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Campbell Soup still open to company sale & other takeaways from its Q4 earnings call

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It's a new dawn and a new day for Campbell Soup Co., according to company officials who — during an earnings call with analysts — emphasized the Camden soup maker is on the path to righting itself after back-to-back disappointing quarters.

The company on Thursday announced plans to **sell Campbell International and Campbell Fresh** after a months-long strategic portfolio review.

Officials continued to discuss their decisions in depth during a call with analysts and investors, addressing what brands will drive the most growth to how its CEO search is going.

Here are a few key takeaways from the fourth-quarter earnings call as well as what experts told the Philadelphia Business Journal.

What led to this?

Campbell lost focus.

That was the main factor that led to Campbell's current challenges, interim CEO Keith R. McLoughlin said Thursday.

"We had too many initiatives that made the company unnecessarily complex," McLoughlin said. "We did not differentiate our portfolio. We underfunded growth. ... We didn't properly align our resources with our business franchises ... where we have unique capability ... [and] we lost focus on the process and execution."

He continued to say Campbell lacked agility, was slow to react to customer needs, and "didn't have a culture of accountability, which led to poor execution."

The company realized this after the months-long strategic review of its portfolio, so "with greater focus, clarity and alignment, our people can and will execute on our new direction."

Campbell really is open to a sale and had other options

Talk of a full-blown Campbell sale came after news of Kraft Heinz's reported interest in **buying the soup maker** earlier this year. Then, activist investor [Dan Loeb](#), whose hedge fund Third Point has a nearly 6 percent stake in Campbell, **pushed for the sale**.

Selling Campbell was and is still an option the company's board of directors is considering.

"We're a public company; we're for sale every day," McLoughlin said.

But the board, he continued to emphasize throughout the earnings call, explored all options.

"We ended the review process with a completely open mind," McLoughlin said. "The board and advisors considered a full slate of options, including optimizing our portfolio and divesting assets and businesses, splitting the company in two or selling the entire company."

The ultimate decision to sell off the international and fresh divisions were the "best path forward at the time," McLoughlin said.

The CEO search continues

Former chief executive [Denise Morrison](#) **in May retired** from the position she held since 2011, and McLoughlin, who's been a Campbell board member since 2016, has been acting as interim CEO since then.

The company is continuing a "robust search process" of internal and external candidates with "proven results and achievements," said McLoughlin, who from 2011 through 2016 was president and CEO of household appliance manufacturer Electrolux AB.

McLoughlin said he has not thrown his name "into the hat."

New leadership may come with new prerogatives, including the decision to undergo a new, additional strategic review process, but, McLoughlin said, "this was not an individual-led process; this was a board-led process."

"The work we're doing here ... has to be done. It's absolutely necessary," McLoughlin said. "We've got a strong operating team in place, actively engaged in this process to execute it. I don't see a major change, but this is a board-led strategy [with] full and unanimous support."

Campbell may want to move swiftly. Investor Loeb's hedge fund Third Point, in court documents filed earlier this month, said many of Campbell's issues were "**exacerbated by a lack of leadership**" following Morrison's departure and "without a successor in place or even a search process underway."

Campbell may not have a new CEO yet, but it's had a few leadership changes, including the promotion of Luca into the newly created COO role; Xavier Boza as chief human resources officer; Diego Palmieri as chief marketing officer of U.S. Meals & Beverages; and Roberto Leopardi as president of [Campbell Meals & Beverages](#).

A new portfolio framework

As part of Campbell's new direction, it will focus on two of its businesses: Campbell Snacks and [Campbell Meals](#) and Beverages, its core North American market.

It's a sensible move for the South Jersey company because brands that fall under these businesses have high brand equity — more than 95 percent of all U.S. households have a

Campbell product in their home, according to the company, and many of them rank among the top two in their individual market categories.

Campbell, under its new portfolio framework, will manage the brands within two operating strategies: so-called brand franchises that drive growth and ones that maximize margin and cash flow.

The expansion of Campbell Snacks is driven by six "power" brands: Goldfish, Pepperidge Farms Farmhouse and Milano, Snyder's of Hanover, Kettle, Cape Cod and Late July Snacks.

"We're taking targeted action," McLoughlin said, "increasing manufacturing capacity and investing in innovation, marketing and e-commerce to drive growth."

Soup, though declining, is still paramount

It's no secret Campbell's U.S. soup sales suffered the hardest blow over the past few quarters in part because of changing consumer preferences. But it's still a top priority.

Soup is a "great business," McLoughlin said during the call, but the company in the past under-invested in it and pushed the business "too hard on pricing and margin."

"We did not do enough to keep our soup products relevant with consumers," he said.

That will change in 2019 when the company focuses on stabilizing the soup business, particularly in four key brands: Pacific Foods, Campbell's, Swanson and Chunky.

Pacific Foods — which Campbell will target toward higher-income millennials — will result in strong profitable growth while the remaining three will be managed to maximize margin and cash flow, McLoughlin said.

"I'm confident we'll do the right thing, but it'll take some time to stabilizing the business," he said.

What experts are saying

Experts were not surprised Campbell decided to sell assets rather than going for a company sale — with some saying it was **a tough sale for Kraft**.

The soup maker's ultimate decision on Thursday is "only applying a Band-Aid to a deep wound," said Lou Biscotti, partner and practice leader of the food and beverage sector at [Marcum](#), a public accounting and advisory services firm, in an interview with the Business Journal.

"The company should sell, and selling off pieces of the company may not be enough, especially considering family and shareholder turmoil, which will not make the situation easier moving forward," Biscotti said.

As for who could possibly gobble up Campbell International and Campbell Fresh, it may not be its competition.

"My belief is a private equity company will jump into the mix, as many of the private equity companies are nimble and are on trend," Biscotti said. "Their skill sets sometimes exceed those of the manufacturers."

Campbell will continue to face challenges moving forward because of how the food category has evolved and because of competition.

"Campbell has always been excellent in managing the bottom line, less so on the top line," or revenue, said Thomas Fung, assistant professor of marketing and supply chain management at Temple University's Fox School of Business.

Fung held various high-level roles from 1980 to 2009 at Campbell, specifically in operations and competitive analysis. "All big brands are facing the same set of challenges: how to resonate with today's changing demographics," he said.

Atlanta-based chain Chick-fil-A, which has over 2,000 restaurants, for example, this week rolled out a **new line of meal kits** in 150 restaurants in the Atlanta metro area. Chick-fil-A, in doing so, jumps into a crowded market with similar companies like Blue Apron, HelloFresh and Atlanta's PeachDish.

"How would Campbell compete in the entire \$1.5 trillion food-meal-grocery category going forward?" Fung said. "Now it's all about product and delivery."

Campbell earlier this year started a test-and-learn pilot program, **delivering soup** to customers' doors.

Marcum's Biscotti said Campbell's recent struggles underlines the "urgency of Big Food" to change its ways of conducting business.