

HÄAGEN- DAZS ¹

"Ice cream was getting cheaper and cheaper, so I did the opposite."

Reuben Mattus, Häagen-Dazs founder

Pilar Damborenea, the head of General Mills – Häagen-Dazs' marketing outfit in Spain and Portugal, was revisiting the advertising campaign slated for broadcast in 2020 across several European countries, including the two within her purview. She harbored some doubts and contemplated the brand's potential journey towards rejuvenation without compromising its existing positioning.

The past few years had been quite prosperous for Häagen-Dazs in Spain, marked by robust double-digit growth and the contribution margins meeting General Mills' expectations. The brand had strengthened its position in the premium ice cream segment by two additional percentage points. Nevertheless, the current goal was to shift the brand's focus within its value proposition, aiming to broaden its reach among younger consumer segments, including "the Zs" and millennials. Häagen-Dazs had firmly established itself as the premium ice cream reference point among senior consumers and aspired to achieve the same distinction among younger consumers.

Pilar was well aware that Häagen-Dazs generated substantial value and contribution margins, benefiting both the company and its distribution channels. However, the brand faced significant promotional pressure from its direct competitor, Unilever, with its Magnum and Ben & Jerry's brands. This competitive challenge raised the question of whether Häagen-Dazs should counter with similar promotional tactics or adhere to the strategy it pursued since 2019.

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

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GENERAL MILLS

General Mills was an American multinational specializing in the FMCG food market, with a capitalization on the New York Stock Exchange in 2021 of about 40,000 billion USD.

It ranked 8th worldwide by revenue (17.6 billion USD in 2021), manufactured in 13 countries, and marketed its brands in more than 100 countries on all continents. It employed 35,000 people in 2021, 15,000 of whom were in the United States.

The company's business was structured into five major divisions, and the distribution of their sales is illustrated in Table 1 below:

Main business divisions	Sales %
North America and retail	59%
Europe and Australasia	11%
Convenience stores and food service	12%
Asia y Latin América	10%
Pet food	8%

Table 1: General Mills' main business divisions and sales percentage

Furthermore, the company had forged two significant international partnerships. The first was for marketing cereals outside the United States, and it was with Nestlé, resulting in Cereal Partners Worldwide, C.P.W. The second alliance was in the ice cream division in Japan, where Häagen-Dazs partnered with Suntory, forming Häagen-Dazs Japan (H.D.J.).

Its brands were present in different product categories, including cereal, ice cream, yogurt, snacks, confectionery ingredients, bakery, pet food, etc. (See Exhibit 1: General Mills' main brands). Its most prominent brands in the Spanish market were Häagen-Dazs, Gigante Verde, Old El Paso, Yoplait, and Nature Valley.

The company's corporate culture was deeply rooted in its commitment to address societal concerns through its market offerings, as illustrated by its corporate mission below:



"We serve the world by making people love food. Our devotion to our community and our planet drives the way we give back and do business."

ICE CREAM

The Product and its Quality

Ice cream, regarded as one of the oldest desserts in the world, exhibited variations in consumption from one country to another, influenced by factors such as geographical location and income levels. Traditionally, it was a seasonal treat often associated with

good weather. For instance, in Spain, approximately 80% of ice cream sales occurred between April and August, despite manufacturers' persistent efforts to "deseasonalize" them.

Ice cream was categorized differently based on its formulation (see Exhibit 2: Ice cream classification in Spain). In general, the key ingredients required for its preparation included milk, fats, and sugar. However, its most crucial component was air, without which the product would not become ice cream and would instead retain a creamy consistency devoid of texture.

There was quite a disparate price range based on the proportion and combination of these ingredients. Quality variations were substantial, contingent upon the quantity of air² incorporated during churning and the quality of the other components. Table 2 illustrates various quality parameters and their respective features:

Parameter	Quality features
Sensorial	Shape, color, smell, flavor, texture
Nutritional	Composition, digestibility
Health	Innocuousness (microorganisms, chemical agents, contaminants)
Physiochemical	pH, acidity, color, colligative properties, viscosity
Functional	Overrun ³ , packaging, melting, storing, ease of portioning

Table 2. Characteristics of ice cream quality parameters

The Spanish Market: Volume, Segments, and Purchasing Habits

In 2021, the market's value amounted to 1,758 million USD, making it the fifth largest in Europe, as shown in Figure 1 (Volume of the main markets in Europe). This market had experienced consistent growth in recent years, and the projection for 2026 was to reach a volume of around 2.5 billion EUR.

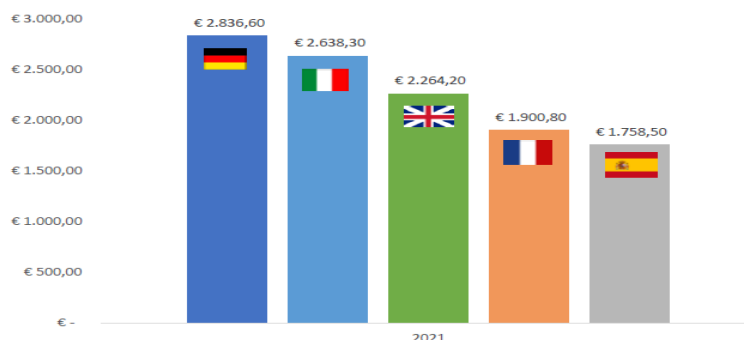


Figure 1: Volume of the main markets in Europe

² Tubs of 500 ml of low-price ice cream can weigh as little as 370 grams, with air being one of its main components, which can exceed 50% of the total volume.

³ Overrun is the increase in volume of the ice cream during its production process. Air is introduced during the churning of the ingredients and is necessary to prevent the ice cream from being too dense, hard, and cold.