

Q&A: Danone's Filip Kegels Promotes Ambition and Fun

By [Anatoly Medetsky](#)

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Kegels sees fun loving Russians as being closer in temperament to Latin Americans than to Nordic Europeans. **Vladimir Filonov**

Filip Kegels

Education

1986 — UFSIA (Catholic University of Antwerp), master's in economics

1987 — VUB (University of Brussels), master's in management and business administration

Work Experience

1987-1988 — Danone France, sales representative Nord Pas-de-Calais
1988-1989 — Danone France, sales trainer Ventes Nord Pas-de-Calais
1989-1991 — Danone Holland, national key account manager and marketing manager
1991-1993 — Danone Holland, sales and logistics director
1993-1996 — Danone Bulgaria, general manager
1996-2000 — Danone Russia, general manager
2000-2001 — Danone CIS, general manager
2001-2005 — Aquas Danone España, general manager
2005-2011 — Danone Russia and CIS, CEO
2011-present — Danone Russia, CIS and CE, vice president and CEO

Favorite Book: "A Man in Full" (1998) by Tom Wolfe

Reading now: "The Dinner" (2009) by Herman Koch

Movie Pick: "The Return" (2003) by Andrei Zvyagintsev

Favorite Moscow restaurant: Mr. Lee, 7 Kuznetsky Most

Weekend getaway destination: Antwerp, Belgium

Correction appended

Danone's dairy business in Russia surged on the back of a rivalry between the local office and the company's U.S. branch.

The goal to outpace U.S. sales, which was eventually achieved, motivated the staff and helped growth, said Filip Kegels, chief of the French dairy giant's Russian operations.

"Russian people are very ambitious people, and they have problems if they have to work for a company that is not ambitious," he said in an interview. "There has to be a big purpose, which is true for any company, but in Russia it is more important."

Kegels began the contest with the team in the United States in 2005 for third place among global divisions in terms of sales. Russia was No. 4 at the time.

Danone's local sales outdid those in United States in November 2008, only to retreat as

the economic crisis engulfed Russia, leading to a devaluation of the currency.

"We were back to fourth," Kegels said.

The company's Moscow office, however, sealed a much bigger triumph later. It engineered Danone's deal to take control of a Russian rival, Unimilk, which propelled the local division to the head of the line within the company in December 2010.

"We became a 2-billion-euro-a-year business, which is about twice as big as that in the United States, and the biggest Danone business in the world," Kegels said with a cheerful laugh. "We had to do a merger for that."

Danone's new Russian subsidiary, named Danone Unimilk, describes itself as the leader of the country's dairy industry, with a market share of 21 percent. It runs two local plants. The one in Tolyatti began operating in 1995, while production in Chekhov started in 2000.

The country's second-biggest dairy producer, about equally large, is PepsiCo.

Danone prides itself on making it more fun for Russians to consume dairy products — by bringing in fruit yogurt.

"To a certain extent, Danone brought taste in dairy when it came to the local market," Kegels said.

The company opened a store on Moscow's main street, at 4 Tverskaya, in 1992, which acquainted Russians with a whole new gamut of dairy flavors. Russians had been confined to the choice of plain products such as sour cream and the fermented milk drinks of kefir, ryazhenka and prostokvasha.

This interview has been edited for length and clarity.

Q: Why did you come to Russia?

A: All my life I've been working for Danone. In the beginning of the 1990s, the whole eastern European world opened with perestroika and the fall of the Berlin Wall. And we decided to go to Bulgaria in 1993 together with my family because Danone had just bought a state-owned milk factory there. We wanted to renovate it and launch the Danone brand in the homeland of yogurt. It took three years, and afterward, in 1996, the company asked me to go to Russia.

We were pretty excited to go to Russia because in 1996 Russia offered a lot of growth possibilities. I was really tempted by that adventure. The only thing was that I had to persuade my wife, which was not easy at that time.

When we married, she knew that I wasn't going to stay in Belgium. She knew that I would have an international career, and she made me promise that I could bring her anywhere in the world but Russia. I said, "OK, fine."

When my boss asked me in 1996 to go to Russia, I called her and said we needed to go out for dinner. And she said, "Is it to tell me that we are going to Russia?" I wondered how she knew.

She was already prepared to take that step. I think she got intrigued also. Russia is an intriguing country. There is a mysterious side, a huge cultural and historical dimension to Russia. And my wife is so very much into culture, very much into architecture, very much into history. There can't be a better country than Russia if you want to discover these dimensions.

Q: Why did she ask you to make the Russia promise?

A: It was 1991. Then, for a Westerner, Russia was a big enemy. Of course, it had opened up, but there was so much chaos from the vantage point of the other side. These tanks in the street, and the images of Russian people starving in the street, everything was collapsing. The image of Russia at that time was chaotic. A complete change of system.

We had a fantastic first five years from 1996 to 2001. We had a very active social and cultural life. I, of course, had a lot of work to build the company here, but those were five years that we will never forget.

Q: Why did you leave?

A: I wouldn't say I was tired of Russia, but I was tired. It was an exciting period, but it was also a tough period. In the middle of that period we had the crisis in 1998, when your business collapsed overnight.

It was also at that moment when we decided on a big investment in Chekhov despite the crisis. Five years was enough to put a real foundation for Danone in Russia. It was enough for me to go to a new challenge and to leave it to somebody else to build on that foundation.

Q: Why did you come back to Russia?

A: Afterward, the company asked me to go back to Russia. They had just decided to put in a very sizable additional investment in Russia, another 100 million euros into the factory in Chekhov to double and triple the capacity.

Danone needed somebody who knew Russia, knew the business and was capable of accelerating the growth very rapidly because they put in a lot of money.

Even though Barcelona and Spain was a great experience, it was a little bit boring for me because it's a settled market, settled competition in retail. I was attracted to going back. Of course, selling that to my wife was not easy.

I may have sold it the first time, but going from Barcelona to Moscow, I don't think there were any examples of that.

One condition of my wife's was to not live in the city center but a little bit outside. So we lived in Chaika. We loved it there. It's beautiful. It's only wooden houses.

When I arrived, the local branch of Danone was No. 4 in the world within the company. Historically, the biggest market was always Spain. Danone originated in Spain. And the second-biggest division is historically France because Danone is very well-established in France and had its headquarters there. And the third-biggest was the United States. So we

launched an internal contest in 2005 hoping we would beat the United States, and we finally did it. We won in November 2008 in terms of monthly sales. It was only for one month, because then the ruble was devalued. We were back to fourth.

In December 2010, we finalized the joint venture with Unimilk and became No. 1. We became a 2-billion-euro-a-year business, which is about twice as big as that in the United States, and the biggest Danone branch in the world. We needed to do a merger for that.

Q: What is your most colorful recollection from the time you first came to Russia in 1996?

A: If you drive around the Kremlin at night in the winter, with the snow and the lighting, it's like a fairytale. It's like something magical, something mysterious.

We were also amazed by babushki selling ice cream in the street when it's minus 20 degrees Celsius outside. That's kind of weird.

I was also amazed by the strength of the people, who survived and lived relatively well in a very tough environment. They didn't complain.

Q: What advice would you offer a foreigner who wants to invest in Russia?

A: First of all, look at the long-term potential. Don't look at the short term only. If you want to go to Russia and to make money short term, honestly, it's going to be tough.

If you say, "I am ready to offer something that is not on the market yet, and I am ready to invest to back it up," then I think you should definitely come to Russia.

For example, I remember presenting Business Plan No. 50 to top management in Paris — in 1998 your business plan changed every day — in order to do this investment in the Chekhov factory. We were talking about 60 million euros. The president of Danone came in, still president today, Franck Riboud. He asked what we were working on and, later, how many people lived in Russia.

I said it was 145 million. He said, "They will end up eating Danone, right? Let's go."

The second thing I would advise is know the local culture and the local way of doing business and learn the language. *Вы должны говорить на русском. Вы должны говорить на русском. Если вы не говорите на русском языке, вы ничего не понимаете. (You have to speak Russian. If you don't speak Russian, you don't understand anything.)*

If you have a certain affinity for the culture, it will enable you a lot to make much better decisions and to work, rather than just stay in your ivory tower.

The third one is perseverance. It means that you need to continue to put in a lot of energy and not back off at the first obstacle, because you will have a lot more. You have to be very energetic and very strong.

Now, you have big administrative obstacles and you have big market questions. Before, the competition would not be very fair, they would play differently. Today, the competition is tough but plays by market rules: just give the best product and the best price.

A lot of foreign people think that doing business in Russia is like in the Wild West. No, this is not true. It was like that 15 years ago.

Q: What is your secret to successfully managing people and business in Russia?

A: It's very important to show ambition in Russia. Russian people are very ambitious people, and they have problems if they have to work for a company that is not ambitious. It is not by accident that we chose to be No. 3 among Danone divisions in the world and then No. 1. Because then, people are much more motivated to run the extra mile. There has to be a big purpose, which is true for any company, but in Russia it is more important.

In Russia, you need to have a very high degree of proximity management. That means you have to go into the field, you need to go to see the factories, meet with the sales force, talk to the people, make them see that you are present and that they are important for the construction of the company. Of course, with the proximity management you need to speak Russian. It will help you a lot.

One more thing about Russians is very specific. They like to party. They like to have fun. Russians are more Latin than Nordic to me. They are much more emotional than Nordic Europeans. They are much closer to Latin Americans than to, let's say, Germans.

I had my first sales convention for the country in 1997. It was during Maslenitsa. We launched Danone kefir, a fermented milk drink, and we invited folk singer Nadezhda Babkina. It was an unbelievable party.

You need to show recognition, like everywhere, but in Russia even more. When I came back in 2005, the company was good, but it wasn't going as well as we expected.

Our plan was to grow 17 percent in 2006. After two days at a sales convention in Turkey, I said we had to be more ambitious. I said at the end of the convention, "Hey, guys, what do you really want to do? Because 17 percent is not a real objective."

The guys said, "If we do 30 percent, we will be very happy."

I said, "OK, if you do 30, I will be very happy too, but where do you really want to go for the next sales convention, or would you go to Turkey for the fifth time?"

They said they would love to go to Cuba.

I said, "OK, you have my word, if we do 30 or more, the next sales convention will be in Cuba."

In 2006, we grew not 30 percent but 38 percent. And I invited 380 people, managers and salespeople, from Russia to Cuba. Nobody believed it was possible. Everybody thought that at the last minute we would cancel or something else would happen.

But it was not canceled, although I had a lot of pressure from the head office in Paris, "What are you doing? Are you crazy?" People who took part in that meeting still talk about it now.

Q: Who are your role models?

A: I am most impressed, as a business leader, by Steve Jobs of Apple. It's for the visionary dimension. He was capable of seeing beyond today. And secondly, that was combined with a huge obsession with execution and detail. I think it's absolutely inspiring.

With the iPhone, everything about that product is done with such an obsession with perfection. This is a lesson for many people. I have seen a lot of great ideas. But if an idea is badly executed, it is useless.

Correction: An earlier version of this story did not make it clear that Kegel's Russia team was inspired by the goal to outpace U.S. sales and not by its eventual accomplishment

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