

# HARRED VALUE

NESTLE CASE STUDY  
/ CIRCKLO



## Creating Shared Value



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The company's products include breakfast cereals, bottled water, coffee and tea, confectionery, ice cream, frozen food, pet foods, and snacks.

Famous brands include Vittle, Kit Kat, Nescafé and Nespresso. It operates 447 factories and sells in 189 countries.

In 2008, Nestlé launched its Creating Shared Value programme, with a range of targets covering environmental goals, improving conditions for suppliers and workers, and improving the nutritional value of its products.

According to Nestlé, "for a business to be successful in the long term it has to create value, not only for its shareholders but also for society."

This programme encompasses a range of targets, with new goals added since the beginning. For example, in 2018 Nestlé announced that it would make all of its packaging recyclable or reusable by 2025.





Objectives and targets

The Creating Shared Value programme’s initial goals, outlined in its 2008 report, were under three broad headings:

- Agriculture and rural development. This covered aims such as increasing yields and incomes for farmers, and reducing consumption of natural resources, but were also tied to business goals such as securing supplies of raw materials.
- Environment, manufacturing and people. Goals included lower manufacturing costs and creating jobs in local communities.
- Products and consumers. Goals such as widening access to more nutritional products, and generating local investment and growth were tied to entering new/emerging markets, and achieving shareholder returns.

In these initial goals and the programme in general, Nestlé clearly links its environmental and other targets to business growth and vice versa. Each is only possible with the other. Reducing consumption of resources benefits society, but also helps Nestlé’s business aims, and so on.

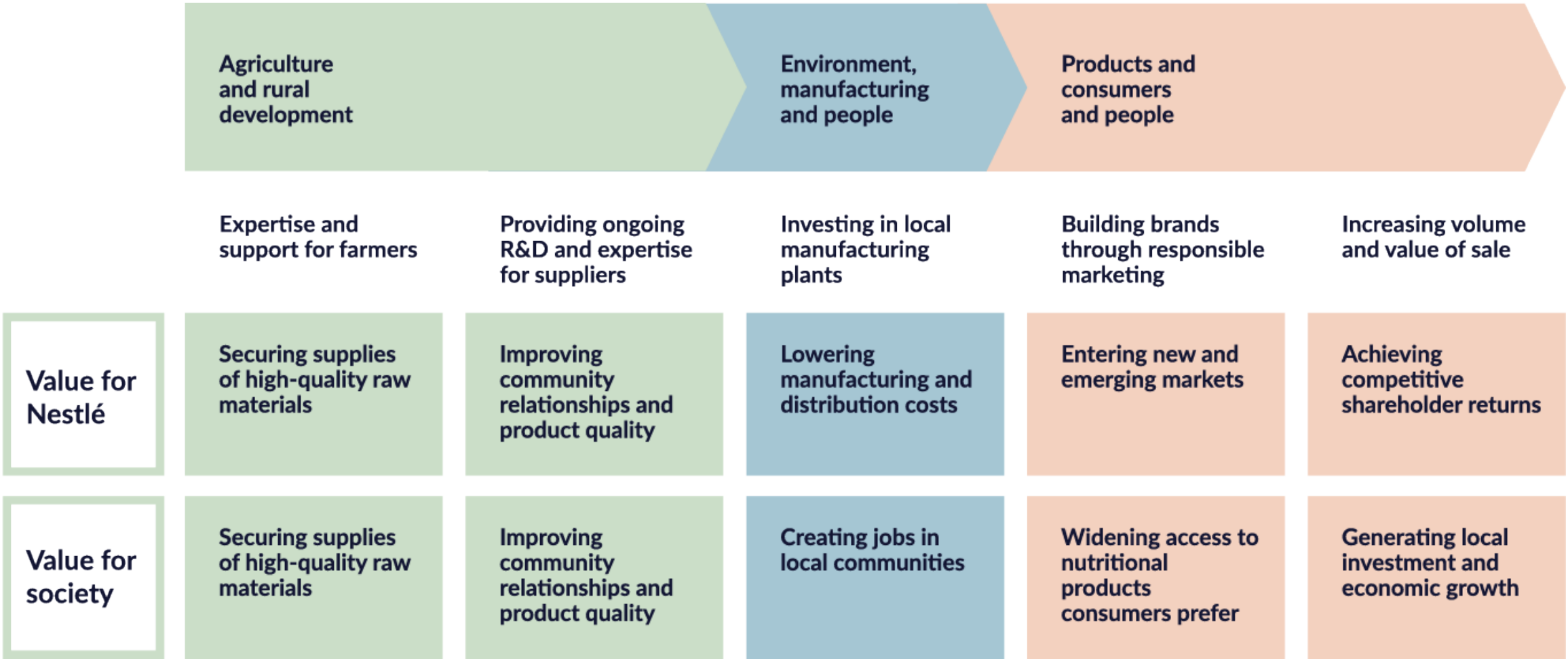
More recent goals have continued along these broad lines, with goals around nutrition and health, community and employment goals, and environmental targets.

The environmental goals have become more ambitious, and cover three main areas which contribute to the UN’s Sustainable Development Goals 9, 12, 13, 14, 15 and 17.

- Caring for water.
  - Working to achieve water efficiency in its operations.
  - Advocating effective water policies.
  - Engaging with suppliers.
  - Raising awareness of water conservation and improving access to water and sanitation across our value chain.
- Acting on climate change.
  - - Providing leadership on the issue.
  - - Promote long term engagement in climate policy.
- Safeguarding the environment.
  - - Improve the environmental performance of packaging.
  - - Reduce food loss and waste.
  - - Provide accurate environmental information and dialogue.
- - Preserve natural capital.

The overall ambition set out in the [2018 report](#) was to ‘strive for zero environmental impact’ in the company’s operations.

CREATING SHARED VALUE AT EACH STAGE OF THE VALUE CHAIN





## Organisational and value chain challenges

The drive to sustainability within Nestlé required the company to consider all aspects of its value chain, from suppliers and partners to its own employees.

A change towards a more sustainable way of doing things isn't just about making announcements at board level, but about gaining the cooperation of all stakeholders and employees.

One example of this is Nestlé's use of external advisory groups, such as the Creating Shared Value Council, which is made up of experts who offer advice on corporate social responsibility, strategy, sustainability, nutrition, water and rural development and help to guide and assess Nestlé's progress towards its goals.

It also uses [larger stakeholder groups](#) which consist of customers, employees, academics, NGOs and more.

It had also required partnerships with organisations to help achieve its goals. For example, it partnered with Rainforest Alliance on its Nespresso AAA Sustainable Quality Program, which aimed to assess and measure the impact of the company's products and procedures on farmers, communities and the environment.

Nestlé's Nespresso coffee pods are a good example of how the company is working towards its goals, such as the commitment to make packaging recyclable or reusable.

The aim has been to create a circular economy around its coffee pods, so that nothing goes to waste and the pods can find another purpose once they've been used in coffee machines.

The choice of material is a first step. Aluminium, which Nestlé uses for the pods, is an environmentally friendly material, as it can be recycled infinitely without any loss of quality. Indeed, it's estimated that three quarters of aluminium ever made remains in use.

While Nestlé doesn't re-use the aluminium from its recycled pods for its own products, they are used for other products so that recycled pods don't go to waste. Nestlé has set up a recycling ecosystem so that the aluminium from pods is used for by third party firms to make products including [pens and bicycles](#).

For this to work, it's also important to encourage customers to recycle. If customers merely throw used pods into the bin and it ends up as landfill, then the company's efforts are fruitless.

To this end, Nestlé has been encouraging recycling programs. In the US for example. Nestlé has partnered with UPS across 48 states to collect pre-paid recycling bags from consumers and add collection points.







## The importance of digital transformation

Change on such scale can require massive organisational change, and has also coincided with a drive towards digital for Nestlé.

This digital transformation drive was led by SVP and Chief Information Officer Filippo Catalano, who joined the company in 2015.

Nestlé's digital transformation has included the adoption of digital technology in the manufacturing process, as well as moving into digital channels and expanding its ecommerce operations. According to Catalano, speaking in 2018, company culture is key to this:

**“Culture is not something you deploy. Leaders at every level need to gently nudge people towards the desired behavior and reward people that have those behaviors. When someone does something innovative that is against the status quo you need to give a sign as a leader, in support of them. Otherwise no one will dare to try.**

**Avoid developing technology for technology's sake. Everybody with a tech function has to articulate the purpose, value and benefit in business terms.”**

Nestlé has focused on customer engagement online. Online channels are where many of Nestlé's current and future customers will be, so this is a key area.

It has increased media spend on digital, improved ecommerce, and increased the use of personalization in marketing messaging. In 2019, 20% of Nestlé's consumer contacts were personalized, with the objective of 40% by 2020.



## Impact and results

The Creating Shared Value programme is ongoing, with many targets set for beyond 2020. The company has shared its progress in annual CSV reports, with the latest version covering 2019.

Overall the company has made progress in all of its environmental goals, with some completed and others on course of completion over the next five years.

### Caring for water

- By 2019 Nestlé had reduced water withdrawal per tonne of product of 31% since 2010.
- Nestlé is 'on track' to meet its commitment for reviewing water use and improving efficiency at its facilities, with six reviews completed in 2019.
- Water stewardship plans have been implemented at 27 factories.
- In 2019, Nestlé implemented 371 water-saving projects at factories, saving 3.5 million m<sup>3</sup> of water.

### Acting on climate change

- Reduced greenhouse gas emissions per tonne of product by 10% compared to 2014.
- Roughly one third (189) of Nestlé's factories now purchase 100% of their electricity from renewable sources.
- In 100 major warehouses, emissions have been cut by 35% compared to 2014.

### Safeguarding the environment

- Nestlé has analysed its use of packaging and reduced its usage by more than 140,000 tonnes between 2015 and 2020.
- In 2019, 87% of Nestlé's packaging was recyclable or reusable, with the target of 100% by 2020.
- Food waste per tray has decreased from 70.32g per day to 47.25g, which translates into a reduction in food waste by 838.87 tonnes per year between 2012 and 2018.
- 76% of Nestlé's agricultural raw materials were confirmed to be deforestation-free by March 2019.

The progress was underlined by Nestlé's performance in the Dow Jones Sustainability Index (DJSI). The DJSI measures the world's largest 2,500 companies towards sustainability goals, ranking them across five key sectors.

Nestlé was the best performer in the food and drink sector, with an overall score of 92% across all three areas, Economic, Environmental and Social. It's environmental score was 100%.

It's digital transformation strategy has also translated into progress in its online channels, with ecommerce accounting for 8.5% of the group's sales, an increase of 18.5% in 2018. Group sales reached \$98 billion in 2019, growing by 3.5%.



## Key Takeaways

- Sustainability and long-term growth need to be linked. From the beginning of the Creating Shared Value program in 2008, Nestle has emphasised the business case alongside the need for a more sustainable model. A more sustainable value chain reduces waste, and helps to improve profit margins, while increasing yield benefits farmers and Nestle alike.
- Sustainability is a long-term project. With the current CSV project beginning in 2008, and other initiatives beginning before that, Nestlé's example shows that sustainability takes time. Some targets can be more challenging than others, and Nestle has been able to make key changes while keeping stakeholders on board and maintaining profitability.
- Sustainability and digital transformation go hand in hand. A drive towards sustainability and the increased adoption of digital technology and channels require similar changes within large organisations. It requires the cooperation of all employees and partners, and needs to be driven effectively from above.
- The importance of partnerships and outside advice. Nestle is a large company, but doesn't have all the answers and expertise required cannot always be found within the organisation. Through the use of partnerships and advisory groups like the Creating Shared Value Council, the company has been able to draw upon a wide range of expertise.
- The need to examine the whole value chain. To create a sustainable value chain, it's necessary to examine every area to identify areas for improvement and opportunities to reuse materials. So, to improve the recycling of Nespresso coffee pods, Nestle has had to think about materials, work to encourage consumers to recycle, and to find partners to use the recycled product.







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