

Glanbia plc

Case Study Company **Glanbia plc, Kilkenny, Ireland**

Regions Involved **ROI**

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*Joe Collum
Marketing Director,
Glanbia Consumer Foods*

Lessons Learnt

Glanbia discovered that by licensing the technology required they saved both time and money. According to Joe “A key element of this process was to ensure that the technology we licensed had the proprietary regulatory approval, otherwise it’s like buying a property without planning permission.” However ultimately the company gained real benefit - the R&D required to deliver this essential ingredient would have taken nine months and cost around €250,000. By saving time, the company was able to deliver this key product onto the market quickly and thus match the current consumer demand which they had identified.

Yoplait Essence for lowering blood pressure and cholesterol was a unique product that differentiated itself from many if the other heart health products on the market.

The main risk involved was the cost of marketing, recognising this allowed Glanbia to carefully develop a strategic marketing plan. For Glanbia, the key benefit in licensing technology was the increased speed to market in a highly competitive industry.

Background

Glanbia’s Consumer Foods Division has many leading market share positions across its Nutritious Beverages, Cheese & Spreads, Yogurts & Soup portfolios. It is the largest supplier into the Irish Grocery trade and has more brands in the Top 100 Grocery Brands than any other supplier. “With rapidly increasing costs and a very competitive Grocery market, which is driving prices down, new product development is more vital than ever to help drive the future profit stream for any company” says Joe Collum, Marketing Director, Glanbia Consumer Foods. “For this reason Glanbia has invested millions of euros in developing a state of the art, R&D Centre near its Kilkenny Headquarters.

Healthy Options

With the consumer move towards fresh, nutritious and natural products, Glanbia recognised the potential for developing a yoghurt drink with added health benefits. Research was undertaken to introduce yoghurt drinks aimed at targeting various health concerns such as the weight management, digestion, immunity and heart health. Joe explains “We sought to marry the benefits of a dairy shot with an ingredient akin to a vitamin pill or supplement”.

Licensed In Technology Route

Confident of consumer demand for such products the company instigated an R&D programme for the new range. However Glanbia found that there was no ingredient readily available to provide a unique heart proposition which could be incorporated into the new drinks. Joe says “We considered this a central element of the range so rather than delay production trying to develop something, we looked around to see what ingredients were available in the marketplace already”. The new range was to be called Yoplait Essence. Soon Glanbia had identified a company with a breakthrough patent that allowed for combining of plant sterols and other elements. This patent offered the health benefits required and Glanbia then sought to license in the technology. Some of Glanbia’s licensing agreements are over 30 years which put the company in good stead to negotiate the details for this new license. Joe Collum points out that there were a number of considerations which they needed to investigate such as:

How the technology would be paid for

This was agreed as a small minimum payment plus variable commission based on a percentage of net sales. Net sales were calculated after the cost of promotion.

Marketing commitment

When taking on a new innovative product or technology the company recognised that they solely would be responsible for the intensive marketing effort – and cost - which would be required.

Mandatory branding or packing

Some licence agreements would include a commitment on behalf of the company to include a brand or logo relating to the licensee on the products e.g. Intel Inside.

What support is offered with the licence?

Would Glanbia be helped to implement the new technology and given assistance with any difficulties that arose or concerns that they had?

Who owns the patent?

Does the licence agreement transfer ownership of the patent onto the licensee or does it remain with the original developers. What are the implications of not owning the patent. Is it well protected? Can it be easily reproduced by a competitor?

How can the licensee agreement be future proofed?

Is there a rollover period involved? Glanbia needed to consider if a penalty could be imposed if the licence was not renewed as this would have serious implications for their product line. A buy-out clause agreed at the outset is usually beneficial for both parties.