



Paris, 2<sup>nd</sup> February 2009

## RECESSION TAKES OVER FROM CORPORATE RESPONSIBILITY AS TOP-OF-MIND IN GLOBAL FOOD INDUSTRY

*600 decision makers in food and consumer goods industries across 54 countries reveal their key concerns for 2009 in CIES Top of Mind survey*

CIES, the global food business network, today released its annual Top of Mind survey, affirming the number one priority for the food industry in 2009 is the economy and consumer demand (up from number four in 2008). The survey was based on a sample of nearly 600 retail and manufacturing decision makers across food and consumer goods industries in 54 countries. In its 14th year, the CIES Top of Mind survey, offers an independent and exclusive insight into the true priorities of food business leaders the world over.

**For the second year running, food safety is the number two concern. "The return on investment on food safety is only apparent if there is an issue, yet the risk of ignoring it can be massively damaging to a brand. And therefore food safety is one of the top-of-mind concerns in the boardroom," says Alan McClay, CEO, CIES. He continues, "With today's global sourcing this becomes even more imperative, which is why even global competitors work together through the Global Food Safety Initiative (GFSI) to improve food safety standards."**

The number three concern this year is corporate responsibility, missing second place by only 0.5%. Many industry observers have asked whether the best laid sustainability plans of corporations would survive in a downturn. This survey suggests that it can indeed survive in a global recession. "Speakers at recent CIES events have explained how sustainability programmes, such as Marks & Spencer's 'Plan A', have been designed and implemented not as secondary projects but as filters through which all corporate decisions must pass. The survey result bears this out," said McClay.

Businesses in all sectors across the globe are up against financial challenges as a result of the credit crunch, with exposure to volatility in currency value and stock prices adding to the current complexity. Retail and fast-moving consumer goods (FMCG) companies however, face additional challenges. The downward pressure on price associated with a recession coincides with upward pressure on the cost of raw materials in food and significant changes in consumer spending patterns, particularly away from non-food and (to some degree), away from national brands. Retailers must therefore re-evaluate their assortments and the size and scale of their store networks.

### The Industry Response

CIES is seeing its retail members taking steps to limit cost risk in 'over-retailed markets', via store closures where necessary and efficiencies or downsizing in operational, logistics and back-office functions. They are also taking steps to address margin imbalance by increasing their private label activities. This presents a knock-on risk for brand manufacturers. Indeed the latter group is now debating its business model, exploring the choice between brand owner with outsourced production or food manufacturer without a brand portfolio, allowing for entry into the private label manufacture business.

The economic news is not all bad however. While the UK for example, is deeply affected by the credit crunch and currently grappling with recession and a dwindling currency, the food retail sector posted jubilant results over the December trading period, in spite of massive price cuts. While some premium players such as Marks & Spencer and Waitrose are suffering during the downturn, the big four supermarket groups made bullish announcements of job creation during 2009. Only last week, the Wal-Mart owned UK store chain Asda announced it would be creating 7,000 new jobs this year. Grocery retail can therefore be a serious community employer and consumer advocate, even when the chips are down.

## 2009 Rankings

The 'competitive landscape' climbed up five places from nine last year to claim fourth place this year. The jump reflects a dual imperative: the recession creates increased price competition among grocers, while the ever-pressing need to differentiate and gain loyalty is intensified by the share gains achieved by discount retailers such as Aldi and Lidl. The 'retail/brand offer' jumped up three places to the number five position. Along with price, format and assortment innovation is crucial. Brand manufacturers are challenged to stay compelling to consumers seeking cheaper alternatives via store-brands. Consumer marketing jumped three places to rank eighth, indicating that the industry is placing greater emphasis on two-way communication with its consumers: a healthy response to the fall in consumer confidence that has accompanied the financial crisis.

	ISSUE	% choosing issue	RANKING 2009	RANKING 2008
1	<b>The economy and consumer demand</b> (e.g. energy costs, demographic change, consumer trends)	56	1	4
2	<b>Food safety</b> (e.g. standards, traceability, consumer confidence)	33.6	2	2
3	<b>Corporate responsibility</b> (e.g. sustainability, social standards, corporate governance)	33.1	3	1
4	<b>The competitive landscape</b> (e.g. consolidation, discount, new channels)	29	4	9
=5	<b>Retailer-supplier relations</b> (e.g. trade costs, pricing collaboration)	28	=5	5
=5	<b>The retail/brand offer</b> (e.g. price-points, assortment, format)	28	=5	8
7	<b>Consumer health &amp; nutrition</b> (e.g. product development, labelling, education)	20.3	7	3
8	<b>Consumer marketing</b> (e.g. loyalty programmes, promotions, advertising)	19.3	8	11
9	<b>Technology and supply chain</b> (e.g. in-store technology, RFID, out-of-stocks, logistics)	17.6	9	7
10	<b>Human resources</b> (e.g. staff recruitment and retention, operational performance)	13.4	10	6
11	<b>Internationalisation</b> (e.g. international expansion, global sourcing)	11.7	11	10
12	<b>Regulations</b> (e.g. store openings, pricing, labelling)	8.1	12	12

**For further information please contact:**

Anne Malbrancq  
CIES - The Food Business Forum  
Phone: (+33) 1 44 69 99 20  
[a.malbrancq@ciesnet.com](mailto:a.malbrancq@ciesnet.com)

Jane Fordham  
GolinHarris for CIES  
Mobile: + 44 (0) 7770 401 436  
[jfordham@golinharris.com](mailto:jfordham@golinharris.com)

Liddy Chillcott  
GolinHarris for CIES  
Mobile: +44 (0) 770 905 4510  
[lchillcott@golinharris.com](mailto:lchillcott@golinharris.com)

**Please note that full copy of the report is available on request.**

**About CIES**

CIES, 'The Food Business Forum,' is the only independent global food business network. It brings together the CEOs and senior management of around 400 retailer and manufacturer members of all sizes, across 150 countries. CIES has been growing with the food business for over 55 years. It provides a real global platform for thought leadership, debate and networking between retailers and their partners. Its strength lies in the privileged access it offers to the key players in the sector and the sharing of best practice at the highest level. It has a mandate from its members to develop common positions on key strategic and practical issues affecting the food business.

**Notes to Editors:**

**Methodology**

596 CEOs and senior executives replied anonymously to the online survey between December 2008 and January 2009. From a list of 12 broad subjects, respondents were asked to choose their top three priorities for the coming year. The percentage share was calculated on a base of 300, to reflect this. Of the total number of respondents, 247 were retailers and 132 were