

'Building profit with responsibility' – Argument sustained

The theme of the 52nd CIES World Food Business Summit was 'growth and sustainability', in other words, the future of the industry for all stakeholders. Corporate culture-change, social responsibility, corporate citizenship, and mission zero is where it's headed, but getting there will be difficult without everyone on the same page, writes **Caroline Byrne**.



This year's global food and drinks industry summit focused on several important issues affecting all links in the 'value chain', which could be summed up under the headings, Change and Survival. The event, organised by the World Food Business Forum (CIES) exclusively for its members, took place in Munich between 18 and 20 June, and brought in a host of very high calibre speakers, such as Dr August Oetkar, Muhtar Kent, president of the Coca Cola Company, and Franck Riboud, CEO Groupe Danone.

A changed world

In his opening statements, CIES chairman Rorger Corbett (AHL Group) got straight to the point, highlighting the fact that the world had changed "dramatically" and "unexpectedly" in the 12 months since the forum last met. In the wake of the sub-prime crash the world's banks have lost billions and the ensuing 'credit crunch' and simultaneous rise in inflation has been felt from the ground up, most especially in the cost of commodities.



Rorger Corbett

The economic conditions of the last year have finally driven home the vulnerability of the global economy in its dependence on commodities and finite resources. The need for a more sustainable approach to business, and to living, will be paramount going forward, especially as the competition for these commodities intensifies.

Corbett did not mince words in pointing out the urgency of the situation for the food business. "Increased demand for ethanol produced from food crops has contributed, along with increased competition for resources, to an escalation in food prices. Developing countries are demanding their place on the world stage."

The summit would focus on the fact that the industry's existing business models are, for the most part, unsustainable. Changes will have to be made for the sake of self-preservation and for the sake of future generations.

Efforts must be united

The issues of 'sustainability' – energy/water usage, waste, carbon emission, ethical sourcing and fair trade etc – are not new to the discussion. Many companies have already remodelled their businesses, some as early as the 1990s, in pursuit of carbon neutral, or zero-waste output. Delegates watched numerous demonstrations of the monumental efforts made by individuals and companies to become greener or fairer or more ethical, while always aiming to make a profit.



However, individual actions will not be sufficient by themselves. There must be industry-wide, and worldwide, collaboration of efforts, from government level downwards, in order for any of these actions to have a meaningful impact on the world's problems, both current and future.

CIES Summit committee chairman, Gareth Ackerman (Pick 'n Pay Holdings) revealed in his address that between 40% and 60% of the world's food is wasted, and that by collectively eliminating this waste we would be a long way to solving our food crisis. The hopeful message however, was that there is still enough time ahead if stakeholders in the industry could agree to start the process now.

The retailer-supplier divide

Collaboration was the key word in another hot topic on the table in Munich. The issue of divergence between retailers and 'A-brands' was raised on a number of occasions, and was the focus of a special session by management consultant AT Kearney. Judging from a series of video interviews screened during the session there is still a big gap in the dialogue between the two sectors. One retailer commented, "Suppliers are not creating that much value for retailers" and several more said that there were too many products and not enough "real innovations".

Phil Morgan, partner at AT Kearny, said that currently, collaboration is "limited and random". In presenting the case study of Wholefoods however, he demonstrated how a more collaborative approach could actually capture more value for the retailer, supplier and customer. Morgan defined Wholefoods' system as "virtually vertically integrated", whereby both retailer and supplier can together target specific pockets of value, such as 'high value', and together devise "appropriate, collaborative business models" to deliver that value. Furthermore, using marketing tools that bring the consumer into the decision-making process makes the model all the more effective. Ultimately, better collaboration would create a more sustainable business for both sides of the divide, especially in difficult, mature markets.

Highlights

Andrea Debanné from Airbus gave an enlivened presentation on the much maligned aviation industry. In spite of it contributing just 2% of manmade CO2 emissions (compared with 9% from the global livestock sector) it has become the publicly perceived

Andrea Debanné

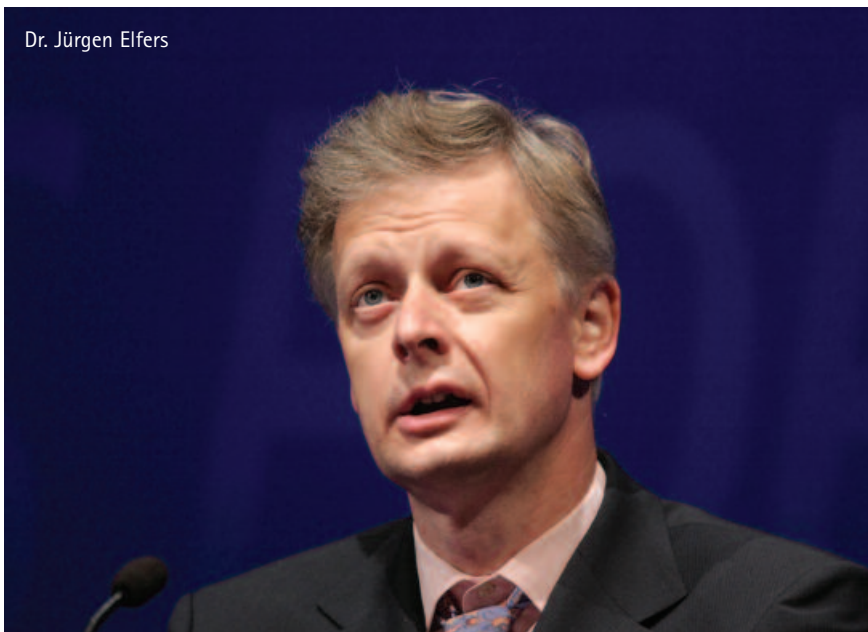


embodiment of the carbon footprint. Debanné's warning to the food industry was plain, "don't wait" until the public makes up its own mind about your business, "get the facts straight first" and be the ones to "lead the dialogue". In her experience, collaborative efforts were more effective than working alone, especially when it came to tackling public or government responses, such as "inappropriate taxes", which only serve to hamper efforts to become more eco-efficient in the long run. The best approach, according to Debanné, is to "be innovative" and "find a brand champion" that communicates the company's sustainability message.

Dr. Jürgen Elfers of European Retail Research division, Commerzbank, explored the mystery of German retail and the impact of the discount model. Discounters now account for 42% of the German retail market, with food being the most prominent portion of the business. Making the market tougher, food is at the lowest price point in Germany and consumers are now turning increasingly towards private label and discount offering.

Competing in this momentous FMCG market, certain hypermarkets have kept pace, as well as certain traditional supermarket formats. The key to success in this arena? "You have to be excellent at what you're doing", says Elfers, who believes there is room for all formats, "But the precondition is operational excellence, this is key in a market dominated by discounters." Store innovation is what is needed to maintain and grow market share for other retail businesses, adjusting and adapting the format to provide enhanced experiences for the customer. As Elfers puts it, "When as a retailer you have been able to compete and survive in a market with discounters, you are in a very strong position to do it anywhere else".

Dr. Jürgen Elfers



Ray C Anderson of manufacturer Interface Inc, gave an impressive presentation from the point of view of "an industrialist" on how companies must change in order to preserve the world for the next 1000 generations and beyond. Anderson pointed to the flaws of the current, outdated 'industrial system' saying that we are in need of "a new paradigm", and one that is not obscured by "outdated views of reality". Business/production processes must become cyclical, rather than linear, eliminating waste; they must use renewable energy and give rise to benign emissions; and must be 'resource-productive' as opposed to 'labour-productive'. Anderson said the key to tackling this challenge was to identify the best areas to "intervene in the system", the number one option being "to change the goals of the system". He concluded, "Done right, it will lead to a truly superior, financial bottom line".

Mark Price, managing director of Waitrose, explained the viability of the company's "sexy" business model. The making of a sustainable business in Waitrose's view comes down to taking care of the company's biggest asset, its employees. Under the John Lewis Partnership structure all workers are partners in the parent company, allowing them to access gains, in profit share and benefits. By operating a policy of transparency, by which all employees have access to company information, it generates trust and a feeling of ownership. In addition, Waitrose supplies a facility to allow its workers take part in directing the company. As a result, Price can boast a total staff turnover of only 24%, the lowest in the UK last year. Furthermore, 30% of the workforce choose to reinvest profit share with the company, ringing true the notion that "Human capital creates a sustainable advantage".

Andrew Robertson of BBDO Worldwide Inc, demonstrated where the future of advertising was at. With a photograph of his teenage daughter on the phone, while online, while watching TV, he proved that "attention can no longer be bought" but has to be earned. "Creativity" is the key to sustainable communication, whereby ads must entertain, become an event to participate in or interact with, or even perform a function – such as the solar billboards of General Electric's campaign. Robertson's message is that there is no such thing as a "target audience" anymore. Media, rather than a means of distribution that is bought, is a means of disseminating an experience created, which consumers can choose to interact with, if the content is worthy. "Make news, not advertising" he says.

Andrew Robertson

