



The CIES World Food Business Summit

Barcelona, Spain, 18-20 June 2003

Highlights

Day 1 – 18th June 2003

BUSINESS MUST REBUILD PUBLIC CONFIDENCE, ARGUES CIES CHAIRMAN

In his **opening address** to the CIES World Food Business Summit in Barcelona, **Pierre-Olivier Beckers, chief executive of Delhaize and chairman of CIES**, called on companies to take responsibility for rebuilding public confidence in business. In a context of economic and political uncertainty, corporate scandals have seriously eroded trust in business, he said, as shown by a recent public survey by the World Economic Forum in which companies were rated the least trustworthy institution after national parliaments. Beckers noted that this general scepticism on the part of consumers was also affecting the retail sector, particularly in view of market saturation and aggressive price competition. To rebuild public trust and avoid excessive regulation, he argued, companies will have to put people at the centre of their strategies and demonstrate “a corporate conscience ... beyond the necessary maximisation of profit”.

Pierre-Olivier Beckers also gave delegates an update on CIES’ five strategic priorities, which he first outlined at last year’s World Food Business Summit in Atlanta. He summarised the key developments as follows:

- **Extending the international reach of CIES:** as set out in Atlanta, CIES has increased its contacts with both foreign and domestic companies in China and established a full office in Japan, reflecting strong Japanese involvement in CIES at board level and in its different programmes.
- **Clarifying the role of the different industry associations:** the process of developing greater cooperation between the associations continues to move forward. The joint organisation of Global CEO Forums over the past two years by AIM, CIES, FMI and GMA illustrates this positive trend.
- **Promoting common standards:** there is an urgent need in the food retail and manufacturing sector for common standards and a common technical language. The work undertaken towards this goal on all sides has begun to bear fruit. The Global CEO Forum, co-organised by CIES with FMI, GMA and AIM, has been instrumental in bringing companies round to endorsing and supporting the considerable efforts made by EAN, UCC, ECR and GCI.
- **Implementing the Global Food Safety Initiative:** implementation of the Global Food Safety Initiative and its benchmarking programme continues. GFSI will allow food companies to communicate confidence in the standards they use, while also reducing costs.
- **Image of the Food Business initiative:** the launch of the initiative has met with extraordinary support and enthusiasm from CIES member companies. The focus of the initiative is the contribution of the food retail sector to the community. A Task Force is now working on how to ensure existing efforts in this area are given the wider resonance and audience they need.



CARREFOUR CEO SEES RETAILING AS PROSPERITY DRIVER

The **chief executive of Carrefour, Daniel Bernard**, has underlined the importance of the retail sector in creating prosperity across the world. Addressing the theme “Success in an Age of Scepticism” at the CIES World Food Business Summit, he argued that the scale of modern retailing was enabling the emergence of a global middle class, while also supporting the growth of a large number of suppliers. This dynamic role was not always recognised by governments, he noted, as shown by regulations covering areas such as opening hours and TV advertising. At the same time, retail companies would have to balance their economic role with a commitment to sustainable development, he stressed, as reflected in Carrefour’s decision to publish a separate sustainability report in 2001. He warned that any company that did not integrate an ethical approach in its company strategy would end up paying a heavy price. Pointing to the difficult global economic context, he argued that cooperation between retailers and suppliers was crucial to continue adapting the product offer in response to consumer needs.

Day 2 – 19th June 2003

SUMMIT DELEGATES CHALLENGED TO BREAK THE MOULD

The morning session on the second day of the CIES World Food Business Summit in Barcelona saw speakers urge delegates to show leadership in “Breaking the Mould”.

Session moderator **Jeremy Rifkin, President of the Foundation on Economic Trends**, spoke on “Bridging the Gap between Global Commerce and Local Culture”, arguing that markets depend on the strength of human culture and not the other way round. The food sector is particularly well placed to grasp this lesson, he stressed, since it represents a “bridge between the intimacy of culture and the utility of markets”. He underlined the issue of genetically modified foods as an illustration of the need to listen to consumer sensitivities. Praising the decision of food companies in Europe to provide GM-free products in response to consumer concerns, he called on them to extend this leadership to a global level in order to find a sustainable solution reconciling new technology with local communities and the environment.

Adam Morgan, author of “Eating the Big Fish”, explained how challenger brands can take on established market leaders. He set out four essential principles for challenger brands in terms of breaking with the past, building a strong identity, developing thought leadership and accepting to alienate certain consumers. He stressed that creating differentiation was not a superficial marketing exercise but implied a strong culture projected in all communications. The lesson for the market leaders, he argued, was to continue thinking like a challenger brand while leveraging their advantages of scale.

Joe Gill, Head of Institutional Equity Research, Goodbody Stockbrokers, focused on the successful model of low-cost airline Ryanair. He described how the company had outperformed the established national carriers through its low fares and use of internet (96% of tickets sold online). He argued that Ryanair offered an important case study for food retailers that are being challenged by low-cost operators.

Craig Cohon and Jeb Brugmann, respectively CEO and President of Globalegacy, presented delegates with their project for creating businesses to serve the four billion people in the world that live in low-income communities. They argued that by partnering local populations - rather than offering charity or corporate social responsibility – businesses could alleviate poverty and

develop large new markets. Referring to food retailing, they pointed out that very few stores operated by international retailers served poor communities in developing countries, which depend on an informal food trade that does not guarantee safety and quality. They invited companies to provide one of their senior executives for a six-month period to support research and partnerships with entrepreneurs in impoverished areas.

FAMILIES ARE GOOD FOR BUSINESS, ARGUES DR. OETKER

Dr. August Oetker set out the key principles and strategic choices of the Oetker Group, a 112-year-old family business that has grown into a diversified international company, whose interests cover food, shipping and hotels. He argued that family ownership gave the group the independence to pursue a consistent approach without pressures from stock markets and analysts. His personal unlimited liability for the Oetker group also created confidence among banks and so reinforced its financial position, he said. At the same time, the role of an Advisory Board – with a majority of members from outside the family – in deciding management appointments helped ensure that the company’s interests prevailed over family ones. August Oetker also stressed the impact of his company’s family-based philosophy in creating strong staff and management loyalty.

WALMEX CHAIRMAN SEES VALUES AS KEY TO EFFICIENCY

Cesareo Fernandez, chairman of Wal-Mart de Mexico, explained his group’s growth in terms of efficiency based on consistent values relating to customers, employees and suppliers. He stressed Walmex’s basic consumer mission as improving the quality of life of Mexican households, supported by a multi-format strategy designed to cover all consumer needs. Relatively low inflation in Mexico in recent years had helped the retailer roll out its successful Every Day Low Price policy, he noted, since customers had become more sensitive to price differences. In addition to low prices, he stressed the company’s contribution to the community in terms of employment, with 8,000 jobs created in 2002 and a further 12,000 planned for this year.

Day 3 – 20th June 2003

EMOTIONAL CONNECTION KEY TO BRAND FOR STARBUCKS

Howard Schultz, chairman and chief strategist of Starbucks Coffee Company, argued that the equity of a brand depends not on marketing but on creating an emotional connection between the buyer and the seller. Addressing the session “A Day in the Life of the Contemporary Consumer”, he explained the growth of Starbucks into an international chain in terms of human values inspired by traditional coffee houses in Italy. The company’s commitment to people is directed first and foremost towards its employees, he stressed, reversing the common market tendency to privilege shareholder interests. He noted that in the late 1980s Starbucks was the first company in the US to offer stock options and healthcare to all staff, including part-time workers. Transferring this people-centred model to other countries was a challenge, he said, but the company managed this by drawing on the expertise of local partners.

RETAILERS NEED TO ADDRESS EMERGING CONSUMERS, ARGUES PANEL

A panel of retailers discussed the findings of a new **report from the Coca-Cola Retailing Research Council Latin America** on “Creating Value for Emerging Consumers in Retailing”. **Gonzalo Restrepo, CEO of Almacenes Exito, Colombia, Angel Losada, chairman and executive president of Grupo Gigante, Mexico, and Antonio Coto, CEO of Dia, Latin America**, considered a number of ‘myths’ regarding low-income or emerging consumers – such as price-only focus and low quality requirement – that hide a range of specific shopping needs not addressed by large retailers. Informal retail channels such as street markets and corner stores continue to perform well, the panel argued, because they target the requirements of poor communities with an effective business model based on low inventory and costs. Larger chains will have to reconsider their approach towards emerging consumers, the panel stressed, if they are to more effectively meet the needs of these consumers.

CAPRABO AND ADRIA EXPLORE CREATIVITY IN COOKING AND RETAILING

Xavier Argente, CEO of Caprabo, described how the supermarket group had positioned itself as a local operator focused on the emotional experience of shopping. The general emphasis on price among retailers treated customers like rational calculators, he argued, and ignored their emotions. He pointed to the impact of Caprabo’s loyalty services, including a baby club aimed at new parents and personalised leaflets for cardholders, in building a local image for the chain. This differentiation has also been supported by a partnership Ferran Adria, leading chef at the internationally renowned elBulli restaurant in Spain, in both private label products and cookery books. In an accompanying presentation, Ferran Adria set out his vision of creative gastronomy that challenged the mind as well as the senses. He argued that an increasingly entrepreneurial generation of world-class chefs would have a major influence on consumers, as shown by the media coverage of elBulli.

RETAILING IS A SOCIAL BUSINESS, SAYS PICK ’N PAY CEO

Addressing the closing session of the World Food Business Summit, “Achieving Sustainable Success”, **Sean Summers, chief executive of Pick ’n Pay**, argued that retailing was social business that had to be built up over a long period of time. Putting people before profit was the foundation of the South African retailer’s approach, he said, starting with its employees. He cited Pick ’n Pay’s decision to send 1,500 employees to attend the Disney Institute in Florida and argued that such a commitment to people would get business out of scepticism. Referring to this context of disillusionment in much of the world, he insisted that the South African example of diversity provided an illustration of the exciting future offered by a more connected world.