



Retail News in Context, Analysis with Attitude by Kevin Coupe

Thursday, June 19, 2008

Reporting In: From The CIES World Food Business Summit, Day One

MUNICH – The CIES World Food Business Summit distinguishes itself each year by reaching beyond the aisles and fresh food departments, beyond supply chain questions and parochial concerns, and considering critical issues from unusual points of view.

The first day of this year's summit was no exception, built around the theme of "Growth & Sustainability."

What other food industry conference, for example, would offer Patricia Glyn, the South African adventurer and writer, telling the audience about her almost 1,400 mile walk from Durban, South Africa, to Victoria Falls, retracing a trek taken by her ancestors back in the 19th century. But it wasn't just a travelogue. Glyn used the trip as a way of explaining to an audience of blue and gray-suited executives the impact that the industry can have on the natural environment. She spoke of Botswana, a place where the cattle outnumber the people, but that is suffering because of overgrazing that is having an enormous impact on the nation's ecology. She noted that it takes 100,000 kilos of water to create just one kilo of beef, and that enough water goes into the making of one hamburger for 17 showers, and suggested that if such usage continues it will be unsustainable. "We are robbing our children of their future more through what we eat than what we drive," she said.

And what other food industry conference would have an airline industry executive – Andrea Debbane, vice president of strategy and strategic programs at Airbus – to exhort the audience to get ahead of the environmental activists. It is easier to create a positive opinion from the beginning, she said, than to try to change someone's mind once they have a negative opinion of you. "Establish the facts, and lead the dialogue," she said.

Debbane also suggested that the industry has to find its positive story and tell it in compelling terms. In the airline business, for example, she noted that more than 2.2 billion passengers flew by air last year, and that the industry was responsible for 32 million jobs and eight percent of global GDP. The food industry has to find its own narrative, and tell it in compelling terms.

(One tangential note here. Debbane showed a slide in which she demonstrated where all the growth in airline travel came last year – it was up 177 percent in China, up 154 percent in India, and up 144 percent in the Middle East. And up just 25 percent in Europe and a mere eight percent in the US. That alone is a vivid illustration of where the economic power is in 2008.)

Robert Pickard, director general of the British Nutrition Foundation, offered a definition of dynamic equilibrium, saying that "nothing remains stable passively," saying that stability only comes when opposite forces affecting something do so equally – but that there is nothing passive about it.

And one other comment that pointed to how the world is changing. Alex Thomson, the British newsman who is serving as the summit's moderator, noted that he recently was talking to a friend in Afghanistan who raises opium (something everybody does in Afghanistan, he said). But this friend is changing his cash crop, Thomson said, and shifting much of his acreage to wheat – because he can make more money that way.

Now there's a story you wouldn't hear at many food industry conferences.

More tomorrow...



Retail News in Context, Analysis with Attitude by Kevin Coupe

Friday, June 20, 2008

Reporting In: From The CIES World Food Business Summit, Day Two

MUNICH – Thursday was a day in which CEOs challenged attendees at the CIES World Food Business Summit here to change their approach to business. And offered examples of how they have done so.

For example...

- Alain Caparros, → CEO of the REWE Group, which operates in 14 European countries and generates more than \$67 billion in annual sales, told the assembly, “We must change fundamental aspects of our business. We must revolutionize parts of it. And we must get started quickly.

“Most of the things we do today are based on traditional business models, or on sector customs, if you will. If we continue to take this approach, then – I fear – we, retail and industry, will drive off a cliff side by side.”

Increasingly, Caparros said, “We see that our customers in grocery retailing expect much more from us than low prices. They want ‘fair’ prices and ‘fair trade.’ And this approach should be a business-defining attitude, and not just a marketing gag. Customers are extremely sensitive to the ethical, social and environmental aspects of our business ... We are locked in a new qualitative competition for customers’ trust. Here, we can create something of substance or fail. There is nothing in between, I’m afraid.”

One example cited by Caparros: “Since the beginning of this year, the REWE Group in Germany has been using electricity generated completely from renewable energy sources. Today, we are Germany’s biggest user of bio-electricity. → This is not some sort of environmental fad. Rather, it is a responsibility that we assume in our portion of the value chain – in our warehouses and in our supermarkets.

“Many of our customers are assuming this responsibility in their homes as well. What about our suppliers? Are they also taking responsibility for our natural resources?”

“In the future, our customers will pay much closer attention to the way that products are made and processed. For this reason, environmental protection is not only sensible, but also good for business. It creates a competitive edge and builds a solid foundation for tomorrow’s turnover.”

In other words, good for business...even as it is good for the planet.

Also of interest was Caparros’ take on the European consumer: “We are stubborn, idiosyncratic and erratic. Our actions no longer follow any particular law: We drive Porsches and scrimp on groceries. We combine Prada with H&M and fly off to Paris with a ticket costing 28 euros for a luxury weekend at the Ritz or Plaza Athenee.

“The logic of simple truths – black and white, good and bad – no longer exists. Our society has brought forth new types of customers from the jumble of attitudes and influences, experienced emotions and changes. Today, our customers are smart shoppers or hybrid consumers or clever cosmopolitans or illiquid traditionalists.” And, he said, these “idiosyncratic and erratic” customers increasingly are seeking retail solutions to their specific life challenges...and that it is in understanding this challenge and meeting it that retailers can create the kind of added value that will differentiate them in the marketplace.

(To be fair, this was a somewhat different take on consumer trends than that offered by Stephan Grunewald, managing director of the Rheingold Institute, who suggested that if you really put German consumers “on the couch,” you find out that they are being politically correct in their concerns about sustainability out of a sense of guilt. His premise seemed to be that as baby boomers age and become more affluent, they realize that they have lost touch with their youthful ideals, and so become politically correct because they feel guilty about that.

I have no idea if he's right about this or not. I do know that during his presentation, which was given in German, he used a word that was instantly translated as “erectile,” which woke the audience up and got everybody's attention. Once again, a CIES speaker broke new ground...)

- There also was an excellent presentation by Franck Riboud, chairman/CEO of Groupe Danone, in which he described his company's efforts to “bring health through food to the largest number of people,” and how this mission has been realized in Bangladesh, where 41 percent of the population is under the age of 14, 56 percent of the population is illiterate, 60 percent of the population lives on less than two cents a day, and just five percent of the population has access to tap water. “Classic business models and affordability don't allow us to reach the poor,” he said, so the company developed a joint effort with a socially responsible bank to build a factory there that not only employs local people, but makes yogurt that is designed specifically to meet the locals' nutritional needs. There's one factory now, he said, but the company hopes to build two next year and have as many as 50 in Bangladesh in 10 years – all small, local facilities that can provide low-cost, quality product while supporting and bolstering the local economy.

- Muhtar Kent, the president/COO of the Coca-Cola Co. – and soon to become CEO with the retirement of Neville Isdell – spoke of “manual distribution centers” that have been set up in Africa that allow independent entrepreneurs to set up business on behalf of the company. There are more than 2,000 of them at present, he said, many of them owned and run by women, and the company expects to establish thousands more in the next few years, creating tens of thousands of jobs and generating upwards of \$300 million in revenue. Kent described this as a “virtuous cycle of community building,” and said it is about “making the right choices, the right decisions to run the business better...to create a culture of sustainability.”

- Mark Price, the managing director of Waitrose, described in his presentation how his company has created a different kind of sustainable culture – one in which employees are not just treated as owners, but in fact have a stake in the business. Last year, he said, every employee – from the top to the bottom – got a 20 percent bonus based on the company's performance...and the company publishes its numbers every week so that everybody within the organization can know how he or she is doing. The company maintains boats, country houses and even golf clubs that all employees have equal access to. And, because workers are highly committed to the success of the business, Waitrose has just a 24 percent employee turnover rate and a minimal number of sick days taken by employees, which in turn allows the company to spend more money on training, which raises the bar even further, and the cycle continues.

One other thing about Price. You need to check out his blog on www.Waitrose.com, in which he opens up about his life, his work, and even his ongoing attempts to lose weight. It is an impressive piece of work, mostly because it engenders a sense of community that many grocers miss out on.

Riboud. Kent. Price. Three guys who appear to be putting their money and efforts where their mouths are.

As Ray Anderson, chairman of a flooring company called Interface which has made a major commitment to developing a sustainable approach to its business, put it, “it isn't enough not to do any harm. You also have to do good ... What if every decision we made took into account the impact on people seven generations from now?”

Good question.

More to come...