



NEW YORK
2009
17th - 19th June

53rd World Food
Business Summit



INGREDIENTS FOR SUCCESS IN TURBULENT TIMES

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for SUCCESS

in TURBULENT TIMES

Executive Summary

New York
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Welcome to CIES — The Food Business Forum

Pierre-Olivier Beckers, Chairman of CIES — The Food Business Forum and President & CEO, Delhaize Group

CIES is the international network of food and consumer goods retailers and manufacturers. It first came together 55 years ago to share best practice and learn from each other. Today it still has the same mandate: to provide a network, platform for thought leadership and to develop common positions and initiatives, as it does in food safety and social responsibility. "It's a mission that is as relevant today as it was half a century ago, when our industry was in its infancy," Mr Beckers said.

"Ingredients for success in turbulent times" is a serious topic – this is about survival. "But even so, the current crisis is not one that we should approach with stiff backs and fear. Every survival kit should include a sense of humour. Because humour is fearless: it faces our demons and breaks them down. Humour is irreverent and attacks our sacred cows. This is the very basis of innovation. The financial crisis will punish those who refuse to adapt. If you can keep your humour and your optimism and summon original and fearless thought, then you have already won half the battle."

It is appropriate that CIES itself adapt to the changing times. It has been a retailer-driven organization for 55 years. But the appropriate way to address the challenges we face as an industry is to do it in concert and collaboration. Today, then, marks a new beginning for our forum. Going forward, retailers and manufacturers will sit side by side on the board of a new association which we will call The Consumer Goods Forum. "History will be made in New York," Mr Beckers told the Summit.

Welcome to the Summit

Gareth Ackerman, Chairman of the CIES Summit Committee & Chairman, Pick n Pay Holdings Ltd

The consumer of today is under pressure all over the world. The years of excess and good times have faded and left a residue of disquiet, economic and political change. "As players in the industry, we must guard against our primary role being denuded: our role is to look after the interests of the consumer," Mr Ackerman said. "We only make profits if consumers continue to purchase our products in our stores. We can never take that trust relationship for granted." Players should do all they can to enhance that trust. Industry collaboration should focus on consumer rights and result in lower cost and a safer, more sustainable food chain. Mr Ackerman noted that the combined revenues of the companies represented by the Summit delegation accounted for 3.5% of global GDP. "We in this room are important global players ... I urge you to grasp this opportunity to make a real difference to the people in your world." Mr Ackerman said the theme of the Summit was "transforming today's turbulence into a context for success".

The Macroeconomic Context

Dr Michael Mandelbaum, Author and Professor, The Johns Hopkins School of Advanced International Studies

The world learned useful lessons from the "triple whammy" of the financial crisis. It learned that dangerous bubbles can and do form and that the financial system is fragile: "It is the Achilles heel of the market economy," Dr Mandelbaum said. "It's based on a series of promises to pay. But the world has take to heart the need to reform the financial system. It will be a contentious political issue everywhere." Fallout from the financial crisis includes the renewed risk of economic nationalism. The resort to protectionism was disastrous during the Great Depression," Dr Mandelbaum said. Another risk is that the cures implemented by governments will not go far enough. The good news, however, is that "the worst didn't happen": the system did not collapse and banks are beginning to make loans again. Recession across the world will have "a purging and reorganising effect", meaning that some sectors will decline and manpower and capital will refocus on other sectors. "In the long term this will raise GDP. In the short term it will be painful for those who lose their jobs."

The food business will benefit from the fact that food purchase cannot be postponed the way some non-food purchases can. However, energy prices will continue to rise, as they did before the financial crisis. While the downturn has slowed or reversed some trends relating to globalisation of trade, such as food price inflation, "these issues are still relevant and will return".

The Food Context

Professor Robert Watson, Chief Scientific Advisor, Department of Environment, Food and Rural Affairs, UK

Not only will the demand for food double within the next 25-50 years, primarily in developing countries, but also, the types of food demanded will change. We need sustained growth in the agricultural sector, to feed the world, enhance rural livelihoods and stimulate economic growth. At the same time food safety standards must be met. Some crop yields in SSA and parts of Asia are projected to decrease by as much as 20% by 2020, due to changes in climate: the rising of surface temperature and the withdrawal of water. Climate change will also likely increase the spread of animal diseases, including those that can commute from animals to humans.

The challenges are to produce, region by region, the diverse array of crops, livestock, fish, forests, biomass (for biofuels) and commodities needed over the next 50 years, in an environmentally and socially sustainable manner. In some cases, the technology to achieve this already exists. "We do not need GM food to feed the poor in Africa," Professor Watson said. But in other cases, success depends on the development of new and emerging biotechnology, such as genetic modification (GM). GM can potentially help with productivity, drought, temperature and pest resistance. However, the technology continues to concern some consumers and governments. Specifically we do not yet fully understand the environmental implications of gene insertion. Many are concerned about the risks of cross-pollination between GM and non-GM crops. Others are concerned that agriculture will fall away from small rural producers and the world's population will rely on large multinationals for food. Safety

must be the top priority; "I see very little evidence of health risks", Professor Watson said. However, we should take an evidence-based approach and assess each case separately: "We should not make broad generalisations". Even so, consumers will need to see real benefits before GM products are accepted in Europe. "There is no doubt that openness to trade has helped many poor people. We need liberalisation, but it has not been as pro-poor as it could have been."

Action points

1. Economic and environmental sustainability must be embedded into agricultural policy, practice and technology.
2. Today's hunger problems must be addressed with appropriate use of current technology.
3. Advanced biotechnologies may be needed to address future demand, but the risks and benefits must be fully understood.
4. Farmers should be paid for maintaining and enhancing ecosystem services.

A Retailer View

Steven A. Burd, Chairman, President & CEO, Safeway Inc.

In the United States, the cost of healthcare is increasing as a percentage of GDP, while 15% of the population has no healthcare insurance. Lowering the cost of healthcare requires improving the general health of the population and increasing the efficiency of the healthcare system. Insurance should be universal: all Americans should be "required to have insurance", Burd believes. However, if individuals were obliged to pay the full cost of "unhealthy behaviour," they would be motivated to change. These ideas form the basis of Burd's "market-based healthcare reform", for which he is lobbying US policy makers via the Coalition to Advance Healthcare Reform, which he founded. Members include Coca-Cola Enterprises, PepsiCo and Hershey, along with pharmaceuticals companies GlaxoSmithKline, Pfizer and Merck. Burd contends that all healthcare plans should include differential premiums and thus incorporate incentives for "healthy behaviour". He projects that the plan would achieve healthcare cost savings of USD 800 billion. One of the coalition's tenets is that government should not compete with private healthcare insurance providers.

Safeway's own "Healthy Measures" plan addresses "non-compliant behaviour" such as tobacco use and excessive weight with increased premiums and has reduced corporate expenditure growth (CAGR) from 8.4% to 0.5%. The plan was based on three discoveries:

1. 70% of healthcare costs are "driven by behaviour"
2. Four chronic conditions account for 74% of healthcare costs
3. Obesity is a factor in all four conditions

Some 40% of the US population is obese, Burd claims, adding that obesity is the single biggest driver of healthcare costs. Burd holds that obesity is "behavioral and reversible". Participation in the plan to earn the lowest premium is voluntary (74% of employees take part) and may also cover spouses. Other incentives are offered: foods judged by Safeway to be "healthy" are subsidised in the staff canteen, while a free fitness centre is provided, or discounts offered for gym membership. Weight management plans are offered, along with physicals and "age-

appropriate colonoscopies". Among Burd's simple solutions for burning calories are 4.5 hours playing golf per week (without a cart) and 65 minutes shopping at Safeway, seven days a week.

THURSDAY 18 JUNE 2009

Ingredient Number 1: Simplicity

Brenda Barnes, Chairman & CEO, Sara Lee Corporation

Simplicity means making things simple for the consumer. For example, a common approach is needed for nutritional labelling: proprietary systems by retailers and manufacturers create a point of competitive difference but confuse consumers. A traffic light (stop-light) system is not appropriate, Barnes contends, because a good diet is about balance: no food is intrinsically good or bad. Peanut butter, for example, is high in fat, yet an excellent source of protein. In moderation it is often recommended as part of a balanced diet. Consumers are smart and need facts, not judgements. They want and need clear information to help them make their own choices. We must help, together, as an industry combined. Sara Lee is part of the Healthy Weight Coalition, tackling obesity.

In food safety, the complexity is overwhelming. Ingredients come from everywhere, subject to varying government regulations. And yet food safety is a global issue, where if one company fails it hurts the entire industry. In the United States, the Food & Drug Administration is underfunded, and yet the industry needs standardised protocols. The industry also needs to make progress on traceability.

The main issue with sustainability, is its definition. It means different things to different people. How can we progress if we can't agree on goals? The industry needs to develop a common language and set of goals, in packaging for example.

If these issues are not tackled at the industry-wide level, the risk is that government will intervene; since we are dealing with multiple governments, this would likely add to the complexity and supply chain cost. If the industry works together, there is an opportunity to reduce costs across the board.

Areas to simplify:

1. Labelling: a universal, fact-based approach
2. Food safety: a common set of standards and regulations
3. Sustainability: a common definition and set of goals

Jeff Noddle, Executive Chairman of the Board, Supervalu Inc.

Health and nutrition is a key concern among consumers, particularly with regard to obesity and other conditions that can be mitigated by healthier diets. But are we providing relevant, trustworthy and portable information about nutrition? Labelling, marketing and in-store systems are inconsistent from retailer to retailer and from manufacturer to manufacturer. A common, collaborative approach is needed.

Food safety is a growing concern, and consumers look to their grocery stores for information and guidance, along with messages of safety and warning. However, retailers rely on their suppliers for information. Retail needs to partner effectively with its supplier base to improve the reliability of information. Greater clarity must be provided for shoppers.

The economic downturn is bringing with it a marked rise in eating at home. The grocery industry is poised to benefit from this trend, but many shoppers lack confidence in their ability to plan and prepare meals. Have we been "killing our consumers with creativity"? Retailers now have an enormous opportunity to create loyalty and help "non-cookers" back into the kitchen, by marketing and merchandising in such a way as to remove the barriers to home-cooking and becoming a "partner in the kitchen".

In all these examples, simplifying life for the consumer creates strong business opportunities.

Irene Rosenfeld, Chairman & CEO, Kraft Foods Inc.

Kraft turned itself around between 2006 and 2008 with a simple plan, which Rosenfeld calls "focussed pragmatism". Categories were simplified to five, brands streamlined to ten, international markets limited to ten. "Five-ten-ten" took Kraft from low single-figure growth in 2006 to double-digit growth two years later.

"Sustainability isn't just some fad — it's our future." Kraft is the world's biggest buyer of Rainforest Alliance coffee. "These issues matter to us and we matter to them." This is where the industry should focus its collaborative efforts, Rosenfeld said.

Traceability matters: it is crucial to food safety, quality control and sustainability. Traceability means knowing what we buy, from where, when, where we used it and where we shipped it. The standard traceability requirement of one step up and one step down in the supply chain is not consistent with everyone's expectations, however. Increasingly, stakeholders expect farm to fork traceability for all products, from single ingredients to prepared foods with multiple batches, which presents challenges. While Kraft supports farm to fork traceability as an objective, the company recognises it is years from achieving it. This requires a pragmatic approach: in other words, take a complex challenge and make it as simple as possible. The key to this is a common set of standards and systems, such as those put forward by GS1.

Next steps

1. Do more with what you already control between your four walls
2. Agree a common approach for supplier auditing: push for Global Food Safety Initiative (GFSI) for quality
3. Expand commitment to GS1 standards to ensure common coding is used

Gregory R. Page, Chairman & CEO, Cargill Inc.

Food safety hangs on three concepts: commonality, connectivity and collaboration. The food system is interlinked: working in a fragmented way has a negative impact on the integrity of the

food system and allows food safety to be used as a trade barrier. Global food safety systems should be science-based and internationally recognised. Crucially, they should involve all stakeholders and be properly monitored to allow for rapid response. Cargill currently recommends multi-stakeholder discussions, mandatory HACCP and prerequisites and, essentially, private-public partnerships. "Neither sector can drive harmonisation alone," Page said. "We all have a role in driving partnerships forward." Among the challenges in today's global environment are:

1. The danger of protectionism
2. Increased global conflict and tension
3. Government intervention
4. Global recession
5. The convergence of energy, environment, land use and trade policy
6. The credit crisis
7. Financial markets disruption

Panel Discussion

Food Safety

During a panel discussion, **Gregory R. Page, Brenda Barnes, Jeff Noddle and Irene Rosenfeld**, pledged their support for the Global Food Safety Initiative (GFSI) at the World Food Business Summit in New York. Speaking during a panel discussion, Mr Page criticised the proliferation of proprietary standards and schemes. "GFSI is the simplest way to eliminate the unnecessary uniqueness [of schemes] that don't do anything except complicate and add cost." Harmonization of standards is needed to strip cost from the supply chain and free resources for prevention and remediation, the panel agreed. Ms Barnes added that CIES — or the Consumer Goods Forum, as it will be renamed — "is the only forum I know that has a chance to deliver. Where else is it going to happen? We have got to get down to it and get it done, in every market and every country." Ms Rosenfeld said the best way forward on food safety was to "let this organisation evolve and do its work".

Leaner Business Models

Asked if the crisis had made things simpler in some ways, Jeff Noddle said it had offered an opportunity to re-evaluate **marketing and promotional activities** and ask if they really added value. Ms Barnes said it was a chance to streamline and "cut out everything that doesn't matter — every SKU". Ms Rosenfeld said the "silver lining" was indeed the chance to refocus on what really mattered and an opportunity to discuss private label with retailers. "It will make us stronger when we come out of the downturn.

Collaboration on health & wellness

Ms Rosenfeld said helping consumers to make healthy choices was essential. While she admitted that Kraft wished retailers did not have their own systems, she praised the premise behind Supervalu's nutritional labelling system as "the right direction and a step forward". Ms Barnes added that the consumer was cynical in terms of who they trusted for nutritional information, "but they will react to facts". Ms Rosenfeld agreed, saying that there was a tendency to blame food for the choices made by consumers: "It's about calories in and calories out." Responding, Mr Noddle said he understood the manufacturers' position: "Until there is a

common system, we feel the obligation to provide one. My concern is that if we don't, one will be imposed on us." he agreed that a fact-based system was essential. "Our role is not to be the police ... We need to reinvigorate personal responsibility."

Ingredient Number 2: Agility

William V. Hickey, President & CEO, Sealed Air Corporation

"We are at a crossroads for balancing sustainable business, caring for the environment and adequately feeding the world's people," Hickey told the conference. "How do we balance these seemingly conflicting interests? I believe we can do all three." We live in a world in which 50,000 people starve to death each day. "Food has never been more in abundance. But if there is enough food, why do one in seven people go hungry? I believe we can feed all the world's hungry people without cutting down another rainforest." The issue is not how much food we produce but how much we waste: 40% of food produced globally is never eaten, while just 4% of US food scraps could feed 4 million people each day. Food is wasted at each stage in the supply chain: either damaged during production; or oversupplied, spoiled or poorly stored at the retailer; or not eaten in time by the consumer, sometimes due to excessive portion sizes, sometimes through poor storage. Biodegradable food in landfill nonetheless releases methane, a greenhouse gas 20 times more damaging to our environment than CO₂. It represents needless use of labour, fertilisers and pesticides. In the US, food waste has reached 25% of all food produced, while the UK and Japan waste more at 30-40%.

The situation is more complex in developing countries, where modern production systems, appropriate packaging and infrastructure do not exist. Businesses have a unique and significant capability to combat food waste and hunger, collectively, by attacking food waste. "Writing cheques will not solve the problem." Improving food packaging and distribution would increase productivity by 30-40%, enabling farmers to meet their own needs and generate surplus that can be linked to other markets. A successful hunger relief programme requires three elements:

1. Production and infrastructure
2. Processing and packaging
3. Retail market development

David Mackay, President & CEO, Kellogg Company

Kellogg demonstrated agility in turning around its fortunes in the late nineties. To counter competition from consolidated rivals Kellogg acquired snack and frozen food manufacturer Keebler, doubling its turnover in the process. It quickly developed two key areas of strategic priority: cashflow generation and a shift in focus from volume to value, where quality and differentiation were the drivers for profitability. Growth returned two years after implementing the plan. Lastly, Kellogg eschewed short-termism in favour of solid, sustainable growth.

Agility continues to guide the company: to respond to the current shift in consumer shopping habits away from experimentation and back to trusted products, brands and solutions, Kellogg has edited its SKU range and focussed innovation on delivering against proven consumer needs. It has backed up the approach with new advertising and rapidly boosted its digital presence, to

help the 75% of shoppers who make their purchase decisions prior to reaching the retail outlet. The company has also changed its pack size strategy, offering larger and smaller sizes as consumers migrate away from the middle ground. Lastly, Kellogg has ramped up its environmental activity.

Areas to Address:

1. Food safety: Kellogg supports the Global Food Safety Initiative (GFSI)
2. Biofuels: Kellogg promotes sustainable production of biofuels, but remains concerned over economic, environmental and social consequences and lobbies government to change policies
3. Obesity: An industry-wide initiative will soon be unveiled

Ingredients for Success:

1. Leanness
2. Efficiency
3. Agility
4. Responsiveness

Ingredient Number 3: Global Experience

ARGENTINA

Antonio Coto, Executive Director Latin America, Dia, Argentina

Dia entered Argentina in 1997, at a time when the country was very prosperous. With 50% of product imported from Europe, consumers were brand-oriented and famously bought two of everything. By the end of the 90s the country experienced a period of deflation and negative Gross Domestic Product (GDP). People rushed to withdraw their savings and banks were unable to pay. By 2001, withdrawals were rationed and looting began. Some 26% of Dia's store network was looted. The financial crisis led to political instability. Crucially for Dia, consumption collapsed as the socio-economic pyramid reversed. Previously, 70% of consumers fell in the ABC1, C2, C3 and D1 categories, while 30% were D2 or E. By 2002, the ratio had reversed and a new segment of impoverished middle classes appeared. Consumers became more rational as they sought to spread their money as far as possible. Meanwhile, suppliers became reluctant to sell, preferring to wait until prices rose. The financial crisis meant finding innovative ways of doing business. Dia's mastery of the situation enabled it to double its market share in the two crisis years from 2001 to 2003. Key to winning was getting the team on its side: "Don't make them more nervous than they already are. Be convinced about your victory."

ARGENTINA'S SOLUTIONS

1. Cheaper packaging
2. Cheaper products
3. The return of forgotten B-brands
4. Smaller pack sizes

DIA'S SOLUTIONS

1. Buy forward on a rising market and be the last to raise consumer prices
2. Motivate team, raise salaries = confident, winning company
3. Empower team to make decisions
4. Sell solutions, not products
5. Aggressive marketing: "If you pay more it's because you want to."

SOUTH AFRICA

Simon Susman, CEO, Woolworths (PTY) Ltd

Woolworths is driven by a set of long-standing values:

Quality and style: the company employs 34 product developers and 55 scientists and carries primarily own-label products

Value: more than 90% of what the company sells is produced in South Africa; national, centralised distribution allows low prices

Integrity & innovation: the company operates sustainable farming projects, animal welfare policies, has reduced additives and introduced health and ingredient indicators on all packaging; it has built relationships with suppliers over 50 years, pioneered farm-to-fork cold chain distribution and healthy eating

Service & energy: the company's values drive its people; some 91% of all staff and 46% of middle and senior management are black, the company operates a share option scheme for its staff

Sustainability: a low-carbon leader and a water-neutral company, Woolworths has spearheaded projects for the conservation of honey badgers, fishes and frogs; the company has made savings of 40% on head office hot water projects and refrigeration technologies

In recognition of its contribution to sustainable retailing, Woolworths was named "International Responsible Retailer of the Year" in 2008 and has received innumerable other awards for its sustainable practices.

Ingredient number 4: Optimism

Mark Price, Chairman of the Prince of Wales' Rural Action Programme & Managing Director, Waitrose

In the space of a single human lifetime, starting around 1950, industrialised over-fishing, particularly by trawling, has inflicted a crisis on the world's oceans far greater than any pollution. In that time, entire species of fish have collapsed. Previously abundant fish stock now face precipitous decline. Put simply, the developed world has fished its waters to the point of crisis. Realising this, the trawlers of the western world have begun to plunder the waters of developing countries such as Senegal, whose people depend on the fish to survive. "Unscrupulous operators are robbing millions of the world's poorest people of the ability to feed themselves," Price said. Further, ecosystems are being damaged where predatory fish have been eliminated. Price showed a preview of the documentary film *The End of The Line*, by Rupert Murray, based on the book of the same name by UK environmental journalist Charles Clover.

Waitrose looks for long-term solutions with its suppliers, which it is able to do partly because it is not a publicly-owned company. A decade ago, Waitrose's specialist fish buyer Jeremy Ryland Langley convinced the company that all own-brand fish should come from sustainable sources. "Some varieties ... have disappeared from our counters because of the choices we made," Price said.

Introducing the segment, via video, His Royal Highness The Prince of Wales said that we face this crisis because "for too long we have blindly assumed that however big a mess we create, we can engineer and innovate our way out of trouble". He added that we have not given appropriate value to the ecosystems that keep us alive. "Unlike the financial crisis with which I know you are all struggling ... the option to restore balance to the climate and ecosystems through the equivalent of an injection of cash simply does not exist. Once we have spent our natural capital, it cannot be replenished." He characterised the practice of trawling, in which more than half the total catch is discarded with little hope of surviving, as "utterly immoral and obscene". He urged the industry not to defer responsibility but to take "tough action", adding that he hoped to join next year's Summit in London to "check on progress".

Solutions

1. The designation of large protected "no-take zones"
2. Adoption of the Marine Stewardship Council certification
3. Sustainable sourcing must become the norm
4. The industry must take tough action now

David Rockwell, Founder & CEO, Rockwell Group

As an American teenager from a New Jersey suburb growing up in Guadalajara, Mexico, David Rockwell had an outsider's perspective of what he calls the "theatre of public space". He claims the ability to look with fresh eyes allowed him to rip up the rules of architecture and focus on solving the problem. Each project Rockwell undertook — from innovative wine retailer Best Cellars, through Coca-Cola's portable "Red Lounge", to the Mohegan Sun Casino — carried the company out of its comfort zone and demanded the outsider perspective. "Not coincidentally, they have all also been commercially successful and have spawned many imitators."

In the case of Best Cellars, the problem to solve was that the world of wine was considered effete, complicated and exclusive. In addition, buying wine was nothing like drinking wine and contained none of the joy of the latter. Rockwell believed it could be better, easier, more accessible and tell a story. Rockwell's challenge to the consumer goods industry is to come out of our comfort zone, to stop thinking of consumers, to think instead about guests and bring a sense of theatre, even and spectacle. "Your customers want to connect and engage," Rockwell said. "Creating space that compell you to go, is a critical ingredient for success."

Key takeaways

1. Risk-taking requires all of us to articulate what our passions are.
2. Without creative risk-taking we risk extinction and irrelevance.

Ingredient number 5: Speed

Justin King, CEO, J Sainsbury PLC

Justin King's central ingredient for success was to stay true to your values, even when faced with a crisis such as the current downturn. He sought to explode three popular myths about recession:

Myth 1: "Consumers down-trade"

"I don't like that word," King said. "At Sainsbury's we prefer to call it savvy shopping." Sainsbury's own consumer survey found that a 35.4% majority of consumers would make no change to their supermarket choice. Only 5.7% said they would change supermarkets. However, 30.4% said they would buy cheaper products nonetheless. "We should start from the premise that customer wants to keep shopping with us." The proviso is that retailers should be ready to provide relevant prices and products.

Myth 2: "People revert to selfish behaviour"

Consumers are scrutinising value, but are not compromising their values, according to IGD chief executive Joanne Denney-Finch. The surge in interest in the provenance and ethics of food has lost none of its lustre as the economy has taken a turn for the worse. On the contrary, King believed that compassionate thinking increased during a downturn.

Myth 3: "The middle ground erodes."

Sainsbury's, a retailer which occupies a mid-market position in the UK, posted jubilant results in the Christmas 2008 trading period, which was bleak for many non-food retailers, indicating that shoppers had not abandoned the chain for alternatives lower down the market. However, Sainsbury's clearly gained customers during the downturn, while upmarket retailers such as Waitrose and Marks & Spencer suffered. This fact would appear to further support the theory that some consumers trade down. "We think the middle ground is where we are. It depends on how you execute it. We think we've been the fastest-moving grocery retailer in the UK." However, as a CEO who handles his own postbag, he has one piece of advice: "Don't get too carried away with [CRM] data, because a customer letter is just as good."

King went on to present three strategies Sainsbury's had used over the years to keep its customers engaged.

Nostalgia: old-fashioned products and an ad campaign invoking "bygone ages" and "memory lane".

Fairtrade and animal husbandry: tea, bananas and cotton T-shirts, eggs, with a tagline: "our values make us different".

Diversity of offer: introducing new fruits and vegetables, such as fennel and kiwi in the 70s; in current times, launching 1% fat milk. The current motto is: "Try something new for 140 years."

Universal appeal: "If you live closer to a Sainsbury's than any other store, you can do the shop you want to do with us. That's what we mean by universal appeal."

Meal solutions: A full meal for a fixed price, such as "The £4 Indian Feast".

Switch and Save: Quality own-label strategy at lower prices than comparable brands.

Cook and Save: Award-winning recipe ideas, such as "Feed your family for a fiver" and "Love your leftovers".

Jean-Jacques Lebel, President, Consumer Products Division, L'Oréal SA

Problems should be understood, not fought. L'Oréal's "Beauty Barometer" survey showed that, while many women in Europe planned to reduce their spend on beauty products, 75% said it was still important to look after themselves to keep morale high. Some 82% of UK women said make-up cheered them up, while 47% felt it gave them the edge over colleagues. But even so, 90% would be looking for promotions and 80% would shop around for the best deal. Some 75% said they would prefer to do treatments at home rather than splashing out on salons. The results helped L'Oréal and its retail customers develop an action plan: "Destination Beauty in Turbulent Times". L'Oréal launched large sized shampoos, value hairspray and basic skincare and make-up at low prices.

When it came to merchandising in stores, Lebel gave the example of German drugstore DM, which broke the "Cosmetics Wall" by going beyond the standard one metre (1m) of space to each brand across all its stores. Expanding Maybelline's space to 1m50 and then to 2m. The result was "spectacular" double digit growth for the brand. In France, Carrefour uses a "colour info point" to help customers who are colouring at home for the first time. However, pragmatism is not the whole picture. A sense of excitement and theatre is vital as "it's all about boosting morale".

Lebel added that concerns over sustainability had not disappeared in difficult times. Green initiatives are "clearly here to stay". L'Oréal is focussing its branding of Garnier on green credentials. He added that low prices did not mean stifling innovation and showed examples of "accessible innovation" from L'Oréal, including: "pulsating mascara", which reduces 20 strokes to one; sulfate-free haircare and a push towards natural and organic home hair colour.

Keys to presentation in-store

1. Innovation visibility
2. Price promotion visibility
3. Information availability
4. Fireworks, festivity and theatre

Ingredient number 6: Engaged people

David L. Calhoun, Chairman & CEO, The Nielsen Company

Between October 2008 and April 2009, consumer confidence fell in 48 of 49 countries. Consumer behaviour changed as Nielsen predicted, with shoppers spending less on new clothes, going out and takeaway meals and many switching to cheaper grocery brands. Even so, volume in FMCG remains positive. Meanwhile, consumers are coming to terms with the new economy, moving from denial and uncertainty through fear and getting to acceptance. "The freefall is over," Calhoun said, but even so, there has been a fundamental shift in consumer spending, as restraint becomes the new mantra. "Eighty percent of consumers are not at risk of unemployment. But they don't know that. They believe they are and the freeze on that eighty percent is killing us." Retailer concentration and private label penetration are growing and will continue to grow. Retailers' own brands gain at the expense of small and secondary brands, although Calhoun argued that store brands were playing catch-up in terms of brand equity. The "long tail" of many brands, by which Calhoun means flanker products, pack size differences and so on, will reduce: "retails will not allow them to clutter the minds of their customers". There's no need for a battle between private label and national brands; the key is in strength of offer: "when the strong meet the strong they both win".

To engage the new "anytime anywhere" consumer, players need to "reach across the three screens" or communicate across varied media; not just television but web video, "member communities" online such as Facebook and mobile devices. It's not about making choices between media: "It's about how you use them together." Ads across two media win consistently against ads in a single medium. Therefore ROI needs to be holistic, not discrete. Consumers trust other consumers better than they trust companies and share experiences online. Brands should attempt to become part of those discussions: "I don't think you could roll into a world more interesting than the world we're rolling into now. This is about as exciting as it gets. Anyone here who isn't on the edge of their seat is probably going to have a tough day."

Marjorie Yang, Chairman, Esquel Group

Esquel is a vertically-integrated company, covering the whole supply chain from cotton farming, spinning and weaving to garment manufacturing and retailing. Its people operate in line with five core company values:

1. ethics
2. environment
3. exploration
4. excellence
5. education

But how to engage your people? "Rule number one is: nag." Advocates and champions in the workplace are equally important. Innovation is vital to running a sustainable company, but good housekeeping is equally so. From 2005 to 2008 the company reduced the energy consumption needed to produce a shirt by 29% and its water consumption by 40%. It replaced flood irrigation with drip irrigation, saving 4.5 million litres a year and increasing the cultivable

area by 5%. Farmers' yields were raised by 20%, while the use of chemical fertilisers was reduced by 10%. The company also offers finance for farmers in China. In a joint project with Philips, Esquel was able to save 20,000 KWh per day by replacing factory lighting and installing reflectors: the investment paid back in 16 months. Water curtains were installed for better ventilation and cooling, while schemes to reuse water are being piloted. By centralising heating via steam generation, Esquel was able to eliminate 14 oil boilers. Hot water was recovered from knitting mills to wash garments, saving the equivalent of 320 tons of coal. Cold pad batch pre-treatment and dyeing saves up to 80% of water and 70% of energy. Meanwhile, using patented pulse dyeing allows the company to consume 23% less water, 7% less electricity and 10% less chemicals.

Esquel focuses on continuous improvement, implementing RFID and upgrading machinery and automation. The results for Esquel have been clear: both productivity and workers' earnings have risen.

Marion Nestle, Paulette Goddard Professor of Nutrition, Food Studies and Public Health, New York University and author (*Food Politics; Safe Food; What to Eat*)

We live in a "gorge yourself environment", according to Professor Goddard. The remedy is to change society. But is a food revolution now in season? And what should we eat? A new appetite for answers has sent science on a collision course with the media. Consumers are "totally confused by health claims and labels on food products". Goddard says the answer is not too complicated:

1. Eat less
2. Move more
3. Eat fruits and vegetables
4. Don't eat too much junk food
5. ENJOY!

As the author of *Appetite for Profit: How the Food Industry Undermines our Health and How to Fight Back*, Nestle said food companies, having originally abdicated any responsibility for problems such as obesity, are now taking a more proactive stance, both changing their products to add nutrients and make specific health claims and by lobbying for changes in legislation. She cited products such as Kellogg's Smart Start cereal, endorsed by the American Heart Foundation, and Kraft's Supermac macaroni and cheese, with calcium, wholegrain and vitamins as examples of proliferating and sometimes conflicting health claims. Her criticism is that when nutrients are added to sugary or fatty foods allows manufacturers to market the products as a health food. "This borders on irresponsible marketing." Self-endorsement is also a rising trend. "You set up your own independent nutritional criteria and then apply them to your products. If you do it right, hundreds of your products will qualify." Nestle gave the example of Hannaford's "Guiding Stars" labelling system. Only 23% of Hannaford's products qualify. Of that 23%, 80% were unprocessed foods in the fruit and vegetable section, Nestle said. She gave support for the traffic light system used in the UK: "Consumers very well understand that the products with the red stop sign are the one's they shouldn't really be eating." She criticised the Smart Choices joint program in the US, managed by the American Society of Nutrition, of which she is a member: she said members were not consulted and described the system as "a serious

mistake".

Salt should be an issue of personal choice, added to taste while cooking or eating. Nestle criticised the salt content in processed and prepared foods, saying that 77% of our salt intake came from these categories. Food safety scandals are increasing: spinach, tomatoes, pet food and so on. There is only one food supply and anything that affects one country affects all countries. HACCP plans should be compulsory, she said.

Nestle said there was a new healthy food movement, with a significant consumer shift away from processed and towards organic and natural foods and local agriculture. She said we would hear more about this in the months to come.

Nestle's action points for industry

1. Smaller portions
2. Less salt
3. Responsible health claims
4. Healthy kids meals as a default
5. Food safety: join GFSI
6. Lobby Wall Street
7. Stop using and sponsoring the "Centre for Consumer Freedom"