



NON-FAT GREEK YOGURT

Chobani[®]

Raspberry on the Bottom

NON-FAT GREEK YOGURT

Chobani[®]

Raspberry on the Bottom

NEW LOOK SAME YOGURT

NEW LOOK SAME YOGURT

0% MILK FAT

Only Made with
No Preservatives
No Artificial Flavors
No Cholesterol
No Gluten
No Soy

NON-FAT GREEK YOGURT

Chobani[®]

Blueberry on the Bottom

NON-FAT GREEK YOGURT

Chobani[®]

Blueberry on the Bottom

NEW LOOK SAME YOGURT

NEW LOOK SAME YOGURT

Sweetening
the Pot

Chobani's domination of the US yoghurt market has been swift and glorious, cultivating a place at the top of shopping lists with a tasty mix of superior products, mass-market positioning and everyday pricing. Not content with that, its taste for growth has seen the company restructure, rebrand and expand beyond its category to embrace wellness.



Chobani's chief demand officer, Peter McGuinness, is in full flow, sermonising on the state of the US yoghurt market, when he casually describes his company as a 'challenger brand'. I ask him to backtrack.

Chobani is the top-selling yoghurt in the US, dominating the Greek yoghurt market with a 37.6% share. Does he really still think of the company as a challenger?

'Yes,' says McGuinness. 'But I think we've moved beyond just challenging the yoghurt category. No disrespect, but to challenge Yoplait and Danone is not that hard. I mean, we still do that for sport but we go beyond. Clearly, we transcend the products we make.'

McGuinness is full of combative, hubristic statements like that. When you're sitting in front of a brand like Chobani you can afford to be.

Chobani brought Greek yoghurt to the mainstream in the US. In 2008, Greek-style accounted for just 4% of yoghurt sales in the country but by 2012 it was 35%, and Chobani's sales were nudging \$1bn.

As one analyst said of Chobani's growth at the time: 'If you blocked out its name, you'd think it's a software company.' Indeed, Chobani's biggest challenge to date is one born of its uncommon success: the rush of copycats eager to hijack the demand for healthy, natural yoghurt that Chobani had tapped.

If Chobani had positioned itself as an exclusive, niche product, one with a small base of more loyal customers, it might have been less concerned. But it hadn't. From the beginning, it shared a shelf with the traditional top-selling yoghurts (the sweeter, unstrained kind) and competed for the custom of the mass market. Losing its distinctiveness presented a clear threat to Chobani.

In response, as the company prepared to mark its 10-year anniversary, Chobani restructured its business, instigated a rebrand and began calling itself a food-focused wellness company. This is how arguably the most successful food company of its time repositioned itself for the next decade of growth.



Controlled creativity

Chobani has worked with Droga5, Wieden+Kennedy and Opperman Weiss in the past but in 2017 it chose to bring most creative duties in house.

'I don't have anything to say about the advertising industry or ad agencies,' says Peter McGuinness, Chobani's chief demand officer. 'I love 'em but we're moving fast and doing a lot, and internal makes more sense to us. I'm not saying it's better; I'm just saying it works for us. We have a creative culture and I think having a creative ability fuels that culture.'

Chobani hired Leland Maschmeyer in 2016 as its first chief creative officer and asked him to help the

yoghurt brand grow into a modern food company. He now oversees the brand and media strategy, and all Chobani's creative work.

'The company had grown to a certain level and a certain complexity where there now needed to be someone championing [creativity] more formally within the organisation,' says Maschmeyer.

More and more brands are opting for an internal champion of creativity these days. Pepsi and REI both now create ads in house, for instance. But McGuinness is loath to link Chobani's decision to a trend.

'That's just the model that works for us. I'm not going to predict that it's the future or any of that nonsense.'



Healthy start

Rebranding its way out of a problem was strange territory for Chobani. Marketing almost wasn't a factor in the company's rise. Hamdi Ulukaya, the company's Turkish founder, saw a gap in the US market for an accessible Greek yoghurt and he filled it with a great product.

'It was not only a terrific product,' says brand leadership consultant Denise Lee Yohn. 'It synced nicely with the food trends and food demand that customers had, wanting more higher-protein, lower-fat products that were natural and perceived to be healthy. It hit all of the right buttons.'

Ulukaya, guided by his vision of a healthy yoghurt that was within everyone's reach, made two shrewd decisions about positioning early on. He priced Chobani at \$1 a cup (a bit more than the popular unstrained yoghurts, but far less than the Greek yoghurts stocked in specialist stores at the time) and he targeted mass-market retailers, insisting they placed his product in the main dairy aisle. That was not an easy demand for a startup to make, and Ulukaya had to barter free yoghurt because he couldn't afford the slotting fees that supermarkets charge brands for shelf space.

Ulukaya also put a lot of thought into packaging. In a piece for *Harvard Business Review*, the Chobani founder wrote: 'We worked hard to get the packaging right. This was a big expense – about \$250,000. American yoghurt has always been sold in containers with relatively narrow openings. In Europe, yoghurt containers are wider and squatter, and that's what I wanted for Chobani. I wanted the package to signal that the product inside was very different.'

With the strong foundation of a superior product, distinctive packaging and widespread availability, Chobani soared with little help from advertising or marketing campaigns. 'When I came on I joked that I kind of wished I'd been here for the first five years because I could have had a jolly,' says McGuinness. 'But then everyone woke up and began copying us, and then it became a marketing game.'

Everyone woke up and began copying us, and then it became a marketing game

Peter McGuinness, Chobani

Taste the difference

It took longer than expected for Chobani's rivals to find their heads and mount a challenge; when they eventually did, the quality was underwhelming.

Ulukaya recalls: 'I had put aside \$7m for a big ad campaign when our larger rivals launched their Greek yoghurts, but after I tasted their products, I cancelled the ads. There was no need.'

McGuinness maintains Chobani still has no equal within the category, but the sheer volume of imitators creates problems of its own.

'There were 800 new SKUs [stock-keeping units] on the shelf in the last year and a half. I don't know a single category that's had that kind of SKU growth. There are too many choices. The average shelf now has 14 different strawberry yoghurts,' he says.

McGuinness describes today's yoghurt market as 'competitive, congested and a tad confusing', adding that some competitors have taken to irrational pricing. 'We're seeing a lot of crazy stuff that's not healthy: pun intended.'

The Greek yoghurt market itself has also been in rude health than it is today. According to Nielsen, in 2017 Greek yoghurt sales fell 4.6%, outpacing the decline of the overall yoghurt market, which slipped 2.8%.

On these figures McGuinness is bullish. He believes any issues with yoghurt are 'self-inflicted' and 'correctable'. Many of the new entrants are underperforming, he says, and that 'brings down velocity'. In fact, Chobani has stated that if you strip out low-performing brands, the category grew 3.1% in 2017. 'If you tease that out, we're still growing double digits,' says McGuinness. 'We're still delivering incrementality and growth to the category. But what really needs to happen is the whole assortment and shelf needs to be pared down.'

Frustrating as it is, Chobani couldn't do much about the competitors with which it shares a shelf. What it could do was ensure its own house was in order and able to compete in a more crowded market.

The usual strategy for market leaders in a mature category is to refine production processes and supply-chain management – trimming costs and bumping up the bottom line. However, convinced that the appetite for yoghurt in the US had the potential to still double (to around \$16bn) Chobani went the other way and reorganised itself to pursue top-line growth and expand the market. It knocked down almost every silo within the company and brought the teams together under one 'demand department', which McGuinness controls.

The change was also a reflection of Chobani's desire to hold onto its restless, entrepreneurial spirit. 'We started to look internally and felt, despite being modern and challenging convention we hadn't challenged our structures,' says McGuinness. 'Some of our structures, even though we did them in a way that was more agile, felt "big company".'

The new demand department incorporates product innovation, commercial marketing, branding, sales, and consumer and marketing insights, among others. Under the new regime all these teams draw from the same budget. The people who know the customer best sit with marketing, sales and product innovation, which leads to fewer lags and better work. Everyone feels more involved.



Incubator

Chobani founder Hamdi Ulukaya created an incubator to support entrepreneurs who, like him, want to shake up the food industry with natural, affordable products. Those who make the cut get a \$25,000 grant and access to Chobani's expertise. The first class, which was inducted in 2015, saw a 250% increase in distribution and 2.6X growth in annual revenue. The brands picked for the 2018 class are pictured below, left.

Below: Peter McGuinness (left) and Hamdi Ulukaya



Tent Foundation

In 2015, Ulukaya created the Tent Foundation, a non-profit that helps with refugee relief efforts and encourages more businesses



Lifting the lid

The idea that companies should reorganise around identifying and nurturing demand at the head, rather than responding to supply information from retailers and focusing on efficiency, has no shortage of advocates among consultants.

Focusing on growth helps brands resist the urge to enter a marketing-spend arms race. It also wards off the temptation to discount. As well as increasing price sensitivity, discounts destroy loyalty. A 2009 IPA report charted the correlation between promotional activity in a category and the number of consumers who are brand loyal, recording small but significant drops.

Still, 'supply-driven thinking is the rule rather than the exception', notes Nielsen head of innovation Martin Moore. But Chobani's relative youth as a company made it easier to take the road less travelled. 'We're lucky that we didn't have so much legacy and we didn't have so much legacy structure,' says McGuinness. 'When I built the demand department it was much more of a build than a tear down of something that had previously existed that was sacrosanct.'

McGuinness says that the restructure, to him, was intuitive, and is quick to point out that it is a work in progress: 'We did this in August [2017] and were up and running by September. Right now we're in base camp two; we're not at the summit. Is it perfect? Of course not. But it's better than it was and that's good enough for me.'

The reorganisation around demand was the internal strand of Chobani's repositioning. The public strand, the redesign, was announced in November 2017.

The redesign was meant to convey Chobani's new creative expression: Fighting For Happily Ever After. The concept deliberately evokes notions of fairytales and magic, to bring some distinctiveness back to the yoghurt shelf.

McGuinness has publicly declined to say how much the redesign cost, save that it was a 'big investment'. But the new branding touches every aspect of Chobani, from its logo and website, to its packaging and café.

Consumers want to know what makes you tick and what you stand for. So this is all part of the brand and strong brands are a tapestry of things that make them what they are

Peter McGuinness Chobani

Chobani's all-caps logo is gone, replaced with a chunkier sans-serif font in lower case. The words 'Greek Yoghurt' which used to appear under the logo as a matter of form have also gone. This change reflects Chobani's inflated ambition. While the company is stoic about the growth of the Greek yoghurt market it has also branched out into unstrained yoghurt, and has hinted at expanding into new products outside of yoghurt, as it seeks new markets to sustain the outrageous trajectory of its first 10 years.

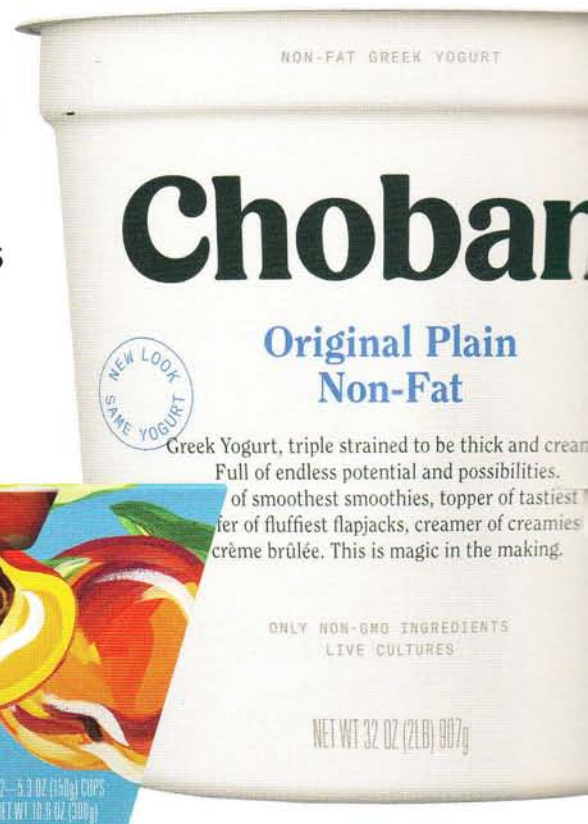
The packaging, arguably the most important facet of the rebrand, incorporates the new logo and has traded white for off-white. The photos of fruit that Chobani packs used to carry (and which are now ubiquitous in the category) have been usurped by renderings that look hand-painted.

Chobani chief creative officer Leland Maschmeyer says the new branding was created to honour the spirit of the company's founder, but it also had to stand out on shelves. Maschmeyer and his team settled on imagery borrowed from 19th-century mid-Atlantic textile quilt-work.

'Not only because that was the region in which Chobani was born but because quilts were made with the spirit of generosity. There was clearly a lot of love and attention in it because you could clearly see the human hand in it. What we loved most about it was there were all these quirks and mistakes and that gave it a sense of charm. Those are all qualities that the company lives by, so we thought it was the perfect corollary.'

The road to wellness

Around the same time that Chobani's redesigned packaging hit shelves, the company began articulating a shift in purpose going from a food company to a food-focused wellness company. Both Maschmeyer and McGuinness are clear that this was



Greek Yoghurt, triple strained to be thick and creamy. Full of endless potential and possibilities. Perfect for smoothies, topper of tastiest flapjacks, creamer of creamies, crème brûlée. This is magic in the making.

always present within the company. It had just never been codified or made explicit.

It's common for brands to announce a new position or purpose by claiming they are merely giving voice to something that was always there. Sometimes it's a little disingenuous but Chobani has possessed a vein of good conscience from the outset, thanks to its founder. Ulukaya pays staff more than the minimum wage, offers more benefits than most and has actively supported immigrants to the US through employment. In 2016 he also gave away 10% of his shares to employees, making some millionaires. As a result, it feels authentic when Chobani says it wants to make the world a better place for people.

Chobani's new vision, which emerged with the redesign, is to 'make universal wellness happen sooner' and it comprises three pillars. The first is nutritional wellness, which spans Chobani's own efforts to make better food for more people, as well as its no-strings-attached incubator, which offers grants and advice to promising food startups. (One of the early graduates was Banza, a low-carbohydrate pasta made from chickpeas, which was named one of the Top 25 Inventions of 2015 by *Time*.)

The second pillar is social wellness, which incorporates employee wellness as well as Chobani's community and charity work, such as the Tent Foundation, a non-profit that Ulukaya established to help displaced peoples. The third is environmental wellness, which McGuinness says is a new mission for Chobani, but of which we can expect a lot more in the future.

Chobani's shift to a food-focused wellness company has all the hallmarks of a product company seeking lifestyle brand status. 'It's a very common aspiration,' says brand consultant Yohn, noting that few brands commit to developing the multi-dimensional relationship with customers that this strategy requires.

'The benefits are that your brand is not commoditised and you're not always competing on price,' she says. 'You resonate with customers at a level that makes them less price sensitive and it enables you to introduce new products and new experiences more quickly and more successfully because you have developed a relationship of trust with the customer. They are more likely to try new things of yours because they want more of your brand and they trust you.'

These are all benefits that a company like Chobani, battling a crowded market, is crying out for. But the strategy has drawbacks too, says Yohn. Companies risk diluting their brand by expanding into areas in which they have no business being, or lose focus on the thing that made them great in the first place. That's why Chobani's move into regular unstrained yoghurt in 2017 – the kind that many thought the company was created to oppose – raised a few eyebrows.

Still, McGuinness has rejected the lifestyle brand label as a marketing cliché and believes that the benefit of Chobani's new position is one of clarity: setting out the company's beliefs for employees and customers.

Maschmeyer meanwhile, links it back to people's changing relationship with food. 'There are all these different reasons that people eat food and all these different ways that they want to engage with food,' he says. 'We summarised that as wellness because with food you're either feeding your spirit, your body or your relationships with other people. By being a food-focused wellness company, we're recognising that we still make food but there are other ways we can still be creating value and experiences for people that build on top of the food we make to deliver the relationships they want.'

In addition to a doubling down on community work and employee welfare, Maschmeyer says a practical consequence of being a food-focused wellness company is that 'we're going to be investing a lot more in experiential marketing to create those moments around the food to bring that delight'.



Superior shelf-life

That investment will likely not come at the expense of other channels. As the yoghurt category has become more cluttered, Chobani's marketing mix has become more rounded.

McGuinness describes himself as a 'an equal opportunity employer and offender of all media and marketing channels'. As well as experiences and mass-awareness TV campaigns, Chobani will continue to invest in search, digital and social, as well as pushing its story through PR opportunities.

But events and experiences have always been a cornerstone of Chobani's marketing mix. It makes sense for a brand with relatively low household penetration and trial, but higher instances of repeat purchases, to focus on getting the yoghurt into as many people's hands as possible.

This was the impetus behind the creation of the two Chobani Cup Trucks, which have travelled the US handing out more than a million products a year for almost six years. It was also the reason for Chobani opening its SoHo café in New York in 2012 and explains why the brand celebrated its 10-year anniversary in February by giving away 10 million yoghurt pots.

McGuinness knows that the events make for good copy. He calls them 'brand deeds', and claims they help feed another arm of the marketing mix – earned media. 'They're proof points to what makes us special,' he notes. 'Brands are porous. Consumers want to know what makes you tick and what you stand for. So this is all part of the brand and strong brands are a tapestry of things that make them what they are.'

Chobani hopes that its tapestry, when pieced together, tells the story of a 'modern food brand': attaining this designation is the brand's higher creative challenge, the horizon that it is forever chasing.

'Most companies are structured around the manufacture of a product and then getting it on shelves at a good price,' says Maschmeyer. 'It's a fantastic business model but we have ambition to push beyond that. What are the other things we can do for our consumers, which evolve from being just marketing choices to being a way that we create, offer and deliver value? It's not just a marketing challenge. It's a design challenge, it's an enterprise strategy challenge, it's an innovation challenge. Collectively it's a creative challenge because you're trying to invent something new. We're not trying to do something that other brands have done.'

This must be what it means when a \$3-5bn Greek yoghurt company that has dominated its market since inception describes itself as a challenger. 🍯



Pot shots

Mimi Bonnet, director of food and drink, research and reports at Mintel, gives her category analysis:

Growth: After several years of steady gains driven by the novelty of Greek-style products in the US, the category has cooled, posting sales declines for the first time in more than a decade. While still a small part of the overall market, innovation in yoghurt drinks has helped to ease the decline of spoonable yoghurts.

Demographics: Adults under 40 are the biggest consumers of yoghurt and yoghurt

so. While Greek-style and fruit-flavoured are the most common types among Hispanic millennials, they are much more likely to purchase yoghurt for their kids, drinks or spoonable, as well as other yoghurt drinks and yoghurt with separate mix-ins.

New trends and tastes: We have noticed an uptick in consumer interest in yoghurt drinks. Brands are quick to dive into this segment that delivers on convenience, portability as well as nutrition.

International styles: Perhaps taking a page from the 'Greek yoghurt playbook', brands featuring other international styles of yoghurt such as Australian, Icelandic and French

These different styles of yoghurt introduce new textures and flavour profiles to US consumers who may be looking for a change or an addition to their yoghurt repertoire.

Moving yoghurt beyond breakfast:

Product innovation suggests that brands are trying to go beyond the breakfast daypart. Dessert flavours and yoghurts with mix-ins (like cookie bits) or scoop-able additions (like pretzels) are tapping into the evolving and popular, snack space.

Non-dairy: As consumers take steps to develop dietary habits that lead to longer-term wellness, products featuring non-dairy and plant-based protein alternatives, while

10%

Proportion of the company's shares that founder Hamdi Ulukaya gave away to employees in 2016

\$1.8bn

Euromonitor's estimate of Chobani's sales for 2017

5

Number of years it took Chobani to go from inception to billion-dollar company

203%

Rise in sales of Greek yoghurt in the US between 2009-10, driven by Chobani. Traditional yoghurt grew 3% in the same period

Chobani

in numbers

2,000

Number of Chobani employees

1m

Square footage of Chobani's Idaho yogurt plant, the largest in the world

12

Grams of protein in a 5.3oz pot of Chobani, double the 6 grams contained in a similar sized pot of regular yoghurt

67,000

Number of cows required to meet Chobani's production needs