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CEO Profile: Campbell exec nears 'extraordinary' goal

By Bruce Horovitz, USA TODAY, 1/26/2009



CAMDEN, N.J. – Sip. Slurp. Repeat. That sums up the business plan at Campbell Soup before **Douglas Conant** took over as CEO eight years ago this month. It was the same old company doing much of the same old stuff it had been doing since it was founded in 1869. It had no clear direction. No red-hot brands. Its innovation cupboard was bare.

Pretty thin for a company whose basic product – soup – is held in such high esteem that the typical American home has six cans of Campbell's in the pantry.

Conant went to work. His self-described mission: to take a "bad" company and lift its performance to "extraordinary" by the end of one decade – that's by 2011.

How to accomplish that? By developing or keeping only products that rank No. 1 or No. 2 in the categories of simple meals, baked snacks and veggie-based drinks. By staying laser-focused on only creating products that scream value, nutrition and convenience.

And by action. "You can't talk your way out of something you behaved your way into," **Conant** says.

In his first three years, 300 of the company's top 350 leaders were replaced – 150 from within and 150 from outside. **Conant** stressed convenience, with microwaveable soups and cans that open with a pull. The recipes got healthier for its soups, V8 drinks and Pepperidge Farm snacks. He unloaded non-core brands, such as fancy Godiva chocolates.

Now he's steering the \$8 billion company toward a promising but risk-filled future in two of the world's biggest soup-eating nations: China and Russia.

But turning Campbell around has not been simple, and is not a done deal. Last year, Campbell far outperformed the stock market. While the Standard & Poor's 500 finished down 38% for 2008, Campbell stock was down 16%.

But Campbell struggled to hold its own against rival food companies. The S&P packaged foods index finished down 15.1% for the year – a slightly better showing than Campbell.

Still, investors have done quite well in the eight years **Conant's** been CEO. The total return on Campbell stock, assuming reinvested dividends, is 31.5% vs. a loss of 14.4% for the S&P 500 in that time.

More dramatic, on Sept. 29, when the S&P 500 fell 8.8% in one day, Campbell was the only stock to post a gain, up 12 cents to close at \$37.75.

Conant was in Singapore that day, but his phone never stopped ringing. He got calls from reporters, executives and family.

He refused to celebrate. "It was just another day-in-the-life," he says, matter-of-factly.

That's **Conant** being **Conant**. A bold act for the 56-year-old is strapping on the flashy, Campbell's Soup can tie that he wore to meet a reporter. At first blush, he seems as old-fashioned as the 139-year-old Campbell's brand.

Conant is a self-described introvert who reads and rereads management advice tomes with the kind of gusto with which millions of Americans read the gossip sheets. He reads at least four hours a day. He also sets aside time to write thank-you notes to employees, suppliers and customers, up to 20 every day. "It carries a personal message that gets lost in e-mail," he says.

One smart cookie

Underneath the old-school values, however, is a new-school thinker who is M'm! M'm! savvy. Before joining Campbell, he spent a combined 25 years at General Mills, Kraft Foods and Nabisco.

As a realist he knows Campbell's challenges are many. The company is coping with commodity costs up double-digits last year.

Soup rival Progresso has relentlessly needled Campbell and led the way with healthier, ready-to-heat varieties. Campbell has a way to go in reducing sodium and calories and eliminating MSG.

The cookie division of its pricy Pepperidge Farm brand is stagnant in a hobbling economy.

While the future for Campbell may be growth in Russia and China, the present is not: 99% of soups consumed in both countries are home-made. But **Conant** can't ignore the stats: Americans eat 15 billion servings of soup annually, Russians eat 32 billion, and the Chinese eat 300 billion.

That's why **Conant** has sent Campbell workers to study the Russian and Chinese habits, even live in some homes. "We're the world's largest soup company, but only in 6% of the world's soup markets."

The 4 'musts' of consumer products

Conant is intent on making Campbell more global and more contemporary, as well as simplifying the company by focusing on the core product lines.

"The challenge is for us to be relevant," he says. "We've been around for 139 years, but that's not relevant to consumers."

There are, he says, four "musts" for consumer products: value, wellness, quality and convenience. After years of ups and downs, he says, Campbell now has at least a beachhead in all four:

▪**Value.** Since the financial meltdown, nothing's been more core to consumers than value. And at an average cost of 52 cents a serving for its condensed soups, he says, "We're a value food company."

Its ads now call Campbell's Soup "the original dollar menu." A joint ad with Kraft Foods touts a bowl of Campbell's tomato soup and a Kraft grilled-cheese sandwich as a "wallet friendly" meal.

Some grocers recently ran price promotions for Campbell's condensed soup at \$10 for 10 cans.

▪**Wellness.** Under **Conant**, the soupmaker long criticized for having too much sodium, too many calories and too much MSG in some soups has been shedding all three.

Campbell's "low-sodium" soup line was the most successful product introduction of 2007, reports researcher Information Resources. It cannibalized sales from Campbell's classic line, but it put Campbell's in line with many health-conscious shoppers.

Last fall, Campbell rolled out Select Harvest soups that target women: The soups have fewer calories, no artificial flavors and no MSG.

Conant says Campbell hopes to remove MSG from all its soups "over the next few years" and now has 124 that are MSG-free, vs. 87 with MSG.

Still, it's been pressed hard on wellness by Progresso, whose lower-calorie soups and Campbell-mocking ads have given the General Mills brand a hearty share of ready-to-heat soup sales.

Beyond soups, Campbell's wellness efforts have included expansion of the V8 vegetable juice line with V8 V-Fusion veggie and fruit juice blends. **Conant** says it'll be the company's next billion-dollar brand. Rolling out in the spring: V8 V-Fusion Goji Raspberry juice. Goji is a Chinese-grown berry that is hotter-than-hot in the health food world.

Better-for-you also is a big part of the selling proposition for Pepperidge Farm, including lower-sodium breads rolled out last year and even whole-grain Goldfish back in 2005.

▪**Quality.** A clear signal of Campbell's hunt for quality came last summer, when it bought the Wolfgang Puck line of organic soups from Country Gourmet Foods. Campbell may extend that brand into non-soup areas, **Conant** says.

▪**Convenience.** **Conant** shakes his head when he discusses how long it took Campbell to create a microwaveable soup package. "The microwave was invented in 1947, but it took us until 2002 to put together a microwaveable soup pack. Why did it take us 55 years to do that?"

Conant has no crystal ball, but folks who know him think he has a pretty good bead on trends.

Long before it was politically correct to be "green," **Conant** created a program at Kraft Foods that promoted its environmental good deeds, says Jim Kilts, former CEO of Nabisco. "This guy's a forward thinker."

Just as vital, says management author Jim Collins, **Conant** is disciplined. Although Godiva chocolate was a "sexy" brand, Collins says, **Conant** sold it last year. "That gets my attention, when someone has the discipline to let go of what doesn't fit."

Conant has no desire to try to turn Campbell into a packaged-food giant such as Kraft. "There's no evidence that large, diversified food companies win over time," he says.

Keeping innovation on track

One criticism of **Conant** has been that he hasn't put more emphasis on creating new, powerhouse brands for Campbell. "He needs to go for more home runs instead of singles," says Al Ries, a marketing consultant. "Line extensions are just singles."

But **Conant** doesn't swing for the fences – and that's central to his success, says Ram Charan, author of several management books and **Conant**'s former business professor at Northwestern University's Kellogg School of Management.

"The company was floundering until he came in," Charan says. "He put the innovation machine back into the company."

Conant is not about to give it up, and says he has no thought of retiring anytime soon.

He also scoffs at a comment Heinz CEO William Johnson made during a shareholder Q&A at the Heinz annual meeting last year: that Campbell was a good "fit" for a Heinz acquisition.

"We're not on the market," he says. Full stop.

But the tough talk seems to melt away a few moments later when the CEO takes a reporter on a quick tour of his office. Along with a gallery of family photos, **Conant** keeps under glass a very special handwritten letter that his daughter gave him for his 50th birthday.

In it, she lists her 50 "favorite things" about Dad. Each is more endearing than the next. But she suddenly ends the list at No. 20, writing: "... and sometimes you annoy me."

Conant isn't shy about this. He's actually quite proud. He laughs out loud.

What else to expect from the guy who, for the past eight years, has unofficially been Campbell's chicken soup for the soul?

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