

MKT 745 Presentation Report

1. Industry introduction

- a. Industry general picture
- b. Major players; how competitive this industry is
- c. Current situation and customer profile
- d. Future and challenge
- e. Others, such as interesting facts, digital advertising strategy, digitalization, etc.

Industry: Yogurt/Danone Activia

General introduction: industry definition and big picture.

The Yogurt industry is a significant segment within the dairy sector in the United States, specializing in the production and sale of various types of yogurt, such as traditional, Greek, and probiotic yogurts. A key product in this industry is Danone Activia, which is well-known for its probiotic benefits and focus on digestive health. The industry has seen a consistent demand due to the rising awareness of health benefits associated with yogurt consumption, such as improved digestion and immune system support. As of 2019, the Yogurt industry achieved a revenue of approximately \$8.2 billion, with a growth rate of about 1.2% annually over the past decade. The market is driven by innovations in yogurt products, including plant-based options and flavor diversifications. Activia, as a leading brand, holds a significant market share due to its established reputation and targeted health benefits.

Major competitors

Key players in the Yogurt industry include Dannon, Chobani, Gernal Mills-Yoplait, Fage. These brands dominate the market due to their extensive product lines and market penetration. Activia differentiates itself by focusing on probiotic yogurt and health-conscious consumers, but Activia Yogurt paid \$21 million in 2010 for allegedly spreading deceptive advertising.

Customer profile

Consumers of Activia and similar products are generally health-conscious individuals focusing on digestive health, probiotics, and nutritional content. The demographic tends to skew towards adults who are proactive about their health, with a particular appeal to women who prioritize digestive health.

Challenge and future

In response to FTC allegations over exaggerated health claims, Activia has strategically repositioned its marketing to comply with stricter regulations, ensuring that all health benefits advertised are supported by scientific evidence. This shift comes at a time when the yogurt industry faces significant challenges from the rising popularity of alternative dairy products, such as vegan and lactose-free options, which are reshaping consumer preferences and impacting the sales of traditional dairy-based yogurts.

Looking ahead, the industry, including brands like Activia, is anticipated to pivot towards expanding its offerings in plant-based alternatives and innovating within its product lines to retain consumer interest and protect market share. Moreover, the expansion of e-commerce and the increasing consumer focus on health and wellness are expected to provide new opportunities for the yogurt industry. In this evolving landscape, Activia is likely to leverage online platforms more aggressively for direct-to-consumer sales and to refine marketing strategies that highlight the scientifically-backed nutritional benefits of its yogurts, thereby aligning with modern consumer expectations and regulatory standards.

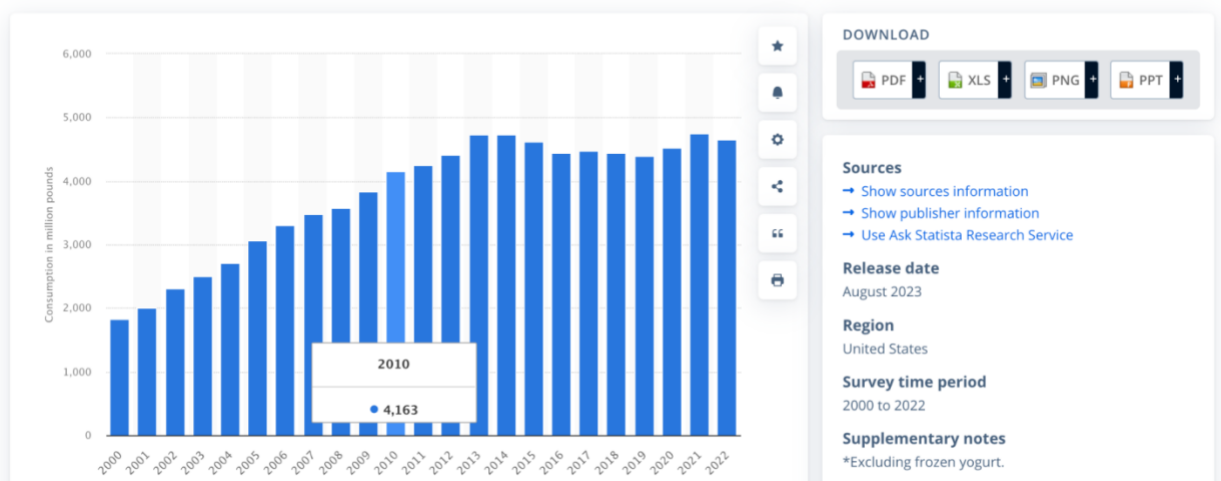
This strategic evolution demonstrates Activia's commitment to maintaining its market presence by adapting to both external market pressures and internal challenges following the FTC settlement.

2. Event description (20%)

- What is the event
- Which firms could be influenced and intuitively how
- Select a few sample tweets to show how people react (e.g. choose the tweets with most re-tweet)
- Select a few news reports and see how mass media react

Consumer Goods & FMCG › Food & Nutrition

Annual domestic consumption of yogurt in the United States from 2000 to 2022 (in million pounds)*



a. The event is a legal settlement from December 2010 in which Dannon agreed to drop exaggerated health benefit claims for its Activia yogurt and DanActive dairy drink, following a charge of deceptive advertising by the Federal Trade Commission (FTC). The company also agreed to pay \$21 million to settle state-level investigations.

b. This event could influence all firms in the yogurt industry that market products with health-related claims. The Dannon company might be more cautious in their advertising, ensuring that health claims are substantiated with scientific evidence to avoid legal challenges and financial penalties similar to those faced by Dannon. This could lead to changes in marketing strategies and possibly product formulations to comply with stricter advertising standards.

c. Omar L. Gallaga

1. Dannon Yogurt in trouble over probiotic claims. Jamie Lee Curtis is going to shit herself when she hears this! <http://bit.ly/g7ThO6>
2. I wondered where the Dannon Activia Yogurt commercials went- answer- is the \$21M settlement - false advertising claims
3. Unsurprising: Activia yogurt's claims are unsubstantiated <http://n.pr/h35a1U> Surprising: Feds are doing something about it (sort of).

d. <https://www.nytimes.com/2010/12/16/business/16yogurt.html>

“Consumers want and are entitled to accurate information when it comes to their health,” Jon Leibowitz, commission chairman, said in a statement. “Companies like Dannon shouldn’t exaggerate the strength of scientific support for their products.”

<https://badgut.org/information-centre/a-z-digestive-topics/dannon-lawsuit-settled/>

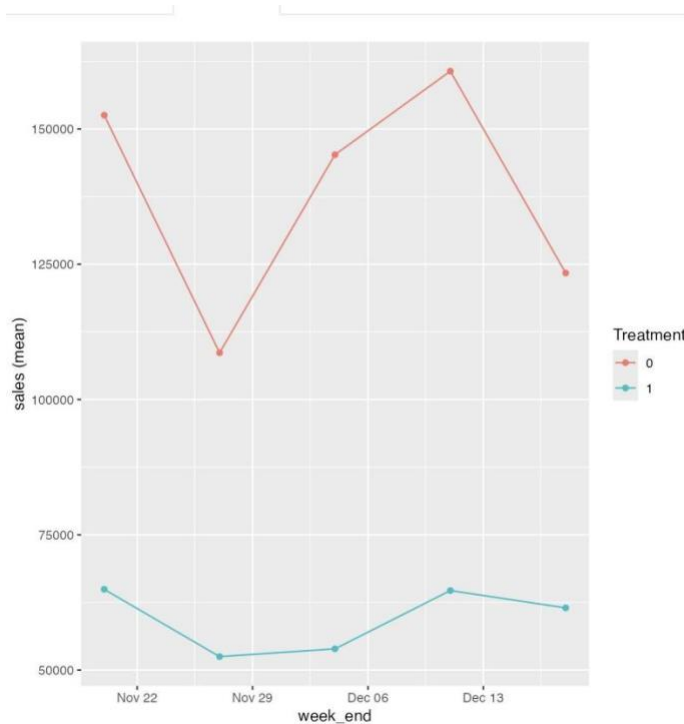
The suit says the company charged 30% more for its probiotic yogurt and spent more than \$100 million US in advertising to persuade consumers of the product’s benefits.

The mass media quoted the chairman of the FTC Commission and elaborated on the entire incident. They did not express too many personal opinions, but it can be seen that Danone yogurt did pay a lot of money for their false advertising, and it did not cause too much discussion from the perspective of consumers. They may not like Danone yogurt because it helps with intestinal digestion and prevent disease, but more because of the packaging and taste.

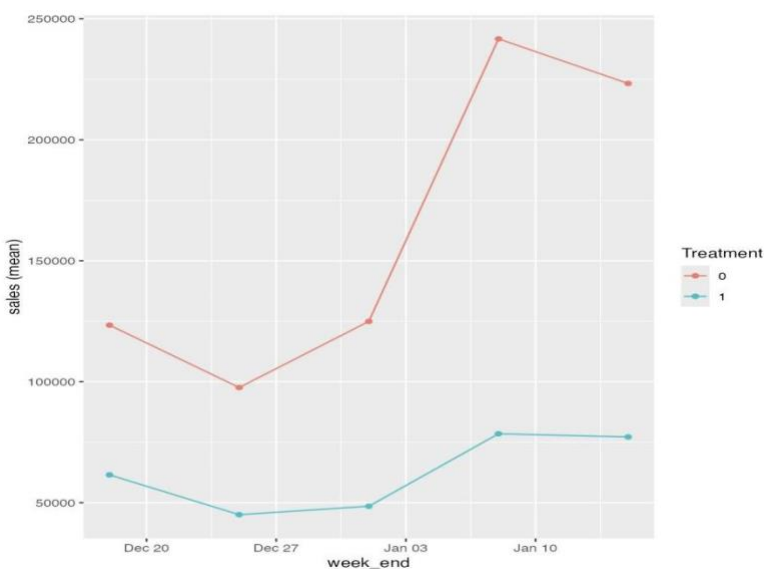
3. Event study

a. Sales

Sales - DiD



The line chart above shows the pre-campaign period from 2010-11-18 to 2010-12-18. We take previous 2 month period before the campaign started. We can observed a relative parallel trend between our brand with our competitor. That create a baseline for our comparison for our post campaign period.



The line chart above shows the sales trend after the campaign period. We could see that there is still a parallel trend between 2 brands. There isn't a clear change with the trend compared with the benchmark.

But while we have a look of the DID estimate, which shows the average effect of campaign, suggests that the campaign resulted in a decrease in sales, with the target group experiencing a reduction compared to the control group by \$21,003.41.

	Target		
campaign	0	1	
0	135,468.88	57,108.83	-78,360.05
1	161,924.58	62,561.13	-99,363.46
		DID:	-21,003.41

In conclusion, our DID analysis suggests that the campaign had an unintended negative effect on sales in short term. Further investigation may be required to understand the underlying factors that contributed to this outcome.

Sales - Counterfactual Analysis

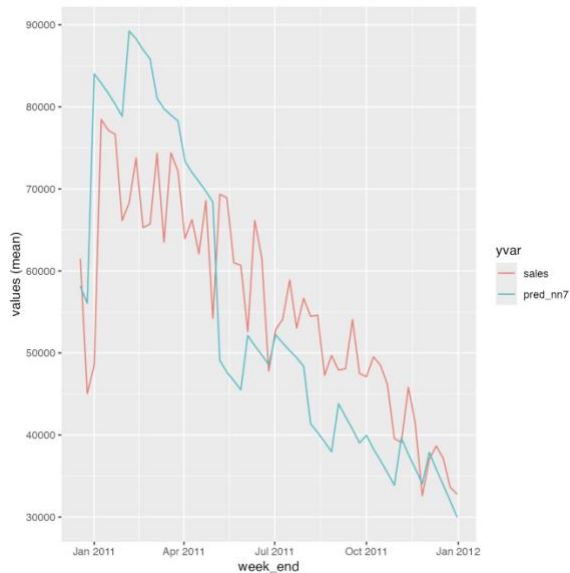
Type	Predictor	n	Rsqr	RMSE	MAE
All	pred_nn7	8,778	0.979	12,876.808	8,774.427

mean

All
87,057.886

$$8774.427 / 87057.886 = 10.1\% < 20\%$$

This model's percentage is smaller than 20% which means it is a good model.



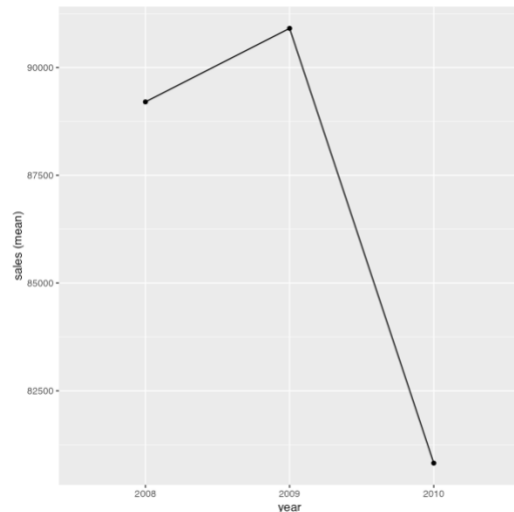
2010-11-18" to "2012-1-31

variable	mean
All	All
dif	908.663

2010-11-18" to "2011-1-31

variable	mean
All	All
dif	-9,789.001

The counterfactual analysis revealed notable discrepancies between predicted and actual sales following the event. Typically, sales surpass forecasts, but in the month subsequent to the event, a negative variance of approximately 10,000 was recorded, indicating a significant impact on sales. Moreover, the trend analysis indicates a continuing decline in sales, suggesting a sustained downward trajectory post-event.

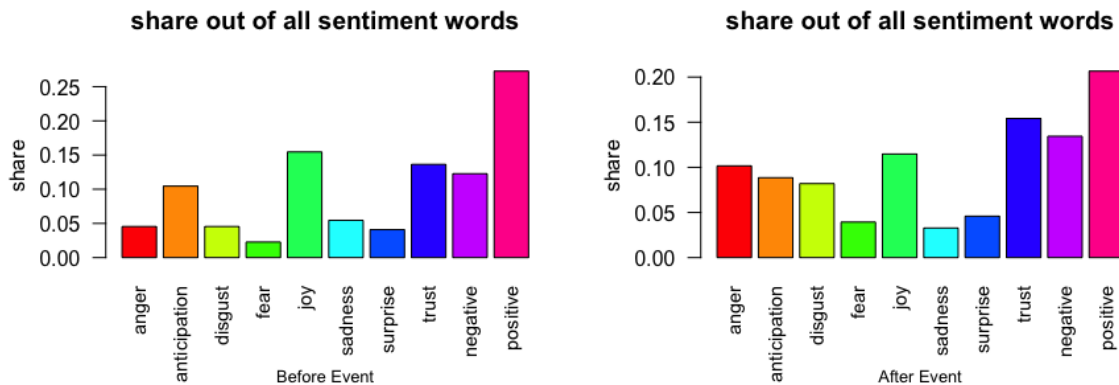


The analysis not only highlighted the initial post-event decline in sales but also demonstrated that by 2008, the situation had escalated to a lawsuit. Further data analysis from this period revealed a consistent annual decrease in sales, culminating in their lowest point at the beginning of 2012. This progression suggests that as awareness of the event increased among customers, the impact on sales became more pronounced and sustained.

b. Social media

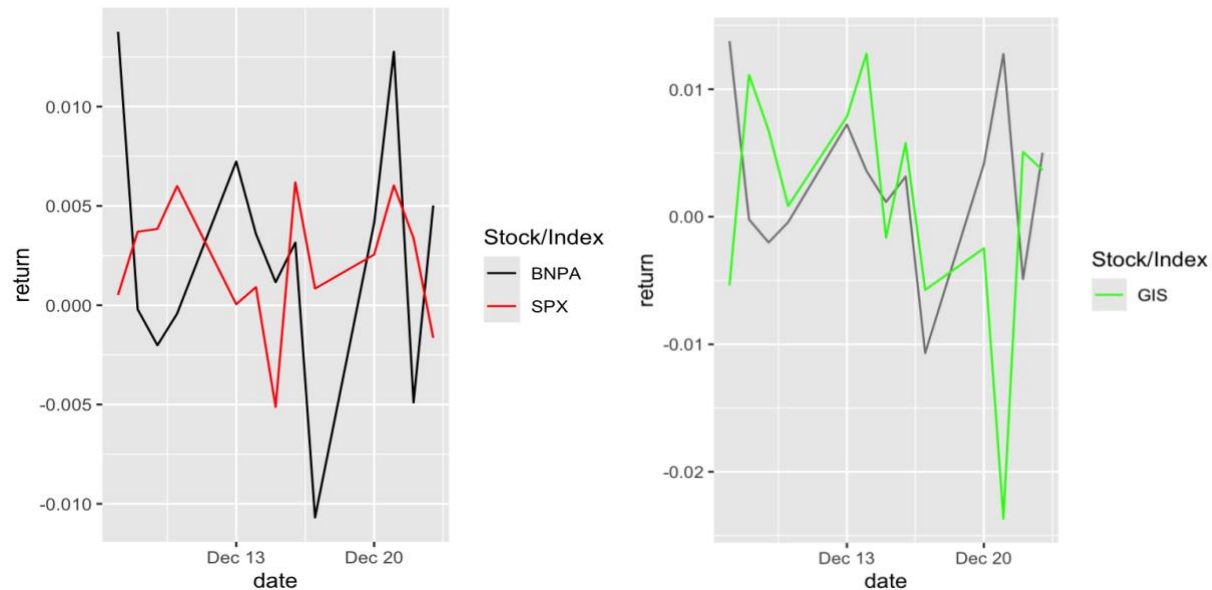


These two images are the wordcloud obtained from social media before and after the event respectively. By looking at the wordcloud before event, we can see that people are focusing on “light”, “sugar”, “fit” and “low fat”. But after the event, the focus shifted quickly to “claims”, “health”, “drops” and “fda”. The “fda” means U.S. Food and Drug Administration, which means that people are very concerned about this event because it affects their health.



Here is the sentimental analysis for the before and after event. The event in question seems to have had a mixed impact on public perception of the Dannon brand on social media. While the brand still enjoys more positive than negative sentiment, there has been a decline in trust and joy, along with an increase in sadness. These changes could indicate that while the overall perception remains positive, certain aspects of the brand's image have been negatively affected. It would be important for Dannon to investigate the reasons behind these shifts in sentiment to address potential concerns and restore any lost confidence in their brand.

c. Stock



In the first graph, we compared the Danone and S&P 500 index. The trend of both stocks is up and down, and it shows uncertainty. Although the return of Danone decreased to negative, it seems like this event didn't affect the stock too much.

In the second graph, we compared Danone and their competitor Yoplait yogurt. We can see the Yoplait stock has more fluctuations compared to the Danone. Then, we can conclude that there is not much relevance.

4. Conclusion

Ultimately, our findings indicate that while the event did not significantly impact Dannon's stock price in the short term—likely due to Activia being just one of several brands under Dannon—it did lead to a surge in discussions on social media characterized by heightened anger and negative sentiment. This increase in negative public perception could potentially undermine customer trust and loyalty. Additionally, the event resulted in a significant short-term decline in sales and had a noticeable long-term adverse effect on sales.