

Monday, June 26, 2006

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Reporting In: Final Thoughts About The Art & Science Of Retailing From the 2006 CIES World Food Business Summit

PARIS – If food retailing can fairly be described to be part art and part science – though the proportions almost certainly depend on what retailer you are talking about, then it also means that the best kind of executive conference will look at relevant matters of the mind and matters of the heart.

Such certainly was the case on Friday, the final day of the CIES World Food Business Summit, held here at the Carrousel du Louvre. When the day was done, and business had evolved into pleasure and the attendees enjoyed the traditional black tie gala sponsored by L’Oreal in the courtyard of the Louvre, much of the buzz was about remarks made by Raymond Ackerman, the chairman and founder of Pick ‘n Pay of South Africa.

Ackerman emphasized for his audience the importance of social responsibility, and his comments must be seen within the context of his own 500-plus store company, which stood against apartheid policies in his home country long before it was fashionable and which made its reputation hiring black managers and employees, paying them fairly, helping them with housing, and trying to help them create lives of dignity when such initiatives were forbidden. (We know this from having traveled to South Africa to interview Ackerman some 15 years ago; it was remarkable to see and hear about the company’s noble efforts at a time when that country was very much in turmoil.)

Social responsibility on the part of a retailer – and in Ackerman’s case, this means going so far and earmarking 8.5 percent of profit for various causes in South Africa – creates an environment in which the message is very clear that “you are fighting for your customer” both inside and outside the store. Ackerman said that any good retailing business must be supported by the four legs of a table – administration, social responsibility/marketing outreach efforts, merchandising, and people – with the customer atop the amply supported table. Such an approach, he said, was so intrinsically solid that Pick ‘n Pay had “avoided the massive transformations” that other businesses often have to endure.

Besides, he said, “Social responsibility makes your aisles wider, your food fresher and your tills faster.” It is, he said, good business.

But Ackerman also told a great story about the kind of grass roots retailing that he engages in even at age 75. One day, he said, he was on the road and noticed a woman driving in a car that was loaded down with bags of groceries that had been bought at one of his competitors. So, on a whim, he followed her home...and when she arrived there he introduced himself and said, “I know that you must have been a Pick ‘n Pay customer in the past, but can you tell me why you’re shopping elsewhere?” The woman was a little taken aback by being accosted by Ackerman (who she recognized – he is a highly visible public figure in South Africa), but she ended up inviting him in for tea and engaging him in a long conversation. It ended up that 10 years before, a checkout person at one of Ackerman’s stores had rudely refused to take back an item, which was in violation of the company’s return policy. And the woman was so incensed

that she stopped shopping there, and had told the story to numerous friends and relatives, all of whom had decided to go to the competition.

Ackerman then asked the woman for the names and addresses of all the people she had turned against his chain, and when he got back to the office he sent her and every person on the list a personal letter of apology along with various coupons and vouchers to hopefully bring them back to Pick 'n Pay.

It was an illustrative story on so many levels. It showed the importance of a single cashier in the retail environment; in this case, a single rude person had cost the company untold amounts of money over a 10 year period. (Ackerman said, "You can never do enough for your staff, no matter how much they kick you in the pants and disappoint you.") And it showed that a single-minded devotion to the customer – even on the part of a 75-year-old legend who probably had other things to do that day than chase down a competitor's customer – can not just pay dividends, but must be the foundation upon which even a modern retailing enterprise must be built.

Wal-Mart vice chairman John Menzer took a planetary approach to customer service when he outlined the sustainability efforts in which his company is engaged, and which "are about adding value for the customer and the shareholder. It is not a public relations program," he said, though he conceded that it almost certainly will help the company's reputation in a world that does not always look kindly on Wal-Mart and its various efforts. "We are taking our aspirational goals very seriously," he said, commenting that "of the world's 100 largest economic entities, 42 are corporations," which means that companies have to refine their roles in the 21st century.

Lest anyone think that Wal-Mart suddenly had hired Mother Theresa or Al Gore to run the company, Menzer also emphasized that he believed such socially responsible efforts were good business. If the company's stores can be made to be 30 percent more energy efficient over the next three years, and if technologies can be developed to cut down on the amount of fuel eaten up by Wal-Mart's fleet of trucks, the result will be millions of dollars and savings that can be plowed back into lowering prices for customers. And he called for retailers and manufacturers "to work intelligently together in forums such as CIES" to develop industry-wide approaches to sustainability.

Looking at customer needs through an entirely different prism was Rick Anicetti, CEO of Delhaize's Food Lion stores in the US, who described the chain's new approach of creating differentiated store banners and experiences for different consumer groups – under the names Food Lion, Bloom, Bottom Dollar, and Harvey's – as a way of getting the company from being "stuck in the middle." Anicetti said that most food chains have historically followed a "strategy of sameness," and been salves to the "tyranny of the average" in how they approach store operations, employees and customers, and that one of his central goals at Food Lion has been to change this mindset.

Anicetti laid out his five goals for transforming Food Lion into a more effective enterprise:

1. Ensure the right people are in the right roles. ("I know that a quarter of my people get it and half of my people can get it, and that another quarter will never get it. I want to invest in the first two groups like crazy, and I want to find happiness for the last group – somewhere else.")
2. Establish standard practices for processes that run across all customers.
3. Put the customer at the center of thinking and decision-making.
4. Embrace the science of retail while retaining the aspects of art that differentiate store.

5. Establish a culture built and dedicated to execution across all functional areas.

These, he said, are major steps for Food Lion, which for years...was a distribution company. It was all about the buy." But in the cauldron of 21st century retailing, such an approach is not just woefully inadequate, but virtually irrelevant.

Random notes from the CIES Summit...

- Reporting on a new demographic and psychographic study of four nations – China, Russia, Brazil and India – that will show remarkable and challenging growth in the coming years, Peter Child of McKinsey & Company's Global retail Practice said that one of the remarkable findings was that "there is a kind of universal rule that people won't spend more than 15 minutes to get to the supermarket, no matter how they get there." (Meaning that whether the customer goes to the store by foot, car, bus, or bicycle, 15 minutes is about as much as he or she is willing to spend on the trip.) "This is not too dissimilar from developing countries," he said.

But he said that while these countries all are vastly different from each other, each one has a large contingent of shoppers for whom shopping is a major diversion. "Given that these people enjoy shopping, let's make it fun," he said.

- Pekka Somerto, head of Lifetime Relationship Management for Nokia Corporation, said that while in 1990 the majority of Internet access was via mainframes and in 2000 via personal computer, forecasts are that by 2010, most Internet access will take place via mobile phone (or whatever resembles a mobile phone by then). This will create both pressures and opportunities for retailers looking to cater to a customer base with entirely different approaches to the act of communicating and shopping.

(By the way, as Somert was giving his speech, *MNB* posted a story saying that e-grocery retailer SimonDelivers.com launched a new service allowing customers to place orders using wireless phones and PDAs. Life imitates art. Or is it the other way around?)

- In a presentation on luxury retailing by Philippe De Beauvoir, president/CEO of Le Bon Marché, one line really stood out to us: "Assortment is a language that a store speaks."

That's actually a very interesting sentiment, because the proper use of language means that you know the meaning and spelling of words, you know how to construct a sentence and create a narrative, you know when to use adverbs and adjectives and when to let a noun and verb stand by themselves.

In the supermarket industry, where still too many stores create selection based on the buy rather than what they believe customers want and need, the store may more accurately resemble the tower of Babel.

And, a final thought...

CIES tries to provoke differentiated, unconventional thinking...and we find that the global and strategic approach to retailing problems and issues – not to mention the networking opportunities – to be incomparable.

Next year: Shanghai, China.

Book the flights now.