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

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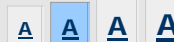
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### Reporting In: From The CIES World Food Business Summit, Day Two

*by Michael Sansolo*

NEW YORK - There's no clearer sign of how the world has changed than the sudden confluence of the Prince of Wales and the kings of sales. That is, Prince Charles delivered a video message to the CIES World Food Business Summit here on the importance of sustainable fishing. In the course of his short talk, Prince Charles cited efforts from Walmart – a reference that probably doesn't get made in the palace every day.

Then again, maybe things aren't changing. There was no clearer sign of that than when Supervalu CEO Jeff Noddle talked about the importance of understanding today's younger generation. It was a stunning irony that on the same day Twitter was powering countless protests in Iran, only a handful of CIES delegates could claim they actually use Twitter.

Although the themes of CIES moved from simplicity to agility and optimism, the real theme was change in a number of issues impacting the supermarket industry worldwide on issues from sustainability to the economic climate, obesity and food safety. And in the midst of all that, CIES announced its governance changes and migration to a new name: the Consumer Goods Forum.

Two of the most gripping presentations came from opposite ends of the globe - clearly the most compelling attraction of the CIES meeting.

In the midst of the global economic crisis, Antonio Coto Gutierrez, CEO of Latin America's Dia supermarkets, showed how much worse things could actually get by sharing his company's experiences during the financial meltdown in Argentina a decade ago. In the course of that financial mess, prices declined then soared, leading

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to stunning economic chaos and, at its worst, wide scale looting.

Yet, Dia found a way to survive and thrive by examining and building relationships with suppliers, associates and shoppers. Dia built market share during the crisis by focusing on what was most important to each group and managed to address the issues as best as possible. For instance, employee salaries were raised to keep staff committed and focused.

Mark Price, managing director of Waitrose in the UK, delivered an equally sobering talk on an equally challenging topic - the sustainability of the global fishing industry. (Price's speech included the specially taped message from Prince Charles.) As Price explained, the industry's role in combating this problem is vital and he detailed steps Waitrose is taking to ensure its seafood offerings meet the standards of sustainability.

Environmental concerns were also critical to Bill Hickey's speech on the impact of food waste. Hickey, the CEO of Sealed Air Corp. offered shocking statistics such as 25 percent of food in the US being discarded uneaten; or how the majority of food grown in developing countries is trashed unsold or eaten. (This was an extension of the same message offered during Wednesday's speech by Professor Robert Watson, chief scientific advisor to the UK's Department for Environment, Food and Rural Affairs, as reported here on *MNB*.)

As Hickey explained, the tragedy of this situation is hunger for individuals, waste for economies and an environmental disaster from the energy used to consume the wasted food down to the methane gas released by rotting food products in landfills. Hickey talked about the relative benefits of minimal packaging in combating this problem - an interesting message that must be balanced against Hickey's position as CEO of the company that makes Bubble Wrap. But the message was compelling all the same.

One interesting and somewhat offbeat speech came from David Rockwell, an architect whose projects have included the staging for the Academy Awards. Rockwell talked about creating theater, treating shoppers as guests to be entertained and how to use lighting for dramatic eye appeal in stores.

On top of the program, change was definitely in the air for CIES itself as the association opened the day by announcing its demise - at least in current form and name. The global association is recasting itself as the Consumer Goods Forum, with equal support and guidance from retailers and suppliers. As co-chair A.G. Lafley, CEO/president/chairman of Procter & Gamble said, the association will not lose its DNA as a global forum.

If anything, proponents of the change say, it will grow in that direction. The new Forum will focus on a few key issues that fit the criteria of global, industry-wide issues where cooperation is key to success. Such issues include supply chain (building on the existing success of global tracking numbers and global commerce initiative) food safety and security, and environmental concerns. Co-chair Pierre-Olivier Beckers, president/CEO of Delhaize Group, emphasized the point on the growing concern about climate change and the need for coordinated and non-duplicative action.

The new forum will be overseen by a 50-member board, split equally between retailers and suppliers. Daily operations will be overseen by managing director Alan McClay, the current head of CIES. Sabine Ritter of the Global Commerce Initiative will serve as integration manager of the new Forum.

Beckers and Lafley said the new group will not usurp the power or issues of various national associations such as the Food Marketing Institute (FMI) or the Grocery Manufacturers Association (GMA) in the US, since only those associations can deal with lobbying, national or regional issues. (FMI and GMA will also have links to the global board.) And on issues of conflict between retailers and suppliers, those groups might work on separately to set up specific education or discussions.

Of course, the devil is always in the details. The integration of national associations will be critical, especially with the goal of

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eliminating duplicative efforts. It will be interesting to see how FMI, which has a strong reputation in food safety, blends with the Forum's global food safety efforts or how FMI and GMA coordinate on supply chain efforts. It will also be interesting to see how issues migrate between the associations, especially at a time of financial pressure on all.

And then it remains to be seen how CEOs will split their time between board commitments at FMI and GMA with the new Forum. One supplier told me more North American presidents and fewer global CEOs will largely fill the GMA board. And the role of smaller companies, a large part of the leadership at FMI and NGA, will need significant consideration.

One retailer called the new structure a "big company" club and pointed out that Lars Olofsson of Carrefour, who is vice-chair of the new Forum, never attended a single board meeting prior to his election. "They just wanted a big guy in there," this retailer said.

*Monday: Kevin Coupe files a final report from the CIES World Food Business Summit, Day Two.*

**KC's View:** First of all, thanks to Michael Sansolo for covering the second day of the World Food Business Summit for me. I had a commitment to be in Chicago to speak and moderate a panel at the All Things Organic conference, and flew back in time to attend the Thursday reception following the business sessions. (This was the first time I'd missed a CIES Summit session in 11 years...but duty called, and as they say in "The Godfather," this is the life I have chosen...)

In talking to retailers, manufacturers and service providers who are attending CIES, I found that there is something of a sense that this could be the beginning of the end for an institution that has enjoyed a high level of thought leadership over the past half-century. It isn't seen as inevitable, by any means, but there seems to be a feeling that the new structure creates a far more political organization in which people and companies will be jockeying for positions of influence. (The circumstances surrounding the election of Olofsson as vice chairman are cited as ample evidence that big guys get what they want, whether it makes sense or not.)

One of the things that I've always liked about CIES is that it has a low-key demeanor that stresses the work, not the egos. There seems to be a fear that CIES could buckle under the weight of its new structure and a sense of self-importance ... something that certainly has happened to other trade associations. It will be up to the new leadership at CIES to make sure that this doesn't happen ... but it may not be easy.

Good luck with it.

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## Can It: Aluminum Beer Containers Gain Some New Cachet

The *Washington Post* reports that some smaller brewers are beginning to expand the number of products available in aluminum cans, "challenging the stigma of canned beer."

The logic behind the move: "Cans are opaque, so there's no need to worry about skunky, light-struck beer. They're lighter and more compact than bottles, making them a convenient tote for bikers, backpackers and the beach crowd. They ice down faster than glass. And consumers are more likely to recycle cans."

While the big brewing companies have always sold beer in cans, the *Post* reports that "of the 446 microbreweries and 990 brew pubs known to be operating in the United States, only about 40 can their beer." So this represents a big shift in the philosophical sense, if not one that will cause markets all over the country to reset their beer cases.

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