



MDP Annual Congress 2003

The Roosevelt Hotel, New York 26th – 28th October 2003

Executive Summary

Congress quotes

“The conventional supermarket...offering all things to all men...is a dying breed.”

Christian Haub, Chairman, President & CEO, The Great Atlantic & Pacific Tea Company, USA

“There is no reason at all for food retailers to be in manufacturing or logistics...They are food marketing companies and should get rid of all other overheads.”

Mark Husson, First Vice President, Merrill Lynch, USA

“[Overeating] is the collateral damage of industry and public policy.”

Marion Nestle, Ph.D., M.P.H., Professor and Chair, Department of Nutrition & Food Studies, New York University

“The difference between management and leadership is what *you* stand for”.

Caroline Sami, Founder & CEO, Perfect Pitch, UK

“Integrating social development in business creates a ‘win-win-win’ situation for workers, shareholders and entrepreneurs.”

Muhammad Saidur Rahman, Founder and Managing Director of Bantai Industries and SSG (The Social Standard Working Group), Bangladesh.

“People join companies but leave managers.”

Steffen Landauer, Vice President and Chief Operating Officer Pine Street Group, Goldman Sachs & Co.

Congress conclusions

Reinventing the supermarket. Traditional food retailers have seen their market share taken away by a growing number of alternative formats. Although the current economic downturn has created cyclical distortions, retailers have to accept that the market has changed fundamentally. The era of the conventional supermarket is coming to an end and survivors will have to lower their cost structure and refocus their retail offer.

Choosing your customer segment. In a highly competitive and saturated marketplace, retail companies cannot afford to waste resources targeting all consumers. This is particularly important in a diverse, multi-cultural society like the US. Strong brands, whether national brands or private label, are crucial for establishing a loyal group of core customers.

Leadership and true values. It is easy to talk or write about values but true leaders stand out by acting on their beliefs. At a time when western countries face disillusionment about work

and the Third World continues to face poverty and exploitation, leaders with clear core values are necessary to change mindsets and motivate people, both at work and in society at large.

Strategic Session

Morning – The US Grocery Market

Welcome to the CIES Management Development Programme

Stephen Quinn, Business Development Manager, Ireland, and Chairman of the CIES MDP Committee

Stephen Quinn underlined the role of the MDP programme in helping delegates understand their business. Exposure to other countries is a particularly important part of the experience and, with 25 countries represented, he urged delegates to get as involved as possible. Apart from its energy and consumer trends, New York provides an insight into the North American retail agenda. This agenda is dominated by the question of how to deliver value to consumers, which is relevant to all parts of the world, he argued.

Retail in the fast lane – the race to innovate in the US

Christian Haub, Chairman, President & CEO, The Great Atlantic & Pacific Tea Company, USA

It may seem strange to start a conference on a Sunday, Christian Haub noted, but then this day has become a busy trading time for retailers. These extended opening hours, unimaginable 20 years ago, illustrate a sea-change that has taken place in food retailing. Whereas before identical supermarkets could exist side by side, now the food retail market is saturated. Supermarkets find themselves in the midst of a 'Perfect Storm', with pressures coming from three key areas:

- **Wal-Mart:** the retailer's discount strategy has been made possible by an understanding of the IT and logistics groundwork of the business and by a non-union labour policy.
- **Economy:** the current downturn has broken the assumption that supermarkets are recession-proof. As consumers have become more price conscious, supermarkets have been forced to cut prices, at the expense of their bottom line.
- **Alternative formats:** discount formats have claimed more total grocery sales (+5% in 2002) and primary shopping trips (+3% in 2002) as supermarkets continue to lose ground.

Together, these different factors have contributed to a permanent change in US consumers, who are no longer prepared to pay extra for the best. The solution for food retailers is not economic recovery but a reinvention of their business. Rather than make cosmetic changes, operators need to undertake a long-overdue overhaul of their support structure in order to develop a new, focused retail offer. This was the basis of the 'sea-change' at A&P. As a 144-year-old company, the transformation into a state-of-the-art operation was painful and painstaking but vital for profitability. Rather than accept the 'doom and gloom' of the current situation, A&P saw an exciting future in addressing frankly the challenges faced by supermarkets. Christian Haub outlined three main areas of the programme:

1. *Reinvention of business systems and processes (EverGreen)*. This part centred on creating a category management capability to coordinate buying and sales data. In other words, this meant developing centralised buying using local store knowledge. The data analysis involved enabled A&P to see that private label products suffered from promotions on adjacent brand items. Brand lines were therefore removed from the same shelf to boost private-label sales and therefore margins.
2. *Net costing*. An important step here was to stop 'siphoning' vendor allowances for profits. Dependency on allowances (60-70% of total income for many retailers) has led to price inflation and created room for Wal-Mart to undercut supermarkets. By including allowances in the product cost, net costing gives an accurate assessment of profitability. Short-term loss of income is outweighed by higher sales driven by better pricing.
3. *New marketing proposition*. This final and ongoing part of the A&P sea-change is based on the fact that the conventional supermarket, offering all things to all men, is a dying breed. Supermarkets therefore need to offer a new and aggressive proposition to consumers. At A&P, this is taking the form of a greater focus on private label, better quality in fresh and new products sourced from parent company Tengelmann.

Q&A

Asked how long he thought A&P had left before investors lost faith in its transformation, Christian Haub argued that the pressure was coming more from competition than from investors. He said that supermarkets only had a few years to make important changes, noting that many had already gone out of business before the current downturn. On the issue of private-label volume, he stressed that A&P's level of 12-13% of total sales was too low. This modest percentage reflected the excessive number of products in what has become a costly and unproductive supermarket assortment. The introduction of the Food Basics banner, first developed by A&P in Canada, illustrates this new approach of weeding out unprofitable items to offer a limited assortment. This third phase of the transformation (i.e. the new way to go to market) would bring the biggest changes, he concluded.

Renewal in the fast lane

Robert Canipe, Vice President Business Strategy, Food Lion, USA

Since its creation in 1957, Food Lion has always been about low price, Robert Canipe explained. After growing slowly to operate a handful of stores in the 1960s, the supermarket retailer began a period of rapid expansion after it was acquired by Delhaize of Belgium during the 1970s. The 1980s proved to be a 'golden decade' as Food Lion saw its number of stores soar from 106 in 1980 to 881 in 1991. The following decade turned out to be a difficult one for a number of reasons. Increased competition from Wal-Mart (Supercenters) and Aldi reduced its room for growth, while allegations of poor hygiene on a prime-time TV show (later disproved) damaged its reputation. Food Lion also made unsuccessful attempts to enter Texas, Oklahoma and Louisiana, although it did make important acquisitions in Kash n' Karry and Hannaford.

So what was the state of the company after this testing period? Food Lion retained a strong EDLP message but lacked other aspects of consumer service (as shown by TV commercials of the time that focused exclusively on price savings). Partly in response to the hygiene allegations, its 1200 stores all had a sterile appearance. The retailer decided it needed to

change the whole business and introduced the RenewALL programme. Robert Canipe outlined the four main areas:

Organisation: management has changed considerably during the past three years. Out of 10 senior posts, only one person is in the same role, with only four having served at Food Lion for those three years.

Cost structure: store closures (41 in 2003), job cuts (400 at head office and distribution centres) and indirect procurement savings (e.g. energy savings at stores) have all been used to support prices, rather than the bottom line.

Support systems: whereas Food Lion's data used to be very patchy, it is now able to go down to item level. This level of detail allows the company to measure factors like inventory and out-of-stocks, thereby establishing the net cost of products. Loyalty card data is also analysed to see what drives sales.

Go to market strategy: this comprised two parts –

Market renewal (“Take a fresh look at Food Lion”). The retailer carried out a pilot in Raleigh, North Carolina. By refocusing on one market, Food Lion sought to bring together all the positive elements from across its network. 69 stores were remodelled, with physical refurbishment being accompanied by staff training and marketing.

Concept renewal. Raleigh was a great success but it was not a model for sustainable sales for the group. Overall, Food Lion faced growing competition, low same-store sales and a consumer trend towards convenience retailing. In response, the retailer created a special cross-functional team, supported by an advisory committee comprised of the CEOs from Food Lion, Hannaford and Delhaize. This team was then given a ‘clean slate’ to rethink the whole retail concept. The project was crucially given priority status within Food Lion. The process consisted of five phases:

1. build a fact base and initial concepts (e.g. through store visits in US/Europe)
2. develop details and analyse viability for narrowed list of concepts (one selected as priority)
3. design pilots
4. launch, monitor and modify pilots (launch of first pilot stores in 2004)
5. analyse pilot results and plan roll-out (portfolio approach followed so that concept can fit banner as a whole)

Summing up, Robert Canipe argued that the Raleigh programme would work for a few years but that Food Lion had to continue innovating through the “concept renewal”.

Q&A

Asked about the return on the new Food Lion stores compared to that for Wal-Mart's Neighborhood Markets, Robert Canipe said that they were comparable, with capital spending about the same and pricing higher at Food Lion. On the cost of the Raleigh remodels, he noted that they represented an average investment, partly in view of efficient use of fixtures and material. Regarding the challenge of communicating low price in a more expensive-looking store, he agreed it was a tough proposition, which Food Lion addressed by maintaining low prices and communicating strongly on them. He cited Food Lion's circular

store in Jacksonville as an example of a badly thought-out remodel, since it lacked fresh fish although located in a coastal town. He added that Food Lion would be able to learn more about fresh food from parent company Delhaize.

The state of play in the US grocery sector

Mark Husson, First Vice President, Merrill Lynch, USA

Like other sectors, food retailing has seen a more sober climate set in since 2000, Mark Husson argued. This is shown by the poor performance of food retail stocks over the past three years. The downturn has exposed a number of features of the bubble of the 1990s:

- Consumers lost focus on price/value.
- Retailers paid too much for acquisitions (e.g. Delhaize paid 12 times EBITDA for Hannaford Brothers).
- Retailers added too much capacity, assuming that the boom was normal trading.
- Corporate overheads were bloated, particularly in labour costs. Retailing has become a middle-class occupation in the US, with rising healthcare costs covered by retailers.
- Retailers left the door open for low-cost operators to come in and fill the value gap.

The solution for food retailers is a combination of ‘time’ and ‘surgery’. On the one hand, time will resolve cyclical issues such as consumer spending and deflation. On the other hand, surgery will be needed to address structural cost issues, principally labour costs (equivalent to around 16% of sales for supermarkets). This is crucial because, beyond the cyclical effects, certain aspects of food retailing have changed permanently. ‘One size fits all’ retailing, for example, is no longer sustainable, nor are pay and benefit increases with nothing in return.

While they carry out this surgery, food retailers are facing a ‘winter of discontent’. The current strikes in Southern California and other states illustrate the high stakes. Supermarkets have absorbed around 20% inflation in healthcare costs over two years, while Wal-Mart’s non-union policy has enabled it to avoid incurring such expenses. The discount group’s threat to traditional food retailers can be described as the “black death” effect. In other words, everyone gets sick but the survivors are left in a stronger position. Mark Husson summarised at-risk retailers as those with:

- Food
- Unionised cost base
- Blue collar customer bias
- A perception that they are inexpensive (a frequent delusion)
- Stores in Republican markets or outside the top 50 metro markets
- Many young families among customers (39% of Wal-Mart shoppers are young families)
- Less than #3 position in a given market

Broadly, the “black death” effect spreads when a supercentre opens, supported by a new DC. Weak retailers lose share and some go out of business. The stronger players maintain their share but after the weaker ones fall out, they are in turn pressured. Eventually, they learn to live with the problem and the cycle changes.

For survivors, new growth is possible, Mark Husson concluded. Loblaw, the largest food retailer in Canada, provides an example of a supermarket operator that has developed a strong one-stop-shop proposition. Supermarkets have become more gloomy than they need to be but they do have to adapt more quickly than in the past. Key requirements for future growth include:

- Brand re-positioning (real segmentation)
- Differentiated private label
- Growing economies of scale
- Reduce SG&A (Sales, General and Administrative) expenses
- Non-traditional categories
- Move to one-stop shop

Q&A

Asked if self-manufacturing by retailers had a future, Mark Husson insisted that there was no reason at all for food retailers to be in this area. He explained that retailer manufacturing had grown significantly because of brand resistance to private label but should now be got rid of like other non-core overheads such as logistics. Regarding the prospects for merger and acquisitions, he argued that there was little point paying a big price since divisions could be picked off from struggling operators.

Afternoon – The American Consumer: Getting to know you

Who is the American consumer?

Shelley Lazurus, Chairman & CEO, Ogilvy & Mather Worldwide

The problem with the American consumer is that it is a subject as huge as the collected works of Shakespeare, Shelley Lazurus joked. While most people think of *Friends* as representative of contemporary America, the fastest-growing TV show today is about five gay men who help straight men with lifestyle problems. In short, the US contains the most complex counter-intuitive group of consumers. The country is more multi-cultural than ‘melting pot’ since it has such an array of distinct cultures, including 30 different languages. It is above all a society of extremes and paradoxes. There are, for example, 51 million university graduates in the US but 17 million high-school drop-outs. Shelley Lazarus picked out some other contradictions in American society:

Health: the US boasts 34 million gym members (11% of the population) and a \$39 billion diet industry, now being driven by the Atkins low-carbohydrate diet. At the same time, 65% of the population is considered obese or overweight. This weight problem has fuelled a public debate leading to legal action against McDonald’s and proposals to require restaurants to list food content. This health debate has had some interesting effects on the food industry, with McDonald’s launching salad meals and sandwich chain Subway enjoying a surge in sales after marketing a low-fat range.

Wealth and low price: Americans are wealthier than ever before but value has become more important. The growth of Wal-Mart is based on offering good prices and abundance to small

towns. However, the retailer may be underestimating the impact of legal action brought by female employees, since the case could undermine its values-based philosophy.

Work: Americans work more than 40 hours a week on average, plus five hours commuting, while having the least vacation time and the highest percentage of dual income households. At the same time, time-pressed consumers are offered over-choice in the huge assortment in stores.

Experience: Americans are increasingly looking for 'wealth of experience' rather than simply material wealth. The launch of the Nike Town store reflects this demand for a retail experience beyond merchandise. However, while seeking personal service, consumers are also fighting for privacy. A 'Do not call' list created to protect households from telemarketing attracted 60 million subscribers without any advertising.

So how are companies to approach the US consumer in view of all these paradoxes? Brands have become vital for time-pressed customers to navigate the abundant choice of products. However, for brands to be successful, they have to know their particular customers and not waste resources marketing to everyone. Diet Coke, for example, derives 80% of sales from 8% of households in the US but uses mass marketing when it should be targeting core customers. Employees have also been neglected by companies, which spend very little time on the people who actually deliver the brand. By rewarding your brand's loyal followers, she concluded, they will reward you in sales time and again.

Q&A

Asked if private label would affect middle brands, she argued that pure generics would not replace national brands but new store brands had the potential to as they create emotional links.

Food politics – the nutrition and obesity debate

Marion Nestle, Ph.D., M.P.H., Professor and Chair, Department of Nutrition & Food Studies, New York University

A recent obesity initiative published by the Grocery Manufacturers of America illustrates how the obesity debate has changed, Marion Nestle argued. While discussion previously focused on individual and family responsibility, the debate is now focused on the environment that influences us. The GMA proposals, for example, include a request for advertisers to establish guidelines for marketing to children and plans to conduct research into the role of food labels. This shift in the debate reflects the epidemic levels of obesity in the US, with total incidence increasing from 10-15% of the population in 1991 to 20-30% in 2001. This recent rise demonstrates that the problem is not related to a genetic change but the simple fact of an increase in calorie balance. Further, sedentary lifestyles have not changed over the past decade, indicating that the problem lies primarily in calorie intake, rather than in energy expenditure.

The determinants of food choice can be summarised under three categories: 'economics' (income-related); 'social science' (various social and cultural characteristics); and 'food systems'. This third factor denotes the manufacturing, processing and marketing of food. This represents together a \$1.3 trillion industry in annual sales, divided equally between at-home

and out-of-home food. Supported by government incentives for certain ingredients, the industry offers consumers cheap food (only 10% of house income is spent on food) in overabundance (3,900 kcal are produced for each consumer, double what they need). To continue growing in this context, food companies have three choices: take sales away from competitors, raise prices, or get the overall level of eating to rise. Marion Nestle outlined the influence of the food industry in increasing food consumption:

Marketing

Food and beverage companies in the US spend a total of \$34 billion on advertising, according to US government figures, compared with US\$2 million per year spent on the '5 A Day' healthy eating campaign at its peak. The fact that the average diet of Americans has become top-heavy with foods recommended for light consumption by the government's dietary guide, shows that advertising spend works. The marketing of breakfast cereals as healthy is an example of how advertising has promoted unbalanced diets.

Legislation

In a compromise with the food industry, the US Senate deregulated health claims for food and supplements in return for agreement on nutrition labelling. As a result, a range of health claims are made on behalf of products, such as cancer and heart benefits deriving from cereals. According to the advertising agency that worked with juice manufacturer Tropicana on a heart disease message relating to potassium, the health claim demonstrated a 'return on influence' as sales increased by 54.5%.

"Eat More Society"

Although not by design, food marketers have contributed to a change in society by making food available cheaply at any moment. The increase in portion sizes has had an important effect in increasing the calorie intake of Americans. This trend is illustrated by a local cinema that offers a maximum 64oz beverage, compared to the Department of Agriculture's standard soda serving measure of 8oz.

Children

Marketing to kids has become an accepted part of the food industry. This activity is based on the idea that kids have their own food, principally in the form of 'treats'.

So what are the responses to this obesity epidemic? Marion Nestle suggested the following policy solutions designed to change the current 'eat more' food environment:

- Implement national goals (already in place but no agency is accountable for them)
- State nutrition goals explicitly without euphemisms
- Eliminate food marketing from schools
- Regulate TV advertising aimed at children
- Adjust price policies (create incentives)
- Adjust tax policies (idem)
- Eliminate farm supports
- Regulate election campaign contributions

These are not new policies, she stressed, but ones which have to be promoted properly. The food industry is in a difficult position since it faces a fall in product sales if consumption of obesity-linked ingredients like sugar and oils is reduced. At the same time, in view of the

media war being waged over obesity, it cannot afford to be left behind by changing attitudes towards nutrition.

Q&A

Asked if diets can be packaged effectively for consumers, Marion Nestle said that this was a solution for affluent consumers choosing not to prepare food. The key issue is pricing, since healthier foods have to be made less expensive; government therefore has to be involved. There was no easy solution, she repeated, as the food and healthcare industries would both lose sales, but at some point growth would have to stop.

Panel discussion on “Bringing Value to Consumers”

Paul C. Lindner, Director of Merchandising, Daymon Associates, Inc, USA

Steve Michaelson, Senior Vice President, Weis Markets, USA

Jonathan Sims, Regional Vice President, Wal-Mart Stores, Inc., USA

Scott Weaver, Vice President Sales, Promotions Unlimited / Ben Franklin Stores, USA

Moderator: Mark Husson, First Vice President, Merrill Lynch, USA

The panel members first shared their views on the question “What is true value?”. **Jonathan Sims** said that not much had changed at Wal-Mart since 1987, when he attended a presentation by founder Sam Walton. What consumers want in terms of particular products had changed but the Wal-Mart value proposition, based on consumer trust, remained the same. He summarised this proposition in terms of low prices (EDLP and ‘Rollbacks’), a wide product mix (with Supercenters offering a true one-stop shop), guaranteed in-stock and efficiencies passed on to consumers in price reductions. **Scott Weaver** summed up the strategy of Promotions Unlimited as supplying whatever consumers are willing to buy. The fact that the distributor’s largest customer base is now dollar stores illustrates how consumer perception of value has changed. **Paul Lindner** explained that, as a private-label broker serving retailers, Daymon’s aim is to provide quality products that persuade shoppers to come back. **Steve Michaelson** described Weiss as a regional supermarket operator offering quality and price for its chosen customer segment. The quality element was the key to competing at a time of growing consolidation, he stressed, citing the success of Weiss’ own-brand rotisserie chicken.

On the importance of price, **Jonathan Sims** said that it represented a core part of Wal-Mart’s operations. If an item does not scream price, it has to be changed, he insisted. **Scott Weaver** said that Promotions Unlimited was heavily focused on overseas imports in order to source a variety of products cheaply, quickly and in bulk. **Paul Lindner** explained that Daymon spread orders among its retail customers in order to obtain consistent volume, driving down costs and as a result price. Once the products are in the store, signage becomes an important factor. Asked by **Mark Husson** how retailers could protect margins when the price of produce like meat went up, **Steve Michaelson** agreed that commodities were a difficult issue. But being a small operation helped in reacting quickly to changes in farm prices. On the effects of overseas sourcing, **Jonathan Sims** acknowledged that there was an impact on US manufacturing but argued that this was outweighed by the gains for the US consumer in terms of low price and deflation. Wal-Mart was trying to maintain a balance by promoting US manufacturing through a US export office, he added.

On the prospects for private label, **Paul Lindner** argued that national brands still set the standard but that premium store brands were growing. In response to the expansion of

discount operators like Aldi and Save-A-Lot, Daymon was also working to offer food retailers entry-price on private labels within 5% of those offered by pure discounters. **Jonathan Sims** underlined the importance of pushing private label through clear price differentiation. Wal-Mart private labels thus offered on average a 15-20% saving compared to national brands. On the challenge of balancing service and costs, **Steve Michaelson** argued that retailers could only add labour if customers see the value and are therefore prepared to pay for it. **Jonathan Sims** said that Wal-Mart's commitment to outstanding service was supported by a profit-sharing model that included all staff. Regarding retailers' responsibility for obesity, **Paul Lindner** saw the issue as one the sector could handle itself through consumer education, without more government legislation. With 98% of the US population visiting a Wal-Mart store last year, the retailer had a leading role to play, **Jonathan Sims** argued. Ultimately, what is good for the consumer is good for Wal-Mart, he concluded.

From the racing track to the store aisle

Don Rothwell, Managing Director, Licensing Retail Development, NASCAR

NASCAR, the National Association for Stock Car Auto Racing, has come a long way since it was founded in 1948. It has grown into a national sport with 75 million fans, a third of the adult population in the US. It also boasts the biggest crowd numbers for any sport in the US (with 200,000 people attending the Daytona 500 race), is the #3 sport in terms of licensed product and the #2 in TV ratings. NASCAR's fan base further represents a wide cross-section of Americans, with a 60/40 split between men and women and a range of ages and incomes.

In order to continue growing, NASCAR is investing heavily in different media channels, both in the US and in other countries. A package signed with leading networks has secured its place as the #2 TV sport in the US, while partnerships with 26 international media companies have helped it to broadcast to over 100 countries. Beyond TV, key growth drivers include satellite radio, which allows listeners to receive broadcasts across the US, and internet, with NASCAR's website now the fifth-largest sports site in the world.

So what are the opportunities offered by NASCAR for companies? The heavy sponsorship of events – 250 brands involved in the Winston Cup, with more Fortune 500 partners than any other sport – reflects the high demand for merchandise among fans. A February promotion at Wal-Mart coinciding with the Daytona 500 produced double-digit sales increases for participating brands. Coca-Cola, NASCAR's official soft drink since 1998, has sold 125,000 commemorative bottles and has developed cross-marketing with fellow sponsor Home Depot, including vending machines in stores. In other words, NASCAR is a big sport for both retailers and manufacturers to be involved in, Don Rothwell concluded.

The MDP Store Visits Programme ***Same Consumer, Different Moment***

Session moderator: Tim McGuire, Partner, McKinsey & Co.

Introduction

The MDP Store Visits Programme covered four stores located in Connecticut, north of New York. These four stores were:

Costco Wholesale, Norwalk, CT. A 13,000m² warehouse club offering a range of food and non-food categories.

Stew Leonard's, Norwalk, CT. A 10,000m² supermarket with a strong emphasis on fresh food and store service.

Wal-Mart, Norwalk, CT. A 11,500m² discount store offering general merchandise, together with a selection of dry groceries.

Wild Oat's, Westport, CT. A 4,000m² food store specialising in natural and organic products.

MDP delegates were divided into teams and asked to analyse the four stores in the programme through the eyes of one of five fictional American consumers. The objective of the store visits was therefore to understand the customer's perspective rather than give a retail executive's view. The five fictional consumers were described as follows:

Customer profiles

Mary and her family...

Personal Profile

24 year-old mother with 2 kids (2 and 4). Your husband is a janitor at a local school earning \$28,000 a year. You work 12 hours a week at a local hardware store to help make ends meet. You are renting a small apartment and money is very tight.

Purchasing Profile

You do your best not to buy ready-prepared food as that costs more and at the moment you're try to cook and bake as much as you can. You know that it's good to eat in a healthy way, but it's difficult to do so economically and your husband really likes his red meat and potatoes.

Although you know that you shouldn't, you can't resist occasionally buying something useful for the apartment. You're always on the look out for a really good bargain but you know your husband doesn't like it if you spend any more than \$10 on something like that.

Mary's hobbies: Harlequin romance novels, soap operas, and spending time with friends.

Mary's husband's hobbies: Watching football, bowling, watching TV

Family Car: 1980 Chevy Wagon (husband makes repairs himself)

Newspapers: National Enquirer, occasionally USA Today

Magazines: People, TV Guide, Monster Truck Illustrated, Worldwide Wrestling Federation Slamdown (WWF), NASCAR News

TV Shows: Big Brother 4, Everybody Loves Raymond, Temptation Island, Married With Children, Judge Judy, Sports Channel

Lauren and her partner...

Personal Profile

You're one half of a high earning couple who've just moved out of New York to buy your first house in Westport. He's a lawyer now making a 6-figure salary and she's making close to that in advertising. You have bought a great new place big enough for a family but you're in no great rush to start one. Because of outlaying on the new place you are conscious of your spending at present but know that overall money is not a problem.

Purchasing Profile

Whilst you have plenty of money, what you don't have is time. Often shopping is done at the end of a day on the way back from the Westport train station. Because both of you work long hours, one of you quite often find yourself eating alone in front of the TV. When you're both at home together you'll often go out rather than eat in. However, you do like to host BBQs for friends and family on weekends. You are both very conscious of what you eat and wherever possible you try to buy products that are low in fat and from ethically sound sources.

Lauren's hobbies: travel, shopping, rollerblading, jogging and hiking

Lauren's partner's hobbies: golf, sailing, mutual fund investing

Their cars: Nissan Pathfinder and a 4-door Mercedes Sedan

Newspapers: Wall Street Journal, New York Times

Magazines: The Economist, Conde Nast Traveller, Wine Spectator, Vogue, Pottery Barn Catalogue, New Republic

TV Shows: Seinfeld, Wall Street Week, Frazier, Nightly News with Dan Rather, CNN, Sex in the City

Barbara and her family...

Personal Profile

You're a married mother of 3 whose husband is a big shot in the city. Your children are 12, 10 and 7 (two boys and a girl). You're devoted to your kids and make sure they've always got everything they could want. You spend your week as a confirmed housewife and once the kids are off to school you tend to shop most mornings before heading off to the country club for a round of golf before it's time to pick the kids up again. On the weekends your husband takes over shopping duties, often taking a couple of the kids with him.

Purchasing Profile

You do your best to have a family meal as often as possible. However, your husband often returns late so this isn't always possible. Nonetheless you do like to cook and only serve fast food as a last resort. You've become more careful recently since you discovered that your youngest child has a mild wheat intolerance. Because you shop so regularly you've come to value the quality of service you receive and would now rank that as possibly the most

important driver of where you shop. You love to entertain on weekends and your husband enjoys using the BBQ. He loves to impress friends and work colleagues with his grilling abilities.

Barbara's hobbies: country club, yoga, self-help books and pop psychology

Barbara's husband's hobbies: investing, golf, cigars and wines

Their cars: High-end minivan, Lexus sports coupe

Newspapers: Wall Street Journal, New York Times

Magazines: Time Magazine, National Geographic, Good Housekeeping, Highlights for Children, Tricycle, Saveur, Cooking Light, Crate & Barrel catalogue

TV Shows: Sunday morning political talk shows, Good Morning America, The Tonight Show with Jay Leno, PBS (Public Broadcasting Service), ABC Nightly News, CNN, Trading Spaces.

Bob and Margot...

Personal Profile

You're a retired couple who've lived in the area for over 60 years. You were both teachers and get by on your combined pension comfortably but with little room for luxury. Your two daughters have both moved away, leaving you with just two cats to look after which you dote on. In the last couple of years you've both had operations that have affected your mobility (him a hip, her a foot).

Purchasing Profile

You've become creatures of habit. You tend to eat the same things most weeks and you look forward to going to get it as you enjoy the interaction with the store staff. You like good honest traditional American fare – red meat, fresh vegetables and you both have a particularly sweet tooth when it comes to deserts. Since your operations, things like easy access and good handicapped parking spaces have become more important which rule out some stores altogether. Whilst you both tend to shop quite conservatively for yourselves, the cats get the best of everything!

Bob's hobbies: discussions about local politics, spy novels, pipe smoking

Margot's hobbies: teaching Sunday School, baking, bridge, her cats

Bob and Margot's car: 1993 Oldsmobile kept in good condition with low mileage

Newspaper: New York Times, The Connecticut Post

Magazines: AARP (American Association of Retired Persons), American History Illustrated, Newsweek, The Johns Hopkins Health Alert Newsletter, Knitting Monthly, Field and Stream, Cat Fancy

TV Shows: Mutual of Omaha's Wild Kingdom, CNN Insight, local news broadcasts, Martha Stewart Home, The Weather Channel, Animal Planet, America's Funniest Animal Videos, 60 Minutes

Donna and her family...

Personal Profile

You're a mother in an archetypal American family. You're 38 years old, have been married for 16 years and have 2 girls of 15 and 12. Your husband is a sergeant in the local police force. You work part time at a local homeware store as you like to feel you're earning independently and the extra money comes in handy. You've worked hard to bring up your children well and are encouraged by the fact that both are doing well at school and are beginning to become more independent.

Financially you are just about comfortable these days. However, in your early years of marriage you had little cash to spare and had to budget very carefully. You still maintain this behaviour today because for you, thrift is a virtue. Nonetheless, with a little more cash these days you can occasionally be persuaded to release the purse strings.

Purchasing Profile

Food shopping used to be quite simple – home cooked family meals. However, having two teenage girls has brought it's own challenges. You often find yourself preparing dinner for everyone at different times as they return from various school and social occasions. Additionally, your younger daughter has also recently announced that she is becoming vegetarian and is getting increasingly interested in knowing where her food is sourced. Your husband still loves his home cooking so keeping everyone happy is becoming a little more difficult, especially as wherever possible, you love to save by buying in bulk. As a shop assistant yourself you are very critical of standards of service and availability if they're not up to scratch.

Donna's hobbies: Shopping with daughters, power walking, Country music

Donna's husband's hobbies: hunting, watching high school and college sporting events, Baseball

Their cars: 1995 blue Dodge Neon, unmarked Crown Victoria police car

Newspaper: USA Today

Magazines: National Rifle Association Monthly, Girl Scout Monthly, Redbook, TV Guide, Reader's Digest, Seventeen

TV Shows: Queer Eye for the Straight Guy (Donna only), The Sopranos, ESPN-Sports Channel (husband only), The King of Queens, CSI – Crime Scene Investigation

Store visits missions

Each team was asked to carry out three missions through the eyes of their chosen consumer:

1) Consumer Value Propositions

All delegates were given a five-point card, or pentagon, in order to rate each store according to five key dimensions:

Price – what was the best value for money for my customer?

Assortment – which categories were best for my customer?

Service – what was the most valuable for my customer?

In-store experience – what did my customer enjoy most?

Communication – what will my customer remember?

2) Which stores work best for you customer?

Each team was then asked to review in depth how the four stores performed on the five pentagon dimensions. They gave a best store for their chosen customer for each of the five dimensions.

3) Stores and occasions

In the final part of their analysis, the delegate teams were asked to select a best store for their customer for the following three shopping occasions:

Weekly shop

Main shop or weekly shop or even stock-up, but the shopping mission which your customer regards as their principal grocery shopping occasion.

Tonight's dinner

You're on your way home and realise there's nothing to eat tonight (plus there's the last episode of your favourite TV serial tonight, and you and your partner have never missed a single show). You're buying for the whole household (i.e., if you're a parent customer, you have the children to feed as well).

Hallowe'en

You've decided to throw a Hallowe'en party for family and friends. Even if you don't have children living with you at home, there are enough of them in your wider circle to make this a fun idea. The party is next weekend and you haven't even started yet.

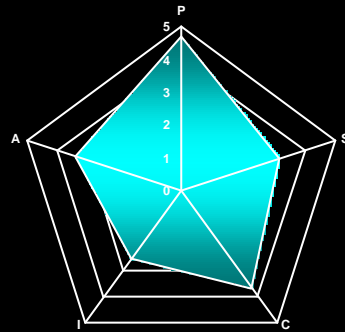
Results of delegates' analysis

1) Consumer Value Propositions

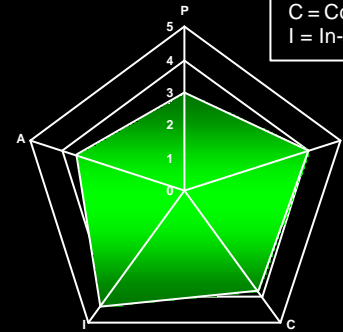


HOW MARY SAW THE STORES

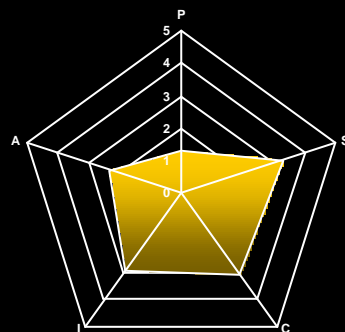
A = Assortment
P = Price
S = Service
C = Communication
I = In-store experience



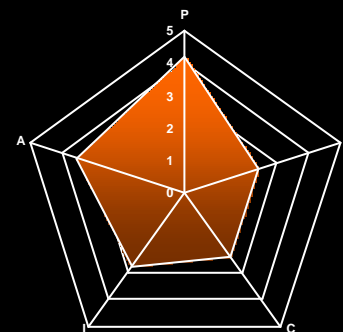
Wal-Mart



Stew Leonard's



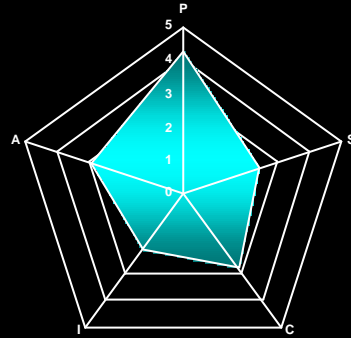
Wild Oats



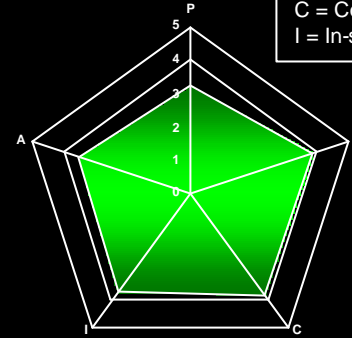
Costco

HOW LAUREN SAW THE STORES

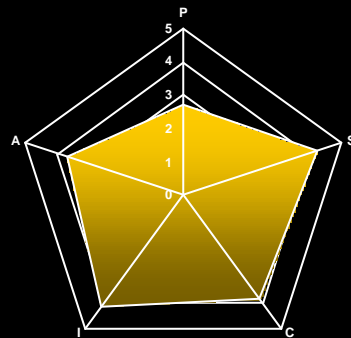
A = Assortment
P = Price
S = Service
C = Communication
I = In-store experience



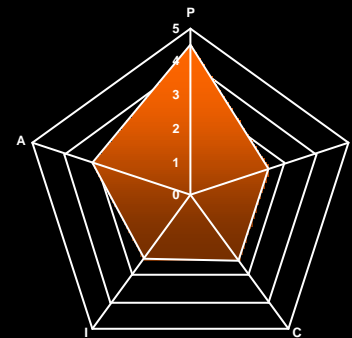
Wal-Mart



Stew Leonard's



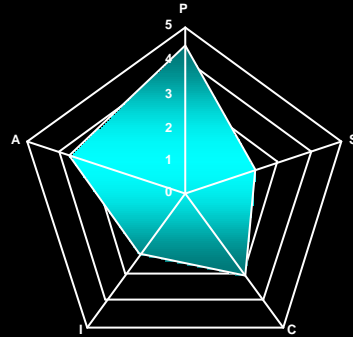
Wild Oats



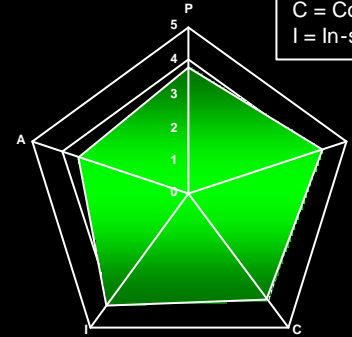
Costco

HOW BARBARA SAW THE STORES

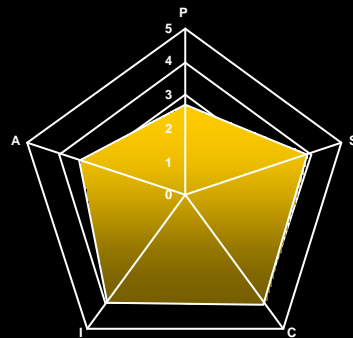
A = Assortment
P = Price
S = Service
C = Communication
I = In-store experience



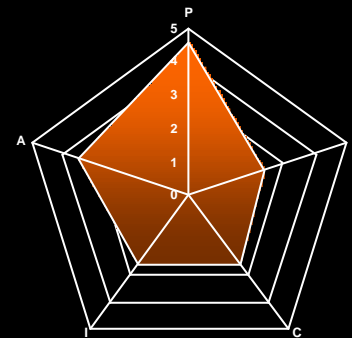
Wal-Mart



Stew Leonard's



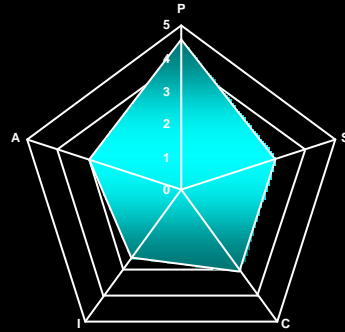
Wild Oats



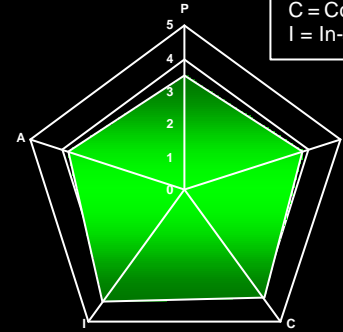
Costco

HOW MARGOT AND BOB SAW THE STORES

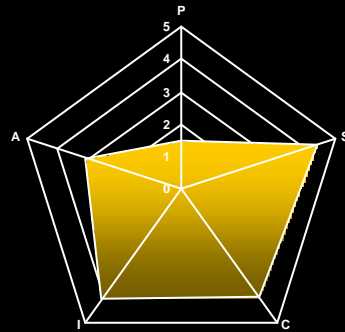
A = Assortment
P = Price
S = Service
C = Communication
I = In-store experience



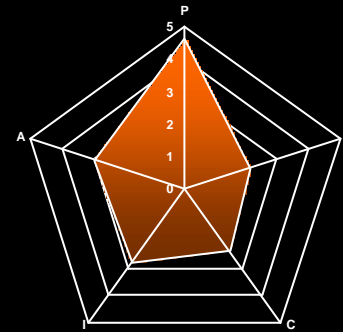
Wal-Mart



Stew Leonard's



Wild Oats



Costco

2) Which stores work best for your customer?

Group ratings of top stores for each value proposition...

| Group | Customer profile | Delegate group leader | Price | Range | Service | In-store experience | Communication |
|-------|------------------|-----------------------|--|---|---|---|--|
| 1 | Mary | Guillaume Bonneault | Wal-Mart - EDLP price communication. | Wal-Mart – non-food (kids, health). Stew’s for food (but expensive). | Stew’s. | Stew’s – “animation” of the store. | Wal-Mart - price |
| 2 | Lauren | Anthony Wysome | Wild Oats - because the quality and convenience offers the value she needs. | Fresh food and ready meals in Wild Oats. Basic grocery and core non-foods in Costco. | Wild Oats by a mile. | Wild Oats – combination of the above with ease of shop. | Wild Oats – because it meets her needs and values. |
| 3 | Barbara | Stephen Quinn | Costco. | Costco – wide assortment in mid-market goods. Wild Oats to maintain status – the place to be seen. Stew’s for father’s meat; keeps the kids occupied. | Wild Oats. | Wild Oats – massaging the ego. Costco – satisfying as top brands for frugal prices. | Wild Oats – it’s true to the brand. |
| 4 | Bob & Margot | Paul Havinga | Wal-Mart had the best balance in value between size and price. Costco in second position. | Fresh – Stew’s. Cat food – Wal-Mart. Bakery – Stew’s. Grocery and books – Wal-Mart. | Stew’s – created an interactive store offering many opportunities for them to talk to staff. | Stew’s – fun, staffing, handicapped parking and bakery (in that order). | Stew’s – for communicating to its customers on fresh and “we prepare it here”. Wild Oats for the cooking school. |
| 5 | Donna | Marc Koutoufaris | Everyday value is Stew’s for fresh food. Costco is value for money for once a month shopping. | Stew’s for everyday fresh and Costco/Wal-Mart for dry goods. Wild Oats occasionally for vegetarian daughter? | Stew’s for their personal service. | Stew’s for the entertainment experience. Costco for the treasure hunt experience. Wild Oats to educate oneself. | The great offers and low prices at Wal-Mart and Costco. |
| 6 | Mary | Desi Gilbert | Wal-Mart presented the best value option to Mary for weekly shopping. Costco for bulk monthly shop. Stew’s for treat/cherry picking. | Wal-Mart provides the best assortment for the weekly shop. Costco provides value for bulk shopping ranges. | Service is a very low priority for Mary. However for personal reasons she may be intimidated by Stew’s. | Mary would enjoy the promotional activity at Wal-Mart and Costco the most. She would also enjoy cherry picking at Stew’s. | The great offers and low prices at Wal-Mart and Costco. |
| 7 | Lauren | Stuart Ward | For weekly shopping, Wild Oats. Monthly purchases of non-perishables – Costco. | HMR, skincare, organic/healthy – Wild Oats. Events – Stew’s. | Wild Oats – knowledgeable staff and right amount of information. | Stew’s for the sensory experience. | Stew’s – you are not even inside when you start getting hit by positioning, etc. |

| Group | Customer profile | Delegate group leader | Price | Range | Service | In-store experience | Communication |
|-------|------------------|-----------------------|---|---|--|---|---|
| 8 | Barbara | Gary Williams | Stew's – multibuy on quality products, large packs of quality products (bulk chicken, dairy, etc. at good prices). | Fresh food – Stew's Meat – Costco Special dietary needs (wheat free products) – Wild Oats. | Stew's – proactive, knowledgeable staff. Fun place to be! | Wild Oats – peaceful atmosphere. Yoga books, health product range – browser friendly. | Stew's – freshness and customization of product is very visually communicated. |
| 9 | Bob & Margot | Pierre Guerin | Wal-Mart for non-food shop – convenient, appropriate pack sizes and low price. Good value at Stew's for daily fresh meat and produce. | Wal-Mart – pet food! Also for pharmacy and health and beauty. Stew's – excellent choice of cookies and desserts. | Stew's – number of staff; very active, enthusiastic. Less prepacked food so able to determine own portion size. Mailbox. | Stew's – tasting, products always in the same place. Structured path through store. Socializing with staff. | Product communication good at Stew's – recipe cards, reassurance regarding freshness. |
| 10 | Donna | Marina Vankova | Costco – purchase in bulk and save time and money. She is busy with 2 kids so she can do a 1 stop shop. | Costco - Household supplies (bathroom tissue, detergents). Meat for husband's meal; bakery, cakes. Stew's for organic foods for daughter. | Stew's/Wild Oats – more personal, smaller stores. | Wild Oats (clean and upscale, friendly). | Wild Oats and Stew's (friendly and fun!). |
| 11 | Mary | Marie-Helene Mimeau | Costco – big trip. Wal-Mart – weekly trip. | Non-food – Wal-Mart. Food – Costco. | Service not an issue. | Costco – new products, open aisles. Stew's – entertainment for children. | Good Wal-Mart TV – best value. Costco signage limited (product direction). |
| 12 | Lauren | Michael Durach | Costco. | Wild Oats for HMR, healthy food, household wares. | One stop shopping opportunity – Costco. Special information (meals, health) – Wild Oats. | Convenience and individual service at Wild Oats. | Conversation with meat guy at Wild Oats. Food signage at Wild Oats. |
| 13 | Donna | Abdurahman Hamdulay | Costco – bulk grocery items. Stew's – perishables. Wal-Mart – non-foods. | Costco – bulk grocery. Wal-Mart – non-foods. Stew's – perishables. | Stew's – ideas for meals and product knowledge. | Stew's – food ideas. Wal-Mart – non-food (especially range). | Price – Wal-Mart. Freshness – Stew's. |

3) Stores and occasions

Group ratings of top stores for each shopping occasion...

| Group | Customer profile | Delegate group leader | Weekly shopping | Tonight's dinner | Hallowe'en Party |
|-------|------------------|-----------------------|--|--|--|
| 1 | Mary | Guillaume Bonneault | <p>Would choose: none of the stores – Wal-Mart has no food. Stew's too expensive in general for weekly shopping. Costco the sizes are too big (and there's an annual fee!) and Wild Oats too niche.</p> <p>Impressed by: Stew's for fresh food (and the shopping experience) and Wild Oats for its health and natural offer.</p> | <p>Would choose: Wal-Mart because of price and ease of preparation.</p> | <p>Would choose: Stew's – because it is a special event and for the experience/fun.</p> <p>Impressed by: Wal-Mart – confectionery was cheaper.</p> |
| 2 | Lauren | Anthony Wysome | <p>Would choose: Wild Oats for product quality, ethics and convenience (but she may not want to do a weekly shop).</p> <p>Impressed by: Costco for groceries in bulk (maybe once a month).</p> | <p>Would choose: Wild Oats bearing in mind time pressure, convenience and the quality of the product/choice.</p> <p>Impressed by: Stew's due to HMR, opening hours and the chance to buy a bottle of wine across the road.</p> | <p>Would choose: Stew's – great fresh meat and fish, and able to do a 1stop shop.</p> <p>Impressed by: Costco for most products as a good second choice. Wal-Mart if it was just snacks and kids' drinks.</p> |
| 3 | Barbara | Stephen Quinn | <p>Would choose: Costco – stock up for the month and looking for something different.</p> <p>Impressed by: Customer service and atmosphere at Wild Oats.</p> | <p>Would choose: Wild Oats – she likes to be seen there, the most prepared foods, health (so good for the conscience) and convenient.</p> <p>Impressed by: Meat and bakery in Costco.</p> | <p>Would choose: Wild Oats – organic bean sprouts dyed with carrotine. Bumper pack of organic nuts.</p> <p>Impressed by: Wal-Mart if she went in; Stew's if she went in.</p> |
| 4 | Bob & Margot | Paul Havinga | <p>Would choose: Stew's for weekly shop (value, shopping experience, quality and pack sizes) and Wal-Mart for a monthly shop (price, choice, convenience).</p> <p>Impressed by: Wal-Mart for monthly shopping.</p> | <p>Would choose: Stew's – fresh food, ready to cook or ready to eat, value and the outside grill.</p> <p>Impressed by: Wild Oats – HMR and the recipe kiosk.</p> | <p>Would choose: Stew's – thematic displays both indoors and outdoors, the Hallowe'en menu, fresh pumpkins and quality products.</p> <p>Impressed by: (generally) costumes, choice of candy and overall value.</p> |

| Group | Customer profile | Delegate group leader | Weekly shopping | Tonight's dinner | Hallowe'en Party |
|-------|------------------|-----------------------|--|--|--|
| 5 | Donna | Marc Koutoufaris | Would choose: Stew's – perishables, entertainment value, personal service, shopper loyalty to local grocer. Impressed by: For general merchandise, clothing and toys – Wal-Mart. For range and space – Costco and for uniqueness, Wild Oats. | Would choose: Stew's – prepared meals, protein items and service Impressed by: Wild Oats for freshly prepared items. | Would choose: Wal-Mart - costumes, candy and decorations. Impressed by: Stew's for the foods. Stew's outdoor decorations and Costco for party items. |
| 6 | Mary | Desi Gilbert | Would choose: Wal-Mart and Costco on price, range, promotional offering and price. Impressed by: Produce/meat at Stew's, bulk buys at Costco and Wow! offers at Stew's. | Would choose: Costco. Price, range and convenience and cheap perishables. Impressed by: Family pizza at Costco; roast chicken at Stew's. | Would choose: Wal-Mart – good range and price. Impressed by: Pumpkins at Stew's. |
| 7 | Lauren | Stuart Ward | Would choose: Stew's. Best assortment in fresh; store experience and Atkins diet range. Impressed by: Costco's broad range. Costco for pricing on bulk quantities and skin care at Wild Oats. | Would choose: Wild Oats – trusted brand/status. Health/wellness, easy shopping and HMR. Impressed by: Freshness at Stew's – and Atkins at Stew's. | Would choose: Costco – price (for bulk), range, high quality party food and treats for kids. Impressed by: Costumes – Wal-Mart. Treats – Wal-Mart. Hallowe'en movies – Wal-Mart. |
| 8 | Barbara | Gary Williams | Would choose: Stew's for quality, freshness, surprises and service. Impressed by: Costco for meat and poultry. Wild Oats for information and cleanliness. Wal-Mart – number of options. | Would choose: Wild Oats – can make a meal with all ingredients for her buy. Also, HMR options. Impressed by: Costco – heat and eat options. Sushi – Wild Oats and Stew's. | Would choose: Stew's – variety for pumpkins, gourds, tray bakes. Miscellaneous general merchandise and products for dinner party. Impressed by: Wal-Mart variety in general – and items for kids. |
| 9 | Bob & Margot | Pierre Guerin | Would choose: Stew's – except that this store doesn't have enough to meet 100% of needs. Freshness, choice and service counters. Impressed by: Cat food at Wal-Mart. Book selection at Costco; vitamin supplements at Costco. | Would choose: Stew's – self service and ready meals. Traditional foods. Impressed by: Produce at Wild Oats. | Would choose: Wal-Mart – good selection of candies and costumes. Hallowe'en gifts and trick or treat. Impressed by: Pumpkins and party platters at Stew's. |
| 10 | Donna | Marina Vankova | Would choose: Costco. Great prices, save time in the long run and big packaging; buy in bulk for entertaining. Impressed by: Wal-Mart – 75 cups for \$1.87; 8 Gatorades for \$5.47. Wild Oats for healthy products. Stew's for buy more, save more. | Would choose: Stew's – pre-packed meals (children), all vegetables, support the local store and variety/range/long hours. Impressed by: Wild Oats (prepared meals). | Would choose: Wal-Mart - costumes, candy, decorations and cakes (if at a supercenter). Impressed by: Stew's for costumes and cakes. Costco for food/cakes. |

| Group | Customer profile | Delegate group leader | Weekly shopping | Tonight's dinner | Hallowe'en Party |
|-------|------------------|-----------------------|---|--|---|
| 11 | Mary | Marie-Helene Mimeau | <p>Would choose: Costco – good prices on meat/produce. Good pricing/value.</p> <p>Impressed by: In Wal-Mart a wide selection of products including general merchandise. Stew's – free ice cream for kids.</p> | <p>Would choose: Stew's – wide selection of prepared meals and chicken. However do the utmost to avoid it due to cost.</p> <p>Impressed by: Costco on the grilled chicken. Costco frozen prepared meals.</p> | <p>Would choose: Wal-Mart for costumes and decorations. Costco for candy. Stew's for pumpkins.</p> <p>Impressed by: Stew's for getting behind Hallowe'en with their displays.</p> |
| 12 | Lauren | Michael Durach | <p>Would choose: Costco – value for money.</p> <p>Impressed by: Variety of ready meals at Stew's.</p> | <p>Would choose: Wild Oats – easy access, easy decision-making and good and fast service.</p> <p>Impressed by: Deli selection at Costco. Variety of ready meals at Stew's.</p> | <p>Would choose: Stew's – entertainment/variety.</p> <p>Impressed by: Kids' costumes at Wal-Mart.</p> |
| 13 | Donna | Abdurahman Hamdulay | <p>Would choose: Costco – bulk shopping, meat supply, surprise of new products and width of range.</p> <p>Impressed by: Non-foods – Wal-Mart; fresh – Stew's (more frequently).</p> | <p>Would choose: Stew's – food variety, fresh, convenience meals, flexible portions and recipe ideas.</p> <p>Impressed by: Wild Oats for special occasions.</p> | <p>Would choose: Wal-Mart – cheap and range for party solutions (sweets, potato chips, costumes, etc.)</p> <p>Impressed by: Stew's – atmosphere, Hallowe'en cakes, etc.</p> |

Leadership Session

ID:ology – The new psychology of self

Caroline Sami, Founder & CEO, Perfect Pitch, UK

“Just be yourself” is a simple thing to say but extremely hard to achieve. Caroline Sami estimated that only 0.1% of the 50,000 people she has coached are totally themselves. People come looking for power but what they really need is strength, she argued. Management courses provide important influences but they do not show you how to be yourself. The concept of Id:ology focuses on what makes us different and not what makes us the same. It is based on three levels, all related to the personal pronoun ‘I’:

- *The I Complex*. People have four selves: ‘perception’ (our outer layer); persona (what we would like people to think); ego (what we think we are); and self (our true self).
- *ID*. This is about how to connect what you are to what you do.
- *Id:ology*. This is a sensibility, a way of being in the world, that allows everything else to make sense.

In today’s society, people increasingly lack self-confidence and as a result take paler versions of themselves to work. The challenge for leaders is to persuade people to bring their colourful selves to work. How? By putting the ‘I’ truly back into organisations. Specifically, leaders need to address five key areas:

Courage

American comedian Ellen Degeneres’ decision to come out as gay live on TV, knowing that she would lose her show, is an example of public courage. Within organisations there are two kinds of courageous leadership:

1. *Courage of convictions*. This is the ability to act on beliefs and distinguishes leadership from management. Knowledge for its own sake is overrated, acting on knowledge is the key. Companies need to have a “signature manifesto” that defines what they stand for. Developing a signature involves three steps: thinking what you believe in; acting on your beliefs; becoming your beliefs so that people talk about you.
2. *Courage to fail*. People are obsessed with the fear of failure. But risk is everywhere, so courage is needed to achieve success. And failure is always glorious, while mistakes are just embarrassing.

Candour

Being your true self and being truthful with people around you are vital for leaders. The problem for leaders in the West is that they consider themselves to be highly evolved and therefore have nothing to learn. To move from a meritocracy to a ‘veritocracy’ in your organisation, you need to work on future development with colleagues, leading them towards greatness rather than pointing out faults. The focus should thus be on “feed-forward” rather than feedback, which keeps people looking towards the past.

Confidence

In today’s competitive environment, it has become harder to have the confidence to stand out. Individuals need to follow the example of brands and think of their Unique Selling Points. Again, this is a major challenge since people get stuck on the division between work and personal selves, rather than just being themselves. To establish personal USPs, individuals can take three learnings from brands: create a signature message; borrow equity from other brands; own a word (like Volvo and safety and Fedex and overnight delivery).

Conversation

Most of us use only one language but are not good conversationalists. This situation is illustrated by the fact \$12 billion was spent in the US last year on better communication. The problem is that most people want to win a conversation, rather than be in it. There are in fact three sides to a conversation: my side, your side and the truth. To take part in conversation, you have to act like a listener and emotionally engage the other people. Bill Clinton is a famous example of someone who can make others feel like ‘the only person in the room’. By listening to others, you understand that conversation is not about point-scoring (“stone talk”) but about finding the right thing (“water talk”).

Character

American professor and poet Maya Angelou is an example of a person who projects an eminence beyond power and success. She surpasses categorisation to leave nothing between her soul and yours. Another example is Howard Schultz, chairman of Starbucks, who has remained faithful to his values of will, passion and self-belief. To reach this kind of true self, we have to take off the labels that we accumulate since childhood. To start on this personal development, Caroline concluded, we need to decide what three things define everything about us and then make them the criteria for our whole life.

Passion for your people

Bobby Ukrop, President & CEO, Ukrop’s Super Markets Inc., USA

Bobby Ukrop described how his family had built the Ukrop’s business according to the golden rule, “Treat customers and employees as they personally like to be treated”. Founded in 1937 by Bobby Ukrop’s father, the company has grown to become a leading food retailer in Richmond, Virginia, with 23% market share. After operating a single store for the first 26 years of its existence, Ukrop’s expanded steadily during the 60s, 70s and 80s. It notably benefited from a lack of people focus among its competitors as it developed a “Values” programme for all employees.

By its 50th anniversary in 1987, the chain had become the largest retailer in Richmond but was aware that it needed to look to the future in a rapidly changing marketplace. In order to reinforce its retail offer, it built a central kitchen to guarantee top quality prepared food, and piloted new services such as cafés and pharmacies. To formalise its people commitment, it started to return 20% of pre-tax profits to staff every quarter, together with a 10% return to the community. In 1988, Ukrop’s added ten Corporate Values, followed in 1993 by company Vision and a revised Mission and Shared Values. The Vision was to be “a world-class provider of food and services”. During the 1990s, Ukrop’s rolled out its café and grills to all new stores, turning itself into a destination for dining. On the services side, it developed new businesses, including the sale of its own bakery goods to other retailers and the launch of financial services through a joint venture, known as First Market Bank.

In 2002, the company decided to revisit its Mission and Values. Revised principles were agreed on and shared with staff at a series of training events. These core values included a set of “Business Commitments” and “Leadership Principles”. One of the four Business Commitments was aimed at staff as “Fully Engaged Associates”. A staff survey in 2000 had

found that training and careers were two frequently mentioned priorities for employees. In order to pursue its commitment to staff, Ukrop's introduced six programmes:

1. Job Skills Development – aimed at entry-level staff.
2. Great Position Program – two programmes are currently being piloted to promote career development, one for Aspiring General Managers and another for Aspiring Chefs.
3. Tuition Reimbursement – having contributed to the college tuition fees of staff over many years, Ukrop's last year started a programme to encourage employees to take a culinary degree or follow food classes. To date, 55 employees have completed 113 classes.
4. College Scholarships – the Ukrop's Educational Foundation has offered scholarships since 1995. In 2003, 120 people are receiving \$180,000 of scholarship money.
5. Field Trips – to give managers exposure to other food companies, Ulrop's last year launched trips to New York for small groups.
6. Community Events – the retailer has participated in a number of events such as the American Heart Association's Heartwalk.

In conclusion, Bobby Ukrop argued that by putting energy into developing “fully-engaged associates”, Ukrop's is improving its chances of attracting and retaining staff, thereby supporting its company Vision.

What makes a company great to work for?

Steffen Laundauer, Vice President and Chief Operating Officer, Pine Street Group, Goldman Sachs & Co., USA

Since money has become tight for investment banks like Goldman Sachs, they need to motivate staff beyond financial rewards, Steffen Laundauer explained. Research from Goldman Sachs has shown that reputation is what attracts new recruits but it is managers who determine loyalty. In other words, people join firms but leave managers. So what can companies do to motivate their staff? Most companies are a combination of three basic organisation models: meritocracy, seniority-based and elitist. Goldman Sachs, for example, aims to be meritocratic, although it has elements of elitism (e.g. in titles). Whatever the type of organisation concerned, rewards can be placed in three main categories:

1. **Economics** (i.e. money). This is a universally accepted benefit – no one complains about having more money. However, it is constrained by budget limits.
2. **Prestige** (or reputation). This can be looked at in terms of specific privileges relating to a particular position (e.g. size/location of office) and, more importantly, the culture of the organisation. At Goldman Sachs, culture is a key issue since the company is essentially a ‘bunch of people’ that does not produce a concrete product. Culture is like “the smell of the place”, representing how the company functions and what staff believe about it. Previous values statements from Arthur Anderson and Enron, both now defunct following corporate scandals, show that written words do not make the difference. Goldman Sachs carries out annual surveys of employees to support its goal of being a meritocracy.

3. **Job content.** Companies often lose their best people for reasons they could have controlled through job content. The key tools for improving content include:
- Interesting work: develop new areas of expertise.
 - Importance: give staff (especially new recruits) responsibility so that they are the 'go-to' person for a particular area.
 - Feedback, recognition: high performers receive the highest rewards in principle but feedback often focuses on bottom performers.
 - Development: Goldman Sachs recognises this as a weakness, since it spends too much time on tasks. As a global firm, focusing on new talent is crucial. The company has introduced a leadership acceleration initiative to offer high-potential people a year of training, networking and special assignments.

Q&A

Asked how to market company culture in order to attract recruits, Steffen Landauer said that it was a long and not very efficient process. Goldman Sachs for example has 10- to 15-strong teams in charge of recruitment, who go to business schools and conduct interviews. The key was to be clear about your culture in selecting recruits.

Doing the Right Thing – Improving the state of the working world

Muhammad Saidur Rahman, Founder and Managing Director of Bantai Industries and SSG (The Social Standard Working Group), Bangladesh.

Muhammad Saidur Rahman began by giving a profile of Bangladesh and its apparel industry. Although a very small country, Bangladesh has a large population (140 million), giving it a population density 40 times that of the US. Economically, it is very poor, with average income \$1 a day. It is a largely agricultural society but relies heavily on the apparel industry for export earnings. The sector now accounts for 76% of total exchange earnings. It employs 1.6 million workers, 80% of whom are women. In this socio-economic context, Bantai, a manufacturer of baseball caps for the US market, has developed a number of programmes aimed at improving the conditions of its 400-strong workforce. Muhammad Saidur Rahman summarised the main programmes as follows:

- **Fire safety:** fires have claimed a number of lives in the fast-growing apparel industry because of unsuitable premises and inadequate safety procedures. Bantai introduced a special fire alarm procedure allowing the site to be evacuated in 20 seconds in an emergency. Its factory has experienced three real fires, all of which were put out by the workers themselves with no loss of life.
- **Health and family planning:** doctors consultations are organised on-site and at hospitals.
- **Family planning:** the average age of the women working in the factory is 18 and many are living away from their villages for the first time. Family planning is therefore important to avoid pregnancies and conflicts with conservative families.
- **Day-care centre:** 25 babies are looked after during the day at an on-site creche, allowing their mothers to breastfeed them during breaks.
- **Education centre:** Bantai requires workers to send their children to school rather than let them work from a young age. The company set up an education centre to give schooling both to workers' kids and street kids.

- **Fair-priced shop:** Bangladeshis spend 50% of their earnings on food (cf. 10% in the US). Bantai set up a shop offering staples like rice, pulses and also iodised salt. It sources from wholesalers in order to get good prices.
- **Savings:** Bangladeshi women often have their wages taken away by their families, forcing them to resort to money lenders. Bantai established a savings scheme in which all workers deposit a minimum of 25% of their wages. This project was not easy to establish since the banks were reluctant to accept money from women. However, these attitudes have been changed as the women workers have become respected clients.
- **Social awareness:** this has been Bantai' most important project in view of the exploitation suffered by women in Bangladesh in marriage. Bantai has made it a condition that no worker is married before 18 and those that marry produce an official marriage certificate. In this way, women workers are able to challenge exploitation and become socially powerful.

These social programmes have produced clear benefits for the three main stakeholders: the workers, the company and the entrepreneur. The workers gain better health, more secure income, greater social empowerment and are able to enjoy a relaxed working environment. The company benefits through higher productivity and low turnover among staff. The rejection rate for Bantai products is 0.1%, compared with an accepted international standard of 1.5%. This employee loyalty has thus resulted in increased profits. Finally, on a personal level, Muhammad Saidur Rahman has been able to contribute to society and fulfil his religious duties as a Muslim. In other words, integrating social development in business creates a 'win-win-win situation' for workers, shareholders and entrepreneurs.

Q&A

Asked to give advice for companies looking to start similar programmes in other countries, Muhammad Saidur Rahman observed that many retailers today use codes of conduct for manufacturing sites in Bangladesh, backed up by inspections. This plays a role but the important challenge is to change mindsets rather than enforce rules, he stressed.

Closing remarks by MDP Chairman

Stephen Quinn, Business Development Manager, Ireland, and Chairman of the CIES MDP Committee

Stephen Quinn picked out a number of key learnings from the conference. The Sunday session on the US market had shown the percentage of business being taken away from food retailers by new competitors. At the same time, this competition raises the question of value. Pressure towards cheap sourcing notably forces us to ask where we are buying our products. The obesity debate, meanwhile, threw up the uncomfortable prospect that, if Americans were to eat less, no one would benefit from a business point of view. The Leadership Session, finally, had forced delegates to think about who they think they are and what difference they can make as leaders in their company and in society at large.

Mark your diary !

***MDP Annual Congress 2004
Prague, Czech Republic, October 2004***



CIES – The Food Business Forum

mdp@ciesnet.com

Tel. +33 1 44 69 84 84