUR, 4,070 employees, and was present in thirty countries. (See Exhibit 3: Hero Group 2018 Financial Statements)

Hero had sixteen major brands (see Exhibit 4: Hero Group brands). Its products were grouped into six categories, shown in table 1, along with their respective sales percentages. These categories were:

- *Baby & Toddler Food* —BTF.
- *Baby & Toddler Milk* —BTM.
- *Natural Spreads*.
- *Healthy Snacks*.
- *Specialties*.
- *Gluten-Free*. Created in 2018.

Table 1⁴: Hero Group product categories and sales percentages.



HERO SOUTHERN EUROPE

In 2019, Europe remained the largest sales area for the Hero Group, as it represented 72 % of the total. The region was divided into three zones: North (Nordic Countries, Benelux, and Great Britain), Central (Germany, Switzerland, Czech Republic, and Slovakia), and South.

As the southern zone was known within the Group as the Cluster Southern Europe- SE, we will henceforth use the acronym Hero SE. It comprised Spain, Italy, and Portugal. Hero Spain led this area⁵ and coordinated Hero Italy and Hero Portugal.

These three countries had macroeconomic and socio-demographic similarities and a combined population of 117 million, of which 54 million would be over 50 in 2022. (See Exhibit 5 including demographic pyramids of Spain, Italy, and Portugal and their projections for 2028; and Exhibit 6 with the evolution of the GDPs of Spain, Italy, and Portugal).

The 2007 financial crisis had been long and changed consumer habits. Factors that negatively influenced the infant food market included unemployment, mainly female, and the decrease in per capita income because as a result of these, families tended to prepare food at home rather than buying it.

⁴ Prepared by the authors with data from the Hero Group 2018 report

⁵ The divisions of jams, juices, and baby food of Hero France and Hero Poland reported to Hero Spain too; also Vitrac/Sefiaa, a group company located in the environs of Cairo; Hero Czech S.R.O, Hero Slovakia S.R.O (subsidiaries for the children's food label under the brands "Sunar," "Sunarek," and "Sunarka;" and Hero Hungary, involved in the distribution of the group's products in the Central European country. Additionally, the Group had a 42 % stake in the Austrian manufacturer of jams, preserves, and honey A. Darbo AG (based in Tyrol). It owned 100 % of the children's food manufacturer Semper, which led the category in the Swedish market and had an annual turnover of around 70 million EUR; and Organix, a company in the United Kingdom involved in producing specialty organic food.