

# Chobani's quest for a bigger pot

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by James Swift



*Chobani's 2017 restructure garnered less attention than its public rebrand, but deserves a closer look as an example of market leader strategy, argues James Swift*



In November 2017, Chobani rebranded. The logo was redesigned with a chunkier, more friendly-looking font, the yoghurt pots went from brilliant to off-white, and the photos of fruit were replaced with hand-painted renderings.

As far as yoghurt pot redesigns go, Chobani's attracted a respectable amount of press interest. The Chicago Tribune, Fast Company and Fortune all published articles about it, as did a lot of the trade press.



Less well-covered was Chobani's internal restructure, which preceded the rebrand. It's understandable: nice pictures count for a lot in internet publishing and company shake-ups are only usually newsworthy when someone important gets the boot.

But Chobani's restructure is a fascinating example of market-leader strategy. And it says a hell of a lot more about the company than bubble writing and hand-daubed blueberries.

### **Crowded waters**

When Chobani started it was swimming in a blue ocean pleasantly bereft of competitors. In 2008, Greek yoghurt accounted for just 4% of yoghurt sales in the US, but by 2012 it was 35%, and Chobani had practically cornered the market with sales nudging \$1bn.

Competitors eventually flooded in, seeking to tap the market for healthy, Greek-style yoghurt that Chobani had created. The result was that by 2017 the yoghurt aisle had become 'competitive, congested and a tad confusing', according to Chobani executive Peter McGuinness.

Chobani still had a commanding 37.6% market share (for Greek yoghurt), but the game had changed.

### **Follow the leaders**

The usual strategy for market leaders in a mature category is to refine their production processes and keep a tight grip on supply chain management. To trim costs to bump up the bottom line.

But Chobani was convinced American's appetite for yoghurt could still grow, could double in fact. Acting on the belief, Chobani dismissed the standard market-leader strategy and reorganised itself to chase top-line growth and expand the market. To this end, it knocked down almost every silo within the company and brought the teams together under one demand department, which McGuinness controls as chief demand officer.

The new demand department incorporates product innovation, commercial marketing, branding, creative and content development and sales, among others. Under the new regime, all these teams draw from the same budget and they interact more frequently. The idea is that the company will be better able to spot consumer trends and demands, and then react more quickly to them with better quality work.

### **No demand**

There is no shortage of advocates for the idea that companies should reorganise to identify and nurture demand at the head, rather than respond to supply information from retailers and focus on efficiency.

Staying focused on growth steers brands away from developing an unhealthy dependence on discounts or entering into a marketing-spend arms race with competitors – a strategy that results in companies paying more to stand still.

In spite of the sound reasons for organising around growth, few companies do it. ‘Supply-driven thinking is the rule rather than the exception,’ noted Nielsen’s head of innovation Martin Moore in a 2016 piece.

Chobani was free to take the road less travelled because it was still young and unencumbered by legacy. ‘When I built the demand creation department it was much more of a build than a tear down of something that had previously existed that was sacrosanct,’ says McGuinness.



## Trade-off

Like any strategy, Chobani's restructure around demand and top-line growth requires choices and trade-offs. For a start, a huge chunk of the company's operations is now the fiefdom of one person – McGuinness. Having spoken with McGuinness, it's obvious he's a big enough character to pull off the role, but consolidation of power at this scale is not to everyone's taste.

Brands seeking demand and top-line growth must also be prepared to broaden their horizon. And, around the same time as the restructure, Chobani began articulating a shift in purpose – from a food company to a food-focused wellness company.

The shift has all the hallmarks of a product company seeking lifestyle brand status, even if McGuinness has balked at the label in interviews with other outlets.

'The benefits are that your brand is not commoditised and you're not always competing on price,' says brand leadership consultant, Denise Lee Yohn. '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 and so 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 and seeking to maintain its – frankly, quite ludicrous – trajectory of growth, is crying out for.

But the risk here is that broader horizons dilute the brand by forcing it to expand into areas in which it has no business being, or causing it to lose focus on the thing that made it great in the first place.

Certainly, eyebrows were raised when, in 2017, Chobani started selling a regular, unstrained yoghurt – the kind the company had railed against when it was launched.



To successfully branch out - whether into lifestyle or wellness - a brand must be committed to building and maintaining a multi-dimensional relationship with customers, notes Yohn.

This is one of those things, like 'putting the customer at the centre of everything we do' that sounds trite and simple enough, but requires more will than most companies have in reserve.

If there's one thing Chobani has on its side, its authenticity. Too many brands claiming a higher purpose say they are merely now giving voice to something that's always been there, and too often it smells like bullshit. But, thanks to founder Hamdi Ulukaya, who has acted ethically and with purpose from day one, Chobani sounds credible when it talks about wellness and making the world a better place.

Pitfalls aside, anyone who works in marketing should be heartened by the belief that Chobani has in its brand, and its power to elevate the company. And if it doesn't all work out to plan, Chobani can at least say that it failed as it succeeded - on its own terms.