

PROJECT 4a:
CASE STUDIES ON SUCCESS TRAITS
Bonduelle Americas



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About the CAPI Processed Food Research Program

Food processing is one of the country's largest manufacturing sectors and an essential channel for Canadian agricultural products. Yet the rising trade deficit is signaling deteriorating performance. CAPI has launched a research consortium to galvanize a new approach. CAPI is not only focused on the problems but how to move forward to address them. This case study is part of a project to isolate company traits of success and what we can learn from companies to inspire change which includes a cross-case analysis.

Project 4a: Food Processing Company "Traits of Success": Despite the challenges confronting the sector, many individual companies are doing well. By collaborating with several business schools across the country, 13 case studies on diverse food companies were undertaken to isolate how companies are succeeding and positioning themselves to do even better. The individual case studies are based on in-depth interviews with company CEOs or senior leaders. This project is accompanied by a cross-case analysis.

PHASE 1 Diagnosis

- 1a. Diagnosing the trade deficit
- 1b. Reasons for the trade deficit
- 2. Explaining the trade deficit
- 3a. Food manufacturing performance
- 3b. Plant openings, closings & investments

PHASE 2 Inspiring practices

- 4a. Case studies on company success
- 4b. Cross-case study analysis
- 5. Consumers and markets
- 6. Innovation insights

PHASE 3 Competitive advantage

- 7. Conclusions
- 8. Implications for policy & strategy
- 9. Dialogues on outcomes

All completed projects, along with supporting material and data, can be found online at www.capi-icpa.ca.



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EXECUTIVE SUMMARY

SITE: BONDUELLE NORTH AMERICA

For over 85 years, Bonduelle Group -- the global organization with a head office in France -- has experienced steady growth in the canned and frozen vegetables industry as a value-added primary vegetable processor. In 1998 Bonduelle Group established Bonduelle Inc. in New Jersey, USA, a North American subsidiary with one employee who would be in charge of selling Bonduelle products into the North American Market. When Bonduelle saw an opportunity to buy Canadian Carriere Foods in 2007, they did, partly because of the attractiveness of the opportunity and the fit of Bonduelle Group with Canadian culture. This effectively established Bonduelle Americas as it stands today—a North American company that built its presence from a platform in Canada. This case focuses predominantly on Bonduelle Americas, which has head offices in Montreal, Quebec. Bonduelle Americas products are sold through traditional retail distribution channels (supermarkets, mini-markets, etc.), industrial channels, as well as through food service and catering circuits (restaurants, institutional food service, school dining halls, staff canteens, etc.).



PHENOMENON AND RESEARCH QUESTION

A departure from some of the other cases in this series which consider how Canadian companies become successful, develop business beyond our borders, and export successfully, this case tells the story of a global, majority-family owned, France-based company that used Canada as a platform for entry into the North American market. Until 2012, Bonduelle Americas had plants exclusively in Canada and was shipping about 30% of its production capacity in canned and frozen vegetables to the USA because of inherent demand there—this was the maximum amount Bonduelle Americas could feasibly ship to the USA given the annual quantity demands from Canadian customers. Accordingly, Bonduelle Americas was eager to acquire the capacity that the frozen-vegetable processing plants made available by Allen’s Inc. in 2012 would allow.

Bonduelle Americas recently expanded into the USA by taking on processing plants from Allen’s Inc. frozen-vegetable division. Allen’s has core competencies in canning, has maintained the canning business and infrastructure, and wanted to sell off its frozen-vegetable division. This acquisition was made by Bonduelle Americas, though with permission and go-ahead from Bonduelle Group. Bonduelle Group, does not do an active job of expanding into markets alone, but instead has a long history of acquiring plants, factories, and businesses in local markets that are made available or put up for sale by existing manufacturers—such as with the Allen’s frozen-vegetable division in the USA in 2012 or Carrier Foods in Canada in 2006/2007.

Daniel Vielfaure, General Manager of Bonduelle Americas, was interviewed for this case and points out that one of the main reasons the Allen’s’ deal was attractive was because having processing plants proximate to the crops and customers is key in this industry. While demand for vegetables is high, vegetables have to be processed quickly after having been picked—as an example, peas have a maximum of about 1.5 hours of travel time before they must be processed. Further, once the processed vegetables are canned or frozen, they make for heavy (read: expensive) freight. Processing plants need to be near crops and customers in order for processing and shipping to be done effectively and efficiently. The fact that processing plants need to be near the vegetable crops poses limits on such processors, including and especially limits to scale—manufacturers can scale up by having more processing plants, significantly spread apart from one another, serviced by proximate crops, but not by making any one plant larger than the capacity that local crops can yield.

Accordingly, the questions of interest for this case become: As their North American presence, what made Canada initially the most attractive to Bonduelle? (The “Why?”) How does Bonduelle Americas maintain cost-competitive manufacturing in the Canadian market in order to justify remaining here? (The “How?”)

FACTORS OF SUCCESS FOR BONDUELLE AMERICAS

The "Why?": What Made Canada Attractive to Bonduelle?

A Global Perspective, Parent Organization, Network

- Bonduelle Americas maintains a global perspective due in part to its global parent company--this is a global company attracted to the North American market, which set roots in Canada first as its North American presence
- Bonduelle Americas works closely with other business units globally to fulfill unmet needs, learn best practices, and tap into corporate knowledge
- This allows Bonduelle Americas a global perspective and many options internally ("Why?")

Consistent, Culturally Specific, Customer-Centric Leadership

- The senior management team are the 6th generation of the three French owning families with a specific corporate culture--consistency in this leadership transcends business units and practices
- Bonduelle Americas' leadership is particularly customer-centric, considering the customer first
- Bonduelle Americas' corporate culture and social capital matched well with the Canadian, Montreal-based business environment that was bilingual and multi-dimensional ("Why?")

Diversification of Agrorisk

- The quality of soil and fruitfulness of Canadian agriculture were attractive to Bonduelle Americas when deciding where and how to invest ("Why?")
- Bonduelle Americas diversifies agrorisk by rotating crops for maximum soil fertility, manufacturing pulses, as well as operating in both vegetable freezing (soon after harvesting) as well as canning (all year round) ("How?")

The "How?": How is Bonduelle Americas Cost-Competitive at Manufacturing in Canada?

Knowledge of Agriculture and Relationships with Growers

- Bonduelle Americas takes an active interest and has a core competency in really *knowing* growers, agriculture, vegetables, produce; constant R&D in agriculture
- Great relationships with growers, marketing boards, worker unions
- Deep core value around being leaders in agriculture and vegetable production
- This makes for efficient crop yields, processing plants, and product quantities ("How?")

Processing Plant Productivity: Quality First, Costs Second

- Bonduelle Americas has a core value of ensuring quality (e.g. over short-term cost savings); quality assurance allows a solid reputation, loyal customer-set, as well as healthy demand, operating margins, and business consistency ("How?")
- Plants process canning, and pulses in non-harvesting seasons to ensure competitive capacity utilization (e.g. 90%), different than many competitors who operate processing plants seasonally

Core Competency in Demand Planning and Supply

- Bonduelle Americas sees proper demand and contingency planning as part of the customer service imperative
- Because of the precarious nature of annual harvesting and perishable goods Bonduelle Americas pays special attention to demand planning
- This allows for efficient and effective yields, production, and meeting customer demands ("How?")

Investment in Research and Innovation

- Bonduelle Americas has the size to afford investments in the latest technologies for maximum quality and efficiency of food products ("How?")
- Bonduelle Americas has a robust research and development department encouraged to consider innovation and new ideas that allow for greater top-line revenues or greater plant productivity/efficiency ultimately ("How?")

COMPANY HISTORY & DESCRIPTION

BRIEF HISTORY OF BONDUELLE GROUP (FRANCE)

The Bonduelle company was founded in 1853 by Louis Bonduelle-Dalle and Louis Lesaffre-Roussel in France. By 1901 the company was divided into three family-owned companies, Bonduelle, Lesaffre, and Lemaitre with seven production sites. The company continued to grow and expand through the 1930s. With the baby boom of the mid-1940s, demand for distillery production increased and the company had to buy vegetables from other producers to supplement its own crop yields. Bonduelle continued to grow and acquire companies through to today: e.g. Marie Thumas 1980, Cassegrain 1989. In 1997, Bonduelle entered the fresh cut salad business with the acquisition of 'Salade Minute'. In 2010, Bonduelle bought France Champignon. Subsidiaries of the Bonduelle Group were established in Brazil (1994), Argentina (1996), and Canada (2007). The acquisition in 2007 of Aliments Carriere (Arctic Gardens™) solidified the Canadian-American arm of Bonduelle, which was named Bonduelle Americas and produced canned and frozen vegetables for use in retail, industrial, and foodservice (catering) channels.

Bonduelle Group owns the brands: Bonduelle™, Cassegrain™, Frudesa™, Arctic Gardens™. To give a sense of financial size, Bonduelle Group (which is family owned but 40% publicly traded) made an operating income of Euros102M and net profit of Euros57.7M in 2009-2010, globally. Of this, 51% was from canned vegetables, 22% from fresh cut salad products, and 27% from frozen foods.

BONDUELLE GROUP'S GLOBAL SENIOR LEADERSHIP TEAM

Chairman and CEO: Christophe Bonduelle
Bonduelle Europe, Long Life: Philippe Carreau
Bonduelle Americas: Daniel Vielfaure
Bonduelle Fresh Europe: Pascale Bredeloux
Bonduelle Development: Benoit Bonduelle
Director, HR: Bruno Rauwel
Director, Admin and Finance: Gregory Sanson

To this day, Bonduelle Group has many of the 6th generation working for the company, wherein the three main French families own about 27% of the voting shares, extended family members (about 150 people) own 26% of shares, managers and senior staff at Bonduelle Group own a combined 7% of shares, and the remaining 40% of shares are traded publicly.

HISTORY OF BONDUELLE AMERICAS

Bonduelle Americas is Canada's leading processor of canned and frozen vegetables. Known for their high standards of quality and supply, Bonduelle Americas ensures this by maintaining the quality of the soil and crops they use as well as procuring top-of-the line production technology (e.g. electronic vision that picks out imperfect produce from the conveyor belt, as well as any debris, garbage, leaves, etc.). Bonduelle Americas prides itself on quality and consistency throughout the process from seed to harvest to transport truck. Bonduelle Americas is GFSI accredited and compliant above base standards.

Entry Into the North American Market via Canadian Acquisitions Bonduelle Group (France), entered the USA in 1998 with an employee stationed in New Jersey responsible for selling European produce in North America, under the banner Bonduelle Inc. This venture sold very little and in 2006 Bonduelle Group signed a purchase agreement with Carriere Foods in Canada—just under CAD\$200M deal that would include all of Carriere Foods’ seven processing plants. In 2006 Bonduelle took 23% of Carriere Foods’ stock and signed that within 5 years they had to own 100% of Carriere Foods’ stock at their discretion. The deal included the clause that every anniversary for five years Bonduelle Group would have an opportunity to increment up in terms of their ownership, though business was healthy enough that on the first anniversary they took the remaining 77% outright. The legacy Carriere business was working for Bonduelle Group on a few levels (e.g. Montreal-based, great crops proximate processing plants, good business results, good cultural fit), they wanted full control, and the rest of the business. The acquisition of the remaining 77% of the stock constituted the beginning of Bonduelle Americas, and the New Jersey salesperson became an employee of Bonduelle Americas. Bonduelle Group found the North American market to be attractive originally, though took a while to determine their expansion plan for this market. The New Jersey initiative—sales from a European company into the North American market—wasn’t likely to be successful given fierce competition and no existing presence of Bonduelle factories or production capabilities in the market. Carriere foods represented an organization that Bonduelle Group identified with and felt it could work with—possibly because of the cultural similarities of the two French companies, but also because of the opportunity the Carriere business represented. Bonduelle Group built its North American presence in Canada (Quebec) by signing a takeover agreement with Carriere and continuing its Canadian expansion by buying Omstead Foods’s business in 2009 (a fund of BC that had a processing plant in Ontario; Bonduelle Americas did not buy that plant) and Family Tradition’s™ business with some sales and marketing employees (though again, not the processing plant).

Satisfying USA Demand In 2012 four plants in the USA became available through Allen’s Canning. Allen’s Canning had bought frozen vegetable plants in 2006 from Bird’s Eye™, but subsequently struggled with them because frozen foods were not a core competency of Allen’s, so they decided to sell these plants to willing takers— Bonduelle Americas in this case. As Daniel Vielfaure notes: “We buy companies that want to sell. We don’t knock on doors. Customers in the USA were asking for more [of our products], it was more risky to try to bring limited supply from Canada into the USA. Bonduelle Group leaves much leeway to global units, so Bonduelle Americas actually bought legacy Bird’s Eye™ private label from Allen’s happily, while they kept their canning side of the business.”

Prior to this, Bonduelle Americas had been struggling to satisfy American demand—already 30% of their produce from Canada was being exported to interested customers in the USA, though this freight was heavy and expensive, and servicing this market threatened the supply Canadian customers demanded from Bonduelle Americas annually. As Daniel Vielfaure notes, instead of seeing this as an export or market entry strategy given their presence already in the ‘North American’ market, the acquisition of Allen’s processing plants just made logical sense given the demand from the US market, the global orientation of the parent company, and Bonduelle’s continued interest in servicing the American market. In fact, because of the weight and expense of such freight, whenever a market develops enough critical mass in terms of demand for Bonduelle’s products anywhere on the globe, Bonduelle will acquire local production capacity to satisfy it instead of attempting to import exclusively.

Picture 1.0 Depicts the locations of the new American processing plants relative the existing processing plants in Canada (Bonduelle Americas, 2013).



BRIEF HISTORY OF BONDUELLE AMERICAS

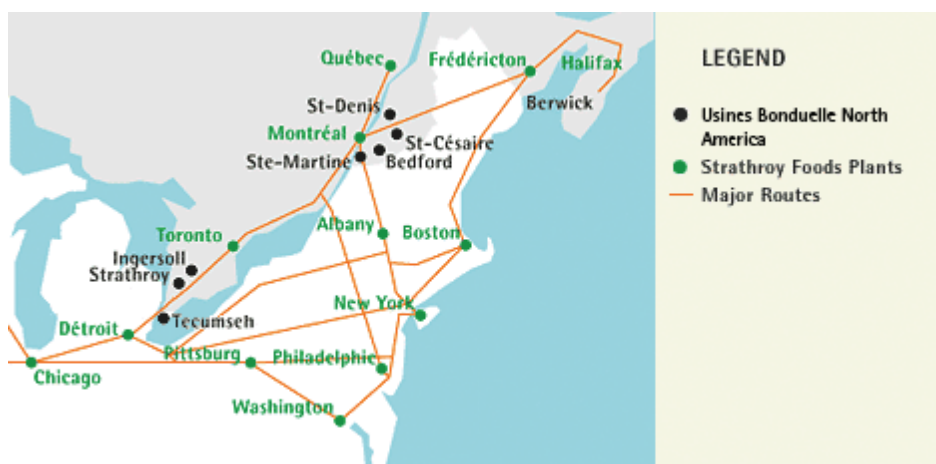
- 1987** Ernest Carrière Inc. and Girard Inc. merge to become Aliment Carrière Inc. (CARRIERE Foods). This company acquires others in financial trouble so as to contribute meaningfully to the longevity of the Quebec vegetable processing industry. CARRIERE acquires majority of Société Coopérative Légubec Inc. and acquires Snyder et fils frozen-vegetable plant, including rights to Artic Gardens™ brand.
- 1990** CARRIERE acquires canning company Conserverie Girard et Beaudin Inc.
- 1993** CARRIERE acquires canning company Cobi Foods Inc.
- 1996** CARRIERE acquires plant in Ste-Martine, PQ, sold by Pillsbury Ltd.
- 1999** CARRIERE purchases the frozen-vegetable plant in Strathroy, Ontario from Strathroy Foods Ltd.
- 2002** Acquired frozen-vegetable process processing plant in Ingersoll, Ontario from Cobi Foods Ltd.
- 2005** Strathroy Foods Ltd. adopts CARRIERE name.
- 2006** CARRIERE acquires frozen-vegetable plant in Tecumseh, Ontario.

In order to run this business, Bonduelle Americas has 1500 regular full-time employees (Ontario, Quebec, USA) and up to 1200 seasonal employees in its various offices, processing plants, and fields. Annually Bonduelle Americas harvests about 335,000 tons of vegetables in Ontario, Quebec and USA.

BONDUELLE AMERICAS' THREE INITIAL INGREDIENTS FOR PROCESSING PLANTS

1. **Water Source:** Cleaning, freezing, processing, cutting, and canning vegetables require large quantities of high quality water.
2. **Energy Source:** Processing, cleaning, cooking, and freezing vegetables requires a lot of energy, especially electrical energy in the case of freezing vegetables.
3. **Local, Quality Land and Soil:** In order to ship the vegetables for processing in time, the crops have to be close to the processing plants. This is why Bonduelle has so many plants all over the world—once a market proves it has significant demand for products, it is easier for the company to produce the products locally than to ship them in from other parts of the world—canned and frozen vegetables make for expensive freight!

Bonduelle Americas' 11 North America plants are all purposefully located near major roads, linking them to distribution networks, electrical grids, water sources, and transportation hubs in order to ensure timely delivery of products to customers in North America. In Quebec the plants are located in Bedford, Saint-Denis, Saint-Cesaire, Sainte-Martine; in Ontario the plants are located in Ingersoll, Strathroy and Tecumseh; and, in the USA plants are located in Bergen, Brockport, Fairwater, Oakfield. Please see map below for complete Canadian listing and locations of BNA's processing plants (from Bonduelle Americas, 2013):



CATEGORY, INDUSTRY, AND COMPETITIVE CONTEXT

Bonduelle Americas is a value-added secondary processor of vegetables. Bonduelle Americas' mandate is to 'feed people vegetables as part of a healthy diet in order to create a healthier world.' While the predominant product lines today stem from freezing and canning vegetables, Bonduelle Americas, indeed Bonduelle Group, sees itself as a secondary processor and manufacturer of vegetables, independent from the ultimate technology used to preserve those vegetables. As an example, should future technologies be made available in the vegetable processing space, Bonduelle Americas indicates that it would certainly consider such new technology and/or processing methods to be within its interest set, as well as within its core mandate. Similarly, while Bonduelle Americas produces canned and frozen vegetables through retail, industrial, and food-service channels of distribution, Bonduelle Americas does not feel limited to these channels and doesn't define itself by these channels. Says Daniel Vielfaure:

"We are a manufacturer of vegetables. That's the angle. We aren't a canned or frozen or fresh food maker in retail or industrial etc.—we process vegetables, whether that is in frozen, canned, pre-made, deli etc. This is an important distinction compared to our competitors. Some are experts in freezing—like McCain. Some are experts in canning—like Allen's. We don't think of ourselves as experts in one type of technology. We are vegetables first, technology second, and then we go to the appropriate channel based on customers' needs."

Because of this positioning, Bonduelle Americas has varying competitors based on the different technologies (e.g. McCain in frozen foods), channels (food-service white-label competitors), and regions (e.g. Canada versus US brands), though there is no singular competitor that is at the intersection of all three of these with Bonduelle Americas. Some competitors will be in categories that Bonduelle Americas is not—such as Hanover™, Seneca™, Lakeside™ which are all in freezing and canning vegetables, but also create many other things, like fruits, chips, meats, soups etc. Further, Bonduelle Americas reports that all competitors are structured differently and do business differently than Bonduelle Americas does, allowing them some competitive advantages in the industry. Part of this variation in structure is due to the fact that Bonduelle Americas is part of a global organization –Bonduelle Group—that is much larger as a whole than any of Bonduelle Americas’ competitors’ parent companies. Bonduelle Americas accredits this as being their single biggest advantage over the competition: “most of our competitors see things only one way, they don’t have the global view that we do, so they can’t learn from ‘themselves’ the way we can.” Further, because Bonduelle Group is a majority-family-owned company with voting rights reserved singularly for members of the three controlling French families, there is less pressure on management to come up with short-term competitive solutions—there’s a longer planning outlook; decision-making is longer-term and investment oriented; there’s an interest in sustainable solutions; there’s no need to incur undue costs to please shareholders in the immediate term; and there exists a willingness to invest in technologies and in the business for real growth and longevity.

In general Bonduelle Americas does not focus particularly heavily on what their competitors are doing to inform strategic choices. This is partly because a) there is great variation in competition by category, region, technology, channel, and b) the organization is family operated and controlled—the corporate culture is such that external market forces are not the primary mechanism by which the company makes decisions. This lack of mimicry and corporate culture allow Bonduelle to make decisions that are unique (core differentiators) and longer-term (not exclusively answering to immediate/potential market threats). Bonduelle Americas considers the marketplace and competitive environment once a year as part of their strategic planning process:

“We want to understand the industry, the market, the competitors and what we do want to do for the next 3 years—but it’s our plan—we do what we want to do, we’re the leaders, we’re not looking back at our competition wondering what they are up to, we’re not going to start following now. We’re not arrogant though, we do look at what is around. We just don’t do it every day; we aren’t trying to copy.”

INDUSTRY MARKETING BOARDS IN CANADA

In Canada, and Canada only, Bonduelle Americas is required to negotiate with unions of producers (‘marketing boards’) in order to procure the vegetables for processing. Every province has its own marketing board for different types of products – e.g. Ontario corn growers, Ontario pea growers, Quebec corn grower, Quebec bean growers, etc. In the USA, as an example, this is not the case; Bonduelle Americas can approach growers directly and independently.

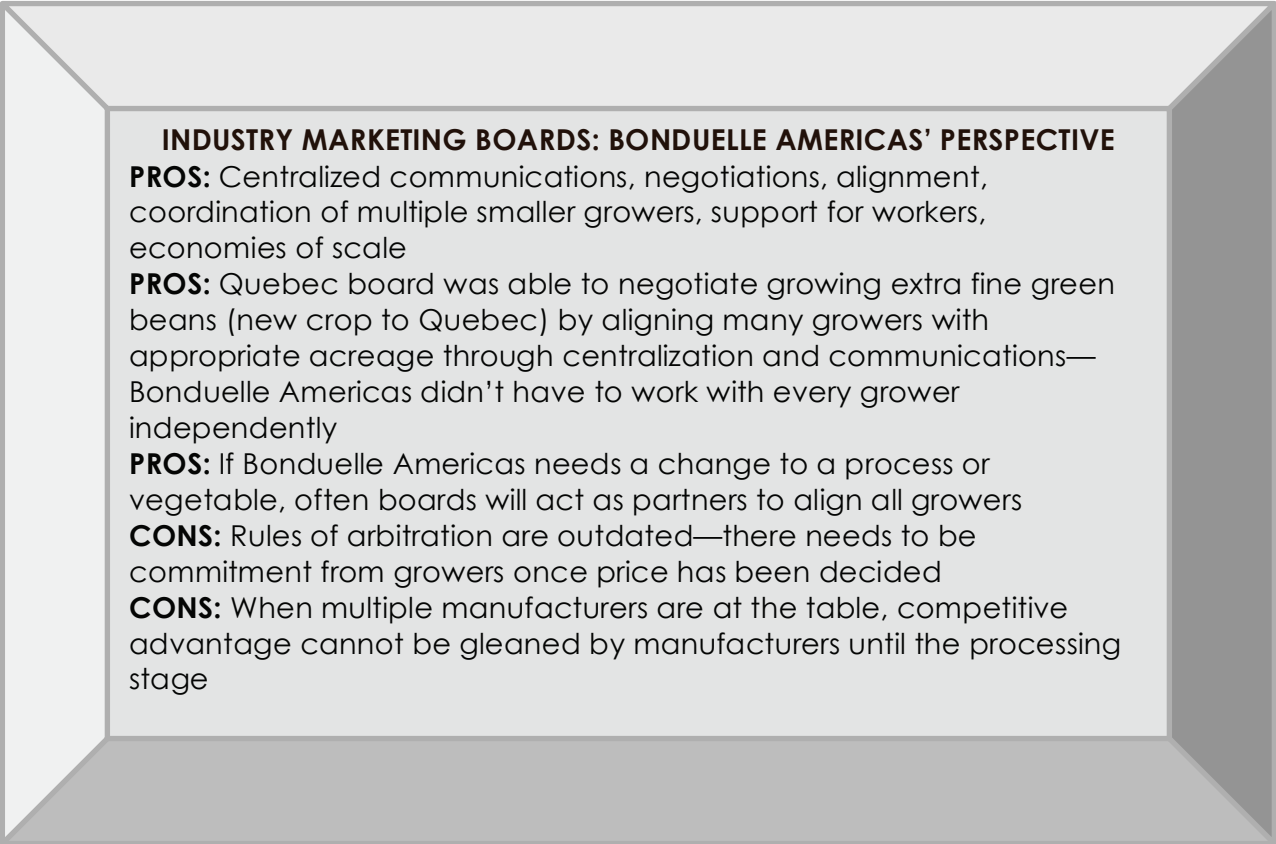
In Canada, typically on an annual basis for a specific commodity (e.g. corn), representatives from all growers and representatives from all interested manufacturers sit together at a table and agree on a price that will be paid per ton of produce by the manufacturers to the growers. While this sounds fairly straight forward, there are a couple of rules inherent to this process. In order to facilitate the annual rate for the product (per ton), an arbitrator is often brought in if the individuals at the table are not able to come to an agreement. In this case, all producers have to agree on an asking price and all manufacturers have to agree on a paying price that the two parties then put forward through the arbitrator. This poses some obvious difficulties typically, as producers will sometimes argue with one another about possible yields and reasonable rates, and manufacturers (who have to compete against one another in the marketplace), will often have variable factors that make them want to pay more or less (a more efficient manufacturer can afford to pay more; higher prices can threaten the existence of smaller players, etc.). Further, there are rules about how the price ultimately gets negotiated: the arbitrator cannot decide to alter either of the offers on the table for an ultimate agreement, e.g. the arbitrator cannot decree that the rate that year will be \$102.50 per ton if the growers had said \$105 a ton and the manufacturers had said \$100 a ton. The arbitrator can either choose one option, or throw both out (if there's too much discrepancy, or one is unreasonable etc.). According to these rules, there is no middle ground, which has its downside for everyone.

Sometimes these negotiations can last for days and typically only last for one crop-cycle (which has its disadvantages in terms of time-spent and efficiency). Another issue for competition among manufacturers in this scenario is that all factors (costs, efficiencies, yields, etc.) are exactly equal for all manufacturers up to the processing plant stage. At that point, efficiencies and competitive differences could be borne out—crop yields and purchasing prices can't play into competitive advantages for manufacturers in Canada under these negotiation rules. Now BNA—because of its size and ubiquity in Canada—often finds itself alone on the manufacturer side of the table through these negotiations annually, especially in Ontario, which is a nice position to be in so as not to have to negotiate price offers with their competitors first, as an example.

One particular difference between the Ontario and Quebec marketing boards is that the Ontario marketing boards act mostly as price-setting bodies, while in Quebec they act also as centralized communications and coordination bodies between all growers and manufacturers on an ongoing basis. Partly because of this difference, possibly because Bonduelle Americas has head-offices (e.g. most office employees) located in Quebec, and likely because of a good fit between the corporate culture of Bonduelle Americas and the culture of Quebec marketing boards, Daniel notes that in fact the Quebec boards—and indeed their relationships with the represented growers—have at times been a real competitive advantage for Bonduelle Americas (e.g. growing fancy green beans, see below). While Bonduelle Americas describes seeing real value in the use of marketing boards (e.g. centralizing and coordinating communications, price being non-contingent on yield, workers being protected etc.), it would challenge some of the outdated rules still in use for these negotiations. Concerning the subject of arbitration, the problem is that producers can submit for arbitration with no commitment to plant acres. They can always plant another crop if they are not satisfied with the arbitration result. The arbitration rules need to be adjusted to make the process of arbitration more engaging for both parties. One such rule would

be in the fact, as an example, that while Bonduelle Americas has a processing plant to fill and run—and is therefore committed to buying the produce at the rate decided on at the arbitration table—growers are not bound to produce at the rates agreed upon at the table, and will often decide post-negotiation (e.g. should the price be too low), that in fact they'd prefer to plant alternative crops that year (e.g. wheat instead of peas). Daniel Vielfaure reports:

“Imagine we win and we go to the [primary] processor with the \$100/ton ‘win’ price but then the [primary] processor says ‘No, I’m going to grow wheat this year instead now’. To stay competitive we need to know who will give us the acres if we win—we want some commitment that if we win they are committed to give us the acres—otherwise even if we win, we lose because we have a plant to run with no produce. If we put our price too low, and we win, we know we won’t get our acreage from the producer.”



INDUSTRY MARKETING BOARDS: BONDUELLE AMERICAS' PERSPECTIVE

PROS: Centralized communications, negotiations, alignment, coordination of multiple smaller growers, support for workers, economies of scale

PROS: Quebec board was able to negotiate growing extra fine green beans (new crop to Quebec) by aligning many growers with appropriate acreage through centralization and communications—Bonduelle Americas didn't have to work with every grower independently

PROS: If Bonduelle Americas needs a change to a process or vegetable, often boards will act as partners to align all growers

CONS: Rules of arbitration are outdated—there needs to be commitment from growers once price has been decided

CONS: When multiple manufacturers are at the table, competitive advantage cannot be gleaned by manufacturers until the processing stage

INDUSTRY-SPECIFIC LIMITS TO SCALE AND PRODUCTION INEFFICIENCIES

As mentioned above, Bonduelle Americas operates in an industry where at higher levels, scale becomes a disadvantage: any given competitor cannot have plants that are ten times larger than any other manufacturers' given that plants cannot exceed the yield capacity of crops in a circumference of about 1.5 travel hours. Scale in this case is achieved by having more plants, spread apart from one another for maximum crop catchment areas—not bigger plants. Another limit to scale is transportation—frozen and canned foods are heavy freight, so local markets with

high demand merit their own processing plant(s). As demonstration of a core competency in working effectively within these scale constraints however, Bonduelle Americas is the #1 player in frozen vegetable manufacturing in North America; the #5 player in canning in North America; the #1 player in canning globally; and the #2 player in frozen food globally (Bonduelle Group). Bonduelle Americas accredits much of their localized success to the access they have to corporate/organizational knowledge about scale and best practices that Bonduelle Group has amassed globally. Bonduelle Americas has developed some innovative ways of dealing with these limits to scale, the seasonality of their business, and the productivity constraints by processing more than harvested vegetables—canning as well as processing pulses allows for increased volume capacity, increased processing plant efficiencies, as well as decreased seasonal production and labour volatilities (see success factors below).

INDUSTRY-SPECIFIC LABOUR CHALLENGES

Because the nature of the vegetable procuring business means that yields are ready at concentrated times during the year (e.g. June, July), Bonduelle Americas has to scale up and down in terms of number of employees dramatically throughout the business cycle. Bonduelle Americas employs up to 1200 seasonal workers—significant on a base of only 1500 regular full-time workers. There are a couple of challenges associated with this labour demand in this industry—namely that there aren't enough Canadian workers. Accordingly, foreign workers are often brought in to help with seasonal labour requirements—something that requires extra costs in the form of transportation (e.g. from India, in Canada, to and from the fields etc.), equity payment (e.g. same as Canadian workers), housing and living facilities, benefits, among other costs. A lack of consistency in the labour is a challenge for Canadian manufacturers relying on crops and produce that require seasonal picking/harvesting. In an attempt to even out its staffing volatilities—as well as overhead costs associated with a seasonal business— Bonduelle Americas processes pulses, and operates a canning division during the off-peak season, which helps with overall year-round facility utilization, productivity, and efficiency.

Contrary to popular belief, use of foreign workers in Canada is not less expensive than using Canadian workers. Bonduelle Americas would prefer to use Canadian workers all year long. The difficulty lies in the fact that there is not an adequate supply of short-term/temporary Canadian labour workers available. Also contrary to popular belief, Bonduelle Americas does not find that the final costs of American human resource are less expensive than Canadian human resources—there are more 'after-the-fact' costs associated with American workers (e.g. healthcare, insurance, benefits), where Canadian workers appear nominally more expensive up-front, but don't have equivalent 'hidden'/after-the-fact costs. There are no relative competitive advantages that can be gleaned from using either more American or Canadian human resources in this industry, ultimately. The conditions regarding foreign workers however are much easier on manufacturers in the USA than they are in Canada (e.g. less worker protection in the USA)—related to the use of foreign workers, it is easier to maintain competitive advantages in the USA than it is in Canada.

INDUSTRY-SPECIFIC CROP-CHEMICAL REGULATIONS

Another competitive issue that Bonduelle Americas notices related to the regulatory environment in Canada is one associated with the permitted use of biochemicals for crops. A division of Health Canada is responsible for testing and issuing permission for chemical companies to import chemicals for use by Canadian manufacturers on their crops and fields. Access to newer pesticides or herbicides is sometimes not available in Canada because of the cost of getting those approved (too expensive in relation to the size of the market). They are not homologated for usage. That is the disadvantage. Accordingly, most chemical manufacturers will opt to pay the FDA fees in the USA and ignore the applications for rights to sell in Canada. The difficulty with this from Bonduelle Americas' perspective, as an example, is that often Canadian manufacturers get stuck using older, outdated chemical compounds that are long obsolete or inferior to new versions, and that are not up to par with innovation in the chemical industry—this results in poorer crop yields and quality in Canada relative to the USA. A further complication here is that while many of these chemicals are not permitted to be used in Canada, the produce resulting from their use in the USA is permitted entry across our borders into Canada for consumption by Canadians—making it difficult for Canadians to compete with the higher yields and better quality of American manufacturers allowed to use the frontier chemicals in their country. As Daniel Vielfaure indicates:

“This means that in Canada we are left to use the old chemicals here, where south of the border we can use the new, better ones. We can still sell the stuff grown in the USA with new chemicals in Canada, so there’s a discrepancy in the competitiveness in our industry. Say a chemical is shown to be great for mold on peas, but we can only use it in New York, then we can turn around and sell those peas into Canada. It is hard to stay as competitive in Canada when the approved chemicals are lagging. It would be ideal is if there was a need for Canada to tie into what USA does so that they can borrow the approvals from the USA so chemical companies can pass both at same time. That would be a win for everybody.”

Bonduelle Americas takes an active interest in the difference between what it produces locally and what its international importing competitors produce in order to understand how chemical differences are affecting Bonduelle Americas' competitiveness in local markets. Bonduelle has done its own testing on canned vegetable products produced abroad and found levels of residues to be much higher than what is allowed to be produced in Canada—competitors couldn't process and can it that way in Canada for resale, though they can import it. Bonduelle Americas ensures the quality of their product (see below), by doing its own quality testing to reduce such residues. Bonduelle Americas puts great emphasis on the nutritional density of its products for maximal health benefit (e.g. including less residues on horticultural crops). This discrepancy in treatment of imported products creates a cost advantage for some importers and importing countries, detrimental to local incumbents (e.g. Bonduelle Americas).

SUCCESS FACTORS FOR BONDUELLE AMERICAS:
WHY CHOOSE CANADA AS THE NORTH AMERICAN PLATFORM?

A GLOBAL PERSPECTIVE, PARENT ORGANIZATION, NETWORK

While both Canada and U.S. are perceived to have “open-for-business” climates to global organizations, the U.S. seems to be better at buttressing interest and providing support to prospecting foreign corporations. While Canada has an attractive income tax environment vis-à-vis the USA, many states have incentive programs by sector to attract foreign corporate investment. As an example, the Governor of New York, for instance, has taken personal interest in approaching food companies, including Bonduelle. Further, Bonduelle itself came to North America initially through New Jersey, expecting to enter the North American market through the USA. When this sales initiative wasn’t particularly effective and the Carriere Foods plants were made available, Bonduelle considered Canada as a platform for North American presence—should this not have happened however, Bonduelle Group might have increased operations in the USA or pulled out of North America altogether.

Bonduelle Americas benchmarks everything it does on a global scale. Says Daniel Vielfaure “We want to be the best at what we do and for that we look all around our global facilities in the world to get a clear understanding of best practices and apply it everywhere.” Bonduelle Americas has the advantage of being able to call on Bonduelle Group’s subsidiaries globally, many of them with large scale production capacities similar to Bonduelle Americas. A global network provides support in global regions of the world, as well as a wealth of tacit organizational knowledge about best practices, scale solutions (e.g. factory efficiencies), competitive advantages, etc.

This global perspective is key to allowing Bonduelle Americas to consider markets beyond the Canadian border, such as the 2012 expansion into the USA. This was also timely for Bonduelle Americas because of the relative strength of the Canadian dollar, Allen’s willingness to sell off their frozen-vegetable processing plants, and the state of competition in North America at the time (BNA was leading in the frozen vegetables market). Daniel Vielfaure describes these advantages as allowing them some leeway to ‘learn’ in the American market while taking their time to expand. Vielfaure explains that the Canadian market is much too small for a company of Bonduelle Americas’ size—to grow at a steady rate and remain profitable they were going to have to consider new geographies and markets. Further, Vielfaure asserts that any company hoping to survive in Canada better have an eye to the American marketplace for ultimate expansion:

“If you’re sound in your mind and you’re at the head of a company in Canada, you better make sure you can compete in the USA because what’s it for them to take what they [an American company] do for 350 million people and do it for 35 million? Nothing. If we’re not at least as good as our American counterparts than we’re dead. We’re not protected from them, so we have to be as good as them on our own turf and therefore might as well be in their turf. This isn’t a Canadian and American market—it’s a North American market.”

Bonduelle Americas has benefited from being in the American market at an advantageous time so as to learn how best to operate in that market as well as what it takes to be competitive there. Some factors are similar (e.g. distribution channels), and some are different (e.g. chemicals used, negotiations with growers). Bonduelle Americas describes that this learning was important for their industry leadership and survival because “if you can’t beat them there, they will come and beat us here.” Bonduelle Americas prepared itself for entry into the American market by doing significant research about what to expect in the new marketplace—the competition, the regulations, the variations in channels and consumer preferences, etc. Bonduelle Americas had to be willing to adapt their products for the new market’s realities—how people shop, buy, eat, and use their products—and realized early on that success in one market does not guarantee success in another market. Daniel Vielfaure says that any company looking to expand into the USA should be very careful to “have an acute sense of what is different there and what you’re going into. Being prepared for the new market is everything.”

CULTURALLY-SPECIFIC, CONSISTENT, CUSTOMER-CENTRIC LEADERSHIP

The North American headquarters for Bonduelle Americas are in Montreal. Growing Bonduelle from Canada was part of a North American strategy that worked well for the France-based company. The connection to Montreal was driven by the acquisition and integration of Carriere Foods in Quebec in 2007, while the language and cultural connection between France and Quebec should not be underestimated. This fit has allowed Bonduelle Americas to successfully operate and grow while working with the values and purpose set out by the Bonduelle family. For family owned companies, relationships, trust, culture and quality of life issues take on particular significance. Bonduelle has regarded its Canadian position as advantageous when other large processors have decided to leave the country (e.g. Kraft, Heinz, Kellogg’s). Bonduelle’s strategy and corporate fit in this country has enabled it to utilize Canada’s production capacity to effect (see plant productivity below).

Bonduelle Group is led (see insert above) by the 6th generation of three families who own majority stake and all the voting shares in Bonduelle global. The consistency that ownership and leadership from the same families affords Bonduelle—as it grows on a global scale—transcends every line of business.

Where Bonduelle Americas is concerned, the leadership is particularly customer-centric. Daniel Vielfaure describes his own leadership style as one driven by a background in sales:

“I think my entire career I have been able to progress because I wanted to satisfy the customer. We adapt what we do to the customer; we don’t expect the customer to mold to fit me. We are not trying to make the customer buy what we have; we are trying to make what the customer wants to buy.”

Accordingly, Bonduelle Americas’ professional staff (sales and marketing) are encouraged to start by listening to customer concertedly in order to innovate and deliver to the customer needs. Bonduelle Americas employees are encouraged to be customer-centric and put the customer first. Says Mr. Vielfaure:

“The customer will ask for a lot of things — service, price decreases, quality increases etc. — so let’s adapt the organization to be able to really understand what the customer wants, so that we can deliver it. Sometimes the customer is bluffing—if you take it at face value and you deliver to a bluff then you are in deep trouble. You need to really understand the customer. Our leadership is around having our organization listening more than selling.”

DIVERSIFICATION OF AGRORISK

Canada has a moderate climate and great quality soil and crops, in general, which helps ensure that growers and manufacturers get reasonable, high-quality yield from their fields on a consistent basis. This quality was likely one of the attractive factors for Bonduelle in Canada—that, and the fact that the legacy Carriere Foods plants/crops specifically produced successfully in the first year. Bonduelle Americas has a mandate to diversify its ‘agrorisk’, which likely contributes significantly to their market leadership and competitive advantages. Because inventory in this category is rotated only once a year (when new supply can be procured from crops), it is important to consider contingency plans for supply as well as have alternative sources for some vegetables, such as by partnering with Bonduelle subsidiaries in other regions in the world. When Bonduelle Americas is unable to meet demand or yield enough inventory, they will work with other groups to ensure they can meet the supply requirements—this too is an advantage of being part of a global enterprise and helps diversify their risk. On occasion Bonduelle Americas encourages its producers to grow varying crops so as not to strip the soil of its nutrients and quality— Bonduelle Americas is heavily invested in ensuring the quality of the soil from which its vegetables come (see ‘relationships with growers’ discussion below). Another measure for diversifying agrorisk, as mentioned above, is to shift from vegetables to pulses when harvesting seasons are over—this allows more consistency in the business in terms of inventory, overhead costs, and labour demands. While harvesting requires many workers for about two months in the year, canning and processing pulses allow factories to operate 11 out of 12 months in the year, decreasing seasonality and production volatility for Bonduelle Americas.

SUCCESS FACTORS FOR BONDUELLE AMERICAS:

HOW HAS BONDUELLE AMERICAS MAINTAINED COST-COMPETITIVE MANUFACTURING IN CANADA?

KNOWLEDGE OF PRODUCE AGRICULTURE AND RELATIONSHIPS WITH GROWERS

One of Bonduelle Americas' (indeed Bonduelle Group's) core competencies is a deep knowledge of the agriculture of vegetable, the business of producing these, and the growers who are critical for supply. As Daniel Vielfaure puts it "We know vegetables: from seed to plate". Bonduelle Americas prides itself on a deep knowledge of vegetable agriculture as well as significant ties within the industry—to growers, marketing boards, worker unions, knowledge leaders, collaborators, etc. Further, as above, Bonduelle Americas does not feel as though they are necessarily the experts in 'freezing' or 'canning' vegetables—they see themselves as experts in vegetables, not any specific technology used to process or preserve them. This distinction is critical not only for how the company self-defines, trains, and educates, but for how it sees its business.

Bonduelle Americas' deep knowledge of agriculture, growers, and produce comes in part because of a genuine interest in these but also because of good relationships with industry marketing boards (representing/collectives of growers)—especially those in Quebec. As an example, when Bonduelle Americas wanted to grow 'fancy green beans' in Canada, it couldn't find any growers to commit to this new produce at first. Because of a good relationship with the Quebec marketing board, Bonduelle Americas was able to successfully approach them to ask for help finding growers who would be willing to plant and procure fancy green beans for Bonduelle Americas. The Quebec marketing board communicated and coordinated multiple growers in order to ensure crops of fancy green beans. Previously, commercial quantities of fancy beans were imported from France by Bonduelle Americas at high enough volumes that it made sense to try to source them locally. Competitors were also importing increasing quantities of fancy green beans from France and China. This intimate knowledge of vegetable agriculture, produce, and the players within it allowed Bonduelle Americas to bring the fancy green bean business to Canada—which is a benefit to all involved.

The close relationship Bonduelle Americas has with marketing boards is also an example of how BNA is able to influence and improve the results it wants to see from agricultural production in Canada. This influence is likely to have significant competitive advantages for Bonduelle Americas, but also is the consequence of a genuine organizational interest in 'liking, knowing, and learning' vegetable agriculture. The relationship Bonduelle Americas has with growers in Canada is essential to Bonduelle Americas' success. Bonduelle Americas is now selling 10 million pounds of fancy extra-fine green beans and this number is expected to rise significantly (to nearly double that) with some 90% of product sold in the U.S. This is good for Canadian growers and Bonduelle Americas.

Bonduelle Americas' success depends on ensuring enough supply of quality product is available so that it can keep the processing line efficient and meet customer supply commitments. No large scale grower dedicates 100% of one product in their crops; usually growers only devote about 5-10% of their land for vegetable growing (maximum 15%). Vegetables are typically not a very important crop for growers. This makes good agronomic sense as crop rotation helps to contribute to healthy and productive soil. Encouraging farmers to include beans and other priority crops is important to Bonduelle Americas' business imperatives. This speaks to the importance of growers to Bonduelle Americas' success story and Bonduelle Americas to the grower's economic well-being. Ensuring growers see the economic importance of this relationship comes down to negotiating a fair price for the product. In order to further establish relationships and integrate growers into their processes, Bonduelle Americas will often bring growers into their processing facilities in order to advise on what is required throughout production in order to improve processing plant efficiencies and productivity. This symbiosis helps both Bonduelle Americas and their growers get better at what they do, improving toward mutual gains, economic and otherwise.

PROCESSING PLANT PRODUCTIVITY: QUALITY FIRST, COSTS SECOND

Ensuring Quality Bonduelle Americas acknowledges that it is in an 'industry of pennies' where costs are a concern and keeping them low is critical for gross margins. That said, product quality must be ensured if customers are going to return year after year, so costs are never cut at the expense of product quality—this ensures a solid reputation for consistency and product quality. A commitment to quality over costs also requires a longer-term outlook on the part of the organization's leadership—something made possible at Bonduelle Americas because of a family-centric corporate culture that allows for longer-term decision-making in place of short-term cost considerations (Bonduelle Americas needs to please Bonduelle Group which is comprised of family-member shareholders who see the long-term vision for the company and value in doing things correctly). Accordingly, Bonduelle Americas is first concerned with the quality of their produce and will often spend money to ensure it. An example comes from Bonduelle Americas' procurement of an electronic vision machine (see technological innovation section) that sorts through vegetables on a conveyor belt and rids the batch of inferior produce—this technology is expensive, ever-evolving, and a competitive advantage given most competitors can't afford it. Ensuring quality is part of the Bonduelle customer service mandate: Bonduelle Americas responds to retailers' needs by packaging frozen vegetables to suit specific requirements, where 70-75% of the output is directed to private label brands for retailers—this trend toward private labelling is industry-wide. The focus on the retailer includes meeting supply commitments (see demand planning below), quality, and food safety requirements. Bonduelle Americas has on occasion lost retailer bids to foreign suppliers whose quality is, as perceived by Bonduelle Americas, to be less than its own. Bonduelle remains focused on product quality and won't lower prices beyond what it takes to sustainably ensure such quality.

Bonduelle Americas would prefer to cut into margins by staying ahead of the pack in terms of quality and technology than to deliver an inferior product. This commitment returns dividends however: often customers who have left the Bonduelle Americas franchise because of the lure of potentially lower costs from competitive manufacturers realize that the quality is so

compromised they return to Bonduelle Americas as a customer soon after. Bonduelle Americas takes pride in the quality of the vegetables it produces (see agricultural knowledge above), and won't allow that quality to be compromised throughout processing. While a concern for quality might not be the least expensive route in the shorter-term, in the longer run it pays off in the form of retained customers and an industry-wide reputation for high quality products.

Ensuring Efficiency The Bonduelle Americas offices are not oak-lined and marble-finished—everything is kept carefully 'down-to-earth'. In order to off-set the higher costs of ensuring quality produce, Bonduelle Americas takes many measures to ensure processing plant productivity and efficiencies. Factories that have higher rates of utilization and produce maximally allow for lower per-unit overhead expense, and therefore better overall operating margins. This in turn allows the Canadian processing plants—which have a short harvesting period every year due to more Northern, colder temperatures—to be competitive relative to plants anywhere in the world. As an example, American companies can often have considerable scale, but typically have processing plants that function seasonally—as is the norm in this industry. Bonduelle Americas however will attempt to ensure that processing plants are operating at about 90% capacity annually by processing canning and pulses out of harvesting season. This keeps Bonduelle Americas' Canadian plants 'open' and competitive relative to American competitors and others in the industry. Given the intention to run processing plants at high levels of capacity utilization in order to ensure productivity and cost efficiencies, as well as the aforementioned overall mandate ("to process quality vegetables"), Bonduelle Americas is open to considering the processing opportunities of multiple types of produce—pulses, kale, etc. This, in turn, not only decreases plant inefficiencies, but helps Bonduelle Americas diversify the agrorisk associated with being overly reliant on a subset of few crops/produce-types (see 'agrisk' discussion above).

CORE COMPETENCY IN DEMAND PLANNING AND SUPPLY

Bonduelle Americas operates in an industry that rotates its crops once a year—peas, corn, beans, etc. take almost a full year to be seeded, grown, and harvested. As an example, peas are harvested in July and August for 50 days, though they are sold for 365 days a year. Bonduelle Americas cannot just offer the peas while they are 'in-season'. This requires significant need to be effective at the planning process for production (supply) and projections of orders (demand) for produce from customers annually. Says Daniel Vielfaure: "We need to be very efficient at planning the amount of peas [as an example], the quality, everything that we will need for the whole year following that crop, if we get 100 tons and we need 110 tons, our customers will be mad by months 11 and 12—they have stores and shelves to fill, etc." As a result, Bonduelle Americas has developed a core competency in accurate projections and contingency planning in order to ensure customers are properly serviced. Daniel Vielfaure sees these skills as part of their customer service imperative engrained in their corporate culture: "If I know my customers will need 110 tons in a year, I will produce 125 tons just to be sure I can service them properly."

INVESTMENT IN RESEARCH AND INNOVATION

As mentioned above, Bonduelle Americas takes a favourable view of capital spending into technology and innovation—such as with their electronic ‘vision’ technology that sorts produce on the conveyor belt and has better precision than human eyes. This is made possible partly because of a corporate (family) culture that allows for consideration of business imperatives on a longer term scale — one that champions investment that will result in sustainable business processes. Further, investment in research and innovation is part of the quality assurance imperative that results in greater efficiency of processing plants and therefore decreased overall operating costs in the longer term (e.g. short-term investments results in better quality, long-term efficiencies, and processing plant productivity, etc.). Seeking out the latest vegetable processing technologies is part of Bonduelle Americas’ innovation-focus. Supporting this requires in-house research and development support as well as seeking out leading technologies and practices from elsewhere around the world. Bonduelle Group strives to be the best globally in high-end frozen vegetables and Daniel Vielfaure notes that technology-adoption is needed to remain at the frontier of the industry.

Being able to keep up with technological innovation requires some deep pockets and economies of scale. Mr. Vielfaure accredits their significant size in Canada and corporate precedent for justifying such expenditures year-over-year, something that competitors just wouldn’t be able to afford. Because of best-practice examples set by other global business units at Bonduelle, Bonduelle Americas strives to have the best technologies and production facilities in order to guarantee the highest level of efficiency, product quality, and customer satisfaction.

Bonduelle Americas has a very active research and development department that is particularly well-staffed. This department is continually researching agriculture best practices, food science, new technologies, etc. — just about anything to do with vegetable manufacturing. Says Daniel Vielfaure: “The R & D department is always looking for innovation—what the new, next, and best way to bring vegetables to the market will be.” Bonduelle Americas has the propensity and pocket-book to bring these new innovations and ideas to life.

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