

TECHONOMY 2017

Feed Me

Speakers:

Denise Morrison, Campbell Soup Company

Interviewer:

Amanda Little, Vanderbilt University

(Transcription by [RA Fisher Ink](#))

Simone Ross: Okay, next up, Amanda Little is going to be interviewing Denise Morrison, the CEO of Campbell Soup Company. They're spending a lot of time thinking about personalized nutrition and the intersection of tech and food and how to feed the world. So, if you guys are ready, come on up.

Amanda Little: What a pleasure it is to be here, with all of you and with Denise. I think I was telling you earlier that the brand that will define my childhood is probably Campbell's and that brings me to my first question. The customer that I think about when I think about Campbell's is my grandmother, of course, and all the great casseroles that she made and the tomato soup with grilled cheese that I ate. But that customer has changed a lot. I also think of Andy Warhol, there's that. But who is your customer? How has your customer changing and what are the different concerns and tastes of your customer today?

Morrison: Well, actually, in addition to your grandmother, Campbell's has products in 90 percent of households in America and so we have all different kinds of consumers and to your point, the consumer has changed dramatically. I call it the seismic shifts, whether it's the demographic shift where we have two cohorts of baby boomers, 80 million strong, and millennials, 80 million strong, and millennials do nothing like their parents. They don't shop like them. They don't eat like them. They don't connect like them. And so, today's world, you have to be, you know, different things to different people. The other shift is consumer's preferences for food. Consumers are seeking more health and well-being and the problem with that is that health and well-being means different things to different people. We have zeroed in on fresh, on functional, on organic, but there are numerous health definitions according to the consumer. And then the digital tsunami is upon us, we've seen it happen to books and apparel, and cosmetics. It is coming to food and digital is only 1 percent of food sales and e-commerce right now but we expect that that's going to be a \$66 billion-dollar business by 2021. And so it's a

real huge space. And then finally, what I call global economic realignment where in developed countries you have a shrinking middle class and in emerging markets you have a burgeoning middle class but with that shrinking middle class in countries like the United States, there's a bifurcation of haves and have nots. And therefore, thinking about the food from the value proposition, the affordability, all the way up to higher-end benefits is a really important idea for food companies.

Little: So, let's just break it down because you were telling me earlier about the percentage of your business that's focused on what we think of, you know, condensed soups. This is to me Campbell's, right? But Campbell's is very different than that today. So, will you give me just a breakdown of your products and your areas of investment and then also a breakdown of your customers because how many of them are still like my grandmother and my mother?

Morrison: Yeah, well, first of all, Campbell's is—you know, our core business is soup. It's about 34 percent of our business now. But we have made five acquisitions in the last five years, moving more into fresh food with the acquisition of Bolthouse Farms, Garden Fresh Gourmet, and then we have a large and growing refrigerated soup business. So, our fresh food business is about a billion dollars. We're also the second largest carrot grower in the United States. The other division that we have is global biscuits and snacks. So we have brands like Pepperidge Farm, Arnott's out of Australia and into Asia, and Kelsen Group, which is a global brand. And then we have our large core business, soups, sauce, and beverage. So we have our soup business, we have Prego pasta sauce, Pace, Picante, and V8s. And so it's a very diversified portfolio, but I would say that if you were to say, what is the one thing about Campbell's, you know, we literally are very rich in vegetable and whole grains. So we serve 15 billion servings of vegetables per year to consumers and 2.4 million tons of whole grains. And that's something that we're building upon in the new products that we work with.

Little: Wow. So, a lot of incorporation of fresh and, of course, we know that—or I've heard that fresh purchases have been rising pretty dramatically in just the last five years or so. What about the customer breakdown, how much of your target audience is, let's say, over 40?

Morrison: Well, it depends on the brand. You know, I think it's safe to say that a product like condensed soup would over-index with baby boomers or V8 juice would over-index with baby boomers but then you have the other side of the spectrum, Plum Organics baby food is for millennial parents, Bolthouse Farms over-indexes with millennials. So, we have literally a product portfolio that services all different types of consumers and it's really important just to understand the interaction of that brand with the target.

Little: So, the words, sort of, processed foods is one that we probably don't understand.

Morrison: You mean cooked foods.

Little: Cooked foods. [laughs] So, processed foods is like a four-letter-word for some people and I read this *New York Times* piece, I think it was last month, about Brazil and Nestlé's

presence in Brazil and how processed foods were bringing, you know, all kinds of health problems to Brazil and obesity and so on. And that, essentially, this kind of trend in processed foods was part and parcel with a public health crisis. Can you comment on this? My understanding is that processed foods are also really improving in their health profile.

Morrison: I think the most important thing with—when you're in the food business and you're serving food to so many consumers, is safety. And it's really, really important that you hold yourself to the highest standards of safety and that involves, in a lot of cases, cooking foods to temperatures that make that food safe.

The other thing, too, is when we looked at what do we stand for as a company, we articulated a company purpose, "Real food that matters for life's moments," and for us, no matter what food we serve, we want that to be real food. That means it has roots, it's food that we're proud to serve at our own tables, it's prepared with care, and that transparency is the single most important ingredient in the recipe for trust. And we try very, very hard to be incredibly transparent and sometimes our company has actually gone against the grain in the food industry. For example, we took a position on labeling GMOs, we felt it was really important for consumers to know what's in their food and that should be very easy for them to find out right on the label. And so we've done things like that to make sure that we're being as transparent as possible about our food.

And we've taken a lot of steps, we've removed all artificial flavors and ingredients, all BPA from the can liners, we are adding functional benefits to the food in terms of proteins or probiotic, we're doing a lot of work in that area right now. So, I think that—look, it's a journey and we have been making those improvements and we've been trying to do that in a way that we keep the cost of the food very affordable because having real food that's affordable and accessible to all people in income groups is really, really an important idea.

Little: So, tell us a little bit more about your investments in these new areas and really how you're building tech into your corporate strategy.

Morrison: Well, I think technology is wildly, wildly exciting for the food business. If you step back and you look at what's happening, it is the biggest disruption since the supermarket was invented and we know that, for example, there's \$9 billion dollars of venture capital going in against 525 startups. I mean, it is just stunning what's going on. Now, you can either go into a corner and say, no, or you can say, this is incredible and I want to be a part of it. And that's what Campbell's has decided to do.

We're the single investor in Acre Venture Partners, they're very involved with entrepreneurs and actually our company helps with providing resources for the success of entrepreneurs. We're the sole funder of a startup called Habit and Habit is all about personalized nutrition. Think about it as everybody in this room is different so why should we all eat the same? So, we literally can take the DNA and biomarkers and run it through an algorithm and actually sort, based on solid science, into seven habit types. And, you know, I have a personal story on that.

I was a self-diagnosed high-protein, low-carbohydrate eater and when I went through these tests my genetics showed me that I really should pay more attention to saturated fat and sugar and so, therefore, I completely changed the way I eat and exercise and, quite frankly, 23 pounds later and feeling a lot better, it really actually worked. And the guy, Neil Grimmer, who was the founder of Plum Organics baby food is the CEO and founder of Habit. Neil put himself through the same kind of regiment and found out that he was a protein seeker. So, really, the knowledge that technology can bring to us about our own bodies and the interaction of food in the body is going to be different for different people and really understanding that and then being able to tailor that to the types of food you can eat and then also provide the food. And, so, this is—Habit is on a journey to be able to do all of those things.

Little: So, you mentioned earlier the importance of making some of these innovative—this innovative progress in the food industry affordable and available to your target customer who is a middle-income customer, well, the full gambit of socioeconomic ranges but are some of these—is some of this tech really going to be accessible to early adopters first off? You know, diet and personal analysis, for example, or meal kits and those kinds of things or is that going to be more on sort of a middle and upper-income consumer that gets to it first?

Morrison: I think the challenge is to take into consideration that, again, real food should be affordable and accessible to all people. And as we work with the entrepreneurs and work on how do you scale up in the most effective and efficient way, you take into consideration also how do you keep the cost of the food affordable. And there are going to be some foods that have higher order benefits that are just going to be more expensive to produce and therefore that would be reflected in the price. The other thing, too, is while things are small scale they could appear to be priced higher. A lot of times I'll advise entrepreneurs to work on a perform of P&L so when you are at scale, what does that look like and you can work toward that endpoint which would help you in the pricing.

Little: So we're going to go to audience questions in just a few minutes but I'd be remiss not to ask you about a very brave decision you made and well-covered in the media to resign from President Trump's manufacturing jobs initiative in August.

[APPLAUSE]

And following the horrific events in Charlottesville, can you comment on that decision, and just tell us a little bit more about that.

Morrison: Yeah. Well, I actually served on President Obama's export council and found that to be an incredible honor of how to serve my country. And so when the president called to serve again on the manufacturing council I thought, well, this would be a good one for me. It's not a political issue for me, it's about how do I serve my country and, you know, having 19 manufacturing plants in the United States, I was really all about how do we make sure we keep jobs and we keep the economy going and growing. So, I thought that would be a good thing.

I think what happened when Ken Frazier resigned after Charlottesville, then Charlottesville got linked to these councils. And, quite frankly, in watching the way that unfolded and how the president handled it, you know, I just actually thought that it would be best to resign from that council. I want to be sure that you understand that I resigned with a statement basically saying that racism and murder are intolerable and irreprehensible and so therefore I thought the language should have been a lot stronger about that. I think, you know, 30 minutes after that the councils were disbanded, and I will tell you though that I still am very passionate about helping the country with manufacturing and job creation and I plan to stay involved with that. I don't know what shape or form that will take but, you know, that was my decision.

Little: So, you made such a dramatic statement just earlier in your comments that this is the most significant disruption the food industry has seen since the supermarket was created, right?

Morrison: Yes.

Little: So, this is a pretty cataclysmic or catalytic moment, probably catalytic is the better word, for the food industry. How do you think this presidency is affecting that and affecting the kind of progress or lack of progress, if at all?

Morrison: Yeah, well, I actually think that the discussions around the tax reform and regulatory reform could be very positive for business. I mean, we'll have to see how that all unfolds. But, you know, I'm optimistic about that. I think that we had Michelle Obama very, very involved in the food business and I think she did a lot to bring the right conversations to the table. I don't think that that will happen with this presidency. But, you know, I just don't know. We'll see.

Little: All right, yes, back there.

Bonchek: Hi, Mark Bonchek, Shift Thinking. First, thank you for your leadership and courage, much admired and appreciated. My question actually follows on—I don't know if you heard Beth Comstock talking earlier about transformation example with GE. You're clearly going down a path of innovation and transformation, how do you buck the industry on some of these things around health, how do you get the board on board, your employees, you've got to keep running the core and doing the new. You seem to be finding some ways of getting out in front, any lessons for the rest of us?

Morrison: Yeah, well, it started with a bold declaration of our desire to be the leading health and well-being food company. I've been CEO now for seven years, I think when I first took this job if I'd said that no one would have believed it. But we've been trying to behave our way into that over the last seven years. The acquisitions that we've made, the choices that we've made, we've invested a serious amount of money in making our food better and keeping it very affordable. And, so, you know, it's a journey though. And the other thing, too, is that embracing technology is going to be the way companies do business. So, for example, we are working in the area of e-commerce to—you know, only 1 percent of food is done online but customers are

changing every day. With Amazon buying Whole Foods, with Aldi and Lidl coming into this country, our customers are doing a lot of experimenting with things like click-and-collect, direct delivery to homes, and everything in between. And so we are adjusting to that and experimenting with them. We have a separate e-commerce business unit to develop best practices to really steady the consumer's path to purchase in that environment and, of course, stay connected to our business units to make sure that there's a good transfer of knowledge.

So, you've got the consumer facing and customer facing e-commerce part and then you have, what I call, digitizing the corporation. So, we have an integrated global services unit and they're working more in the IT area to make sure that we adopt the latest technologies to be able to run our businesses. So, it's going to take time. I think culturally, too, making sure that people are keeping, you know, one step ahead of change so we've got a lot of change-management going on. And we've changed our population. So, for example, in our world headquarters, over 34 percent of the workforce now are millennials and they actually outnumber baby boomers and that's also helped with the adoption of technology.

Little: Here. Thank you.

Berkowitz: David Berkowitz here, building a little bit on what Dr. Ornish was talking about, the research changes a lot, right? Like, saturated fat was terrible before and now it's looking a little bit better now. Salt was the boogie man and now there's all this stuff and it was just in The Times today that it's dangerous if we don't get enough salt. So, how do you go about using this kind of data and research to make decisions when things seem all over the map.

Morrison: Right. Yeah, I agree with you. And I think that was the thrust of Habit was really to understand nutrition at a personal level because we do diet fads. I mean, we went all the way back to Adam and Eve and the forbidden fruit and traced every diet known to man since then.

[LAUGHTER]

You can't believe. You know, it's the grapefruit diet and everything. And to your point, you know, it's this one's good one day and it's not good the other day and so I really think that the future and technology will enable this, is to really for us to understand our own bodies and really know what kind of foods will be right for us, so, salt might not be good for somebody, it might be good for somebody else.

Little: I think this might have—you've now helped me understand why I have such a hard time becoming a vegan. Because maybe I just—I'm biologically programmed to just dream about meat if I take it out of my diet. I can just—now, tomorrow, I can say it's just not my fault, it's my—

Morrison: But, you know what, I was a carnivore. I literally ate meat like five times a week. It was—for lunch and dinner, I mean, really, I was a carnivore. And quite frankly I've discovered all these wonderful vegetables and it's been adventurous for me, so—

Little: Well, give us some—give us some examples. What are some of the new—

Morrison: Well, what's happened, I think, is chefs have really embraced plant-based food and so they're working with the things, like, I tasted a carrot that literally was flavored and it had like a meat flavor to it. So, it had the texture and the taste of meat but it was a carrot, so—

Little: This is one of your investments too is also plant-based proteins and we've seen that— Silicon Valley is way behind it.

Morrison: Yes.

Little: And Impossible Foods and, you know, Beyond Meat and so on are hugely growing.

Morrison: Very impressive, yeah.

Little: What's your stake in that, no pun.

[LAUGHTER]

Morrison: Well we—[laughs]

Little: Or intended mistake, no.

Morrison: What we are introducing right now is Bolthouse Farm plant-based milk and what it is, it's a non-dairy, tastes just like milk. It's got 10 grams of protein in it and the source is pea protein so we've done a lot of research and development around that. And it delivers 50 percent more calcium than the regular milk. And so we think we've found a really good alternative because a lot of people in the country that can't digest dairy very well and so this is an alternative for them, but also there's a lot of people that just want more of a plant-based diet.

Little: So, we have these two sort of interesting trends and I wonder what you think, I mean, and if you can project, 10 years down the road or 20 years down the road, like, where are we going? Are we going to have more fresh foods and more food replacements, you know, I mean we know Soylent, which is basically an adult baby formula that should just make, you know, fresh food recreational, right? On the other hand, we have all this fresh food going on. Where are we going?

Morrison: You know, I actually think there will be fresh foods, there will be shelf-stable foods, I think that the opportunity is to leverage technology to learn more about, again, the interaction of food in your body, but also we can't forget the fact that food is also emotional. And it's cultural. And we want the great taste of food so what we want to have is no compromise on the taste and the emotional benefit of the food but also making sure that we're eating right for our maximum health and well-being.

Little: So, all of the above.

Morrison: Yes.

Little: All of the above.

Morrison: We can have it all.

Little: Yes.

Audience: What an inspiring story, you know, taking the heritage that Campbell's Soup has and essentially following through with genuine values. You made a comment about the Trump administration look at regulation being maybe a healthy thing for the economy, I'm just wondering, given some of the deregulation of pesticides and herbicides and how are you dealing with that in terms of the backing off of the EPA associated with regulating those inputs to the food chain, in terms of how you deal with those issues.

Morrison: I think whether the government is going to regulate that or not, we actually hold ourselves to a high standard of sustainable agriculture and also we hold our suppliers to very high standards as well. And I think that's the best way to work with the situation. Because if you create a demand-driven economy that's based on the positive things, ultimately, people will deliver for you. And it's interesting because I saw it happen in organic food. When we brought Plum Organics baby food, we tried to really understand the organic supply chain and we found there were various degrees of compliance with that. And we know from growing carrots that it takes literally three years to make sure you've got a pure field for that crop and so finding suppliers that would deliver on our standards for the highest standard of organic, it took a while, but we are now at a place where I think the whole organic supply chain is going to be better.

Little: I think we're out of time. But, Denise, what a pleasure to meet with you.

Morrison: Amanda, thank you.

[APPLAUSE]