Alexandra Jankovich: Today, I speak with Mark Schneider, CEO of Nestlé since 2017. Under his leadership, Nestlé transformed enormously in the last couple of years. For the coming years, he has ambitious goals in sustainability, digital and innovation. I speak with him about his journey, ambitions and the leadership needed to get there. Welcome, Mark. So nice you can join us for our CEO Stories.

Mark Schneider: Thanks for having me. Delighted.

Alexandra Jankovich: Thank you. Let's start speaking about a topic close to heart, which is sustainability. You are a strong advocate of businesses as a force for good and that companies should create value both for shareholders and for society. Now, my first question is about your *Creating Shared Values programme*. How does it contribute to the Paris Agreement? Could you elaborate on that?

Mark Schneider: Absolutely. Let me point out that *Creating Shared Value* is a concept Nestlé helped pioneer. We worked closely with Harvard Business School and some researchers there at the time to bring this concept to life. And it's about our broader relationship to society around us and, as you said, it's about creating value not only for shareholders but also for society at large as we go about our business. And the link of course to the Paris Agreement is, that one of the challenges to society these days is greenhouse gas emissions and climate change, and hence we have to all work really hard to address that. I think it's an area where early on we expressed support for the Paris Agreement. Even at times when politically the winds were blowing elsewhere we stayed in that movement, in fact, we were part of a movement in the US which we were still in at a time when the government was out. And we gave our pledge in 2019 towards the 1.5-degree goal and then as part of that we published our road map late last year. The rules say every two years you must publish a detailed road map how you intend to get there. This is important these days, because on a thirty-year undertaking people want to see specifics, milestones and things you specifically do. This is essentially what we publish. I think in our industry, food and beverage, this is seen as one of the benchmarks now.

Alexandra Jankovich: You published very concrete goals, also on the short term, ambitious goals.

Mark Schneider: Yes, of course everyone who's engaged in addressing climate change points out the importance of the next decade. So obviously at some point you want to arrive at carbon neutrality but making a dent in the curve for the next decade I think is a major issue and hence to me the milestones that apply to the first decade are the most important ones.

Alexandra Jankovich: Could you give specific examples of what you're doing?

Mark Schneider: The carbon road map is one. I think plastics, waste reduction, packaging waste reduction is another key theme. So this is one where you have to recognise that plastic was originally adopted 50 to 60 years ago as a packaging material of choice. It really offered unparalleled advantages when it comes to shelf life and food safety. And I think only over time did society understand that there are some costs when it comes to littering, the slow degradation of the product and the fact it's accumulating on beaches, in rivers and so forth. So here we have a collective challenge that we're all facing. Our name is on the packaging, so it's not only about material it's also about how consumers perceive Nestlé and think about Nestlé.

So we're attacking this from all ends and we've committed ourselves to making our packaging recyclable or reusable by 2025. In order to be sure that we are the masters of our own fate and not just a passenger to the packaging industry we established our Institute of Packaging Sciences where we pilot many of these solutions and we test new solutions that are brought to us. So we wanted to be sure to have our own initiatives in that space.

Alexandra Jankovich: Yes, and I think you also have activities in the field of transparency of the food chain.

Mark Schneider: Yeah. Clearly, today's consumer doesn't just want to see the finished product. They also want to understand your business practices as you create the product. And then we have a number of environmental issues upstream. Think about deforestation that's going on in some countries related to some of the key agricultural commodities that we purchase. Of course we want to be sure that our supply chain is deforestation-free. We're 90% of the way there, so now it's about the last 10% and this is where we pioneered, in food and beverage, satellite tracking as one additional tool to use technology to increase transparency and give us some checks and balances so there's lots of ways in which technology can help us show the upstream part of our business and make it credible to our consumers.

Alexandra Jankovich: Yes, on that topic of technology, digital and data of course, innovation has already been at the heart of Nestlé in the last 150 years. And besides product innovation, you made digital a top priority and digital has been a very important part of your marketing activities for years with the personalisation at scale programme. Could you share some of that journey and also some results?

Mark Schneider: Yeah, let me start with a very high-level thought. Many of us have been using email and the internet now for a quarter of a century so it may feel to us that we're already in the digital world but when it comes to true digital opportunities I think that the best days are still to come. And the full digital buildout of our society, our company and our supply chain that's still something we're all facing, so I think the best days are clearly ahead. It shouldn't surprise you. If you think it's slow, think about the automobile.

The automobile was invented in the 1890s and it wasn't until the 1950s or 1960s that our lives were truly centered around it so you had inner cities that facilitated commuting you had suburban shopping malls, office complexes and so forth you had a highway system linking cities, so it shouldn't surprise us that after some early adoption it does take a while until that full buildout is there. In food and beverage, Covid, sad as it is, I think was one of these accelerators. Food and beverage was a category among the slower adopters of a digital e-commerce kind of approach. It has now received a tremendous boost and we don't see it sliding back. In fact, we see it continue from here, because many people who've seen the convenience and possibilities under the pressure of the pandemic are probably now staying with this way of doing business even after the pandemic.

Now, when it comes specifically to personalisation at scale when you look back at marketing research, I think this was the old marketeers' dream going back to the 1970s and 1980s that you have a segment of one approach in your communication but then also in some cases in the finished product. At the time it sounded like an academic pipe dream but what's now happening is, with digital personalisation at scale becomes affordable and possible. So, we're seeing it in communication where more and more of our communication is targeted specifically to a consumer.

You also see it in some business models where people purchase highly personalised products. A good example is our investment in Tails.com which is a bespoke pet food maker based in the UK. So here you enter the specifics of your pet. Out of 15 different ingredients, we produce the pet food that's right for your dog. As part of a subscription, it's shipped to your house even with the pet's name on it so if you have several pets, you can keep the bags apart. It just shows you how finally, at a very affordable cost these personalisation strategies are here and around us.

Alexandra Jankovich: You actually talk about the category that is a frontrunner in digital, which is pet food. Of course, you've acquired Tails.com but I think you're busy there with a broader movement to go from pet food to pet care. Can you explain your activities in this field?

Mark Schneider: You're absolutely right. I think pet food is one of the signature categories where you see the opportunities that come from ecosystem building. For a consumer, it's not only about purchasing pet food to feed a pet. It's about the total pet ownership situation so from the moment you think about adopting a pet to selecting one to then maybe addressing health issues a pet has. Not each and every minor little issue will require a full trip to the vet which will come at a significant time and cost inconvenience but rather many issues can be solved with an expert online so we get very personalised service there. In exchange for that, we get data about that specific pet and the owners so we can tailor our approach much more personally. Then there is pet health issues, so we've also invested in a chain of pet care clinics. We see a significant opportunity there. So it's about the total ownership journey that we see here. And I think pet care is a good overall expression to describe that broader view that we have on the opportunity.

Alexandra Jankovich: Is that part of what you said: The best is yet to come with digital? How would you describe this? What in your vision is that best?

Mark Schneider: So we have not given a specific target percentage for e-commerce other than saying go up, do more than what you're doing. This is one where, rather than picking a number, you have to simply explore the limits and for the moment it still keeps going up and I think it'll do so for quite a while and we're certainly very invested in doing that. The full digital buildout is really that situation where whether it's with our company or elsewhere you really have that uninterrupted chain and some of the efficiency and information advantages at your fingertips that come from that. Again, to me this is easily another 5-, 10-, 15-year endeavour to make that happen.

Alexandra Jankovich: If you would specify this uninterrupted journey, do you mean also with partners? For the consumer, which parties would be involved in such an uninterrupted journey?

Mark Schneider: To me, one of the big differences between the old pre-digital and new digital world is that you can reconfigure and rewire a relationship in literally no time at all. The old pre-digital thinking was very much hard-wired, as I would call it, so establishing a channel, for example, would take you years and years and years building the relationship, establishing everything and then of course once you have established it you don't want to change it. Digital business

relationships can be rewired very quickly and constructed around changing needs and I think it's that flexibility that is really important. That's very much in tune with today's consumer because today's consumer has little patience for what is your favourite channel.

Today's consumer just thinks about a need state and then the least difficult option to fill that need. A practical example: Saturday night, 6 pm. You are expecting guests for dinner. You find out you don't have any salty snacks. So at that moment, a consumer doesn't think about channels. They think about the easiest and cheapest way to get what they need in a few minutes time. And then they start organising that thought pattern around this. I think the more easily and the more frictionless you have an opportunity to make products available, the more share of mind and market share you'll eventually get. And in order to make that happen, it is important - especially as boundaries between traditional channels are blurring - to be able to reconfigure your business system really fast and digital allows you to do that.

Alexandra Jankovich: So what you're saying is whether it's Nestlé's direct channels or partner channels or anything based on the consumer need, you want to have as many channels as necessary for a frictionless journey of this consumer?

Mark Schneider: Yeah, a good example in food and beverage is the traditional, what we call out of home so when you eat at a restaurant, at a cafeteria or in an airplane or a hotel - obviously a very important channel and a strongly growing channel until Covid hit. What you see now with Covid is something that was already underway before and that is the blurring of these channels. So when you order in a meal at home coming from a restaurant or dark kitchen, you are actually consuming in-home, either because of Covid or out of sheer convenience but you are sourcing from a traditional out-of-home channel. This is one good example how traditional channel definitions do not serve us that well anymore. It's all about how to make it the easiest for consumers to get what they want. And convenience, as you see from this ordering in, is a big part of the equation.

Alexandra Jankovich: If you also think about your B2B customers. Are you also busy already, let's say, digitising their channels?

Mark Schneider: Whether it's retail or whether it's these traditional out-of-home business partners, I think they're all faced with the same trends. That is this consumer that moves seamlessly between different consumption opportunities. Of course they're all digitising their businesses and trying to be more efficient in linking them up in their situation as a supplier in a very efficient way I think is ever more important. With retailers in particular, it's important to see

them not only as the shelf where consumers pick something either virtually or physically but also to see them as what they are, that is tremendous data aggregators.

And I think the best retailers a long time ago began to realise that the data they accumulate is worth its weight in gold. It's really important to understand shopping behaviour in velocities and consumer preference and from our point of view, that data is also getting ever more important because I think under fast-moving consumer goods, you're shifting away from a kind of look-forward market research to real-time, real data kind of models where you experiment, you put something on a shelf, whether virtual or physical, you see what a real customer with real money is doing, rather than doing desk research and then you basically on the fly from there see that you arrive at the best solution.

So that's why for example we love pop-up stores but of course pop-up stores have only a very limited catchment area whereas if you partner with a retailer to do a broader test launch and get some data to make your decisions based on that data, that to me is a good relationship that works for both sides.

Alexandra Jankovich: The last four years, you've shown tremendous leadership in the transformation of Nestlé. What type of leadership is needed for the sustainable digital transformation of the core in the coming years?

Mark Schneider: This is where you can pull it all together and that is in a world where fast-paced trial and error is becoming ever more important and where consumers' loyalty to a given product or solution is getting ever shorter. And where it's also easier to try and set up a new business model digitally, as we just discussed. I think this whole trial-and-error mindset in the culture of the company is gaining tremendous importance. So it's no longer about the perfect solution, never being wrong but it's rather about getting it 80% right but really fast and occasionally getting it wrong and quickly learning. It's the whole 'failing fast' kind of buzzword. But then really drawing your conclusions from it and getting it down right the next time.

So this whole mindset, where something that fails is not this huge blemish on your career or resume, but rather you're doing the company a favour so let's use the insights and let's get it better the next time around. That whole mindset is one, no matter if we're talking Nestlé or elsewhere I think this is one of those changes that we all grow into.

Alexandra Jankovich: I'm very happy that you say that, because I believe that is really necessary everywhere. In terms of Nestlé, what part of the culture does already contribute to this and where do you think change is necessary?

Mark Schneider: Look, when it comes to food and beverage and given how sensitive this category is, after all this is something you ingest, so you want to be sure it's top-notch quality. So we do have a very much safety- and quality-driven mindset I think that continues to be important, so when I talk to people about taking risks I make it clear that the food-safety side of it is not up for negotiation. I mean, this is where we need to be absolutely pristine. But then on whether the box is blue or orange and global is in the top left-hand or top right-hand corner all of these things you can much more than before address on the fly and really learn from your mistakes and try to display a very playful attitude to these situations and one that's open to experimentation. And one of the best ways as a leader to kind of drive that home is to be very open about the mistakes that I make every day because there's a good share of mistakes I make every day, it's good to open up about that. By doing so, you also encourage people to do the same. And obviously, what I keep telling people is: Don't mind making a mistake. Watch what I call from baseball the batting average so make sure that over time you're not positive. But it's really about that, it's about accepting mistakes about you easily and then really trying harder next time around and do better.

Alexandra Jankovich: And you are of course the first external CEO for Nestlé since I think almost a century. Is this mindset also what you contribute? What do you think you bring in that sense?

Mark Schneider: I think many of the changes I described were well underway in the company when I joined. And I applaud Nestlé for being an organisation that over the years has always adjusted very well to changes in the environment. Even for any given moment in time, the company has tremendous flexibility which is needed to be able to do business in 187 markets around the world. So a lot of that has always been there and allowed us to survive and prosper for 155 years.

What happened mid-decade is that the pace of change in our environment really quickened and we saw in the entire industry an onslaught of small and mid-sized very focussed companies, start-up businesses, digital businesses. The barriers to entry were coming down as a result of digital. And it was these smaller companies that collectively were taking share from some of the largest players, including us. This is where I think we have to step it up a notch when it comes to that pace of change and it was very rewarding to see how the organisation responded to that.

I'd be the first one to say it's not about the leader it's about the environment, because essentially people want to win and when they see it takes an additional gear to actually win they shift it up and they got it done.

Alexandra Jankovich: Yes, I agree, and I think that's a great way to end our interview. So thank you so much, Mark, for your time and your inspirational answers. And good luck with the fast-paced future.

Mark Schneider: Thanks so much. It was a pleasure to have a conversation. I think we touched upon a few really important core issues from sustainability to digital as the company faces the future and tries to make the best of it.

Alexandra Jankovich: Absolutely. Thank you.