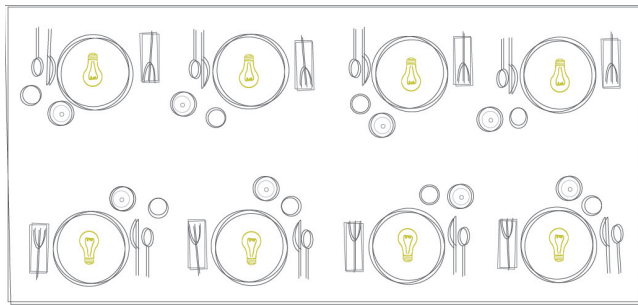


Dinner Notes



2013 Spring Sustainability Dinner
May 29

The Egon Zehnder Sustainability Dinner, held semi-annually, brings together sustainability leaders, chief executives, investors, policy experts, and provocateurs. Spanning a wide range of lessons and ideas, the dialogues follow the Chatham House Rule.

Spring 2013 Dinner Notes

Spring 2013 Dinner Guests



Ulrich Becker

President
Reebok North America



Sandra Horbach

Managing Director
The Carlyle Group



Edgar Huber

President and CEO
Lands' End



Kim Jeffery

Chairman
Nestlé Waters North America



Brian Kelley

President and CEO
Green Mountain Coffee Roasters



David Kirchhoff

CEO
Weight Watchers International



Kees Kruythoff

President, North America
Unilever



Roberto Marques

Group Chairman, Consumer North
America
Johnson & Johnson



Mauro Pennella

Vice President, General Manager,
and President
Lamb Weston International



John Repogle

President and CEO
Seventh Generation



Rick Ridgeway

Vice President, Environmental
Affairs
Patagonia

Hosts



Christoph Lueneburger

Head, Global Private Capital Practice
& Founder,
Global Sustainability Practice
Egon Zehnder



Dick Patton

Head, U.S. Consumer Practice
Egon Zehnder

the un*shortened view

With sustainability continuing to mount in importance as a global concern – and made more pronounced by the extreme weather events of the past year – businesses have grown more sophisticated in how they view and respond to sustainability challenges. While some industries have hewed closely to an archetype for success and thereby reaped predictable if incremental gains, other industries have adopted bolder measures that have entailed risk yet yielded competitive advantages. Firmly rooted in the latter category is the Consumer Goods industry, which has accelerated innovation by responding to, even anticipating, emerging trends by leveraging its unparalleled ability to empower (and draw the ire) of consumers on both an individual and collective basis.

The Spring 2013 Sustainability Dinner assembled a group of leaders from within and adjacent to the Consumer Goods Industry. Many participants had collaborated in the past, thereby creating an intimate and open dynamic. What follows is a distillation of the thoughts they shared.

Embrace Transparency

As social media erodes barriers to communication, companies that shroud their practices in mystery or, perhaps worse, continue to greenwash, miss the opportunity to deepen their relationship with consumers on twin fronts:

- Success in the Consumer Goods industry rests on creating a distinctive brand that resonates with consumers. Lasting success relies on building a relationship predicated on trust with consumers. This is even more difficult in the face of quarterly reporting. But by embracing open communication with the public, companies acknowledge they are neither the custodians of truth nor paragons of infallible behavior. At the same time, they widen the aperture for engagement with stakeholders.

- Practicing transparency transforms how companies embed sustainability and increases accountability to consumers. The flourishing of third-party sustainability reporting standards has also raised the bar for achieving transparency, while compelling companies to bolster goal-setting and tracking mechanisms.

Build Authentic Narratives

Companies that effectively convey their stories can convert consumers into advocates. While practicing transparency honors the relationship between a company and consumers, sharing authentic narratives personalizes that relationship by speaking to consumers on their terms. In that regard, the Consumer Goods industry occupies an enviable position given its emotional and physical proximity to the end user. Companies can, and should, harness that intimacy to generate and affirm their narratives – both the struggles and the triumphs – through consumers. In a similar vein, with the inexorable rise of social media, stories travel further, faster while leaving an indelible digital imprint. The companies that embrace that trend and the idea of the consumer as midwife to their narratives will bolster their credibility while building a sustained market premium for their products. Also authenticity resonates with talent, particularly rising generations that view where they work and whom they work with as extensions of their identities.

Lead with Innovation

For every acolyte of sustainability who will pay a premium for products with a smaller environmental footprint, there are manifold consumers who will trade for performance. This

is a false dichotomy, though a durable one that has led consumers to levy a “sustainability penalty” on products that carry eco-friendly credentials. Companies must innovate by creating products that successfully wed superior product performance and sustainability. Those that succeed in leaping ahead of consumer expectations will realize the resilient commercial rewards commensurate with pathbreaking behavior.

Take the Long View

By taking the long view on innovation, Consumer Goods companies edge away from the short-termism that has also plagued the industry. The paradigm shifts further when companies successfully anchor consumer mindsets and purchasing behavior to their values. While few companies have succeeded in that endeavor, a provocative example is the Common Threads Initiative, which has galvanized conscious consumption. That effort touches on the tension between private companies, which have broader scope to champion a values-based business model, and public companies, which couple commercial success with growth.

With suggestions for stimulating sustainable business ranging from the elimination of quarterly reporting to carefully supporting regulation as a positive and necessary force for internalizing externalities, the patent reality is that a panacea does not exist. What then? As the discussion drew to a close, the ascendant themes of transparency, authentic narratives, innovation, and playing the long game hinted at the direction in which the Consumer Goods industry might evolve.

Past Guests: Reflections



“A refreshing opportunity to debate yet find strong agreement on the need to move forward and act decisively.”

- John Krenicki
Vice Chair, GE and CEO, GE Energy



“You leave the dinner feeling challenged and better informed - a rare pleasure.”

- The Right Honorable John Gummer, Lord Deben
Former UK Secretary of State for the Environment




“These dialogues are making a significant difference in helping corporate leaders focus on the opportunities inherent in sustainability strategies.”

- Mark Tercek
CEO, The Nature Conservancy



“Once again, a great dinner! A great and articulate group...”

- Steve Miller
Chairman, AIG



The 2013 Spring Sustainability Dinner was hosted by Christoph Lueneburger and Dick Patton.

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