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<sup>2</sup> For the "Business life" seminar

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**HOW A COMPANY FASHIONS SOCIETY**

by

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**Jean-Claude THOENIG & Charles WALDMAN**

Authors, *De l'entreprise marchande à l'entreprise marquante*  
(Éditions d'Organisation, 2005)

*The Marking Enterprise. Business Success and Societal Embedding*  
(Palgrave, 2006)

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Report by Sylvie Chevrier

Translation by Rachel Marlin and Henri Lagarde

**Overview**

Economic success stories are the result of companies which continually and gratuitously infringe what are generally accepted to be good management principles. Jean-Claude Thoenig and Charles Waldman maintain that what these companies do anticipates or even creates new values. With many partners, these 'marking' companies build new 'territories'. In an attempt to illustrate this approach, Philippe Houzé describes the story of Monoprix which invented a new concept of shops in town centres at a time when large supermarkets were flourishing in the suburbs. The Monoprix brand name is a pioneer in terms of biological, environmentally-friendly and sustainable development products. In a similar way, Henri Lagarde explains how Royal Canin has now developed the territory of health nutrition. Based on scientific research, the company now even sells food adapted to specific races of animals. The managers of these companies are only too aware of the fragility of their companies' success. Being a marking company means that one has to reinvent oneself all the time.

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## TALK : Jean-Claude THOENIG

Our book *De l'entreprise marchande à l'entreprise marquante*<sup>1</sup> is an account representing the views of a marketing expert and of a sociologist. Since the publication of *La marque*<sup>2</sup> in 1989, the world has changed and we wanted to bring this up to date. However, our attempt to do this, by studying several companies in France and abroad, led us down another path. Our study revealed an increase in 'heretical' practices by comparison with the acquired dogmas to which we subscribe as teachers. An even more interesting conclusion was that breaking established management rules often results in great business success. This can be seen in a company such as Saint-Gobain which is carrying out a huge downstream diversification process at a time when experts advise against vertical integration. Likewise, well established companies are deliberately and persistently turning their backs on the rules of marketing : Hermès (the leather goods company), for instance, is not commissioning any marketing studies or producing any publicity using celebrities. Products have to speak for themselves.

In our book, we tried to change what was behind the rejection of standard practices. We showed that these companies are not rigidly applying marketing techniques, but aim to leave their mark on their communal environment. It is a well-known fact that companies shape their environments by the impact they have on jobs and qualifications or even by the use of entrepreneurs : our study highlights the fact that companies have human, social and action systems which are capable of shaping society with other partners and stakeholders.

### Marking out the territory

With this in mind, we tried to change the basic features of management, particularly because the concepts which come from traditional, normative systems, such as those related to supply and demand, do not take new practices sufficiently into account. We now substitute the concept of market with that of territory, both social and communal, which one constructs and which includes both tangible and intangible elements such as identities and cultural norms. It is no longer a question of commercial companies but marking companies which are not satisfied with just basing their strategy on a snapshot of the market. Finally, we prefer the concept of marking to that of marketing which is more simplistic.

In the American Mid-West in the late 18th and early 19th century, owners marked their cattle with branding irons. Usually one associates a mark with a symbol, in other words a name or a logo but such a symbol is a method of determining the boundaries of a territory when there are no conventional boundaries such as fences. We can apply this metaphor to the companies which we mention in our book and for whom marking almost serves as a symbol of civilisation according to terms borrowed from political geography.

## TALK : Charles WALDMAN

The marking company is linked to a strong sense of community and the desire to reorientate and influence society. This means that companies take on a political role, in the original sense of the phrase, by the influence that they have on social life.

### Reactive and proactive marking

We identified two types of marking. The first, reactive marking, retains the people who are already involved as well as existing territories, but concentrates on implementation. For

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<sup>1</sup> Jean-Claude Thoenig & Charles Waldman, *De l'entreprise marchande à l'entreprise marquante* (Éditions d'Organisation, 2005) and *The Marking Enterprise. Business Success and Societal Embedding* (Palgrave, 2006).

<sup>2</sup> Jean-Noël Kapferer, Jean-Claude Thoenig, *La marque* (Mc Graw Hill, 1989).

example, Wal-Mart, the leading global retailer, has contributed nothing conceptually. Discount retailing had already existed for decades when Wal-Mart launched itself into this sector. Similarly, when the company opened its first small supermarkets, there were already other retailers in this sector, but Wal-Mart swept them aside with the quality of its implementation. One of its few innovations consisted of opening in rural areas of America where other retailers had not dared to go.

Proactive marketing creates new territories, new values and generates new actors. Ikea, for example, decided not to sell so-called 'heirloom furniture' but instead invented the idea of 'consumable' DIY furniture. In so doing, Ikea created a new division of labour between the company and its clients who, from that moment onwards, had to build their own furniture themselves. It set up an original network of subcontractors who in turn implemented highly specialised technologies in various countries throughout the world.

The distinction between proactive and reactive marketing is not clear-cut. Innovators may excel in implementation and imitators may also innovate. However, what is clear is that companies essentially either carry out one sort of marketing or the other.

### **Breaking down established marketing principles**

The rules of marketing are not adhered to by marketing practices, especially proactive marketing practices. Market studies, and in particular quantitative studies, are of no use whatsoever in marketing practices. To create new territories, it is pointless to extrapolate from zero. Henry Mintzberg, who carried out a study involving a large number of market creations, had already shown the uselessness of market forecasts in the vast majority of cases. The establishment of the FNAC store in Portugal is a well known case in which studies had concluded that there was no market for such a store since there was no competition. This conclusion was correct despite the fact that the Portuguese showed a huge appetite for cultural and leisure products, even without taking into account those Portuguese who had heard of the FNAC brand because of links between France and Portugal. In its first year, the Portuguese FNAC's turnover was much higher than the forecasts. In this sort of context, weak indicators and in-depth qualitative studies are more instructive than scientific studies.

Competitive benchmarking also has little use in this approach. It only serves to duplicate pre-established patterns and encourages marginal progress with regard to existing practices, whereas proactive practices brush aside what exists and change the rules of the game.

Satisfying needs is replaced by creating new ideas, especially since the notion of need is fragile and individuals are rarely capable of expressing verbally more than 10 % of their needs. Innovators do not have scientific knowledge of the company but they have been deeply impregnated with it and can see the way ahead. The change from 'heirloom' furniture to consumable furniture at Ikea, just like the change at Royal Canin from dog food to health nutrition, stems from a radical change in approach.

The concept of the 'average' client and the logic of large numbers which this implies are not applicable in marketing strategy. The preferred targets are innovative clients who are ready to adapt to the new rules of the game. Fragmentation and individualisation are no longer necessary.

The offer is improved by its tangible quality. The important markers are those which create elements which are tangible and which do not depend on psychosocial games and superficial symbols. The value of the product is real, tangible.

The idea of a price for what one buys is replaced by how useful it is ; markings are long-term factors for the company and the client.

Communication and publicity are educational, involving enthusiasts in the field. User satisfaction is not confined to marketing and sales.

In marketing approaches, co-operation between production and distribution is essential since marketing is seen to be a shared project. Compatibility between production and distribution strategies is fundamental.

## **TALK : Philippe HOUZÉ**

In 1985, I was appointed managing director of Monoprix by the company's second president, Étienne Moulin, under the watchful eye of its founder, Max Heilbronn. At this time it was thought that retail stores were outdated. The wave of discount hypermarkets and supermarkets had arrived. Town centres were threatened from all sides and in order to survive we had to fight. When one is neither in first nor in second place in a market, it is pointless to fight to get to the top. One should establish one's own territory before counter-attacking.

### **History and strategy**

Town centres have the advantage of being central, but they also have the major disadvantage of transportation and property costs. City-dwellers are clients who are appreciative of innovation and quality, and have purchasing power. They do not have problems related to their ability to move around, their schedules, and usually they have different life styles from non-city dwellers. From 1985 onwards, I noticed the division of the market into discount and specialised shops. Retail stores such as Monoprix were general stores, selling a variety of products and were destined to disappear if they remained caught between the two. Inherent costs of town centre locations prevented us from becoming discount shops, and so we had to become specialist shops and, more precisely, specialist shops for essential products. Simon Marks, one of the founders of Marks & Spencer, launched the idea of making products which were attractive and of high quality, accessible to everybody. I agreed with this idea : Monoprix had to make attractive and high quality products more accessible to a larger public. This echoes the company's beginnings : the founder of Galeries Lafayette, Théophile Bader, whose son-in-law founded Monoprix, created a clothing store in which he produced attractive products accessible to all. His success was such that the shop became a department store.

At the end of the 1980s, the market changed and problems relating to the environment and the quality of agricultural products increased. We were the first to launch brands of organic, 'green' products which respected the environment, and to make our customers understand that they too had a role to play in society. In terms of quality, we launched Monoprix Gourmet and Monoprix La forme which later became Monoprix Mieux vivre. We worked with town councils inundated by supermarkets. We closed one hundred and fifty shops which were losing money, but we opened two hundred and fifty others.

I changed the *Fédération nationale des commerces multiples* (National Federation of multiple shops) into the *Union du grand commerce de centre-ville* (Commercial union for town centres). I became its president and collaborated with the authorities to find ways of competing with out-of-town shopping centres ; for example, by developing central car parks, green spaces, improving road signs and directions, enforcing security, and so on.

Between 1998 and 1999, the concept of sustainable development started spreading. Everything which we were already undertaking flourished with this approach. I believe that the company has three responsibilities ; economic, communal and environmental. A company has to be viable : its first responsibility is to earn money in order to expand and create employment. It has to have an agreeable environment : we work for our partners, our colleagues, our suppliers and the authorities. Finally, it has to be enduring : the logistics and the energy we use, as well as the waste which we create, have an impact on the environment.

We launched an important internal campaign for sustainable development but this approach was not very well understood. I invited Bill Clinton to present his personal vision of sustainable development ; it was a memorable moment.

### **Differentiation linked to values**

Today, I see Monoprix as an ethical brand : this is evident in the responsibilities which we assume. In the environmental sector, we have made advances in logistics, supermarkets, and agricultural partnerships. On a communal level, we sponsored the initiative entitled '*Immeubles en fête*' put forward by an elected representative in Paris' 18th *arrondissement* to bring together people who are neighbours in town centres and introduce them to each other.

In comparison with our competitors, what makes us similar to marking companies is that we differentiate according to our values. We are particularly attached to two sets of values : the traditional and the modern, and respect and enterprise. Tradition is our DNA, the accessibility of attractive and high quality products for everyone, and family values. Modernity is empathy, diversity, design, creativity and a new form of management. Respect for colleagues, suppliers, partners, the community and town centres is our aim. Enterprise means taking risks and the wish to go off the beaten track.

As far as economic performance is concerned, I do not think that profit is a requirement at all costs ; it is more the reward for well defined work which satisfies the community. We have increased our operating profits from 0.5 % of our turnover to 6 % today. In the meantime, we have bought the Prisunic shops which were in difficulty and we have created a partnership with Casino, an important player in the food retailing business, in order to remain in the game with our partner-suppliers and to have better purchasing opportunities.

### **The latest achievements**

In May 2005, we opened the archetypal Citymarché in Angers, an environmentally high-quality shop whose technical, economic and ecological design had its origins in sustainable development. In opening Citymarché, we recruited staff using the national employment agency, and made a contract with Électricité de France in order to use purely renewable energy, and so on. In the same year, we launched a new concept to help people with their shopping by opening from 9am to 11pm, and selling ready-to-eat products to help the customers live a different lifestyle. Today, we are launching a new publicity campaign which promotes the values of Monoprix : its slogans are 'Let's make everything attractive', 'Let's save time', 'No to everyday routines', 'Make yourself happy every single day' and 'Long live variety in life'.

As for the reinvention of processes and the means of their execution, we have overhauled our logistics, reorganised our purchasing office and headquarters, put in place a global software package for integrated management, and redesigned our operating techniques.

We aim to enthuse our colleagues with a campaign based on the theme 'What can we do for you today ?' 40 % of our personnel come from countries other than France. We are a company where integration is a priority which we can improve particularly by teaching people to read and write.

Finally, we are working on the redistribution of supply centres inside Paris. Today, we supply fifty shops by trucks from our warehouses. We intend to transport our goods into the heart of Paris by rail, amounting to one thousand wagonloads per day, and then to deliver to our shops through the night with trucks running on natural gas creating a minimal amount of pollution.

## **New challenges**

What are Monoprix's new challenges ? *Speed, Talent, Passion, Branding* (in English in the French version). I use the English words deliberately since they are able to convey an idea in a single word.

*Speed* : in the face of an ever accelerating series of cycles, globalisation, and changes in needs and tastes, one has to be flexible and constantly proactive.

*Talent* : with regard to the complexity of management, one has to take risks, raise the level of knowledge of those taking the decisions, accept mistakes and, if needs be, change one's direction.

*Passion* : this relates back to the company ethic. One has to believe in it, take part in it, preserve it and renew it. One should not try to reason, one must be passionate. We have a message to get across and people to convert.

*Branding* : in the same way, one has to differentiate between the shopkeeper, who is constantly trying to find something to satisfy his clients, and the distributor, who is industrialising the process. One has to distinguish between the chain which sells the products and the brand which promotes values and enables the chain to become known.

## **ACCOUNT : Henri LAGARDE**

*(Translated by Henry Lagarde)*

Royal Canin increased its value by a factor of 26 between 1993 and 2005, and even more in results. The increase was on average 30.8 % per year for 12 years. However, even in "brick and mortar" business, these figures are just figures, and we deeply think that customers, people and products are much more important, and that, above all there is no lasting success when not based on ethics and values.

## **Respect for the pet and for people**

Our core values are knowledge and respect for the pet on the one hand, and respect for people on the other.

Royal Canin never carries out consumer studies, but constantly works to understand the pet and its physiological needs, and seeks to respond to them in the best way possible. We manage to have prescribers and opinions leaders to explain our high level of technicality, which is a message that television advertising cannot possibly convey. Our marketing efforts are based on long term research which identifies technical and scientific responses to the real needs of the animal.

In addition, the way we treat our Associates and partners shapes the way they treat their clients. If you look at the well known Maslow Pyramid, it demonstrates that people work partly for the financial benefit, i.e. making their living, but what all are really looking for is, first, a feeling of belonging, confidence and respect, and at the same time, the fact of sharing a project, of "being on board". As another example, the study run by Moreno in 1944, about losses rates and efficiency of U.S. Airforce squadrons demonstrated that success depended less on the addition of brilliant new fighter pilots to the team than on the extreme closeness between the existing pilots, which meant that they could understand each other very quickly without explicit communication. We believe that success comes from a combination of solidarity and reactivity, which can only be achieved as a result of the stability of the teams involved That's what we call the "Maslow Pyramid and the Moreno Squadron's Royal Canin' values and rules".

## **Epaminondas' strategy**

Outnumbered by a ratio of 3 to 1 by the “invincible” Spartan warriors, the Theban “Strategos”, Epaminondas had a tough decision to make : choose his breakthrough point, rather than fight on all fronts, and concentrate his forces on executing with a total determination a very clear and tight strategy. At Royal Canin, we defined the field of Health Nutrition, focussed on specialised distribution which is the best way to convey our message to the consumer, adopted an approach of Total Quality, and finally, we brought Lean Production, i.e. the “Toyota philosophy” into the business, with the objective of reinforcing added value for our true client, the pet, and eliminating any waste. To illustrate this in terms of quality, we have produced three new global offerings which have each created an upheaval, in their time, on the world market : the latest is structured around “Breed Specific” diets for some individual breeds of dog and cat, an approach which is well ahead of any of our competitors in terms of science and results for the pet welfare and health.

## **New territories**

Seeking out new territories means you have to provide tangible better offers, in products and services, radically differentiate yourselves and move away from just competing on price ; but it also means we must share the benefits, pleasure and pride with our associates, partners and clients.

You can't identify new territories unless you are totally in tune with a market universe. You have to seize on new ideas, pick up on weak signals, look for a way to combine them and then translate them into action. As a result, what is defined as the marketing mix is not set in stone, but is in constant evolution, making the elusive obtainable. It's clear therefore that the challenge of creating new territories involves a tension between the perseverance required to follow a particular course, as well as the sensitivity and flexibility required to respond to the weak signals that emerge.

From 1967, the year of its foundation, to 1990, Royal Canin focussed only in dry petfood dedicated to professional breeders and some specialised distribution. In 1990, we understood, from two American competitors, the “new age of nutrition”, with products taking in account, in their formulation, the animal's age and activity levels, putting at the same level as our two world best competitors. In 1997, we took a great leap ahead of them, when we introduced the Size range which took into account extra parameters, mainly the scientific link between the size of a dog breed, its morphology and biology, and its nutritional requirements. In 2000, we widened the gap by introducing diets specifically dedicated to certain breeds. We understood we were in a market where people are ready to pay the right price for their pet's health, just as they would for their children's health, and just as I would do for my own children and pets. But our offering is concrete and tangible : for example, the raw material costs for a German Shepherd' diet is 8.7 times higher than that of a bottom of the dog food market, although the average retail price differential is much, much lower, as you can check in the store shelves ; therefore we are offering a real, tangible benefit, rather than just marketing fluff.

The benefit of winning new territories is also shown in the figures. In 1993, nutritional products mainly dedicated to breeders, for their puppies, represented only 17 % of the Group's turnover, compared with 92 % today. At the same time, our international activity has grown from 52 % to 82 % of turnover. Cat food sales, under the Royal Canin brand name since 1995, have leapt from 1.2 % to 31 %, which clearly demonstrates that the consistency in quality is much more important than the brand name. In the same way, our sales to the Veterinarians have jumped, in only 8 years, from 0.7 % of our total sales to more than 33 %, and today we are of course closing the gap with the worldwide brand leader in these activities. Despite the fact that the Royal Canin brand is relatively unknown in the USA, we have managed to increase our sales there by a factor of eight in the past 29 months – again

because we provide a very tangible and different offer ; our reputation in that country, the kingdom of the pet and the cradle of the petfood, is now at the very top level there.

To bring new territories alive, we make sure that all our internal and external communications are based on a clear strategy. We have no problem with promoting ideas which go against the grain, and we see complexity as an opportunity to deploy Epaminondas' strategy.

In terms of culture, I clearly prefer the "consensus approach" of such people as the Dutch, which was so well described by Philippe d'Iribarne in his "La logique de l'honneur" book, compared to our French "traditional sociological and more emotional class approach." I think I have already handed out at least 400 copies of that book (with 2 summaries, one in only 12 lines and the second one in 10 pages and 2 languages, French and English) to lots of people : Associates, Unions leaders, partners to make sure that the idea of "finding the common denominator" is understood by everyone.

### *Unique tools*

Ever since 1995, we have created not only a new way of communicating with our audiences, but also a break from traditional practices. We threw ourselves into ways of sharing the knowledge we had, for example through activities such as our encyclopaedias of the dog and then the cat. Today, these have been translated into 15 languages and over four million copies distributed worldwide. In addition, we also produce breed-related technical brochures and a whole range of publications for professionals and veterinarians. This is a very important way for us to diffuse our vision of the pet world.

### *A new social fabric*

We have created new roles for people, such as the "Cyno or Felino-technicians" who give advice to the breeders.

We have also created alliances which enable us to lay claim to our territory and play a role which opposes the current opinions.

### *Management practice*

It is true to say that we don't pay lip service to structures and procedures. For example, quality of service is everyone's responsibility, while our central marketing team consists of less than 10 people. We seek to decompartmentalise everything, and we avoid job titles which encourage rigidity. We take a positive view of problems and incidents, viewing them as fantastic opportunities to help us improve ourselves still further.

It is essential to underline the vision and importance of the project, which, because it is shared, means that a huge amount of autonomy can be given to everyone involved, worldwide, when it comes to execution.

So, to conclude – if your dreams are often about changing the world, that might be far-fetched. If you dream about changing things in France, that's still very difficult. But changing your business environment, that's really within reach !



## DISCUSSION

### The role of information

**Charles Waldman :** Even though creators of new territories are unimpressed by market studies, they are still eager for information. Every morning, Philippe Houzé absorbs huge quantities of information which allow him to understand the changes in the world. As for Henri Lagarde, he has a huge appetite for scientific information.

### Brand name

**Question :** *Where does the name Monoprix come from ? The name does not instantly conjure up images of diversity, quality and values...*

**Philippe Houzé :** Max Heilbronn got the idea from the concept of retail stores started by Franklin Winfield Woolworth in the United States in 1879. The first European shops of this kind opened in Germany in 1926 and in England in 1928. The sale price of each product was five or ten cents. In France, the first retail store was Uniprix, launched by the Nouvelles Galeries ; the second was Prisunic, launched by Le Printemps ; and the third was Monoprix, launched by the Galeries Lafayette, which in the beginning was called NOMA standing for 'nouveau magasin' (new shop in French). However, the Nouvelles Galeries had the brand name NOGA ('nouvelles galeries') and put pressure on NOMA to change its trade name.

### Marking businesses and family businesses

*(what follows has been translated by Henri Lagarde)*

**Q. :** *Is there a link between marking businesses and family owned ones ?*

**P. H. :** None of the family owned businesses are marking ones, but they do share certain values and characteristics, which make them well respected by the marking businesses. However, the transmission of this flame and passion from one generation to the next is not guaranteed...

**Q. :** *I'm sure it was not easy to explain to analysts why a company like Royal Canin chose to keep away from the major retailers. This type of decision is easier to make in a family owned company.*

**Henri Lagarde :** Things were more difficult when we had only one shareholder. When we later became a public company, it was easier to convince the investors and analysts that our strategy was the right one as these professionals relied on facts, not on personal opinions. We knew where we were going, and as long as we explained it with facts and conviction, people understood our views, whether a family business or a listed one. But I don't object to strategic questioning : it is always stimulating.

**Jean-Claude Thoenig :** In the sample of businesses studied, whether French or American, the capital was generally held by a small number of shareholders. Moreover, there is no marking without long term vision. When the quarterly results are the focal point, the only thing the directors can do is develop conservative strategies to preserve them.

**H. L. :** Ever since we were effectively bought by Mars – a family owned company – in 2002, they have never any longer questioned our strategy on grocery outlets, or other similar strategic options. There is no doubt that their vision is long term minded.

**P. H. :** When capital investment bankers acquire badly run companies, whether family owned or not, they get them back on track with draconian managerial actions. The aim is to recapture the missed achievements of the previous years and to demand results in the short term. Afterwards, the new shareholders must have a long term vision to be sure of what these

businesses will become. I don't agree with the requirement to publish quarterly results for highly rated companies in France, having already seen the devastating effects of the six-monthly exercise.

**Q. :** *Are there companies which aren't markers, or which mark negatively ?*

**J.-C. T. :** There are marking companies which lose the plot one day and commit sins, some venal, some mortal. We have gone into details about them in one of the chapters of our book.

### **The idea of territory**

**Q. :** *I don't really understand the idea of territory. What it means to me is a clan : signs of belonging, recognition, becoming part of the group. Why have you chosen the word territory ?*

**J.-C. T. :** We are in the process of building a better way, which cannot be halted on the say-so of our partners. It is not the case that business is on one side and the rest of the world on the other. The word territory is a metaphor for the central core, and the partners it chooses, with whom they share values and interests. You can understand this construction if you look at the different roles fulfilled by the parties involved, such as that of prescription. You can't understand Royal Canin without understanding that it is a configuration with, at the centre, the business, surrounded by the veterinary world, research, breeders, and specialised distribution. The partners not only maintain existing relationships but they look for more relationships around the same core. The same phenomenon is seen in the co-operation between Monoprix and the mayors and town councils in the towns where they operate. The tribal metaphor is flawed, because in fact territory is based on civilisation ! Common interests based on the defence of frontiers were beyond the reach of the tribes. Words like organisation or network are lacking when compared to the term territory, which implies a centre and a periphery in a rapport together, rather than the subordination by one of the other.

**Q. :** *Territory also implies an understanding of its customers and their requirements. How do you bring with you the ones who project onto their animal, and offer him foie gras for his birthday ? If you try to convince them that dry food is better, aren't you taking the risk of turning them off altogether ?*

**H. L. :** Respecting the pet clearly means respecting its true needs, which should not be confused with human needs and anthropomorphism. Having said that, we should not disdain or reject these anthropomorphic owners ; we even regularly publish scientific works to help inform and educate these clients.

### **Temporary successes**

**Q. :** *When you say "We're green", it reminds me irresistibly of your competitors, one of whom, Carrefour, used the slogan "Consume better - now" and another, Leclerc, which has also adopted the strategy of social investment. What is the difference between a strategy of territory creation and another which consists of taking the lead in a movement which makes consumers loyal to a behaviour ?*

**P. H. :** I don't want to eulogise our pioneering spirit and some years after, with hindsight, I even ask myself if it was a mistake. If there is a single attitude that I always fight against, it's arrogance. Arrogance is a sign that the business you head up is in decline. Everyone has his personal qualities and faults and sometimes, driven by the heat of the moment, and the desire to change society, you risk becoming arrogant. This was the case for Marks & Spencer, a formidable business but which in 1995 founded its entire world operation on exactly the same shops as it had at home, based on the success it had had there in a context of very specific economic needs. The business thought it had found the universal formula, and quickly went into crisis with the closure of its French operation.

**C. W. :** The founder of the Dyson vacuum cleaner business put constant dissatisfaction and antidotes to self-satisfaction at the heart of his management systems.

**H. L. :** Loyalty doesn't exist, and that is good. A client remains loyal to any brand only as long as he has not yet found a better offer elsewhere, and we may lose him at any moment. We therefore have to continuously fight to improve ourselves and our offer, and offer better than the best offer of our best competitor. That is a marvellous stimulating challenge !

**P. H. :** This is why constant research to find new territories which can ensure longevity is essential. We are faced with such a reduction in the durability of concepts that we are obliged to envisage their quick obsolescence and conquer new territories. This permanent dissatisfaction drives us forward.

### **Sellers and distributors**

**Q. :** *Why are large scale distribution and price reductions described as push marketing rather than pull ?*

**P. H. :** I differentiate between sellers and distributors, distributors being the term introduced by Édouard Leclerc in 1948. Always an academic, he asked himself how the market could be reconciled with profits. And there wasn't any profit ! The discount model is based on industrial process, to sell cheaply but in large quantities. In addressing itself to the mass market, the discounter has a social role just as important as our own. While we welcome the democratisation of the beautiful and the good, we also have to address ourselves to an elite. Four or five companies of this type exist in the world while the hypermarket has become an international concept because it provides the masses with basic quality on a daily basis.

**C. W. :** There is a clear dichotomy between, on the one hand, the specialised business focussing on a rich clientele, and the low price machine on the other. However, signals from the USA are indicating a rebalance in favour of those who care less about the cheapest price. For example, a brand like Target, which has chosen a more qualitative position than Wal-Mart, is winning a share of the market. In the DIY area, Lowe's is growing faster than Home Depot. You can also see the renaissance of specialists such as Wholefood or Central Market in the natural foods sector, even though it is an area the discounters have focussed on. In France, the hypermarkets have lost share of market sectors, apart from those products for which they have been able to preserve variety and range. There is a strong correlation between the loss of a market sector and the impoverishment of the offer. Therefore, the hypermarkets are asking themselves today which sectors they should move out of, so that they can provide a wider range in other areas. They also admit that some products cannot be distributed without customer service, or that service is essential to increasing margin, which thus demands that the offer is improved at the top of the range.

### **Branding and flexibility**

**Q. :** *You talk about suppleness, initiative, and flexibility, when integrated management software introduces much more rigidity, which leads to business disasters.*

**P. H. :** There certainly have been catastrophes with ERP (Enterprise Resource Planning), but if they resulted in the kind of disaster you mention, you wouldn't find they had any backing from the bosses of listed companies. In a store, you have to manage the margin by product, with 400,000 different references. Integrated management software is one of the elements involved in mastering the complexity of this task.

## **Mobilising the collaborators**

**Q. :** *Of all the major parties involved, which are the most important in your view in terms of your commitment to durable development ?*

**P. H. :** The most important, if not those with which we have had most success, are the collaborators. The major lever for a business is the mobilisation of its collaborators. In France, people don't put themselves in a position of service without feeling servile. Among our managers, societal responsibility is the most important thing. Taking account of the diversity of origin of our staff, it comes back to the question of integration into French society. We teach them literacy and hope they will like their country and their business. Economic responsibility is our daily job, and environmental responsibility is essentially a technical thing.

## **Is France a marking society ?**

**Q. :** *Is the marking you have described applicable to France ?*

**P. H. :** The head of a company is essentially a political animal, our task is to serve our customers. We are helped to fulfil this role, but we are not alone. You have to create a federation of people who have the same values and practices. In a modest way, this is what we are trying to do with our businesses. Some of these 'political animals' are certainly ambitious enough to reinvent the way our country works.

**Michel Berry :** *L'École de Paris' idea is to pick up on this desire to know what is going on in France in terms of management. We haven't yet got the whole world on board, but we have things to say already.*

**H. L. :** We can change things. I think that in the Camargue, we have gone from a culture of opposition and social antagonism to a culture of dialogue and mutual confidence, even when we may not agree. We have shared our experience with different businesses, and we have really helped diffuse new practises in environmental business and therefore contributed to a real cultural change. That's, at least, our feeling and belief.

## **A co-construction economy ?**

**Q. :** *After the offer-based economy and then the demand-based economy, can the emergence of new territories help develop a co-construction economy with the parties involved ?*

**P. H. :** For my part, I like the current fashionable term "consom'acteur". Consumers need to think sensibly about their purchases.

**H. L. :** It's not easy, and even impossible, for a consumer to imagine the future world, the exact future products, and the innovations to come. It is therefore down to us to listen and read the weak signals, bring them together and try to think about the next improvement and innovations. With hindsight, we could always rewrite the story, and even the history, and give greater coherence to our strategy ; but in fact, strategy is the application of some key central ideas and central values in a constantly changing environment. As a result, there has to be a great deal of trials and errors, with local victories along the way, so that we can work on those and then transform them into major breakthroughs and global strategies That's the "strategy of opportunity" concept, as opposed to the "preset, rigid plans strategy's" one, to which Charles de Gaulle disagreed, against his professors, when taking his exit examination from the French army "Ecole de Guerre".

## Breaking away from management lore

**J.-C. T. :** What we see in marking businesses is a world apart from what is learned at the schools which are supposed to be training the managers of the future. For example, the traditional divisions by function and between disciplines of management (strategy, marketing, etc) disappear on the ground. As another example, the marking businesses are able to develop the people acting at their heart, to maintain them and live with them in such a way that their strength is not simply the sum of individual talents. In other companies, different types of management reward the collection of certificates and professional achievements, along with the development of a mercenary profile. The organisation which commits itself to both these approaches is the one to watch. Finally, it's clear from all the case studies, whether a societal experience or a project, going beyond selling is what animates the innovator.

Presentation of the speakers :

Philippe Houzé : President of the Board of Directors of the Galeries Lafayette group which he transformed with innovative collections and new concepts ; he was made Director General of Monoprix (in 1982) and then President Director General (since 1994) of Monoprix, which became the benchmark of town centre shopping. He is a member of the following organisations : Committee 21 (association for durable development) ; CCF-HSBC ; Casino ; the administration council of the National Retail Federation ; French-American Business Council ; President of the International Association of Large Shops ; President of the Union du grand commerce de centre-ville (UCV) ; President of the establishment council of NEGOCIA ; and member elect of the CCIP. He is the author of *La vie s'invente en ville ou quelle commerce pour les villes* (Économica, 1998) and *Vive La Marque* (ICC, 1989).

Henri Lagarde : was in sales, marketing and strategy with Philips (1965-1975), and then spent seventeen years with Thomson where his final position was as Chairman and CEO of the Thomson Electromanager Group, and, in 1994, rejoined the agro-food group Guyomarc'h, of which Royal Canin was a part. He is now on the board of Mars Group Inc, owners of Royal Canin since 2002, and is a regular speaker, particularly in the USA on the problems of strategy and organisation.

Jean-Claude Thoenig : sociologist, director of research at CNRS (Dauphine Research in Management) and INSEAD professor ; he is the co-author with Charles Waldman of *De l'entreprise marchande à l'entreprise marquante* (Éditions Organisation, 2005) and of *The marketing enterprise. Business Success and Societal Embedding* (London, Palgrave, 2006).

Charles Waldman : senior affiliated professor, director of executive education programmes, INSEAD ; he is the co-author with Jean-Claude Thoenig of *De l'entreprise marchande à l'entreprise marquante* (Éditions Organisation, 2005) and of *The marketing enterprise. Business Success and Societal Embedding* (London, Palgrave, 2006).  
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