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Retail News in Context, Analysis with Attitude *by Kevin Coupe*

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Reporting In From The Annual CIES World Food Business Summit

Day One Notes & comment by Kevin Coupe

SHANGHAI - As befits a conference held in this enormous Chinese city, much of the focus today at the CIES Summit was on China and both its challenges and opportunities.

One great line came from Dr. Hans-Joachim Körber, CEO and Chairman of Germany's Metro Group, who told the summit audience that "there is no way around China ... That's why we are already (here)." In a burst of business poetry, Körber also said that "the heart of your business must always beat with the local rhythm," and suggested that regional disparities in culture, language and customer habits limit the scope for economies of scale – but that international retailers must forge ahead if they are to continue to grow.

And, he said, the biggest mistake a retailer can make is to not invest in Asia.

In another presentation, Dr Fan Gang, director of the National Economic Research Institute of the China Reform Foundation, told the audience that urbanization is quickly accelerating in China, with millions of people coming to work in cities like Shanghai and compete for jobs – and that it is this competition that is keeping wages low, as opposed to government controls. While at the moment, 35 percent of the Chinese labor force works on farms and make the equivalent of \$500 (US) a year, this is rapidly changing – though because of the country's sheer size it could take as long as two decades to reach "wage equilibrium" between urban and rural workers.



Finally, in a variety of interviews I conducted today, one message seemed clear and unambiguous. Most retailers believe that while recent events have turned the "made in China" label into something of a warning, this is a temporary phenomenon that the government here is working hard and seriously to fix. The Chinese government, we were told, is putting food safety reforms on a fast track, because it understands that this is necessary for the nation to reach its economic potential.

In other CIES news...Roger Corbett, the current chairman of CIES, announced that a number of retailers have reached what was termed "a landmark agreement on food safety standards."

Under the umbrella of the Global Food Safety Initiative (GFSI), he said, seven major retailers have come to a common acceptance of the four GFSI benchmarked food safety programs: BRC (the British Retail Consortium Global Food Standard), IFS (the International Food Standard), SQF 2000 (the Safe Quality Food Scheme), and Dutch HACCP Scheme (Option B). Corbett said that the GFSI vision of 'once certified, accepted everywhere' has now become a reality with Carrefour, Tesco, Metro, Migros, Ahold, Wal-Mart and Delhaize agreeing to reduce duplication in the supply chain through the common acceptance of any of the four GFSI benchmarked schemes.

According to a statement released by CIES, "This breakthrough marks a step change in the orientation of GFSI. The group will now concentrate on the application of the schemes by examining auditor competence, along with upcoming issues such as food security and food safety in emerging markets."

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Wal-Mart Expands Financial Services Offerings With New "Money Centers"

Just months after it withdrew its application for an industrial bank charter after it became clear the Federal Deposit Insurance Corporation (FDIC) was going to reject it, Wal-Mart has announced that it will open one thousand Wal-Mart Money Centers by the end of next year, facilities that will "assist customers who are outside mainstream banking with convenient, nationwide access to low-cost money services, including check cashing, money orders, bill payment and money transfers."

At the same time, Wal-Mart will launch its new Wal-Mart MoneyCard, described as "a reloadable prepaid Visa rolling out nationally with GE Money and Green Dot." According to the company, "the Wal-Mart MoneyCard will be rolled out to approximately 1,300 Wal-Mart stores by the end of June and to another 1,300 stores by the end of July. The card will be available at most Wal-Mart stores by year end."

Not coincidentally, considering the ill-fated attempt to open an industrial bank, the announcement by Wal-Mart contained a kind of challenge to traditional financial services companies.

According to a statement released by the company, "The rapid expansion of its low-cost money services and in-store locations will help meet the needs of the millions of unbanked and underserved customers who visit Wal-Mart each week for their basic money service needs."

And Jane Thompson, president of Wal-Mart financial services, said, "Many of our customers are paying too much, traveling too far and not being well served. But they still need to pay their bills, cash their checks and transfer money. We're offering them a safe place and a card to help them manage their money. We've seen firsthand what a difference that can make. It changes lives."

Wal-Mart originally said it wanted to be in the banking business as a way of reducing its own fees on credit and debit card