

Masters of Scale: Rapid Response Transcript – Linda Findley Kozlowski

“A pandemic is not a business model, w/Blue Apron's Linda Findley Kozlowski”

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LINDA FINDLEY KOZLOWSKI: When I think about the pandemic, the first thing that comes to my mind is keeping our employees safe. And I think that's important for all people to recognize, is how much essential labor goes into creating the products that let you stay safe at home. The risk and the incredible effort it takes to get some of these products out the door by people who are dealing with COVID issues in their own homes, in their own lives.

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It's a pandemic, not a business model. I can't rely on this to drive the long-term health of the business. And we are thrilled to see more and more people getting confident in the kitchen coming out of the pandemic. We're thrilled to see more and more people connecting with their families and cooking together. But we really had to focus on long-term what's right for the company.

BOB SAFIAN: That's Linda Findley Kozlowski, CEO of meal-kit pioneer Blue Apron.

With the pandemic, cooking at home got a renewed boost, and outfits like Blue Apron saw a rise in demand. But a year in, the trend toward at-home dining now faces a new inflection point.

I'm Bob Safian, former editor of Fast Company, founder of the Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk to Linda because she's on the frontlines of assessing which pandemic-fueled behaviors will persist, and in what ways.

Early on, Linda made the choice not to sop up every ounce of demand, instead focusing on what she calls sustainable growth.

Blue Apron has seen a flood of new competitors come onto the market, but her bet is that long-term trends and a differentiated product will matter more than crisis opportunity.

As she puts it, a pandemic is not a business model.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Linda Findley Kozlowski, the CEO of Blue Apron. Linda's coming to us from her home in New York, as I asked my questions from my home in Brooklyn. Linda, thanks for joining us.

KOZLOWSKI: Thanks so much. It's great to be here.

SAFIAN: So we are now almost exactly a year since the pandemic was declared. And I wanted to start by asking you where you were when that happened. Do you remember what you did personally, at the beginning, and what you did with the business?

KOZLOWSKI: So I remember exactly where I was. We had been keeping an eye on what was happening, pretty closely, just to make sure that from a food safety perspective, we were taking precautions very early, even before there was anything in the United States. But I would say that March 13 was really the day that it kind of all came home, specifically.

I was in the office, and we went, as a country, from a point of saying, "What is happening here? Is this serious? Is this not serious?" to a very aggressive acceleration of knowing that we needed to take quick action in order to flatten the curve. And I was sitting in the office, actually with my executive team, and we were talking about what we wanted to do.

And we announced that day that we would be closing the corporate offices and focusing all of our energies on the safety and security of our fulfillment center employees.

SAFIAN: I mean, you're in the business of delivering food to people, so it wasn't really an option to say, "Oh, we're going to send everybody home."

KOZLOWSKI: Correct.

SAFIAN: Right? I remember in those early days, there were a lot of concerns about the food supply, about the supply chain. Were those things that you were grappling with too?

KOZLOWSKI: Well, we really had a priority order. So, number one was the safety of our customers and our employees. And because we are an FDA regulated facility and also an SQF certified facility at a very high level, we already had significant sanitation and safety procedures in place.

And because we are a direct supply chain company, we have a very tight control of our supply chain. We get a lot of our materials directly in from our suppliers. And then they really have very minimal contact with human hands in the process. So we knew we already had a lot of things in place, but we wanted to make sure that we were doing anything extra we needed to do to keep that as safe as possible.

You are correct that there was not an option to necessarily shut down completely because people wanted food sources. And there was strong demand for food at the time, and also, frankly, for the wellbeing of our employees. We didn't want to put our employees in a situation where they didn't have employment. And in fact, we ramped up the hiring.

SAFIAN: When we talked previously, you mentioned that there have been times where you go and you work the line at the facilities.

KOZLOWSKI: Yeah.

SAFIAN: Did you do that in the spring?

KOZLOWSKI: Definitely, yes. And it's something that I still do on a regular basis. I think it's extremely important to understand the product, to understand how we're making the product, to make sure that as we're thinking about ways to improve the product and the company that you have that firsthand experience. There's a lot that you learn in talking to people on the line, on a regular basis. And so, that can't be underestimated.

For the first two to three months, I didn't actually go into the facility, mainly because we were restricting any team members from going into the facility that weren't actually working on the boxes, again, for their safety. But as soon as that changed, and we were able to safely screen employees and do testing, I did start coming into the building every week. And some of those were for corporate meetings and some of those were for packing boxes.

I was actually packing boxes at the end of our Q2, which was just three months after the shutdown nationally. And I wasn't alone. We had a lot of corporate teams coming in and doing the pack line as well. And it was just an incredible experience to be able to work as an overall combined team and get boxes out to customers as demand increased.

SAFIAN: You said these were full shifts.

KOZLOWSKI: Yeah.

SAFIAN: Is that because demand was so robust that you needed to be there all that time, or are you always working a full shift, when you're working the line?

KOZLOWSKI: So, I actually do always work a full shift. Working a full shift is extremely important to me because it's important that they see me coming in and working the same amount of time, the same amount of energy, not coming on and off of the line. But also the way that we pack our boxes, we have these changeovers as new recipe configurations are coming down the line. And so, seeing that entire process of the

changeovers, from start to finish, really helps you understand product development, and building that going forward.

SAFIAN: So you'd been on this job as CEO less than a year when the pandemic hit. You came over from Etsy, as an outsider to the company. I'm sure you had a robust plan for the business going into 2020. How did the plan for the business change during the year?

KOZLOWSKI: There was a lot that everyone was trying to figure out as we were moving forward. And yeah, I did come in as an outsider, but the thing that's important before I came into the business is I was a customer for three years, and I had tried all the competitors.

So I already came in with a lot of ideas of what I loved about the product and what could be improved about the product.

We had set a roadmap that was really focused on building on some of the structural, financial, and operational changes that had been reset in the company throughout the previous year and say: how are we actually going to scale and go for growth? And it was really a strategy that focused on product innovation and enhancements that took advantage of what makes Blue Apron special.

How do we first enhance the product to make sure that we're meeting more customer needs around health, around flexibility, around choice, around variety. And then layer an entirely revamped marketing structure on top of that.

Obviously when the pandemic happened, we had to rethink some of those product priorities. Needs of customers changed, and needs of the business changed. So first we had to simplify for a bit, so we actually had to roll back a little on some of the product initiatives to get more capacity and volume into the fulfillment centers. And then we reprioritized some of those product initiatives to things that were more useful to people during the pandemic. That includes multiple orders per cycle, our premium product, when people couldn't go to restaurants was extremely popular and continues to be so.

And then really advanced some of the work we were doing around getting a lot more flexibility and choice so that we could meet dietary needs and health needs as people were at home and cooking more. And then the final piece that we prioritized earlier than we had expected was simplified cooking processes, which we launched in Q1 of this year, which is really around one pan or one pot meals that involve less prep and less cleanup.

So we've continued to push the product innovation piece forward that we said we were going to before, but we reordered it pretty significantly in order to meet customer needs during the pandemic.

SAFIAN: I mean, for some businesses, 2020 was terribly tough. For other businesses it was like a boom time. For you guys at Blue Apron, where is it? Was it booming, or is it somewhere in between?

KOZLOWSKI: I'll be honest with you when I think about the pandemic, the first thing that comes to my mind is keeping our employees safe. And I think that's important for all people to recognize, all Americans to recognize, is how much essential labor goes into creating the products that let you stay safe at home.

The risk and the incredible effort it takes to get some of these products out the door by people who are dealing with COVID issues in their own homes, in their own lives. We saw heightened demand, but we decided we're going to focus on long-term sustainable growth. We're not going to lose sight of product innovation, we're not going to lose sight of the things that will help us when we come out of the pandemic.

So, it definitely brought demand to the business for sure, but that demand was tempered in my mind, and frankly, and in our actions, by making sure that we were scaling at a level that made sense for the health and safety of our employees.

SAFIAN: So you weren't necessarily, "Let's soak up every bit of demand there is." Instead: "Let's soak up what is appropriate for our business plan and for our team." And the belief and the assumption is that over time, that growth will continue to grow in the long run that this environment isn't the only thing that's driving this interest.

KOZLOWSKI: Exactly. Exactly. And I've said it before, it's a pandemic not a business model. I can't rely on this to drive the long-term health of the business. And we are thrilled to see more and more people getting confident in the kitchen coming out of the pandemic. We're thrilled to see more and more people connecting with their families and cooking together. But we really had to focus on long-term what's right for the company.

[AD BREAK]

SAFIAN: I want to change gears just a little bit. Over the past year, there's been a rising pressure on businesses to take positions on social issues, political issues even. Last summer we had the George Floyd demonstrations, then the election, the storming of the U.S. Capitol, a lot of things have gone on concurrent with the pandemic. In this environment, what's the role of a business or business leader like yourself in addressing these larger social questions?

KOZLOWSKI: We talked about this a lot and I feel strongly, and what we've acted upon is that it has to start at home. And what that means is we have to look at our population first. Our population of employees is extremely diverse. Again, we have essential workers, and so we are directly impacted by a lot of the challenges that have been faced over the last year. And we took a hard look at ourselves and said, "Okay, what can we do that starts with empowering our teams to drive what change means to them."

So early days, just after the George Floyd incident, we announced three areas. One was focusing on diversity and inclusion within our company, and so we created a task force that works on that. On the donation side, we actually opened it up to our employees to say, "you vote for who you want us to donate to," and then we took the top votes and divided our resources to organizations that our employees chose.

Then the third thing that we did, which we're extremely proud of, was our Red, White, and Blue Aprons initiative. And with the Red, White, and Blue Aprons initiative, we put forward that we were going to close on election day, but more importantly, we also supported voter registration in our facilities and across our teams, both in person and virtually.

We supported voter education on when, where, what they needed to do in order to vote, however they wanted to vote, whether it was voting by mail or whether it was voting in person, early voting or on election day. And we also supported transportation to and from the polls for employees who did want to vote on election day to make sure that they didn't have any limitations holding them back.

So, going forward, we will do this every major federal election, where we will actually close our facilities completely with pay in order to make sure that people have what they need to vote. But again, it's this broader support beyond just closing on that day.

SAFIAN: I imagine you had some workers who voted for the first time in these elections.

KOZLOWSKI: Absolutely. We've registered hundreds of voters in our facilities and the number of employees who came up and said either: "Well, I haven't voted before because I never had the time or the ability to" and/or "I didn't think my vote counted." There was a lot of pride in our facilities, in particular about people who are voting for the first time.

Though, I will also say we had some people come up who did not need help registering because they made it very clear they have voted in every election for the last 30 years-plus, and it's very important to them. And that brought a lot of pride as well, too.

SAFIAN: Something like 80% of the Blue Apron executive team are women.

KOZLOWSKI: Correct.

SAFIAN: Is that by design?

KOZLOWSKI: It's actually not by design. Eight percent of our executive team are women, and 57% of our board are women. And honestly, it was done based on really looking at what are the right skill sets we need for the company and for the next chapter

of the company. And it just so happened that the most qualified and the best people for the job wound up with getting us to an 80% structure on our gender equality in our executive team. For us, it's most important to say, first and foremost, who's the right person for the job? And then, gender is secondary, but it has worked out that we now have 80% of our executive team as female.

It wasn't intentional, I don't know that there's necessarily something culturally that made it that way. I think our goal is to make every underrepresented population in business feel included and feel welcome. And I hope we do that no matter who you are.

SAFIAN: Before Blue Apron, you worked at Alibaba, at Evernote, at Etsy, you worked through different places around the world. Are there lessons from that experience that you applied?

KOZLOWSKI: I've definitely learned something from every company in every role I've been at. Etsy was a great example of really highlighting differentiation, driving growth through focus, and frankly, diversity.

When you look previous to that, even you get to companies like Alibaba, where half the founders of Alibaba, the entire founding team were actually women. And so, there's actually a significant support of gender diversity within Alibaba that always impressed me. But more specifically, I also look at the business lessons from all those different organizations. And it's really about focus, it's really about prioritization and making sure that you don't lose sight of the core of what's going to drive significant growth for your business.

When I think of the brand recognition of Blue Apron, Blue Apron is still the number one recognized brand in the United States in the meal kit industry. That was also true of Etsy when I joined Etsy. And so, it's really how do you capitalize on that strength of brand, that strength of recognition, and build a great product as quickly as possible so that you can scale and meet customer needs?

SAFIAN: It's interesting as you talk about it, Blue Apron's not a startup. It's a publicly traded company. It has a very strong brand, but in a lot of ways, it seems like a startup, or some public market investors treat it like it's a startup.

KOZLOWSKI: Right.

SAFIAN: How do you balance that public market reality with that startup-like imperative?

KOZLOWSKI: I'm a big fan of the public market structure because I love transparency. And so, I think in the best worlds, public markets allow for a certain amount of transparency. I think the most important aspect is you've got to stay focused on the customer. You've got to stay focused on building the best possible product.

And if you're doing the right things for the business, then you're also doing the right things for the public markets. And I think that it does take time. I'm a value person when it comes to thinking about investing and thinking about growth. And I believe strongly in building sustainable growth. That's not always in favor, depending on who the audience is, but that's really what I'm about.

SAFIAN: The business of meal kits, you mentioned the word sustainable and it reminded me the business of meal kits is sometimes critiqued for not being the most environmentally sustainable. I know you have a different perspective or different facts around that.

KOZLOWSKI: So the reality is meal kits represent a 25% carbon emission reduction over going to the grocery store because primarily of the reduction in food waste and the recyclability of the packaging. I think the assumption is because you're getting something delivered to your house with the packaging that it contains that you're seeing a larger carbon footprint, but it just isn't true. And a lot of this is because there's a lot of packaging in the supply chain.

Again, with our direct sourcing model, we're getting a lot of things directly from the producers. And so, you're already eliminating some of it by that direct sourcing model coming into the facility. The biggest, biggest challenge though, that it's important for everyone to be aware of, is the concept of food waste. And food waste happens in two places. Food waste happens in the supply chain itself, and food waste happens at the home of the consumer when they have too much food that they wind up throwing out at the end of the week.

In the supply chain, we reduce food waste because of the fact that we're using technology to order exactly what we need from producers. We can reduce food waste in our supply chain by making sure we're minimizing the packaging, minimizing anything that actually needs to be disposed of because we're ordering what we need for our customers that week. But then, you see further reduced food waste in the customer's hands because we're only sending the customer what they need. And so, they don't wind up throwing out a bunch of unused food.

In addition we're able to not just reduce the waste in food, but redirect that food. So the first stop for food that does not get put into one of our consumer's boxes is it goes to our employees. And last year, we provided more than 400,000 meals to Blue Apron employees, through our farmer's market program, which is we make the food that doesn't go into the box available to our employees in our fulfillment centers for them to take home and cook for their families.

Then anything that's left over from that goes to our partners at the Feeding America system, including City Harvest in New York. And last year, we contributed more than a million meals based on that program. So through our very tight supply chain, as well as

our reduction in waste, both on the supply chain and on the consumer side, we're able to not only reduce waste, but also redirect any extra food we have to people who need it.

SAFIAN: Given all this that you've been through and the arc that the business has gone on over the next year, what does the future of the food kit industry look like? How do you look at what the next phase is?

KOZLOWSKI: For us, it continues on this idea of product innovation and expansion of opportunities. People are always going to have a variety of different food opportunities. People are always going to eat out some, they're going to eat at home some. It's how do you make that entire system a lot more efficient? And what we see in the food industry is that one of the most stressful points for consumers at home is not going to the grocery store. It's not any of that. It is the: "What am I going to have for dinner?" And that's actually a very big pain point for a lot of busy families.

What I see for meal kits in general, and specifically for Blue Apron, is you're going to start to see more differentiation of, okay, what types of customers are different meal kits better for? Because everyone has a different personality.

And as you see this evolve, you're going to see more sustainability initiatives, you're going to see more creativity, I think, come through from Blue Apron. And it's going to be like a lot of other industries out there where you see more customization, more tailored to people's individual needs, more curated opportunities for people, but without the stress or headache that comes with that on the other side.

SAFIAN: What's at stake for Blue Apron at this moment?

KOZLOWSKI: What's at stake for Blue Apron? I honestly think that we're so well-positioned to bring people incredible experiences at home that they can share with their families. And we've been doing that pretty consistently for the almost nine years that we've been in existence. Where we saw challenges were really in just working through some of the challenges that you might see as the first in the industry. We built everything ourselves. When Blue Apron started in the U.S., there wasn't software that ran meal kits. There weren't fulfillment centers that were designed that way. And so we were really the pioneer in a lot of those areas, and we had to work through a lot of the challenges of what that means to adjust to what's available now in technology and innovation.

And so for us, it's really about, this is just an incredible product that people love, and when they try it, they're hooked. When they try someone else and come back, they're like, "I just miss the flavor and the experience and the quality of Blue Apron." And for us, it's really just about making sure that that always stays true and applying the scale behind it.

SAFIAN: You mentioned the stress of mealtimes. It's stressful being a CEO too, especially in this environment over the past year. Has it been stressful for you?

KOZLOWSKI: I would expect any human to say the last year has been a stressful year. It's been particularly stressful for me because the number one thing I care about is the safety of my employees. And this team works day and night to bring food to people in their homes during a very, very difficult time. And they really keep this company going, and they are the heart and soul of what we do. So the stress for me is safety, safety, safety, and making sure that that team is taken care of, at the same time that you're dealing with all the other things that you would deal with to run a company.

But I also know that I'm incredibly lucky because I work for one of the best products in the world. This is a product that brings people joy. This is a product that keeps them healthy. This is a product that helps them experience new things. This is a product that teaches kids how to cook and teaches people who maybe never thought they could cook to cook. It's also a product for people like me that love to cook and just want to expand and try new flavors and tastes. So it's a lot easier to deal with the stress when you know you're doing something that's really great for the world.

SAFIAN: Well, Linda, thank you. Thank you for taking so much time and sharing all this with our audience. I really appreciate it.

KOZLOWSKI: Thank you so much. And thanks so much for having me on.