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Rebuilding Trust and Taking Global Responsibility

These words summarize the context of this issue. The Consumer Goods Forum (CGF) is now the largest consumer goods organization in the world. Its reach and inclusiveness are truly breathtaking, and if it can help all of its members to work together more effectively, it can make a big contribution to solving the many global challenges we face.

This is the message from its first co-chairs, Muhtar Kent and Lars Olofsson, the CEOs of The Coca-Cola Company and Carrefour Group, respectively. In their interview, they outline an ambitious vision for the CGF and explain how its activities will be focused around five key pillars: emerging trends, sustainability, health and wellness, operational excellence and knowledge sharing and developing people. 'New Ways of Working Together' as well as with consumers will provide the foundation to address the core issue of sustainability, "which lies at the heart of our agenda". This message mirrors the challenge put forth by Prince Charles in his speech at the inaugural CGF conference, also summarized in this issue, to take global responsibility for reducing the carbon footprint and improving the sustainability of this huge industry.

Our interview with Paul Polman, CEO of Unilever, shows very clearly why such collaborative solutions are needed. About 30% of Unilever's carbon footprint is accounted for by raw materials and nearly 70% by consumer use and disposal, while its own operations, distribution and retail only account for 3%. In order to address these issues, he points to the need to establish a "new contract" with consumers, backed by new business models



Daniel T. Jones dan@leanuk.org
Ross-on-Wye, United Kingdom

Arnd Huchzermeier arnd.huchzermeier@whu.edu
Vallendar, Germany

Alan Mitchell asmitchell@aol.com
London, United Kingdom

in which the entire value chain is built on mutual benefit and trust. Working out how to develop a two-way dialogue and new ways of working with consumers so they are also integral partners in reshaping this value chain will be a continuing challenge for this industry.

One interesting example of different business models is the Milan-based grocery cooperative CRAI, which is selling a number of its products with no packaging at all. Chieko Minami, Davide Pellegrini and Munehiko Itoh report that customers are responding very favourably to being able to select the exact quantities of each product they buy and not having to recycle any packaging. In a sense, it is going "back to the future", but it certainly opens up some new opportunities for retailers and suppliers.

CRAI is thinking "outside the box" to challenge traditional assumptions about packaging. A bigger question, however, is whether we can create robust processes to force us to think outside the box in disciplined, useful ways. Christian Terwiesch and Karl Ulrich introduce the concept of "innovation tournaments" – where many different ideas compete against each other, through a series of stages, to finally win the company's investment. A surprise finding: some of the most successful innovations don't rank highly in the first rounds of the tournament; some winners are sparked by new ideas generated during the tournament. So beware of trying to pick winners too early!

Gary Bolton, Axel Ockenfels and Ulrich Thonemann, on the other hand, report on a series of experiments that compare the decision making of experienced managers with graduate students. One finding – which is food for thought – is that even the most experienced managers fall prey to common decision-making biases that lead to sub-optimal performance. Also, learning-by-doing doesn't necessarily lead to better performance – graduate students with more theoretical training than experienced managers were able to adapt more quickly to new information to maximize profits.

Sometimes, of course, poor performance isn't so much the result of poor decision making as it is the result of the inefficiencies embedded in long-established, standard ways of working. A classic example is the huge amount of waste generated by poorly planned and executed promotions: stockouts on the one hand, and excess stocks on the other. Andreas Breiter and Arnd Huchzermeier show how, by changing the nature of the contracts retailers and manufacturers negotiate, it's possible to eliminate large amounts of this waste. By using options for additional supply if demand is higher than expected, both retailers and their suppliers can operate more flexibly at lower overall costs. We are likely to see many more practical examples of retailers and suppliers working closely together for mutual benefit in the coming years.

As with any good practices, they work well in some situations and not in others. Read the articles to find out when and how they can work for you. We conclude with an interesting Afterthought piece that asks whether companies' investment strategies are really as "responsible" as they claim.

The Editorial team:
Daniel T. Jones, Arnd Huchzermeier and Alan Mitchell.

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