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Thursday, June 18, 2009

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

Notes & comment by Kevin Coupe

NEW YORK – It has to be viewed with a certain degree of irony that at a time when so many food retailers and manufacturers are struggling to read the economic tea leaves and understand what the future holds for them and their companies – consumer needs, desires and priorities are changing, after all, and the degree to which these changes are permanent is a matter of constant debate – the 53rd annual CIES World Food Business Summit convened at the Waldorf Astoria here, one of the most expensive hotels in one of the most expensive cities in the world.

Of course, when the Waldorf Astoria was chosen there was no recession, just as there was no swine flu pandemic. These things happen, and an industry is best served when its thought leaders soldier on while dealing with reality, as opposed to either ignoring or collapsing under the weight of circumstances.

That doesn't make the sense of unreality that an almost anachronistically opulent place like the Waldorf creates any more real. One US retailer, with a rueful shake of his head, told me how he'd had a breakfast in the hotel restaurant that consisted of Raisin Bran, fruit, orange juice and a Diet coke, and had dropped \$40 in the process. But thought leaders like – and need – to go to cities that can challenge their business, political and thinking, and this is something that CIES has excelled at over the years, with the Summit having been hosted in cities such as Stockholm, Dublin, Prague, Barcelona, Rome, Budapest, Paris, Shanghai, and Munich in just the last decade.

This is a different CIES World Food Business Summit, however, in that this year the organization is announcing a change in its governance, shifting from being a retailer-driven organization to one in which retailers and manufacturers share the driving. While the official announcement and details are not scheduled to come until Thursday morning, Pierre Olivier Beckers, president/CEO of Delhaize Group and the current chairman of CIES, hinted at the extent of the makeover when he referred to CIES as "an international network of food and consumer goods retailers and manufacturers." Beckers said that once the requisite votes are taken in the early morning hours on Thursday, CIES will become an organization called the Consumer Goods Forum, "built on the foundation of CIES" and designed to bring retailers and manufacturers together "to think and develop common approaches and objectives."

These are institutional realities, what in the United States we would call "inside baseball." The more important realities – the ones that attendees were there to learn about – have to do with global consumers, and the changed circumstances in which they find themselves.

Gareth Ackerman, chairman of Pick n Pay Holdings as well as chairman of the CIES Summit Committee, said as much when he noted that the original theme of the conference was "Ingredients for Success," but that "when the world was falling apart," it quickly became evident that the theme needed to be amended to "Ingredients for Success in Turbulent Times." Ackerman, who is well known for both a personal and corporate dedication to the concept of social responsibility, drew a direct line between this priority and finding ways to "look after the consumer" and helping them cope with the "disquiet" of changes taking place all around them.

Indeed, the sense seems to be that one of the reasons for the conversion of CIES into an organization run by both retailers and manufacturers is that this is almost too much for one sector to do by itself, that broader and more

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granular cooperation is needed – in much the same way that CIES has led the way in terms of developing global food safety standards that are both effective and efficient.

“Our mission is as relevant today as it was a half century ago,” Beckers said. “We cannot be satisfied with good intentions alone. We have to be right.”

Other notes...

The first day's sessions took a broad look at the economy and the world's food supply, beginning with Dr. Michael Mandelbaum, an author and professor at the John Hopkins School of Advanced International Studies, who offered a primer on the “macroeconomic context” in which the world finds itself.

It was, he said, a “triple whammy” of events that took place almost simultaneously – a bursting of the economic bubble, the credit crisis, and a recession. The burst bubble, he said, was like drinking too much for far too long and waking up with a hangover; the credit crisis was like having a heart attack; and the recession was like a serious case of the flu. Any one of the three would be a challenge, but having all three at the same time would certainly remind a person of his or her own mortality.

Among the risks still facing the global economy, Mandelbaum said, are:

- The possibility that the various cures employed by governments will be inadequate, making the recession last longer than necessary; he suggested that because the US and China have spent more in their attempts to fight recession, they would come out of it faster than Europe and Japan...which is good news unless you happen to be European or Japanese.
- The possibility that enormous debt created by US government actions, coming on top of eight years of deficit spending, will create crippling inflation...which is a problem for everyone, he noted, since this recession has proven the global centrality of the US economy.
- The possibility that turbulent times will create economic nationalism and protectionism, with “would be disastrous” for the global economy.

There was, however, good news. “The worst has not happened,” Mandelbaum said, referring to a total collapse of the global financial system. “And it is not going to happen. This recession, like all recessions, will end, and growth will begin again.”

In the second plenary session, Professor Robert Watson, chief scientific advisor to the UK's Department for Environment, Food and Rural Affairs, addressed the fact that despite a doubling of global food production since 1960, 15 percent of the world's population still goes to bed hungry every night. Watson noted that demand for food will double in the next 25-50 years, and said that the globe needs “sustained growth in the agricultural sector” if it is to meet this challenge.

However, Watson also said “that there is plenty of food today,” and the real problem is one of distribution and the fact that the poor cannot afford to buy it. In other words, the system is both functional and dysfunctional at the same time.

Watson elaborated by pointing out that the US government subsidizes the growth of certain crops, and then “dumps” the crops that cannot be sold on the open market in places like sub-Saharan Africa, where local farmers cannot possibly compete on price. This leads to less than optimal use of land in such places, and a lack of self-sufficiency on the part of those farmers. “It is in our best interests to make sub-Saharan Africa more self-sufficient,” he said.

And, Steve Burd, president/chairman/CEO of Safeway Inc., brought to this global audience his company's approach to health care issues, reiterating a familiar position: that if individuals were obliged to pay the full cost of “unhealthy behavior,” they would be motivated to a) change their behavior and b) be more responsible about health care costs.

Final thoughts about Day One...

It seems to me that in some ways, the story of this CIES World Food Business Summit may be told by events that bookend the event.

One of them doesn't happen until Friday – the annual closing black tie reception sponsored by L'Oreal, which people already are talking about because it will be considerably less lavish than receptions past. This appears to be a bow to the new reality, and delegates to whom I have spoken actually seem to think this is both sensible and timely – a way of dealing



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with reality as opposed to ignoring reality or collapsing under its weight.

The other event was far smaller, but perhaps more telling. On Tuesday, there were a series of store tours, with four busloads of delegates shuttled around nearby Westchester and Fairfield Counties to see the local retailing scene. I had the opportunity to serve as a kind of informal host to the delegates at Stew Leonard's, and it was great fun to see them gape at an innovative form of food retailing that I've gotten used to having shopped there for 25 years.

I was struck that, as the retailer and manufacturer executives milled about the store, there was another tour taking place: a group of school kids, maybe eight or nine years old, walking happily through the store, wearing Stew Leonard's hats, tasting and learning and generally connecting to a unique retail experience and the various foods it offered.

That's the future colliding, I thought to myself. Today's executives and tomorrow's customers, equally delighted by superior food, marketing and merchandising.

Which is as it should be...

Tomorrow: Michael Sansolo reports from the CIES World Food Business Summit, Day Two.

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