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Irene Rosenfeld at Mondelēz International: Crafting a Corporate Strategy

I have a history of making bold decisions. I'm not afraid to do things that seem impossible. When I see the right thing to do, I do my homework and prepare, so I am ready to go for it, even against challenging odds.

— Irene Rosenfeld, Chairman and CEO of Mondelēz International

In August 2017, Mondelēz International (Mondelēz) announced that Irene Rosenfeld would step down as CEO.[1] She would continue as chairman of the board until her retirement in March 2018. As the news became public, Rosenfeld reflected on her tenure that began in 2006, when she was named CEO of Kraft Foods. She had led the company through many acquisitions, including France's LU Biscuit and British confectionery company Cadbury, before, in 2012, boldly splitting the company: forming North American grocery business Kraft, and global snack food giant Mondelēz International.

The company she was leaving had a radically different portfolio than the one she inherited in 2006 (see **Exhibit 1** for brand portfolio over time). The transformation of the company had created $124 billion in shareholder value from dividends and capital appreciation (**Exhibit 2**). Yet Mondelēz faced ongoing challenges. Positioned after the spin-off as a 5% to 7% per annum growth opportunity, the company was facing a slowdown in emerging markets and pressure from activist shareholders to increase margins. As Rosenfeld got ready to hand over the helm, she paused to consider: Could Mondelēz harvest the fruits of over a decade's worth of labor? Would her vision for the global snack food giant be carried out as she had planned?

Irene Rosenfeld

Irene Rosenfeld grew up outside New York City. Excelling in school and competitive sports, she dreamed of one day becoming President of the United States.[2] "I have been a hard charger my whole life," Rosenfeld said. "I tell the story when I was the treasurer of my Brownie troop, we had record intake." She attended Cornell University on a work-study scholarship, playing basketball until suffering an injury,[3] and completing an MSc in business administration and a PhD in marketing and statistics.[4] In 1981, Rosenfeld joined an advertising agency before moving to the consumer research

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department at General Foods Corporation. She was one of the first two women named to head a division at General Foods, and in 1996, after leading two divisions (Beverages and Desserts & Snacks), Rosenfeld was appointed the head of Kraft Foods's Canadian division.[5] In 2004, she left to become CEO and Chairman of Frito-Lay, where she served until returning to Kraft in June 2006.[6]

The Packaged Foods Industry in the 21st Century: An Overview

Packaged foods, a major category within consumer packaged goods (CPG), included, among others, baked goods; breakfast cereals; confectionery; edible oils; processed meat and seafood; ready meals; rice, pasta, and noodles; sauces, dressings, and condiments; and snacks.[7] In 2016, the global industry was valued at $2.1 trillion.[8] Leading companies included Nestlé SA (with a market share of 2.8%); PepsiCo Inc. (2.1%); Mondelēz (2%); Unilever Group (1.6%); Kraft Heinz Co. (1.4%); Danone Group (1.3%); and Mars Inc. (1.3%). (See the **Appendix.**)[9]

"Snacking is a $1.3 trillion category globally and it's growing faster than the overall packaged food category," said Mondelez's Chief Growth Officer Tim Cofer. "We define snacking as anything a consumer puts in her mouth between meals or instead of meals. In 2016, that included $600 billion in global sales of packaged goods, such as biscuits, chocolate, confectionery, gum, and salty snacks, and $700 billion in unpackaged snacks, such as fruit, vegetables, yogurt, and more."

CPG companies focused on creating brand value for the end consumer with product innovations and positioning built on insights into trends in customer behavior and perceptions. Companies also had to deliver value to the channel of distribution. For packaged foods manufacturers, these included supermarkets, grocery chains, and wholesale clubs, as well as a heterogeneous set of smaller outlets varying from convenience stores in developed countries, to bodegas, *sari sari*, and similar tiny storefronts in emerging markets. Within a store, the location of packaged foods depended on the type of food, but it was advantageous to position snack products, like confectionery, close to the checkout location—known as the "hot zone" in large stores—where consumers made impulse purchases.

Customers and Companies

In mature markets, the packaged food industry had for years relied on a steady stream of middle-class consumers purchasing staple products at retail grocery stores.[10] However, center-of-the-plate and center-of-the-store foods (cooking staples and processed foods) were impacted as on-the-go lifestyles and increasing demand for healthy or natural foods shifted consumers' eating behaviors toward quick or ready-to-eat meals and snacks. While large chains dominated the grocery channel, they faced increasing competition from warehouse clubs, convenience and drug stores, and online ordering.[11] At the same time, niche chains, including limited-assortment and small-format grocery stores such as Trader Joe's and Aldi, and natural food retailers such as Whole Foods, challenged their dominance.[12]

Mature markets experienced pressures on several fronts. Growing price sensitivity increased the draw of private labels in chains like Walmart and Aldi, and of bulk shopping in warehouse clubs. A rise in consumer desire to buy groceries online—in 2016, U.S. shoppers spent an estimated $20.5 billion buying groceries online (4.3% of total grocery purchases)[13]—prompted additional investments from brick-and-mortar retailers, including exploring innovative in-store experiences and developing multi-channel approaches, such as "click and collect," which allowed consumers to order or purchase products online and collect them physically in-store. Consumers—especially millennials—increasingly sought healthier options, gravitating toward fresh, healthy, convenient food in sustainable packaging, rewarding companies with transparent labels, fresh ingredients in packaged foods, and a commitment to sustainability.[14] They wanted to feel more connected to their food sources and sought products from niche companies as more trusted or "authentic" sources of healthy food options,[15] including organic foods and products free from gluten or artificial colors or flavors.

The packaged food industry responded to consumer trends by consolidating via mergers and acquisitions, and analysts predicted that this activity would continue in U.S. and European markets. Players focused on "power brands" that had dominant shares in their category, ideally greater than $1 billion in global sales, supporting them with heavy advertising and promotion, and investing in product line extensions, while culling smaller or weaker brands from their portfolios. As consumers increasingly turned to niche or "authentic" brands, from 2009 to 2012, small-company (yearly revenues under $1 billion) packaged food market share grew by 1.7%, while that of large companies dropped by 0.7%.[16] Larger food companies then often invested in or acquired such companies.[17]

CPG companies also focused on driving operational efficiencies to improve margins; several introduced zero-based budgeting (ZBB), a method of reducing spending by requiring the justification of each budget line item each year. However, as players across the industry increased attention to margins, analysts cautioned against a focus strictly on cutting costs, noting, "[I]t is equally important for them to be sophisticated in how they manage and improve the top line: by deepening their understanding of consumer appetites and shopping habits, uncovering pockets of profitability in small brands, and realigning their brand portfolios for growth."[18] Kraft Heinz, under the ownership of Brazilian investment firm 3G Capital, had instituted ZBB and a variety of cost-cutting measures aimed at margin growth; from 2015 to 2016, Kraft Heinz operating margins increased from 14.4% to 23.2%.[19]

Emerging Markets

Emerging markets had been driving packaged food industry growth since the economic downturn of 2007, and in August 2017, the Asia-Pacific region became the global leader in snack consumption, surpassing North America.[20] To meet demand, packaged food companies increased their presence in these markets. From 2006 to 2015, Nestlé, PepsiCo, and Danone Group grew their sales in emerging markets by more than 20%.[21] While consumers in these markets expressed a preference for imported brands from multinational companies,[22] local players were growing quickly too; by 2015, dairy companies Yili's and Mengniu's combined market share in China had reached 37%.[23]

Yet by 2017, sluggish economic growth in several markets threatened demand in these regions (**Exhibit 3**)[24] and pressured packaged food companies to deftly adapt to the varied local distribution and retail models. Some companies found success by altering recipes to cater to local tastes and preferences and by packaging snacks in smaller quantities to appeal to consumers with less disposable income. Many believed it was important to offer a range of products in each country, given the smaller size of emerging markets and their complex distribution systems.

Irene Rosenfeld at Kraft

The company Rosenfeld took over as CEO in 2006 was the result of Philip Morris diversifying out of tobacco by acquiring and integrating several food companies. In 1985, Philip Morris acquired General Foods for $5.75 billion. In 1988, it added Kraft, founded in 1914, for $12.9 billion, bringing into the fold such brands as Philadelphia cream cheese and Kraft macaroni and cheese, and counting on synergies in distribution, manufacturing, and media purchases to make the merger work.[25] In 1990, Philip Morris acquired the Swiss company Jacobs Suchard, the world's third-largest coffee and chocolate company, for $3.8 billion,[26] giving the company its first substantial international presence.[27] Finally, in 2000, Philip Morris purchased Nabisco Holdings, owners of Ritz crackers and Oreo cookies, among others, for $14.9 billion.[28] In 2001, Philip Morris, then renamed Altria, sold 16% of Kraft Foods shares to the public as it moved to exit non-tobacco businesses. When Rosenfeld's appointment was announced, Kraft's stock traded at $31, about the same as it had when shares were first publicly sold in 2001.[29]

In 2006, Rosenfeld inherited a company that sold a broad range of grocery products in 155 countries and had 90,000 employees, with $33.3 billion revenue and a 13.2% operating margin.[30] In the U.S., Snacks were $4.8 billion in sales, Cheese ($3.6 billion), Convenient Meals ($3.7 billion), Beverages ($2.9 billion), and Grocery ($3.2 billion).[31] European Union sales tallied $6.7 billion; Canada and North America Foodservice, $3.9 billion; and Developing Markets, Oceana, and North Asia combined for $4.5 billion (see **Exhibit 4**).[32] Globally, Kraft operated 159 manufacturing and processing facilities in 72 countries; 67 facilities were in North America, where 41,000 people were employed.[33] The company's top brands were Oreo, Chips Ahoy!, and Newtons in snacks; Kraft and Cracker Barrel, Philadelphia cream cheese, Velveeta, and Cheez Whiz in cheese; DiGiorno and Tombstone pizza brands in convenient meals; Maxwell House and Jacobs coffee in beverages; Toblerone and Milka in chocolate, and Jell-O in grocery.[34] (See **Exhibit 5**.) Snacks revenue grew the fastest, up 5.2% over 2005.

Fixing the Base

As she returned to the company as CEO, Rosenfeld noted, "Cost focus had overtaken decision making, and the response was to centralize functions, to take quality out of products, and to cut into overhead, like sales, because they were viewed as costs rather than capabilities. As I came back, I tried to get a better balance. We need to be as focused on effectiveness as we were on efficiency."[35] From 2006 to 2008, Rosenfeld invested over $400 million in brand equity, product quality, marketing, and innovation. She recalled, "We required a lot of fundamental blocking and tackling to shore up our base brands. Our legacy brands had been quite starved for attention."[36] She spent about 70% of her time on internal management: laying out a new strategy and relearning about Kraft as the new CEO.

Rosenfeld also made management changes. Given local differences in operations and consumer tastes, the company returned to its region-based organization structure and gave more autonomy to managers outside headquarters.[37] Rather than reporting by global product categories, Kraft kept P&L responsibility in the regions. As General Counsel Gerhard Pleuhs said, "When Irene came aboard, we gave back more power to the region so that decisions could be made on the ground where they have to be made." By 2009, Rosenfeld recalled, "We decentralized our organization so our local managers had more authority to make the decisions affecting their local markets."[38] Still, Rosenfeld recognized that too much regional autonomy could lead to chaos; at one point, she noted, there were 44 variations of strawberry flavors across the company globally.

Improving the Portfolio

Rosenfeld also began to optimize Kraft's portfolio. She noted, "The market at that time was paying a premium for growth companies that was considerably higher than they were paying for companies focused on cost and margin." Yet in 2006, the company competed in "center-of-the-plate," or meal-based, categories: meal components, meats, cheeses, and so on, and there was a recognition that Kraft Foods was overwhelmingly a North American business—as Rosenfeld noted, "a 70% U.S. business."

Chief Human Resources Officer Karen May said, "Building a global company was always part of Irene's vision," but added, "Kraft had struggled with operating as a global company." The company had dominant brands in seven or eight U.S. categories that had not gone international. Coffee and biscuits were global categories, chocolate was strong in Europe, but some categories—macaroni and cheese, for example—were never going to be global. Indeed, Pleuhs acknowledged, "Even in 2004, 80 of the top 110 people in the company did not have passports."

Rosenfeld set about clarifying Kraft's portfolio. She explained, "We looked at assets within the legacy Kraft portfolio and identified those that didn't have growth potential. Very early on, it was clear that there were a number of assets in the portfolio that wouldn't necessarily travel well, while snacks were the most attractive asset within the portfolio." Some of the company's core brands were in need of further investment to grow; others were profitable or strategically instrumental—e.g., popular in a market where Kraft planned to make further inroads; brands that did not fit the portfolio or lacked growth potential were flagged for future divestment.

Building on Biscuits

In September 2006, Kraft bought certain operations from United Biscuits for $1.07 billion, reclaiming the Nabisco brands in Europe, the Middle East, and Africa that had been sold earlier.[39] In November 2007, Kraft further broadened its European biscuit business by purchasing the LU biscuit brands from Danone for $7.2 billion.[40] Based in France, LU had operations in 20 countries, including Belgium, Russia, Poland, and China.[41] Kraft's European operations were headquartered in Zurich, but the biscuit category remained near Paris, France, where Danone's brands were housed.[42] "The two companies were culturally different. LU was very decentralized, everybody doing their own thing. Very French," said May. "The decision to keep the two companies apart sounds friendly, but it engenders walls and allows separate processes to take root."

With its North American brands and now LU, Kraft became the world's largest biscuit company. "Kraft was a powerhouse in biscuits in the U.S., but LU provided the scale to enter global markets and had a strong emerging markets presence," noted May. Using LU's distribution network in Asia, for example, Kraft introduced the Oreo brand to Asia. "We built distribution on the back of the existing portfolio from LU and introduced higher-margin premium biscuits into those markets," said Pleuhs.

Going Public and Dealing with Activists

In early 2007, Altria spun off its 84% ownership stake, making Kraft an independent public company,[43] and Rosenfeld became chairman of the board.[44] She spent time on day-to-day blocking-and-tackling work, recruiting directors to the new board, and taking Kraft public on the New York Stock Exchange.

By June 2007, activist investor Nelson Peltz had invested approximately $500 million of his $4 billion hedge fund, Trian, to acquire a 3% ownership stake in Kraft.[45] Peltz advocated changes for Kraft to grow its grocery and frozen foods businesses, focus on strengthening its international footprint, divest brands such as Post cereal and Maxwell House coffee, and increase share buybacks,[46] even threatening a proxy battle if Kraft's management did not accept his recommendations. In November 2007, Rosenfeld negotiated a two-year standstill agreement and appointed two new independent directors to the board who had Trian's support.[47]

Acquiring Cadbury

As the sector continued to evolve, debate grew within Kraft over its future direction: Should it focus on the company's legacy segments of cheese and grocery, which were strong in North America? Or on biscuits and confectionery, which were strong globally? How should it think about brands like Philadelphia that were not strictly snacking brands but had a relatively strong international presence? "We argued about what we wanted to be when we grew up," said Pleuhs, and top management debated whether to shape the portfolio by threading together a "string of pearls" from small acquisitions, or to make a major acquisition, like Cadbury Schweppes or the coffee business from Nestlé.

Kraft had considered acquiring Cadbury Schweppes as early as 2007. Formed from a merger of Jacob Schweppe's soft drinks company and the English chocolate company Cadbury, in 2002, it had acquired Adams, the world's second-biggest gum company, for $4.2 billion[48] to become the world's largest confectioner, with 10.1% market share,[49] owning top brands in the three major confectionery categories: Cadbury in chocolate, Trident in gum, and Halls in candy.[50] Kraft was number five in the global confectionery market with a 4.7% share. Kraft research suggested that a combined company would regain a top global spot with 14.8% global market share (after acquiring Wrigley gum for $23 billion in 2008, Mars had become the global leader with a 14.6% share, Nestlé had 7.8%, and Hershey, 4.5%). Moreover, while strong in Europe and the U.K., almost 40% of Cadbury revenues came from emerging markets. Kraft especially valued Cadbury's footprint in India, Australia, and other former British Empire colonies.[51]

But the timing was not right. "When we first began to look at Cadbury, the beverage business was still part of the portfolio, and we had no interest in it," explained Rosenfeld. "It would have destroyed enterprise value and cost us in taxes if we had bought the whole company and then divested the beverage business. So we waited patiently." However, after Cadbury spun off its beverage business as the Dr Pepper Snapple Group in 2008, a strong British pound made the deal expensive. Finally, in the fall of 2009, the pound devalued against the dollar, and Kraft approached Cadbury with an offer.

In addition to the dollar's recovery against the pound, events at Cadbury contributed to Rosenfeld's belief that the moment was right. Peltz, who also owned Cadbury stock, was agitating for Cadbury to begin a margin-improvement program, which jeopardized the potential value to be gained from an acquisition. "The risk for us was that our returns were predicated on a combination of cost synergies and revenue synergies," Rosenfeld said. "If Cadbury had captured many of those cost synergies through their own margin-improvement program, the company would have been more expensive."

In January 2010, Kraft acquired Cadbury in an initially hostile $19 billion deal. The same day, Kraft sold its pizza brands to Nestlé, in part to provide cash for the deal.[52] Warren Buffett of Berkshire Hathaway, Kraft's largest investor, with a 9% ownership stake, criticized the deals. He said, "Both deals were dumb."[53] Nevertheless, Rosenfeld saw the potential value of the deal. An observer noted, "Rosenfeld did not shirk. Politely, but firmly, and never with a trace of doubt, she just ploughed on."[54]

The acquisition resulted in a $48 billion revenue company with sales in more than 160 countries and operations in more than 70 countries (see **Exhibit 6**). Kraft raised its long-term organic revenue growth targets from 4% to 5% overall and targeted annual savings from synergies in operations ($300 million), general and administrative functions ($250 million), and marketing and sales ($125 million). Leadership expected to increase operating margins from 13.7% in 2009 to the mid- to high teens over the longer term. Both Peltz and Bill Ackman, who became a shareholder at the time of the deal, were supportive of the transaction.

Culturally, Kraft and Cadbury were very different. "Kraft was North American, financially driven. Cadbury, deeply identified with its history as a privately-owned British company, had perhaps more heart," said May. "It was a contentious, initially hostile bid. I wished we knew more about the company than what we learned from public sources." However, when Rosenfeld and May visited Cadbury for the first time following the acquisition, Cadbury leaders were gracious. "I was amazed," May said. "They worked hard to keep us out, but once we acquired them they were onboard."

Rosenfeld named leaders in all 90 geographies in 90 days, relying on a "Best of Both" philosophy in putting together the new management teams. However, the approach sometimes resulted in what May and Rosenfeld called a "Noah's ark syndrome," where each geography ended up with two leaders, one from Kraft and one from Cadbury. "We worked hard to get a mix, although sometimes it was fine to end up 80/20 between the companies," said May. The scale of the combined companies presented a challenge. Regional presidents found themselves running a region that was suddenly three times larger. As often as possible, May retained regional operators who knew the markets, while she was more willing to see leaders in functional areas depart. "Most of Cadbury's executive committee other than the CEO and CFO stayed at least 12 months—many much longer," Cofer said. "Below that level, most of the company stayed."

Rosenfeld imported cultural behaviors and processes from Cadbury into the combined company. Cofer noted, "Cadbury was very good at hot zone—more advanced than Kraft, in part because they had gum, the heaviest hot zone product—and we fully adopted their models." Cadbury's category structure was also implemented with two legacy Cadbury and one Kraft employee being named as category heads to improve the global dimension of the global/local balance. Rosenfeld explained, "We had a very North American company, and hadn't set up global categories because there were not enough people with global category knowledge to set the right strategies. Cadbury had global categories and the structure, and we decided that was a good best practice."

Becoming a Global Snack Company

"By the time Cadbury happened," Pleuhs said, "We were already a global company. But with Cadbury the majority of the company suddenly was made up of what today we call snacking: chocolate, gum, confectionery, and biscuits." He added, "Cadbury gave us scale in countries where we hadn't been before. India was the biggest one. It was a perfect match how these two companies fit together." Rosenfeld elaborated, "The global brands were raring to go. It really did shine a light for me on the difference, since our North American biscuit business had so much more to do with those emerging markets biscuits than it did with Kraft-peer brands Oscar Mayer and Jell-O."

Following the acquisition, Rosenfeld considered the idea of splitting Kraft's legacy North American grocery business from the growing global snack part of the company. She recalled:

> The notion of splitting the company first occurred to me in July of 2010, at my first joint management meeting with the legacy Cadbury leaders and Kraft leaders in Zurich. I realized these people had nothing to do with each other. A North American executive from Oscar Mayer was talking about the packaged meat trends, and I saw the executives from the gum business dozing. Then the next presenter got up and started talking about world domination in chocolate. And the coffee person and the Jell-O person weren't interested. I was looking for the commonality of this crowd, and it was hard to find.

By early 2011, Rosenfeld and her team approached the board with a recommendation to split the fast-growing global snacking business from the slower-growth, higher-margin North American grocery business. In the past, financial analysts had argued that a Kraft split would achieve a higher valuation, as the multiple on global snacking businesses was greater than on mainstream grocery businesses. "There was greater market value placed on pure play companies as distinct from those with broader portfolios," said Rosenfeld, "but I was never particularly persuaded by that, because that's a very short-lived financial engineering phenomenon."

In August 2011, in the midst of the Cadbury integration, Rosenfeld made public her intention to split Kraft into a North American grocery business and a separate global snack food business.[55] Since 2008, the global snack food categories had been growing at a 6% CAGR. She noted that pressure from activists had not played a part in her decision to move ahead with the split.[56] Warren Buffett, who now held 6% of the company, publicly approved of the split.[57]

Rosenfeld explained, "It became increasingly clear that we could operate the business differently if we spun off Kraft's legacy North American grocery business. There were different skills that were required in these different sets of businesses." Managing mayonnaise, Jell-O, and cheese, which sold primarily from the center of the store, required different capabilities than managing impulse purchases such as gum or biscuits, which sold from the center of the store and the hot zone. Rosenfeld explained:

> We started to give more thought to the differences between the North American and global businesses, both in terms of talent and because of their differential growth rates. In one part of the portfolio, we considered focusing on growth and investment in snacking. In the other part of the portfolio, we considered margin and cost. For a margin-focused set of products, you don't want marketing wizards spending a ton of money. You want folks that are hard-charging, save money, and reduce costs. Trying to promote talent from one part of the company to the other, with these different approaches, felt challenging.

Rosenfeld considered an opposing approach to keep the company unified and simply run its North American grocery and global snacks portfolio as independent, parallel lines of business. "We doubted the efficiency and the practicality of running a company with the ethos of those two very different companies," said Rosenfeld. "Similarly, we discussed the idea of putting all the grocery assets from around the world into one company. We didn't, because in many European countries the grocery assets provided scale for other products. In a market like the Ukraine, our entire business was coffee. If we took it out, we would have had no scale left there."

Breaking Apart

As they set about planning to separate the two operations, deciding which company would inherit which brands, it became clear that a geographical and snack-versus-grocery separation logic made sense. Kraft, the North American grocery business, retained brands including Jello-O, Kraft cheeses, Maxwell House coffee, and Oscar Mayer. Mondelēz, the global snack food company, kept Cadbury, Milka, Oreo, Ritz brands, Tang, Toblerone, Trident gum, Wheat Thins, as well as all the coffee brands outside the U.S.[58] Where there was ambiguity—Philadelphia cream cheese, for example, had significant international sales—decisions were made based on maintaining critical mass in each country; those brands were allocated to Mondelēz outside the U.S.

Other challenges included dividing personnel and ensuring that there were two individuals for each major position—one for each company. Employees hotly debated which of the two entities would fare better and where they would prefer to work. "Depending upon which day you talked to people, their company was the best company," recalled Rosenfeld. "On day one, there's no question the growth company, Mondelēz, was the place to be. We were very worried nobody was going to want to be at Kraft. By day three, the Kraft team did a very nice job of creating the mentality that 'We try harder, we're going to be scrappy and entrepreneurial. We're going to take these corporate shackles off of us.'"

Splitting the company into two entities was a far more complex process than a typical acquisition or divestiture to another company because Rosenfeld and her team were responsible for the well-being of both resulting entities. "We did not say, 'I'm divesting a business, and I don't care because there is somebody else that is going to take care of the business—the acquirer,'" Pleuhs explained. "We had to make sure that two separate companies were going to be successful going forward. The spin happens on D-Day and you have to make sure that two companies are going to be able to ship, to send separate invoices, to make sure that these businesses run separately."

Before the split, a complete set of systems—e.g., enterprise resource planning and performance management—were established for each company. "We still have groups of people in each company—and we deliberately did this—who are the go-to people for questions and handling elements of the separation that we didn't think of," Pleuhs added. Executing the split required negotiating 60,000 agreements with third parties, including distributors, customers, and others. Pleuhs said, "You have to say, 'Going forward, we would like not to be one party, we would like to be two parties. Do you agree?' Many companies try to take advantage and try to renegotiate terms, which adds to the complexity."

On October 1, 2012, Kraft Foods Inc. officially spun off a new company, Kraft Foods Group Inc., and changed its name to Mondelēz International, Inc. (pronounced mone–de–leez), a name selected from over 1,000 entries in an employee contest and derived from the French words for "world" (*monde*) and "delicious" (*délicieuse*).[59] Each Kraft Foods Inc. shareholder owned one share of Mondelēz and 0.33 shares of Kraft Foods Group for every share of common stock owned before the split.[60] Kraft's headquarters remained in Northfield, Illinois. Mondelēz moved its headquarters to Deerfield, Illinois.

Leading Mondelēz International

Mondelēz was introduced to shareholders as a 5% to 7% top-line growth company focused on five categories: biscuits (31.8% of Mondelēz total revenue), chocolate (26.7%), gum and candy (15.2%), beverages (16.7%), cheese and grocery (9.5%) (see **Exhibit 7**).[61] It was the global leader in snacks with a 10.1% share. In 2013, Mondelēz saw a 9% increase in emerging market sales, including 10% in Brazil, Russia, India, and China (BRIC).

The snacking portfolio could share consumer behavior insights and a route to market, because snack categories relied on impulse purchasing by consumers, unlike meals that were often carefully planned. Cofer said, "Snacking is a $1.3 trillion behavior globally, including fruit, vegetables, and yogurt, not just chocolate and biscuits. Our route to market needs to take advantage of the impulse nature, compared to center-of-store, so we can build capability in the hot zone. All these categories have a back-of-store section, and all except gum sell most from back-of-store, but they are also all in the hot zone, and bringing the category to the front of store is key."

Tactics to achieve this included innovative packaging or adjustments to the size of the package. Cofer continued, "For example, one of our highest-growth Oreo expressions in China today is a 1 RMB flow-wrapped, two-Oreo offering, and we call it our Cookie Jar Program." Similarly, belVita had grown at a 17% annual rate, with sales in 48 countries, in part due to convenient four-biscuit packets sold in the hot zone of convenience stores such as 7-Eleven. "The majority of biscuits sales is back-of-store," said Cofer, "but the opportunity for a company like ours is to think broadly about that consistent consumer behavior—that impulse behavior—adjust our products, and get more of them in the hot zone."

Rosenfeld and her team expected that growth would also come from the development of emerging market economies, particularly the expansion of the middle class, and the introduction of the full product portfolio to every country. "The reality is that most of our markets were single-category countries," said Rosenfeld. "India was a chocolate country. China was a biscuit country. South Africa was a chocolate country." The most immediate growth opportunities would come from introducing new categories into those markets but would require careful planning and marketing to generate demand while leveraging the existing distribution infrastructure, such as relationships with retail customers. Rosenfeld noted, "Slowly but surely we began to introduce our categories into what we call 'white spaces.' We introduced gum to China. We brought biscuits to India.'"

Whereas Cadbury chocolate sales globally were growing at 5% to 6%, in India in 2009 they increased 30% and profits grew 20%.[62] After the split, the immediate challenge for Mondelēz was building supply chain, regional manufacturing, and distribution/go-to-market capacity to meet this emerging market demand. By 2011–2012, the company accelerated increasing capacity, which took a full year to bring online. "One of the big issues I had to address in my analyst conversations in 2012 is why India had slowed down considerably, and the answer was we were out of capacity," Rosenfeld said.

Change in the Macroeconomic Context

In 2013, macroeconomic conditions worsened, slowing emerging market sales. Said Rosenfeld:

> We introduced the new snacking company with great fanfare, and then the world came to a screeching halt. GDP in the emerging markets came down quite dramatically. Our China biscuit business had been growing at 16% to 20% rates for three years. All of a sudden, in the first quarter of 2013, it grew at 9%. By mid-2013, it was growing at 5%. It was almost flat as we exited 2013. The differential between multiples for growth companies and companies focused on margins shrank. Nobody was looking at our margins when we were such a rapid growth company. All of a sudden, as growth was harder to come by, margins became a much more important focus area.

Rosenfeld radically adjusted the launch plan to focus on cost controls and increasing margins. She said, "I spent all my time in 2012, as we headed into the spinout, on emerging markets. This growth company looked like it was on a rocket ship to the moon. But then we had to spend most of our time in 2013 preparing a new strategic plan to the board. We worked feverishly in the summer to look at what we should do on the cost front. We talked about zero-based budgeting. We cut back a lot on our investments." However, some investments remained important. She added, "We recognized that some investments, such as route-to-market in some emerging markets, were going to take a few years, so we continued to invest there."

Margin Improvement

During this period Peltz repeatedly made suggestions and demands aimed at improving margins, which were in the third or fourth quartile compared to industry peers. Rosenfeld noted, "We were already talking about this internally." In the winter of 2013–2014, Peltz threatened a proxy fight to gain board seats. Rosenfeld offered him a seat on the board, and the conflict was defused. CFO Brian Gladden noted, "In general, Nelson's a constructive force within the board. From a shareholder perspective, he's on the right topics, and we're spending time answering questions that investors care about—because he's an investor, too. And, he has deep CPG and food experience. He's generally watching over the right targets and asking the right questions."

Rosenfeld concurred: "Nelson views the role of a board member in a different way than a run-of-the-mill director. He has reams of data, reams of analysts. He comes in with his own ideas. He has a great deal of practical operating experience. You need to have an army of folks to answer Nelson's questions. But he's a constructive and thoughtful board member." Peltz's attention to details could get deep into Mondelēz's line items, Rosenfeld acknowledged. "We were doing ZBB, he told me that the Snapple truck guys were spending too much on windshield wipers. He said, 'You ought to just check your windshield wipers.' And we checked our windshield wipers and we told him, 'We're only spending $2.00,' and then next week he says it again. He's like a dog with a bone." She added, "My board has always held us accountable. It's not accurate to say we didn't start worrying about costs until Nelson showed up, but he does have a different orientation to the business. That's one of the positives he brings to the company."

In 2014, the company implemented a plan to improve gross margin by driving manufacturing and supply chain efficiency for $1.5 billion in net savings, while at the same time reducing sales, general, and administrative (SG&A) spending. Attention to process improvements throughout the firm also drove additional savings. Redoing the accounts payable process, for example, generated $2.5 billion in cash, as the cycle went from plus 33 to negative 29 days.

The company implemented ZBB. Gladden, who had joined in 2014 from Dell and brought significant leveraged buyout experience, led efforts to further centralize finance, human resources, marketing, and systems such as customer order processing, and cut spending on items such as information technology contracts by consolidating and outsourcing shared services across the business. "We've moved our backroom capabilities into lower-cost labor markets," he explained. "We made a commitment to improve margins. Today [2017], we're 500 basis points up from 2012. Next year, we'll be 700 basis points up from that same starting point."

Importantly, investment of $1 billion continued in developing an optimized end-to-end value chain. Rosenfeld had brought in Daniel Myers, a former Supply Chain Executive from Procter & Gamble, to run Mondelēz's integrated supply chain. Seeing how small, outdated, and inefficient many Mondelēz plants were compared to other CPG companies, he pushed for investments to modernize and build out capacity. Gladden noted, "The biggest lever we've had in terms of margin expansion has been fixing the supply chain and investing in world-class automation and manufacturing technology. We were making Oreo in the U.S., using manufacturing assets that were 50 and 60 years old." Investing in manufacturing capacity on the local level was crucial in snack products, which typically did not travel, as Myers noted, "[P]roducts tend to be more local flavors, local formulations," but efforts to consolidate Mondelēz's manufacturing footprint reduced plants around the world from 170 to 130 between 2010 and 2016, eliminating 357 manufacturing production lines. The company built 13 new plants and upgraded others to increase output per line for key products by a factor of 10 as the number of SKUs was also reduced from 74,000 to 25,000.

Both inside the company and externally in the financial community, Mondelēz's performance was always being compared by outsiders to post-spin-off Kraft. Initially Kraft struggled to generate organic growth until, in 2015, it was acquired by 3G Capital and merged with Heinz to form the Kraft Heinz Company (KHC). Under 3G Capital's ZBB approach, the combined company drove EBITDA margins from the high teens to over 30% by 2016.[63] However, sales declined in 9 of Kraft Heinz's 11 product categories as it squeezed promotional spending.[64] (**Exhibit 8** provides peer comparisons.)

As margin pressures mounted, Rosenfeld increasingly split her time 40/60 between inspiring and leading the company versus management of external stakeholders, especially activist investors. Rosenfeld said, "The nature of our journey required a disproportionate amount of my time externally—all the way back to talking to investors about launching the company and selling the idea to investors leading into the spin." In August 2015, Ackman unveiled a $5.5 billion stake in Mondelēz and very publicly suggested that he viewed the newly formed Kraft Heinz as a potential buyer.[65] "Bill Ackman and Nelson Peltz are quite different," Rosenfeld added. "Ackman is much more of a technical investor."

Organizational Changes

Rosenfeld continued to champion local management authority at Mondelēz and find ways to streamline operations. She explained, "In October 2016, we took away the global categories instituted after the Cadbury acquisition. We blew up the global category structure and put the resources in what we call the lead regions. Europe is our chocolate thought leader on behalf of the world. So those resources now reside in Europe, as opposed to at the global level. The lead categories are chocolate in Europe, biscuits in the U.S. Gum and candy thought leadership resides in the U.S. but the research and development is in Asia." Headquarters became leaner, she noted, "We didn't have the luxury to have too many resources sitting up at the corporate level that were not directly responsible for the business." By 2017, the company had struck a balance between centralized global control and local responsibility within regions. "Today, we have found the right balance between oversight from corporate over core businesses and franchises so that there is coordination between regions and globally, but when it comes to decision-making on a day-to-day basis, it happens where it should be happening," said Pleuhs.

Portfolio Considerations

After the spin-off, coffee sales made up 11% of Mondelēz's overall revenues,[66] but in July 2015, Mondelēz finalized a joint venture with Dutch coffee company D.E. Master Blenders 1753 to combine the two companies' coffee divisions and form Jacobs Douwe Egberts (JDE).[67] The deal gave JDE ownership of several large coffee brands, including Gevalia, Senso, Tassimo, as well as Maxwell House in markets outside the U.S.[68] the dominant market position in coffee sales in 18 countries, and the number-two overall rank in coffee globally.[69] The new entity was expected to generate annual revenues in excess of $5.4 billion.[70] Mondelēz retained a 44% share of the joint venture and also received a cash payment of $4.24 billion.[71] Following the deal, 85% of Mondelēz's revenues would come from biscuits, candy, chocolate, and gum.[72] Gladden explained, "Coffee is traditionally very volatile because of green coffee pricing, and an inability to move market pricing fast enough to cover that. We didn't like the volatility of coffee in our results. It became a bit of a burden in the business. But we liked the cash flow, so we monetized a portion of that equity and put it into an efficient and effective joint venture."

At this time, Peltz, as an activist investor in PepsiCo, felt that company would be better off divesting Frito-Lay, its salty-snacks business, and combining it with Mondelēz. Rosenfeld declined to pursue the deal. "The Frito-Lay portfolio would have been subscale in a number of international markets, so the notion that it could come together with us was a very logical one," said Rosenfeld. "But we had barely scratched the surface of the potential of a global snacking company focused on gum, candy, chocolate, and biscuit. Taking on another category, even though it's a snack, wasn't the first idea I wanted to pursue. I told Nelson at the time: it's a snack, and yes, there's some very good logic, but it would be a big distraction for us, and the opportunity for us to realize the potential of this focused snacking company was the bigger one for us."

In 2016, Mondelēz made an offer to buy Hershey, which was owned by a family trust and administered by an appointed Board of Trustees.[73] "The U.S. is the biggest chocolate market in the world, and we had a giant white space in chocolate in the U.S.," said Rosenfeld. "We certainly saw Hershey as an asset that would enable us to fill that space. The Hershey idea came when we thought the Trust might be receptive to an offer. But, we determined quickly that the Trust would not sell. It could have been an interesting moment in time, but it turned out to be an untouchable idea."

Elsewhere, Mondelēz continued to divest underperforming and smaller brands, pursuing growth in new geographies and new categories. It acquired Kinh Do, Vietnam's leading biscuit company, and Enjoy Life Foods, the largest maker of "free from" products (i.e., allergen free), as well as the Cadbury biscuits license from Burton's.[74] By 2017, 74% of the company's sales came from global and regional "power" brands, while remaining beverage and grocery brands were retained when strong in some countries and overall accretive to returns. (See **Exhibit 9** for 2017 Mondelēz competitive environment.) Rosenfeld said, "We're one of the few companies, that even through these challenging couple of years, have continued to invest in some of the fundamentals, route-to-market, in our advertising and consumer line, and innovation. We're making some big bets even in the face of the challenges."

Mondelēz International: Growth for the Future

Update the core In February 2017, Mondelēz unveiled Véa in the U.S., its largest launch since the 2012 split from Kraft Foods.[75] The new brand of savory bars and crackers with flavors such as Thai coconut, Tuscan herbs, and Greek hummus[76] were free from artificial colors and flavors, and not genetically modified.[77] The brand took Mondelēz about 18 months to develop and was primarily targeted at millennials.[78] Consumer advertising expenditures were kept to 9% of revenue, compared to 2.7% at KHC. [79] "We've said that 50% of our revenue by 2020 will come from products that we deem to be part of a well-being lifestyle," said Rosenfeld. The effort involved developing new products, renovating existing brands, and acquisitions. "Renovation means things like adding protein to belVita. We launched Good Thins, Wheat Thins with no artificial flavors and colors, made with other substrates besides wheat for people that don't want gluten," she added.

Fill in the white spaces While margin improvement took a front seat, Rosenfeld continued to invest savings for future growth. By 2016, Mondelēz's gum foray in China, begun in 2012, was generating $200 million in sales with a 14% share. In September 2016, with an investment of $100 million, Mondelēz entered China's chocolate market with its European brand Milka.[80] Estimated to be worth $2.8 billion, the Chinese chocolate market was dominated by Mars, Ferrero, and Nestlé.[81] Mondelēz pointed to significant market opportunities, given the low chocolate consumption in China,[82] 0.3 lbs. per capita compared to 9.3 lbs. in the U.S.[83] The company built a new $65 million factory in Suzhou to produce Milka.[84] Gladden noted, "The biggest lever in our business for the midterm is macroeconomic improvement in emerging markets. We've got great leverage in those markets—lots of excess capacity, lots of distribution capacity. We believe 2% to 3% category growth is a realistic longer-term view. Then there's nice leverage in this portfolio. With our improved margin structure, we can seek out volume growth. We can grow market share faster with new products and innovation and some acquisitions, and that allows us to grow earnings."

Channel ubiquity Mondelēz continued to focus on expanding its footprint in convenience stores, traditional mom-and-pop stores, kiosks, and stores in emerging markets. "Some of this is about increasing our reach in rural markets," said Michael Mitchell, Senior Director, Corporate External Communications. E-commerce was also a key opportunity; online sales in the U.S. were growing at 35% annually. Cofer also had a 100-person team dedicated to online retailing, developing ideas like an Oreo subscription program that delivered a new and seasonally appropriate flavor each month. In some markets, Mondelēz partnered with existing players; in China, it sold its products through an existing partnership with e-commerce giant Alibaba.[85]

In 2007, Rosenfeld had had a clear vision to transform the company's portfolio. She recalled, "We wrote a strategic plan in 2007 that looked for long-term global growth, and identified the gems and challenges in the portfolio. The market was paying a premium for growth companies, considerably higher than for cost and margin companies. So that was the basis of our aspiration." She explained, "The heavy lifting on the portfolio transformation and the strategic decisions we made were all about shoring up our snacking portfolio. Now, we're focused on hitting the sweet spot between capitalizing on our global scale, while having the nimbleness and the market intelligence to respond locally."

While, from 2006 to 2017, Kraft/Mondelēz International had increased its share of sales from emerging markets from 11.2% to 40% and snacks had grown from 29% of sales in 2006 to 86%,[86] 2017 growth in emerging markets continued to lag, so the future still offered challenges and opportunities.

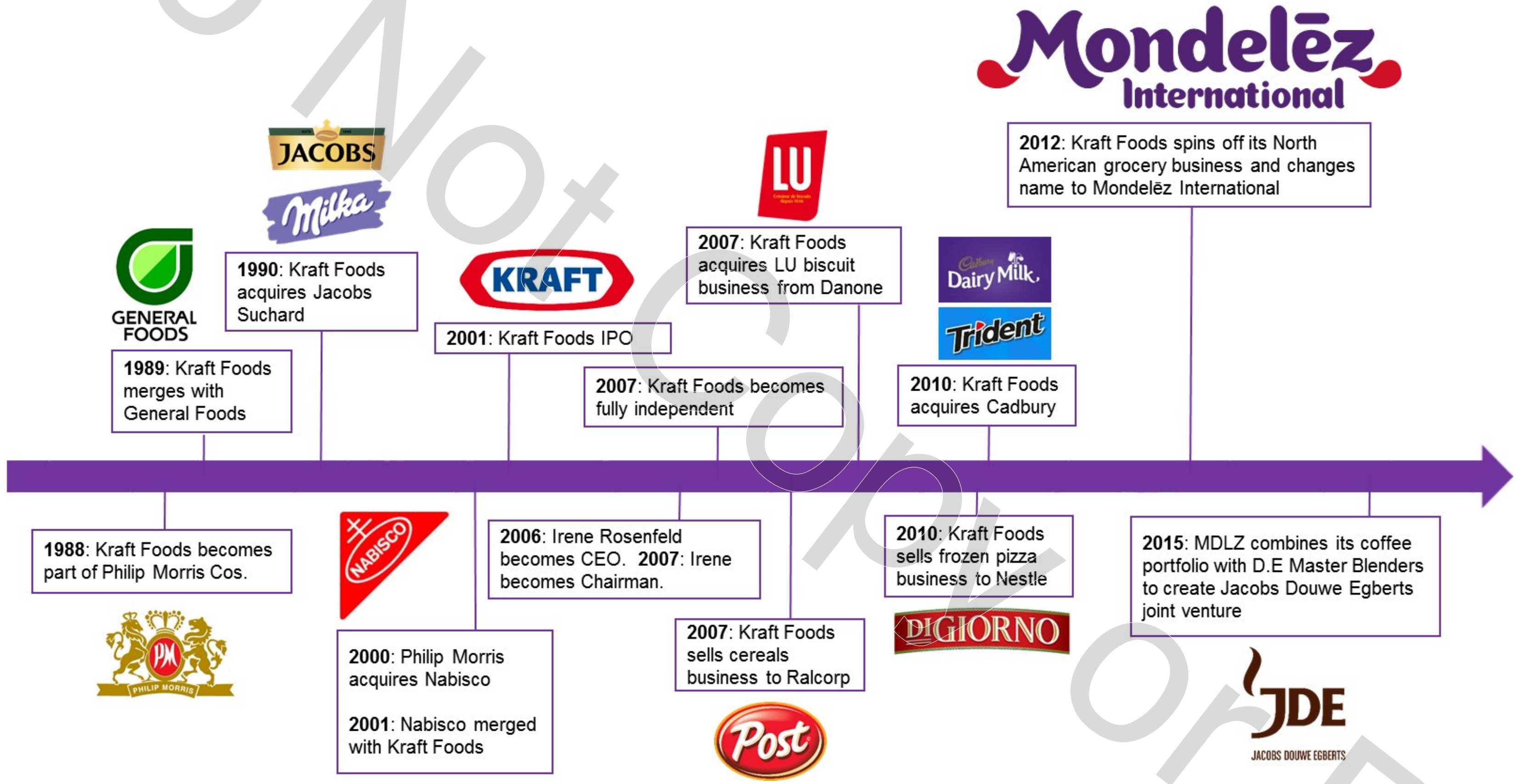
Rosenfeld elaborated, "I surround myself with really talented people. I focus on inspiring them to come with me on the journey and I feel quite good about the ability of the organization to pivot. I credit that to my ability and my leaders' ability to motivate the organization to be clear about why we were going there." She added, "The question is when will the growth come and are we investing enough within our margin envelope to get the growth? The key is that our bets have to start bearing fruit."

Exhibit 1 Kraft/Mondelēz International Brand Portfolio over Time

Year Launched	Brand	Joined Kraft/Mondelēz International Brand Family	2017 Owned by
1824	Cadbury	2010	Mondelēz
1846	LU	2007	Mondelēz
1872	Philadelphia	1928	Mondelēz/KHC
1882	Maxwell House	1928	KHC
1891	Fig Newtons	2012	Mondelēz
1893	Halls	1964	Mondelēz
1895	Jacobs	1990	JDE
1899	Dentyne	1916	Mondelēz
1901	Milka	1990	Mondelēz
1903	Kraft	1903	KHC
1908	Toblerone	1970	Mondelēz
1912	Oreo	2000	Mondelēz
1920	Gevalia	1971	JDE
1934	Ritz	2000	Mondelēz
1957	Tang	1988	Mondelēz
1964	Trident	2010	Mondelēz
1985	Sour Patch Kids	1997	Mondelēz
1992	Alpen Gold	2002	Mondelēz
2017	Véa	2017	Mondelēz

Source: Company documents; Andrew Adam Newman, "Reminders That a Cookie Goes Beyond the Fig," *New York Times*, April 30, 2012, http://www.nytimes.com/2012/05/01/business/media/the-newtons-cookie-goes-beyond-the-fig.html?_r=1&, accessed October 2017.

Exhibit 1 (continued) History of Mondelēz International/Kraft Brands, 1988–2017

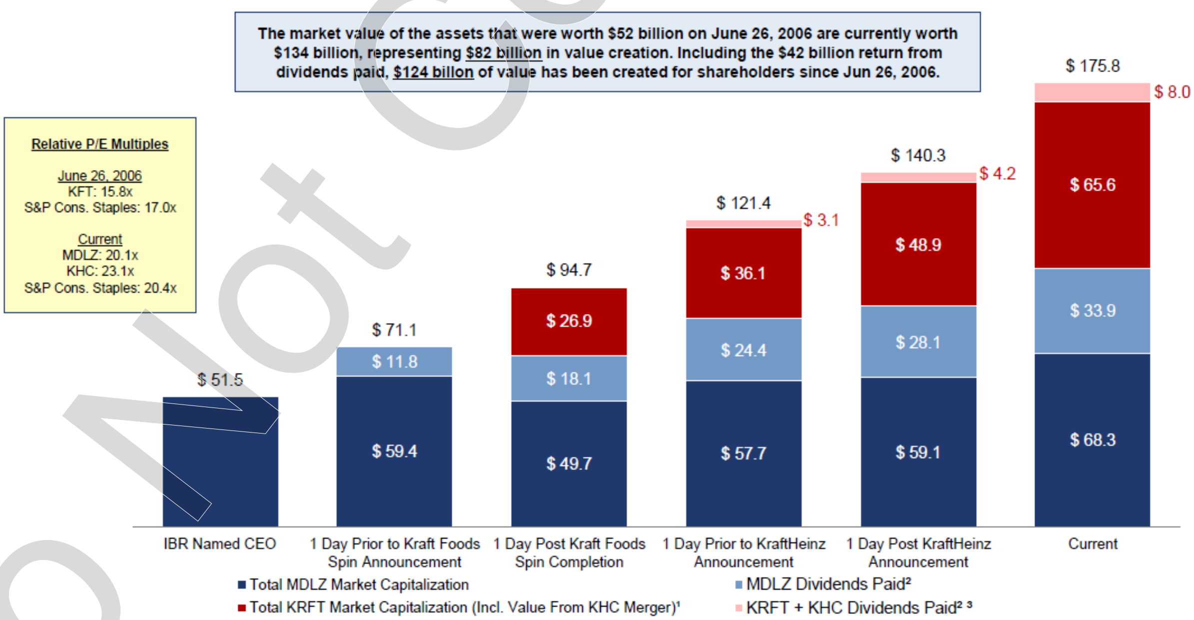


Source: Company documents.

Exhibit 1 (continued) Mondelēz Brand Family, 2017

Source: Company documents.

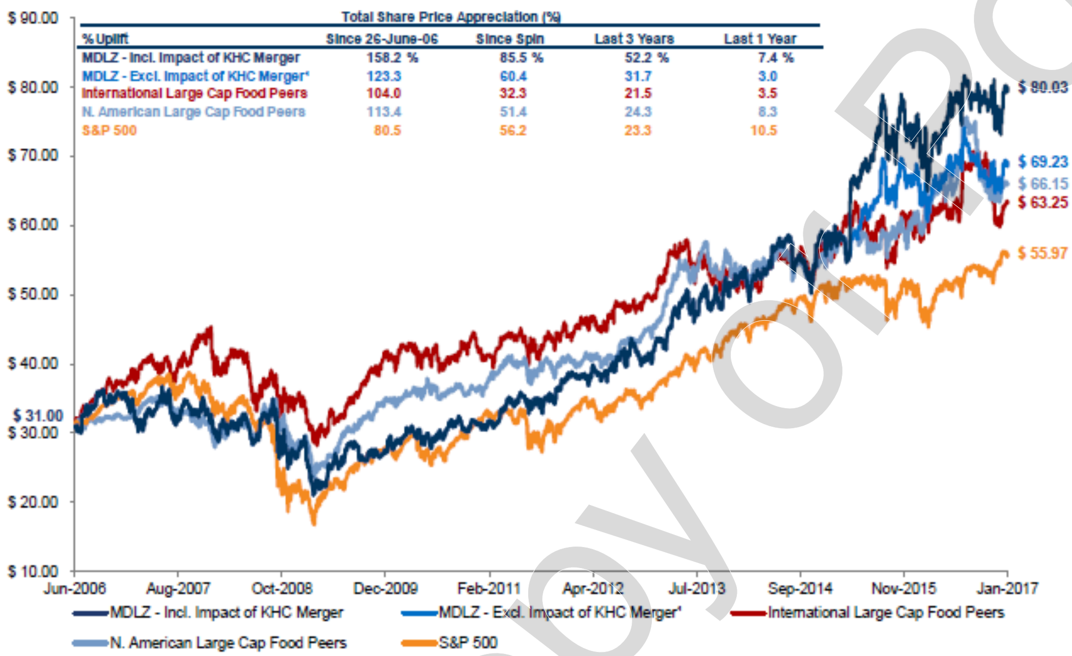
Exhibit 2 Mondelēz International Shareholder Value, June 26, 2006, to June 20, 2017



Source: Company documents; Goldman Sachs Investment Banking Division, "Key Takeaways Since June 26, 2006," June 2017, citing public filings, Bloomberg.

Note: **1.** Assumes $10 billion special dividend paid to shareholders is reinvested in the KHC stock. **2.** All dividends reinvested in the respective stock. **3.** Includes 49% of dividends paid by Kraft Heinz since acquiring Kraft Foods Group.

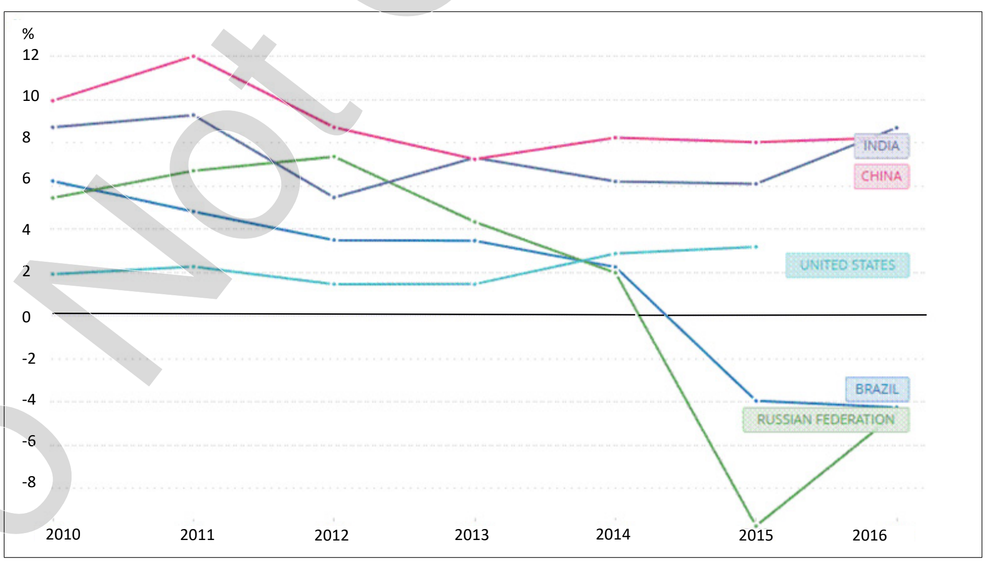
Exhibit 2 (continued) Mondelēz International Shareholder Value Returned, 2006–2017



Total Share Price Appreciation (%)				
% Uplift	Since 26-June-06	Since Spin	Last 3 Years	Last 1 Year
MDLZ - Incl. Impact of KHC Merger	158.2 %	85.5 %	52.2 %	7.4 %
MDLZ - Excl. Impact of KHC Merger*	123.3	60.4	31.7	3.0
International Large Cap Food Peers	104.0	32.3	21.5	3.5
N. American Large Cap Food Peers	113.4	51.4	24.3	8.3
S&P 500	80.5	56.2	23.3	10.5

Source: Company documents; Goldman Sachs Banking Division, "Key Takeaways Since June 26, 2006," June 2017, citing public filings, Bloomberg.

Exhibit 3 Selected Countries' Household Final Consumption Expenditure (annual % growth), 2010–2016



Source: The World Bank national accounts data, and OECD National Accounts data files, Household Final Consumption Expenditure (annual % growth), https://data.worldbank.org/indicator/NE.CON.PRVT.KD.ZG?end=2016&locations=BR-RU-IN-CN-US&start=2010, accessed October 2017.

Exhibit 4 Kraft Foods Selected Financials by Segment, FY2006–FY2011 ($ millions, for years ended December 31)

	2006[1]	2007[1]	2008	2009	2010[2]	2011[2]
Net revenues						
U.S. Beverages	2,886	2,990	3,001	3,057	3,212	3,006
U.S. Cheese	3,554	3,745	4,007	3,605	3,528	3,810
U.S. Convenient Meals	3,697	3,905	4,240	3,029	3,131	3,328
U.S. Grocery	3,225	3,277	3,389	3,453	3,398	3,563
U.S. Snacks	4,834	4,879	5,025	4,964	6,001	6,329
Canada and N.A. Foodservice	3,874	4,080	4,294	3,922	4,696	5,152
Kraft International						
European Union	6,669	7,951	11,259	8,768	11,628	13,358
Developing Markets	4,527	5,307	6,986	7,956	13,613	15,821
Net revenues	**34,356**	**37,241**	**42,201**	**40,386**	**49,207**	**54,365**
Operating Income						
U.S. Beverages	204	316	370	522	564	450
U.S. Cheese	660	400	622	667	598	629
U.S. Convenient Meals	412	387	399	234	268	319
U.S. Grocery	1,254	1,012	1,002	1,146	1,164	1,240
U.S. Snacks	444	607	530	723	845	847
Canada and N.A. Foodservice	426	404	438	462	582	682
Kraft International						
European Union	547	569	412	785	1,115	1,406
Developing Markets	403	474	585	936	1,577	2,053
Unrealized gains/(losses) on hedging activities	--	16	(205)	203	67	(100)
General corporate expenses	(189)	(206)	(313)	(165)	(179)	(206)
Amortization of intangibles	(7)	(13)	(23)	(26)	(211)	(225)
Operating income	**4,526**	**4,311**	**3,817**	**5,524**	**5,666**	**6,657**

Source: Kraft Foods Inc., 2006–2011 Forms 10-K, accessed September 2017.

Notes: Numbers may not tally due to reported line items omitted from exhibit.

[1] 2006 and 2007 restated. [2] 2010 = Cadbury acquisition part year; 2011 = Cadbury acquisition full year.

Exhibit 4 (continued) Kraft: Select Statement of Earnings, FY2006–FY2011 ($ millions)

	2006	2007	2008	2009	2010	2011
Net Revenue	**34,356**	**37,241**	**42,201**	**40,386**	**49,207**	**54,365**
Cost of Sales	21,940	24,651	28,186	25,786	31,305	35,350
Gross Profit	12,416	12,590	14,015	14,600	17,902	19,015
Selling, general & administrative expenses	n/a	n/a	n/a	n/a	n/a	12,140
Marketing, admin., & research costs	7,249	7,809	9,059	9,108	n/a	n/a
Advertising	1,396	1,554	1,639	1,648	2,269	2,396
Research	419	447	499	477	583	702
Operating Income	4,526	4,331	3,817	5,524	5,666	6,657
Net Interest Exp.	510	604	1,240	1,237	2,024	1,885
Earnings from Continuing Operations	3,060	2,590	1,849	3,028	2,495	3,547
Net Income (Earnings)	3,060	2,590	2,901	3,028	4,139	3,547

Source: Kraft Foods Inc. and Mondelēz International Inc., 2006-2011 Forms 10-K, accessed September 2017.

Notes: Numbers may not tally due to reported line items omitted from exhibit. U.S. Trade Weighted U.S. dollar Index: Broad. Units: Index January 1997=100. Not Seasonally Adjusted. December 28, 2011: 100.8; January 2, 2013: 99.2; December 24, 2013: 102.0; December 24, 2014: 111.0; December 30, 2015: 122.6; December 28, 2016: 128.8. (Source: Board of Governors of the Federal Reserve System (U.S.), "Trade Weighted U.S. Dollar Index: Broad," https://fred.stlouisfed.org/series/TWEXB, accessed October 2017.)

Kraft Balance Sheet, FY2006–FY2011 ($ millions)

	2006	2007	2008	2009	2010	2011
Assets						
Total Current Assets	8,254	10,737	11,366	12,454	16,221	16,202
Net Property, Plants and Equipment	9,693	10,778	9,917	10,693	13,792	13,813
Goodwill	25,553	31,193	27,581	28,764	37,856	37,297
Other	12,074	15,285	29,017	14,803	27,420	26,525
Total Assets	**55,574**	**67,993**	**63,078**	**66,714**	**95,289**	**93,837**
Liabilities						
Accounts Payable	2,602	4,065	3,373	3,766	5,409	5,525
Accrued Marketing Liabilities	1,626	1,833	1,803	2,181	2,515	2,863
Other Current Liabilities	6,245	11,188	5,868	5,544	7,736	10,057
Total Current Liabilities	**10,473**	**17,086**	**11,044**	**11,491**	**15,660**	**18,445**
Long-term Debt	7,081	12,902	18,589	18,024	26,859	23,095
Other deferments, accruals, and liabilities	9,465	10,710	11,245	11,227	16,828	16,969
Total Liabilities	27,019	40,698	40,878	40,742	59,347	58,509
Total Equity	28,555	27,295	22,200	25,972	35,942	35,328
Total Liabilities and Equity	**55,574**	**67,993**	**63,078**	**66,714**	**95,289**	**93,837**

Source: Compiled by casewriter from Kraft Foods Inc., 2006-2011 Forms 10-K, accessed September 2017.

Note: Numbers may not tally due to reported line items omitted from exhibit.

Exhibit 5 Kraft Competitive Environment by Segment, 2009

North America

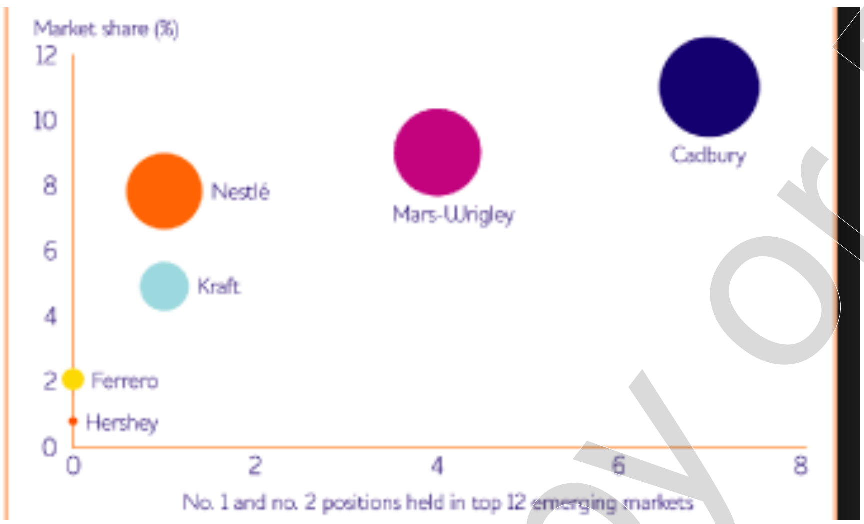
Category	Position	Kraft Foods Share (%)	Relative to Nearest Branded Competitor	Private Label Share (%)
Beverages				
Powdered Soft Drinks	1	50	7.0	23
Aseptic	1	65	4.6	2
Coffee	2	27	0.8	10
Cheese				
Cream Cheese	1	66	66.1	30
Processed Slices	1	53	5.7	31
Natural Cheese	1	18	2.9	45
Convenient Meals				
Lunch Combinations	1	88	7.2	0
Cold Cuts	1	35	2.6	16
Hot Dogs	2	22	0.9	5
Bacon	1	25	1.6	22
Grocery				
Dinners	1	82	21.4	14
Dry Packaged Desserts	1	80	32.1	12
Refrigerated Desserts	1	62	3.5	6
Spoonable Dressings	2	38	0.9	11
Salad Dressings	1	23	1.2	12

Europe

Category	Position	Kraft Foods Share (%)	Relative to Nearest Branded Competitor
Chocolate	1	20	1.2
Biscuits	1	15	1.6
Gum & Candy	1	30	1.5
Coffee	1	22	1.4
Cream Cheese	1	40	5.4

Exhibit 5 (continued)

Positions in Emerging Markets



Source: Company documents; Nielsen 2009; Euromonitor data.

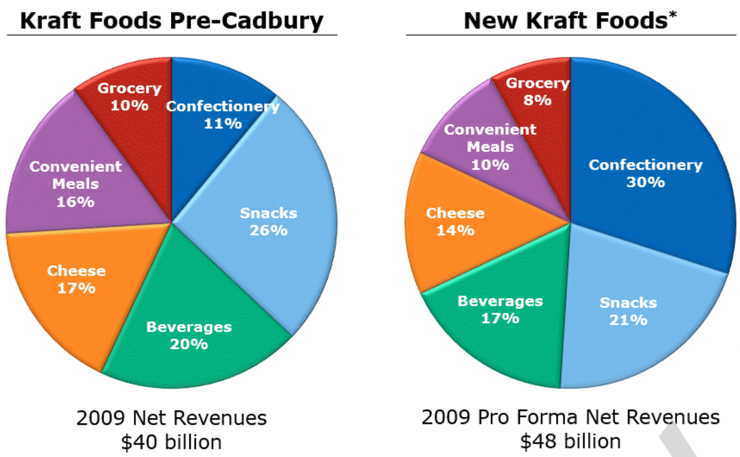
Note: Top 12 emerging markets account for around 80% of emerging market retail sales. Market share is denoted by left-hand axis and by size of bubble.

Exhibit 6 Kraft Foods, Cadbury, and Combined Net Revenues, 2009 ($ millions)

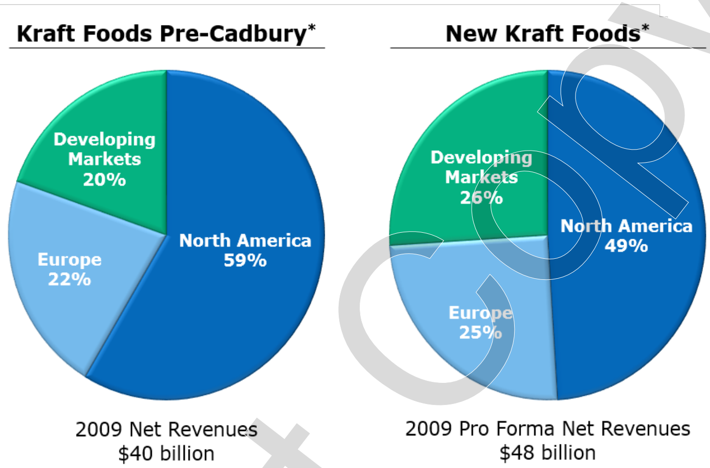
	Kraft Foods	Cadbury	Combined
Brazil	$1,100	$400	$1,500
Russia	$800	$200	$1,000
India	NM	$400	$400
China	$450	$50	$500
Mexico	$325	$500	$825
Argentina	$400	$100	$500
Turkey	$150	$300	$450
South Africa	$75	$300	$375

Source: Company documents, citing Euromonitor estimates and corporate data.

Exhibit 6 (continued) Key Metrics, Kraft Pre- and Post-Cadbury Acquisition, 2009



* Pro Forma amounts are based on the acquisition of Cadbury and the divestiture of the Pizza business.



* May not add to 100% due to rounding. Pro Forma amounts are based on the acquisition of Cadbury and the divestiture of the Pizza business.

Source: Company documents.

Exhibit 7 Mondelēz International: Selected Statement of Earnings, FY2012–FY2016 ($ millions)

	2012	2013	2014	2015	2016
Total Revenue	**35,015**	**35,299**	**34,244**	**29,636**	**25,923**
Cost of Sales	21,939	22,189	21,647	18,124	15,795
Gross Profit	13,076	13,110	12,597	11,512	10,128
SG&A and Other Operating Exp.,	9,176	8,679	8,457	7,577	6,540
Advertising	1,815	1,721	1,552	1,542	1,396
Research	462	471	455	409	376
Operating Income	3,673	3,637	3,242	8,897	2,569
Net Interest Exp.	1,863	1,579	688	1,013	1,115
Earnings from Continuing Ops.	1,567	1,764	2,332	2,201	7,291
Net Income (Earnings)	3,055	3,935	2,201	7,267	1,659

Mondelēz International Balance Sheet, FY2012–FY2016 ($ millions)

	2012	2013	2014	2015	2016
Assets					
Total Current Assets	15,673	13,216	11,750	8,958	8,480
Net Property, Plant and Equipment	10,010	10,247	9,827	8,362	8,229
Goodwill	25,740	25,597	23,389	20,664	20,276
Other	24,045	23,497	21,849	24,859	24,553
Total Assets	**75,477**	**72,557**	**66,815**	**62,843**	**61,538**
Liabilities					
Accounts Payable	4,642	5,345	5,299	4,890	5,318
Accrued Marketing	2,484	2,318	2,047	1,634	1,745
Other Current Liabilities	7,747	6,733	6,661	4,398	7,354
Total Current Liabilities	**14,870**	**14,354**	**14,007**	**10,992**	**14,417**
Long-term Debt	15,574	14,482	13,865	14,557	13,217
Other deferments, accruals, and liabilities	12,617	11,147	11,090	9,194	8,689
Total Liabilities	43,061	40,025	38,962	34,743	36,323
Total Equity	32,416	32,532	27,853	28,100	25,215
Total Liabilities and Equity	75,477	72,557	66,815	62,843	61,538

Source: Kraft Foods Inc. and Mondelēz International Inc., 2012–2017 Forms 10-K, accessed September 2017.

Note: Numbers may not tally due to reported line items omitted from exhibit.

Exhibit 7 (continued) Mondelēz International Net Revenues by Consumer Segment by Geography, FY2012–FY2016 (year ended December 31, in $ millions)

	Biscuits	Chocolate	Gum & Candy	Beverages[2]	Cheese & Grocery	Total Net Revenues
Latin America[1]	1,207	1,128	1,434	953	674	5,396
Asia Pacific	1,374	1,686	899	453	752	5,164
EEMEA	595	1,139	726	1,025	250	3,375
Europe[3]	2,761	5,067	999	3,411	1,579	13,817
North America	5,212	336	1,280	1	74	6,903
2012 Total	**11,149**	**9,356**	**5,338**	**5,843**	**3,329**	**35,015**
Latin America	1,287	1,143	1,380	907	665	5,382
Asia Pacific	1,311	1,632	849	470	690	4,952
AMEA	678	1,180	673	1,113	271	3,915
Europe	2,990	5,385	968	3,340	1,376	14,059
North America	5,406	325	1,187	--	73	6,991
2013 Total	**11,672**	**9,665**	**5,057**	**5,830**	**3,075**	**35,299**
Latin America	1,322	1,054	1,176	940	661	5,153
AMEA	1,422	2,073	1,098	836	918	6,367
Europe	3,259	5,997	1,232	3,902	1,398	15,788
North America	5,486	296	1,154	--	--	6,936
2014 Total	**11,509**	**9,420**	**4,660**	**5,678**	**2,977**	**34,244**
Latin America	1,605	840	1,091	767	685	4,988
AMEA	1,539	1,928	1,003	730	802	6,002
Europe	2,680	5,050	1,015	1,763	1,164	11,672
North America	55,69	256	1,149	--	--	6,974
2015 Total	**11,393**	**8,074**	**4,258**	**3,260**	**2,651**	**29,636**
Latin America	734	743	938	657	320	3,392
AMEA	1,588	1,901	953	611	763	5,816
Europe	2,703	4,840	916	177	1,119	9,755
North America	5,565	255	1,140	--	--	6,960
2016 Total	**10,590**	**7,739**	**3,947**	**1,445**	**2,202**	**25,923**

Source: Adapted from Mondelēz International 2012-2017 Forms 10-K, accessed September 2017.

Notes: **1.** In 2015 and 2014, consolidated net revenues included Venezuela net revenues of $763 million in biscuits, $340 million in cheese & grocery, $66 million in gum & candy and $48 million in beverages, and 2014 Venezuela net revenues of $422 million in biscuits, $216 million in cheese & grocery, $91 million in beverages and $30 million in gum & candy. Following the deconsolidation of Mondelēz'sVenezuelan operations at the end of 2015, in 2016 consolidated net revenues no longer included the net revenues of Venezuelan subsidiaries.

2. On July 2, 2105, Mondelēz contributed to its global coffee business primarily from Europe and AMEA segment beverage categories. Net revenues of the global coffee business were $1,561 million (Europe) and $66 million (AMEA) for the year ended December 31, 2015.

3. During 2016, Mondelēz realigned some of its products across product categories primarily within its Europe segment, and reclassified the product category net revenues on a basis consistent with the 2016 presentation.

Exhibit 8 Peer Comparisons, FY2012–FY 2016

	Companies	2012	2013	2014	2015	2016
Total Sales ($ billions)	KHC	n/a	n/a	n/a	n/a	26.5
	Mondelēz	35.0	35.3	34.2	29.6	25.9
	Nestlé	100.9	103.5	92.6	89.5	87.8
	P&G	83.7	84.2	83.1	76.3	65.3
	PepsiCo	n/a	65.5	66.7	63.1	62.8
	Unilever	n/a	68.6	58.7	57.9	55.5
Organic Net Sales Growth (%)	KHC	n/a	n/a	n/a	n/a	0.3
	Mondelēz	4.4	3.9	2.4	3.7	1.3
	Nestlé	5.9	4.6	4.5	4.2	3.2
	P&G	3.0	3.0	3.0	1.0	1.0
	PepsiCo	n/a	n/a	4.0	5.0	4.0
	Unilever	n/a	n/a	n/a	n/a	n/a
EBIT ($ billions)	KHC	n/a	n/a	n/a	n/a	7.2
	Mondelēz	4.1	4.3	4.0	3.8	3.4
	Nestlé	14.9	16.05	14.7	13.9	13.8
	P&G	14.6	14.1	13.9	13.0	14.4
	PepsiCo	n/a	9.1	9.6	8.4	9.8
	Unilever	n/a	10.4	9.7	8.2	8.2
EBIT Margin (%)	KHC	n/a	n/a	n/a	n/a	27.3
	Mondelēz	11.8	12.1	11.6	12.7	13.1
	Nestlé	14.8	15.5	15.9	15.5	15.8
	P&G	17.4	16.7	16.7	17.0	22.1
	PepsiCo	n/a	13.9	14.4	13.2	15.6
	Unilever	n/a	15.1	16.5	14.1	14.8
R & D Expense ($ billions)	KHC	n/a	n/a	n/a	n/a	0.1
	Mondelēz	0.5	0.5	0.5	0.4	0.4
	Nestlé	1.6	1.7	1.7	1.7	1.7
	P&G	2.0	2.0	2.0	2.0	1.9
	PepsiCo	n/a	0.6	0.7	0.8	0.8
	Unilever	n/a	1.4	1.2	1.1	1.0
R & D % of Sales	KHC	n/a	n/a	n/a	n/a	0.5
	Mondelēz	1.3	1.3	1.3	1.4	1.5
	Nestlé	1.6	1.6	1.7	1.9	1.9
	P&G	2.4	2.4	2.4	2.6	2.9
	PepsiCo	n/a	0.8	1.1	1.2	1.2
	Unilever	n/a	2.1	2.0	1.9	1.9
Advertising Expense ($ billions)	KHC	n/a	n/a	n/a	n/a	0.7
	Mondelēz	1.8	1.7	1.5	1.5	1.4
	Nestlé	3.0	3.1	3.0	4.6	n/a
	P&G	9.3	9.7	9.2	8.3	7.2
	PepsiCo	n/a	3.7	3.9	3.9	4.2
	Unilever	n/a	9.4	8.7	8.7	8.1
Advertising Expense % of Sales	KHC	n/a	n/a	n/a	n/a	2.7
	Mondelēz	5.2	4.9	4.5	5.2	5.4
	Nestlé	3.0	3.0	3.2	5.1	
	P&G	11.1	11.6	11.1	11.9	11.1
	PepsiCo	n/a	5.6	5.8	6.2	6.7
	Unilever	n/a	13.7	14.8	15.0	14.7

Source: Compiled by casewriter from KHC, Mondelēz International, and P&G Forms 10-K 2012-2017; Nestlé, S.A. Full-Year Financials, 2012–2017.

Note: Exchange rate of $US1: CHF0.91 (2012); CHF0.89 (2013); CHF0.98 (2014); CHF0.99 (2015); CHF1.01 (2016). KHC five-year market capitalization change column since July 6, 2015.

Exhibit 9 Mondelēz Competitive Environment by Region and Segment, Latest 52-Week Data, September 15, 2017

Chocolate

	Mondelez			Mars		Nestle		Ferrero		Hershey		Lindt		Others	
	L52 (%)	Vs PY (pp)	RMS	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)
Total Key Markets	**17.6**	**0.1**	**1.03**	**17.0**	**(0.2)**	**9.1**	**(0.2)**	**11.3**	**0.0**	**12.9**	**(0.1)**	**7.2**	**0.1**	**24.9**	**0.2**
Regions: Latin America	30.6	(0.4)	2.2	3.4	(0.0)	14.2	(0.4)	7.4	0.0	2.5	0.4	0.3	(0.0)	41.6	0.4
AMEA	37.3	(0.2)	1.6	22.8	(0.8)	8.9	(0.0)	12.2	(0.1)	2.1	(0.4)	4.2	0.1	12.4	1.5
Europe	20.1	0.1	1.2	11.9	(0.1)	8.9	(0.1)	16.8	0.0	0.1	0.0	7.6	0.4	34.5	(0.3)
North America	1.8	0.3	0.04	27.5	(0.1)	5.3	(0.6)	2.2	0.2	42.7	0.1	9.5	(0.1)	10.9	0.1

Market Share gain > 0.25pp   Market Share loss < -0.25pp

Biscuits

	Mondelez			Kellogg		United Biscuits		Pepsico		Nestle		Orion		Glico		Private Label		Others	
	L52 (%)	Vs PY (pp)	RMS	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	YTD (%)	Vs PY (pp)
Total Key Markets	**22.7**	**(0.3)**	**4.2**	**5.3**	**(0.3)**	**1.3**	**(0.1)**	**0.7**	**(0.0)**	**1.3**	**(0.1)**	**0.6**	**(0.1)**	**0.7**	**(0.0)**	**11.6**	**(0.3)**	**55.7**	**1.3**
Regions: Latin America	12.4	(1.3)	2.2	-	-	-	-	5.7	(0.3)	5.0	(0.8)	-	-	-	-	2.4	0.2	74.5	2.2
AMEA	10.2	0.2	4.0	0.1	0.0	0.2	(0.0)	0.0	(0.0)	0.7	0.0	1.6	(0.3)	2.6	(0.2)	0.9	(0.1)	83.8	0.3
Europe	19.3	0.2	12.0	1.6	(0.1)	8.0	(0.4)	1.1	0.0	1.2	(0.1)	0.5	0.0	-	-	28.9	(0.1)	39.5	0.5
North America	44.8	(0.6)	2.5	17.6	(0.5)	0.1	0.0	1.9	(0.1)	-	-	-	-	0.0	0.0	9.2	(0.4)	26.4	1.5

Gum

	Mondelez			Mars		Perfetti		Lotte		Arcor/Bagley		Hershey		Others	
	L52 (%)	Vs PY (pp)	RMS	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)
Total Key Markets	**33.6**	**(0.9)**	**0.8**	**44.0**	**(0.2)**	**4.9**	**0.4**	**4.2**	**(0.3)**	**2.5**	**0.2**	**3.0**	**0.6**	**7.8**	**(0.0)**
Regions: Latin America	70.4	(0.1)	5.3	3.6	0.4	2.7	0.1	-	-	13.4	0.6	0.2	0.0	9.6	(1.0)
AMEA	21.1	0.4	0.4	52.3	0.4	2.4	(0.3)	14.1	(0.4)	-	-	-	-	10.1	(0.1)
Europe	36.4	(0.1)	0.8	42.9	(0.1)	9.1	0.3	0.2	0.1	-	-	-	-	11.5	(0.2)
North America	24.6	(3.0)	0.4	57.4	0.2	6.4	1.1	-	-	-	-	7.8	1.7	3.9	0.1

Candy

	Mondelez			Mars		Perfetti		Haribo		Nestle		Hershey		Ferrero		Others	
	L52 (%)	Vs PY (pp)	RMS	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)	L52 (%)	Vs PY (pp)
Total Key Markets	**19.0**	**(0.7)**	**1.5**	**12.3**	**0.3**	**4.2**	**0.1**	**5.1**	**0.6**	**5.5**	**(0.0)**	**5.4**	**(0.4)**	**1.4**	**(0.1)**	**47.2**	**0.3**
Regions: Latin America	54.2	(1.3)	5.3	2.2	0.2	10.3	0.1	-	-	-	-	0.7	0.1	8.7	(0.5)	24.0	1.4
AMEA	9.6	(0.2)	1.8	3.7	(0.0)	0.8	(0.1)	0.6	0.0	5.4	0.2	0.0	(0.0)	0.8	(0.0)	79.1	0.1
Europe	19.2	(2.1)	1.3	5.2	(0.5)	5.2	0.2	15.3	0.4	8.7	(0.3)	0.1	0.0	2.0	(0.2)	44.4	2.5
North America	18.5	(0.2)	0.9	21.1	0.6	4.7	0.1	4.8	1.1	5.2	(0.0)	11.0	(1.1)	0.3	(0.0)	34.3	(0.5)

Source: Company documents.

Note: RMS is relative market share, comparing Mondelēz share with largest individual competitor share. L52 = last 52 weeks; Vs PY = versus previous year.

Appendix: Selected Mondelēz International Competitors

Danone Group In 2016, Danone had $24,535 million in net sales. All Danone's packaged food sales came from dairy. Further consolidating its position in this sector, Danone in July 2016 purchased WhiteWave Foods Company, which produced plant-based dairy products, for $10 billion. The company's emerging market sales grew from 33% of overall sales in 2006 to 56% in 2015.

Kraft Heinz Company/3G In 2013, 3G Capital, an investment firm based in Brazil, acquired Heinz for $23 billion and then, in 2015, acquired Kraft Foods Group (renamed Kraft Heinz Company) for $40 billion. 3G Capital epitomized the industry-wide efforts to drive operational efficiencies. With a zero-based budgeting approach, the company looked to slash annual spending by $1.5 billion by 2018. Kraft Heinz's margins increased from 15% to 18% in 2013 to 22% in 2016, well ahead of its peers. In summer 2017, 3G made a failed bid for Unilever. Kraft Heinz reported 2016 net sales of $26,487 million.

Mars Inc. Mars was the global leader in confectionery, having bought Wrigley's gum in 2008. Total revenue reached $35 billion in 2016, with emerging market sales rising from 15% in 2006 to 33% in 2015. Mars focused on its power brands, developing a range of products centered around its popular Snickers bar, including Snickers-flavored protein bars, meal replacement shakes, and yogurt toppings. In 2016, Mars launched a "Health and Wellbeing Ambition" that included targets for reducing added sugar and to cut sodium in its products by 20% by 2021.

Nestlé SA While many packaged food companies were narrowing their portfolios, Nestlé's remained balanced. In 2015, the company generated 42% of its packaged food revenues from dairy products and alternatives, 36% from snacks, 18% from cooking ingredients and meals, and 5% from staple foods. In line with industry trends, Nestlé had also made headway penetrating emerging markets and building up its health and wellness brand. In 2006, the company generated 34% of its total sales in emerging markets; by 2015, this had jumped to 57%. The share of Nestlé's products considered to be part of its health and wellness segment increased from 24% in 2006 to 30% in 2015. In 2016, Nestlé reported sales of $96 billion.

PepsiCo Inc. From 2006 to 2015, soft drink company PepsiCo's emerging market sales increased from 20% of overall sales to 42%. Frito-Lay North America, the company's branded food and snack businesses in the U.S. and Canada, included brands such as Cheetos, Cracker Jack, Doritos, Fritos, Lays, Matador, Rold Gold, Ruffles, Smartfood, Sun Chips, and Tostitos, and made up 25% of PepsiCo's 2016 net revenues, accounting for 43% of operating profit. The company had responded to consumers' demands for healthier snacks with organic Gatorade and its portfolio of "everyday nutrition" products, which included fruits, vegetables, and grains. PepsiCo reported net revenues of $62,799 million in 2016.

Unilever In 2015, almost half (45%) of Unilever's packaged food sales were driven by snacks, 34% came from cooking ingredients and meals, 19% came from dairy products and alternatives, and 2% from staple foods. From 2006 to 2015, Unilever increased its sales in emerging markets from 20% of overall sales to 39%. Like its peers, the company was also focused on healthier products, and from 2010 to 2015, it divested nine packaged food products considered to be less healthy. In 2016, Unilever reported revenues of $22.58 billion.

Source: Casewriter research compiled from Danone, 2016 Annual Report, p. 95, http://danone-danonecom-prod.s3.amazonaws.com/user_upload/angie/ra2016/RADA016_GB_WEB_PLANCHE.pdf; Stephanie Strom, "Danone of France to Buy WhiteWave in $10 Billion Deal to Bolster U.S. Portfolio," *New York Times*, July 7, 2016, https://www.nytimes.com/2016/07/08/business/dealbook/danone-whitewave-deal.html; Annie Gasparro, "Tightfisted New Owners Put Heinz on Diet," *Wall Street Journal*, February 10, 2014, https://www.wsj.com/articles/tightfisted-new-owners-put-heinz-on-diet-1392087906; Kraft Heinz Company Form 10-K Filing, 2016, http://ir.kraftheinzcompany.com/secfiling.cfm?filingID=1637459-17-7&CIK=1637459; "America's Largest Private Companies: #6 Mars," *Forbes*, https://www.forbes.com/companies/mars/; "Full-Year 2016: 3.2% organic growth, trading operating profit margin up 30 basis points in constant currency," Nestlé press release, Vevey, February 16, 2017, http://www.nestle.com/asset-library/documents/library/events/2016-full-year-results/press-release-en.pdf; Andre Medeiros, Steffen Lauster, Steven Veldhoen, and Ram Soundararajan, "2017 Consumer Packaged Goods Trends: Cost Cutting Is Not the Only Strategic Choice for Profit Growth," *Strategy&*, 2017, https://www.strategyand.pwc.com/media/file/2017-Consumer-Packaged-Goods-Trends.pdf; Pinar Hosafci, "The Big 15: Strategies and Priorities of Top Packaged Food Players in Comparison," Euromonitor International, August 2016; Trefis Team, "Healthier Foods to Drive PepsiCo's Second Quarter Earnings," *Forbes*, July 10, 2017, https://www.forbes.com/sites/greatspeculations/2017/07/10/healthier-foods-to-drive-pepsicos-second-quarter-earnings/#28dacdd54d5f; Lauren O'Leary, "Mars Food Launches Global Health and Wellbeing Ambition to Provide Consumers with More Nutritional Food and Inspire Cooking and Eating Together," PR Newswire, April 14, 2016, http://www.prnewswire.com/news-releases/mars-food-launches-global-health-and-wellbeing-ambition-to-provide-consumers-with-more-nutritional-food-and-inspire-cooking-and-eating-together-300251308.html; PepsiCo 2016 Annual Report, http://www.pepsico.com/docs/album/annual-reports/pepsico-inc-2016-annual-report.pdf?sfvrsn=0; Unilever, "Annual Report and Accounts 2017 Highlights," https://www.unilever.com/investor-relations/annual-report-and-accounts/#waypoint2; all accessed August-October 2017.

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