

# Social media and digital transformation: the case of Pernod Ricard

by

■ **Alexandre Ricard** ■

CEO, Pernod Ricard

■ **Antonia McCahon** ■

Global digital acceleration director, Pernod Ricard

## Overview

Pernod Ricard manages a unique portfolio of worldwide brands, each of which has a very strong visual image with its consumers who are sometimes experts, passionate about the products. The digital revolution has fostered a closer relationship between the company and its consumers by limiting the role of communication and advertising agencies, and enhancing interactions within very active social networks. After getting to know its clientele for years because of information gleaned from social networks, Pernod Ricard has been able to use this information in order to establish an accurate impression which consumers have of each of its brands, in every country, and to discover the exact 'moment of conviviality' when its products are consumed. This precise knowledge allows the Group to carry out marketing activities which are well targeted, more reactive and less costly. This is a huge step forward.

Report by François Boisivon • Translation by Rachel Marlin

*The 'Association des Amis de l'École de Paris du management' organises discussions and distributes the minutes, these are the sole property of their authors. The Association can also distribute the comments arising from these documents.*

Seminar organised thanks to the sponsors of the École de Paris:

Algoé<sup>1</sup> • ANRT • Be Angels • Carewan • CEA • Caisse des dépôts et consignations • Chambre de Commerce et d'Industrie de Paris Île-de-France • Conseil régional d'Île-de-France • EDF • ENGIE • ESCP Europe • FABERNOVEL • Fondation Crédit Coopératif • Fondation Roger Godino • Groupe BPCE • Groupe OCP • HRA Pharma<sup>2</sup> • IdVectoR<sup>2</sup> • La Fabrique de l'Industrie • Mairie de Paris • MINES ParisTech • Ministère de l'Économie et des Finances – DGE • Ministère de la Culture – DEPS • PSA Peugeot Citroën • SNCF • Thales • UIMM • VINCI • Ylios

1. for the Business Life seminar
2. for the Technological Resources and Innovation seminar

### A value chain which is based on the consumer

**Alexandre RICARD:** The reason we decided to undergo digital transformation at Pernod Ricard was to bring us closer to the consumer and to create value. These two objectives are very closely linked. In 1932, when Paul Ricard founded the company, the advice he gave his colleagues was ‘make a new friend every day’. Having ‘gone digital’, we now make thousands of friends every day! We see digital technology, which enables us to limit the role of intermediaries in the market, more as an opportunity than a threat. Reducing the number of intermediaries can take place both upstream (with regard to our suppliers and advertising agencies in particular) and downstream, because we can now establish direct links with our consumers.

This change is very recent, and the profession of ‘data scientists’ (who work in this sector) did not even exist ten years ago. We are now at a turning point where we have two options: either we seize the opportunity we have been given and create an important competitive advantage; or we ignore it at our peril. This is true for the entire value chain.

A ticket to a 90-minute football match costs 250 Euros, whereas a 70-centilitre bottle of Chivas whisky which has matured for twelve years only costs about 30 Euros. This goes to show how important it is to understand consumer behaviour.

We use digital technology to create value in four main ways. Firstly, it allows us to get to know our clients and consumers better. Secondly, because of digital technology, we are more efficient in the relationships we have with the media and advertising agencies as well as targeting our consumers. Thirdly, we are able to open new distribution channels due to e-commerce. Finally, we have access to new experiences and services.

### Better knowledge of clients and consumers

We have just launched a device called ‘Prime’. It will help us to measure in real time and using significant samples how our brands are faring. This is based on information collected from social media, including certain specific networks which bring together consumers from all over the world (into so-called ‘communities’). Collecting and manipulating the data with adapted algorithms also helps us to identify associated rival brands.

Our industry has changed because consumers have changed their habits. Past generations were loyal to just one product: at that time, people would change bars or shops just to find the product they wanted. Today, the consumer is still loyal but now he has a list of products which correspond to specific times when consumption takes place which we call ‘moments of conviviality’. The most popular convivial moment in France is the pre-dinner drink (the aperitif) which is associated with drinking pastis or Lillet, our wine-based aperitif. Vodka and champagne tend to be consumed at other convivial moments, such as at night when there is a festive atmosphere.

Basing our strategy around times of consumption is a huge change for us. Because of these moments, we are able to measure brand salience, in other words the importance of the brand with regards to its competitors. Rosé wine, beer, cocktails and Ricard pastis are all rivals in the aperitif sector. We rarely promote pastis for consumption in night clubs, or vodka as an aperitif. We know what the consumer drinks, depending on whether he is with his friends, his family, his work colleagues, at week-ends or during the week, whether it is a product or a brand, and if it is the first time he has tasted this drink or if this drink corresponds to a specific social occasion. At weddings in China, for example, people drink Martell cognac; in Cambodia, 18-year-old Chivas whisky; and in France, champagne; whereas in the United States, more and more people are drinking cocktails at weddings. We have also greatly improved the knowledge of our ‘key accounts’, in other words, our major customer sectors. For example, when analysing the hospitality industry (café-hotel-restaurant sector), we know more about the sort

of establishment where our products are consumed (whether it is a bar open during the day or just at night; and whether it is a local bar or a bar known to be frequented for late-night activities). The products consumed and the characteristics of our consumers vary depending on the nature of the key account.

Our information from social media comes from all over the world, and our targets represent four million establishments worldwide. The more precisely we are able to subdivide our market based on this information, the more adapted is our marketing approach. Figuratively speaking, today our sales staff play the role of a GP (general medical practitioner); in the future, as a result of digital technology, they will be surgeons. Knowing our clients and being informed about how our brands are faring enables our sales staff to define their objectives as precisely as possible. Digital technology provides more exact analysis about consumer insight, including, for example, consumers' dissatisfaction about a product which the brand has not yet resolved. It is therefore a powerful tool which gives us guidance about consumption.

### **Greater efficiency in our relationships with the media and advertising agencies**

Pernod Ricard buys its advertising directly from digital media, and its principal suppliers include Facebook, Twitter, Google and Instagram. Advertising agencies are no longer the intermediary, earning a commission. Savings from advertising directly are substantial: for every 100 Euros which we used to pay an advertising agency, perhaps only 30 Euros was allocated to the message which was relayed to the consumer. Now we have our own in-house teams which carry out these programmed purchases and guarantee us better consumer targeting.

The following example may make it easier to understand what exactly has changed. One morning, a few years ago when I was in New York, I was watching the television at breakfast-time when I saw an advert which I had launched for Jameson whiskey. Clearly, this was not the best time of the day to advertise whiskey! I called up the person in charge of our marketing. She said that the advertising agency had sold her a 'package' with a discount of 80% for this specific time-slot! Even if the discount had been for 100%, a campaign at this time of day was useless. Television adverts for these sorts of products should be broadcast at 6pm on the ESPN sports channel which is the most popular channel in bars at the end of the working day. Of course, the rates are highest at this time of day, but this is the most efficient time-slot. Today, we are increasingly able to choose the advertising supports we want to use ourselves, and when we want to advertise our products. Consequently, due to this, we were able to launch a campaign for Kahlua with the tag-line 'buy a bottle and keep yourself warm' just before a snowstorm! This sort of flexibility and the possibility of pinpointing a specific time to place an advert were impossible before.

The travel retail channel presents another very telling example of the change in advertising. Air travellers are targeted from the minute they make their on-line reservation to their movement through the airport. The minute they land, they receive adverts on their Smartphones guiding them to the shop where their favourite products await them at discounted prices. In their hotel, they find their favourite brands in their room's mini-bar : for example, a Chinese traveller who does not like Ricard pastis will find a Martell cognac in his mini-bar instead. In airport corridors and along walkways, we try to entice transit passengers with targeted advertising: on the arrival of a Chinese flight, the advertising billboards on the walkway show a Martell advertising campaign; if the next flight, two hours later, is from India, then the passengers will walk past changing panels advertising Chivas whisky; and if there are Americans on the same walkway at the same time, but in the opposite direction, they will see our campaign for Absolut vodka.

### **Increasing turnover as a result of e-commerce**

E-commerce, even though it is growing fast, still remains a minor source of retail sales for us. Whereas ten years ago we only had two distribution channels (mass retail and the hospitality sector), today we have three more channels which have all been affected by digital technology. They are travel retail, e-commerce, and, most surprising of all,