

PROJECT 4a:  
CASE STUDIES ON SUCCESS TRAITS  
**Industries Lassonde**



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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	PHASE 2 Inspiring practices	PHASE 3 Competitive advantage
1a. Diagnosing the trade deficit	4a. Case studies on company success	7. Conclusions
1b. Reasons for the trade deficit	4b. Cross-case study analysis	8. Implications for policy & strategy
2. Explaining the trade deficit	5. Consumers and markets	9. Dialogues on outcomes
3a. Food manufacturing performance	6. Innovation insights	
3b. Plant openings, closings & investments		

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# SUMMARY

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## INDUSTRIES LASSONDE

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The following case study examines Industries Lassonde, a stock company whose subsidiary A. Lassonde is a North American leader in the development, manufacturing and sale of a vast range of juices and fruit vegetable beverages marketed under labels such as Everfresh, Fairlee, Flavür, Fruité, Graves, Oasis and Rougemont. Through its US subsidiary Clement Papas and Company, Lassonde is also the second largest manufacturer of private label, ready to drink juices and fruit beverages in the United States. It is also a significant producer of cranberry juices and beverages and cranberry sauces. Also, its Lassonde Specialties subsidiary develops, manufactures and markets a diversified range of specialty foods under brands like Antico and Canton. Its wine subsidiary Arista imports and markets a selection of wines from various countries of origin and produces apple cider and wine-based beverages.

Industries Lassonde operates 14 plants located in Canada and in the United States and relies on the expertise of 2,000 employees to offer superior quality products. With sales in the billions of dollars in 2012, Industries Lassonde is without doubt a true Canadian success story, and a North American leader in its activity sector.

Industries Lassonde is also known for its state-of-the-art packaging technologies, which places the company amongst the most innovative food companies in its field. Its ability to offer an incredible range of diversified containers, for a variety of liquids, through diverse packaging technologies, confers on the company a unique position as a **“one-stop shop solution provider”** for its retail and institutional clientele. Over the years, the company has managed to position itself strategically and advantageously by rapidly diversifying both its range of products and the markets where it operates.

## CHALLENGES MET BY INDUSTRIES LASSONDE

Industries Lassonde’s mission is to be a North American leader in food manufacturing and marketing, whose products – by their quality and variety – contribute to consumer pleasure and wellness. Toward this end, Industries Lassonde has managed, over the last 25 years, to foster a corporate culture focussed on **innovation** and product **differentiation**. Operating across North America, its innovative culture permeates production operations, sales and marketing as well as research and development. This has enabled the company to progressively fuel its geographic expansion and penetrate previously untapped market segments.

The challenges that Industries Lassonde has had to meet are considerable; it functions in a highly competitive sector. The transition from a family to a publicly-owned company was accomplished extremely well by its management team. Moreover, Industries Lassonde has succeeded in retaining its soul and original identity by bringing together well disciplined, determined and committed work

teams. The entrepreneurial culture still prevails despite the public nature of the corporation, and it is this culture that drives further growth for the shareholders. Furthermore, the multidisciplinary approach adopted by its subsidiaries is a great asset that enhances the company's strategic capacity, again contributing to its success. The business expertise developed by Industries Lassonde leverages its strategic positioning as a North American leader among its competitors. Its strategy is based on an ongoing product and packaging differentiation made possible thanks to the bold technological and innovative moves made by its ambitious and opportunity-driven work teams.

*“Innovation, differentiation, and playing on a different field from that of the competition. To innovate, to differentiate and to get close to the consumer...”*

*[Jean Gattuso]*

Thus, the question at hand could be framed as follows: **How did Industries Lassonde manage to differentiate and position itself as the North American “one stop shop provider”?**

## **INDUSTRIES LASSONDE SUCCESS FACTORS**

According to CEO Mr. Jean Gattuso and VP Communications Mr. Stefano Bertolli, Industries Lassonde has the required credentials to compete in North America, given its unique business model. The authors asked them what they believed to be the company's success determinants. The main key success factors identified by these individuals can be aggregated into four (4) distinct elements. These are:

### *Corporate Culture and Entrepreneurship*

- To produce quality food products and offer variety to contribute to consumer pleasure and wellness;
- To be the quickest and the best in its field of activities;
- To define the market as its own playing field;
- To use leading-edge technology and processes in product manufacturing and packaging;
- To bring together a multidisciplinary work team (matrix) as part of the innovation process (eliminate silos);
- To foster employee commitment and engagement.

### *Client Proximity, Suppliers, Employees and Consumers*

- To nurture relations based on trust with clients and suppliers: to sell them a future;
- To establish a win-win approach;
- To get to know personally their privileged partners and collaborators;
- To foster strong relationships with supply chain key players.

### *Innovation, Differentiation and Execution*

- To ask themselves the right questions about the value of innovation “Who will buy the product?”;
- To rely on effective execution and be the first out in the market – “time to market” with innovation;
- To expand the market using a disciplined and coherent innovative approach;
- To maximize opportunities to be on store shelves and market niches;
- To closely monitor consumption and market trends in order to know what consumers appreciate in Lassonde products and those of its competitors;
- To create a variety of products, product lines and brands using innovative processes, ingredients and packaging adapted to market needs.

### *Market and Client Proximity*

- To be a multi/process-products-brands-packaging company;
- To be a one-stop-shop solution provider for clients and avoid giving them a reason to go to another supplier;
- To adapt commercial strategies according to client (promotions, innovations, and package design);
- To meet consumer and client needs by offering innovation value (USP) clearly understood by clients and consumers.

## **INDUSTRIES LASSONDE HISTORY AND DESCRIPTION**

### *The Beginnings*

Founded in Rougemont, Québec in 1918 by Aristide Lassonde, the Lassonde Company began its operations in the vegetable canning sector. By 1959, the company, then run by Willie Lassonde, diversified its production line by adding apple juice, sold under the Rougemont label. This turned out to be a momentous decision in the company’s evolution, and a testament to the visionary attributes of the manager of the day. Since then, the company has never ceased innovating, offering new lines of products or introducing new packaging concepts across North America.

As early as 1977, the Company acquired Coopérative Montérégienne, another apple juice manufacturer located in Rougemont. This acquisition allowed the company to increase its production capacity. In 1979, the OASIS brand was launched with the introduction of three new apple, orange and grapefruit 100% pure juices. Another acquisition in 1981 enabled it to add to its corn on the cob processing activities.

The early 1980s marked the beginning of a major corporate transition. In 1982, Pierre-Paul Lassonde, Chairman of the Board, and Jean-Paul Barré, CEO, launched the Industries Lassonde Inc. holding company. Then, in 1987, the family-owned company became a publicly held company trading on the Montreal Stock Exchange.

### *Market Geographic Expansion*

Over the next decade, Lassonde continued to expand within Canada. In 1990, Fruité became the first Lassonde product sold across the country. Sales offices were opened outside Québec to better serve the Canadian market: in 1991 in Dartmouth, Nova Scotia, for the Atlantic Provinces, and in 1992 in Toronto to reach out to Ontario and the Western Provinces. Lassonde also continued to expand through numerous acquisitions: GreatValley Juice in Nova Scotia (1991); Orange Maison Inc., a Montreal company specializing in refrigerated juices (1993); a freezing, refrigeration and controlled atmosphere warehouse in Farnham, Quebec (1995); and a plant specializing in apple and tomato juices in Ruthven, Ontario (1996). In 1999, another juice company was acquired in Nova Scotia, together with the right to use the Allen's brand that has existed for more than 40 years.

During this period, the company also took international initiatives. In 1995, Lassonde undertook a joint venture in Southern China to process orange and tangerine juice. In 1998, the company signed an agreement with Southern Gardens, a major orange producer and presser in Florida, enabling the launch in Canada that same year of a range of 100% pure juices made with freshly squeezed oranges. Starting in 1997, the Fruité and Rougemont brands made inroads in the American market through New England.

During the 2000s, Lassonde made various Canadian plant acquisitions in Toronto (food services) and Calgary (to obtain national coverage) and purchased certain licenses. These initiatives added many new juice brands to the Lassonde portfolio and helped the company bolster its leadership in Canada. The company also continued to diversify its activities, first by creating its Arista Wines subsidiary in 2006, which specialized in processing and marketing of imported wines and alcoholic beverages in environment friendly packages (Vinopack). Then it acquired Les Produits alimentaires Mondiv inc. in Boisbriand, Québec, adding products such as pasta sauces and bruschetta toppings to the extended life products line of the Lassonde Specialties portfolio. Finally, the company hit a home run in 2011, when it acquired Clement Pappas and Company Inc., the second most important private label juice and fruit beverage manufacturer in the US, and one of the major makers of cranberry juices, beverages and sauces.

## **INDUSTRY AND COMPETITIVE ENVIRONMENT**

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Industries Lassonde operates in the processed food category (codes HS 2009-2103-2104-2204). The company manufactures fruit and vegetable juices and beverages, pasta sauces and bruschetta toppings, and processes imported wines under four subsidiaries: A. Lassonde (Oasis, Oasis Pause Santé, Rougemont Allens, DelMonte, Flavör, Fruité, Niagara etc.), Lassonde Spécialties (Antico, Canton), Arista Wines (Arte Nova, Bistro Mundo, Dublin's Pub, MiSangria, etc.) and Clement Pappas (private labels). In addition, Industries Lassonde produces a large number of private labels for many major North American retailers (Target, Costco, Whole Foods, Aldi, etc.), while also providing outsourcing services to national brands (Welches, Apple & Eve, etc.). Its products are mostly sold in Canada and in the United States, and in various other countries.

Industries Lassonde operates mainly at the primary and secondary processing levels. As well, Industries Lassonde positions itself in a variety of supply chain activities in the agrifood industry (Figure 1). The raw materials it produces or buys are processed (secondary) into juices, beverages or condiments. It sub trades for other companies (private labels and national brands) but also markets and distributes its own brands for which it gets directly involved with its customers. The value chain evaluation is an ongoing process within the company, where a clear understanding of its coherent vision by all employees is deemed important.

Figure 1: Value Chain for Industries Lassonde.



In the area of national brands and in the US market, Industries Lassonde competes with major players like Tropicana, OceanSpray (PepsiCo) and Minute Maid (Coke). Some other players are also company clients (outsourcing). Through its Clement Papas US subsidiary, Industries Lassonde is well equipped to compete both in the Canadian and US markets with many lines of diversified and innovative products of excellent quality. Its facilities are flexible and able to adjust to consumer trends, but especially to a changing environment (e.g. regulations, tastes, etc.). As far as private labels are concerned, its cost controls are achieved through efficient manufacturing processes, and the quality of its products enable the company to position itself favourably and outpace the competition.

Prior to acquiring manufacturer Papas Clement and Co., Industries Lassonde created a tactical development platform for its growth strategy in the American market. The company, which already enjoys solid technological knowledge in the Canadian market, is able to make this subsidiary grow more effectively because of the entrepreneurial nature of its corporate culture. Moreover, the potential to manufacture new private labels and access new clientele should open doors into the very lucrative US market.

## INDUSTRIES LASSONDE SUCCESS FACTORS

The success determinants of Industries Lassonde are directly tied to its model and its business environment analysis. The CEO confirmed that the company rigorously adheres to those determinants that positively influence his subsidiaries’ competitive advantages (Porter). Accordingly, the company pays particular attention to demand and market trends analyses, to privileged collaborators and partners, and to the product offering (Lassonde’s products and those of its competitors). In the authors’ interview with the CEO, they determined that those factors particularly significant for, and revealing of, the company’s achievements are:

## *Corporate Culture and Entrepreneurship*

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Corporate culture is at the heart of Industries Lassonde's strategic energy. The entrepreneurship and leadership of the company's executives imbues it with a natural, inspirational governance. However, according to Jean Gattuso, this entrepreneurial culture stems as much from the company's operations and research and development as from its sales and marketing. It is multidisciplinary teamwork shared and animated by the same vision:

“We don't come to a market segment with a product similar to those of others. Why will consumers buy it, why would they drop their present product to buy ours? This is a fundamental question. But we did not only adopt that culture in research and development. Our product development committees are mixed: they include people from sales and marketing, people from operations, and even people from purchasing.”

As Jean Gattuso further elaborated:

“Our innovative and entrepreneurial culture is based on a single objective, which is to serve the consumer all day long. A human being drinks 756 litres of liquid a year. We must increase our share. Our whole model is rooted in this principle.”

The objective of company's multidisciplinary teams is to develop **innovative and differentiated** solutions, enabling them to occupy a special place in consumers' stomachs. It is therefore with unrelenting determination that the company's work teams collaborate with one another to find ideas, projects, opportunities and innovative solutions that will suit both clients and consumers.

### *Anti-Silos Culture and Relational Approach*

The company's managers are extremely careful not to let the structure impede relations between employees, suppliers and clients. This is a clear signal from management regarding “clusters” (silos).

“Working in silos is unacceptable to me. It is important that the right hand knows what the left hand is doing, especially where clients are concerned. There is incredible communication between our various departments.”

Interdepartmental communication is broadly encouraged; the CEO himself preaches by example by being very accessible and by maintaining close relationships inside and outside the company. This approach makes it easier to support an entrepreneurial culture within the organization and with its subsidiaries. This way of working (or removing silos) provides the required flexibility to manage the «**multi-products-processes-brands-packaging**» business model which can be, at times, complex to implement. Meeting performance goals is made so much easier by fostering this culture, as it promotes communications and operational effectiveness.

“I know very well the executives of our main suppliers, and we have built business relations with them based on trust. This is not written in management books, but when things go awry, the contracts don’t matter much, it’s the business relationship that really makes a difference.”

This approach, then, is a **state of mind with a strong ‘corporate culture’ component**, and exerts a great influence on the way Lassonde conducts business. It fosters **open mindedness** and an **exchange of ideas** that inspire confidence and respect between work teams. It is essential for the company to maintain healthy relations at all levels, with its personnel, clients, suppliers and partners.

### *Personal Commitment*

At Industries Lassonde, implementing innovative and operational effectiveness depends on employee commitment and mobilization. Given that Lassonde is a publicly-traded company that must strategically communicate its commercial achievements, it is important to deliver quick results. A comment by the CEO is quite revealing in this regard:

“In business, a company is a living organism with people in it. The day when you feel bigger and better than anyone else is the day you risk having problems. Why are clients thinking Lassonde? Because we are close to them.”

A strong commitment to success is implicit in the company’s work teams. The operations personnel must embrace this culture to the same extent as management.

“Every 3 to 4 months, I meet with employees and talk about the challenges we face and also about the company’s results. We’ve begun doing this with the Clement Pappas employees. At Pappas, the former owners didn’t hold staff meetings. Our approach has changed the corporate culture. We each have our own skills, but we’re all in the same boat.”

*Selling the Future (confidence)*

In their interview, the authors learned that one of Lassonde's unique characteristics is selling the notion of the 'future' to clients and suppliers. This notion is certainly one of the most original communicated by Jean Gattuso:

“A level of trust is established and what we do is sell the future to our clients as well as our suppliers.”

This mindset reveals much about the approach and level of confidence that Industries Lassonde takes to its business practices. Winning the confidence of clients and suppliers is a key strategic factor in how the company's work teams assess business opportunities and propose solutions. Selling ideas, projects or new products not yet in existence is a risky proposition for the company as well as its partners, suppliers and clients. It becomes a sizeable confidence challenge, even more so given that the business is now North American in scope and highly competitive. Confidence is therefore a key element in the implementation of an innovative project and its commercial success. All partners become involved, whether clients or suppliers, employees or partners.

“Our relationships with suppliers are key, and they are developed over time and based on confidence. We've always delivered as promised to our key suppliers and this is how we've moved the company forward. This means that when we propose new projects, and we have a good track record with our suppliers, the confidence comes.”

*Proximity with Clients and Consumers*

According to Jean Gattuso and his team, the basis for business ties is confidence, starting with well established relationships with business partners that can be nurtured. It is therefore very important to establish a **win-win** approach to generate benefits for all involved. In order for this to effectively happen, work teams have to ask themselves the right questions.

“In all of our contracts, we always honour our commitments agreed upon with our suppliers. We ask ourselves the following questions: *What's in it for them? What's in it for us?*”

In the company's business model, proximity to clients and consumers is paramount. This is a critical factor in gaining market share. In fact, no decision is made about product development without a clear answer to the following question: **“Which consumers will buy this new product?”** At Industries Lassonde, the commercial success of new innovations rests on understanding how consumers will perceive that product.

*“We do market research to understand how consumers perceive value in a product. [...]. We will assign a value to a product and if we feel that the price point won't please the consumer, we will work on it some more (e.g. smaller format). One must remember that in all food categories, the consumer has a value (price) in mind, either based on container (packaging), or on content. At Lassonde, when we talk about innovation, packaging is of utmost importance because a package is the reason why consumers first try our products.”*

### *Innovation, Differentiation and Execution*

At Industries Lassonde, innovation is central to the way work teams operate. Not only is innovation at the root of the corporate culture and its success, but it is also expressed through a state of mind that is contagious between individuals. Mr. Gattuso is an ambassador of this state of mind. It somehow serves as criteria against which to assess matters and even “will” them to happen as desired.

*“Lassonde began innovating in the 70s and 80s. Our present innovation process is multidisciplinary in nature. I attend meetings of the product development committee where we will also discuss packaging. The first question we ask ourselves is always: Which consumers will buy this new product?”*

Industries Lassonde follows an innovative process structure that enables the company to take maximum space in the marketplace, whether by changing the brands or products or format they are offered in. The innovation teams practice a discipline that lets them detect opportunities with which to satisfy client needs not already met by the existing offering.

Through product innovation, Industries Lassonde was able to differentiate itself from competitors by choosing to offer functional foods when it launched its Oasis Pause-Santé brand. These special juices have health attributes other than those usually found in fruit juices. For example, they contain omega-3, fibres, plant sterols, and beta-glucans. In this line of products, the functional ingredients are what the company sells, not the matrix. Oasis Nutrisource is another juice brand that targets a

The Oasis Pause-Santé juices were the first functional juices and continue to evolve.



specific health benefit through a judicious mix of fruit juices that contain an appreciable amount of antioxidants. Thanks to those two lines of juices, Lassonde is now at the functional beverages forefront, thus fulfilling its consumers' wellness mission.

The variety of containers used by Vins Arsita subsidiary attest to the company's determination to provide consumers with the most convenient packaging, whether it be the 3 or 4 litre bag-in-the-box or separable, the plastic bottle, the 750 mL Vinopak or the Minipak (individual format).



Industries Lassonde's dynamic approach was behind the introduction of new packaging in North America through partnerships with packaging firms. The launch of Prisma Tetra Pack packaging is one example of these successful collaborations and Lassonde's forward thinking.

*“We felt that the Hypa packaging had run its course. So I met with the people at Tetra Pak and told them about the juice packaging attributes we were looking for and the price we were ready to pay, while guaranteeing a minimum volume of several million packages. Together, we accomplished this challenging project that required major investments. The “Prisma” container was this partnership's creation and the first of its kind in the world to be launched in Rougemont, Québec. We strongly believe in partnering.”*

And the company keeps on moving. In October 2013, an investment in Rougemont that could total up to \$19 million was announced. The optimization of its installations and the introduction of new production lines will enable the company to equip its plants with leading edge technologies. Moreover, thanks to these investments, the weight of plastic bottles and caps will be reduced, one of the company's priorities in its sustainable development strategy.

### *Private Labels Versus National Brands*

Companies have long grappled with the debate over the value of private labels versus national brands, vis-à-vis product positioning and commercial strategy. The authors put the question to Jean Gattuso and obtained a most interesting answer on this topic:

“I believe it’s important to manufacture private labels as well as our national brands. These provide value to our company but private labels keep our production lines busy and allow us to respond to the huge demand of retailers whose private labels form part of their strategy. However, one must strike a proper balance between the two.”

For Industries Lassonde, the brand challenge is as follows:

“Despite the fact that private labels are popular, national brands are there to stay, given that they mean a lot to the younger generation (millennium). In order to meet this demand, companies must always market innovative and differentiated products and remain transparent with consumers. There will always be consumers ready to pay a premium for national brands, but retailers still want their private labels.”

Many companies face this dilemma of having to choose between “push” or “pull” strategies. Based on Mr. Gattuso’s interview, everything has to do with **your choice of playground**. If you intend to compete with major players on their own turf, you must give yourself the same means.

“We’re fighting against giants. It’s always David against Goliath. We have to keep up the hard work and refrain from bragging.”

### ***Business Model Based on Multi-Products-Processes-Brands-Packaging, and Discipline***

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Industries Lassonde’s business model is relatively complex given the diverse products it offers in multiple formats, flavours, brands and packaging. For many large companies, such positioning is avoided as it creates a very complex environment in which to be profitable. It is simpler to manage a single brand with dominant market share. However, the space taken up by private labels today alters business perspectives. As noted by Jean Gattuso, “**You need to be the best on your playground and avoid direct confrontation with Goliath, if you are David.**” This war happens daily and without the necessary resources, you can run out of steam. For a multinational, Industries Lassonde opted for a less attractive business model, accepting the complexity involved in profiting with a “**multi**” platform that is difficult to standardize.

Industries Lassonde thus managed to redefine its strategy and its business model in order to create its own playground, the “**one stop shop provider.**” Moreover, the company invests in innovation while setting itself apart from the major players. The leeway thus gained enables the company to meet its corporate strategic goals as they relate to its geographic market growth. This way of thinking, and of developing its business model, has enabled the company to greatly broaden its potential. **Such open mindedness and a corporate culture based on innovation** are assuredly the fundamental conditions that have paved the way to Industries Lassonde’s success.

A sample of the many brands of LassoInde Industries.



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