The Business Case for Solving Obesity
Outline

I. The Forces Derailing a Solution to Obesity
II. Keys to Effecting Positive Change
III. Bridging the Gap
Obesity a Minor Concern 25 Years Ago
Obesity Now a Serious Problem

2009

CDC

No Data <10% 10%-14% 15%-19% 20%-24% 25%-29% >=30%
Why Obesity Is a Problem
OVERWEIGHT AMERICAN KIDS THREATEN U.S. NATIONAL SECURITY

IRANIAN PRESIDENT AHMADINEJAD

...LAUNCH THE CHEESEBURGERS...
A Losing Battle Despite Significant Effort

- Nothing has worked to reverse obesity rates
  - Consumers haven’t changed
  - Corporations defend their practices
  - Regulations have proven ineffective
3-Way Tug-of-War Hindering Progress
The Way Situation Is Depicted
Motivations Are Different

- Sales
- Market Share
- Profit
- Customer loyalty
- Reputation
Motivations Are Different

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- The Public Health
- Advocacy
Motivations Are Different

- Sales
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- The Public Health
- Advocacy

- TASTE
  - Value
  - Convenience
  - Health
Personalities Are Different

- “Show Me”
- Practical
- Operators (QSR)
- Strategic (CPG)
- Short term focus
Food Industry Position

- We offer healthier options
- Consumers are responsible for their choices
- “Calorie Balance” is the key
Personalities Are Different

- “Show Me”
- Practical
- Operators (QSR)
- Strategic (CPG)
- Short term focus

- Intellectual/conceptual
- “Purists”
- Anti-capitalist sentiment
- Ideas vs. implementers
Advocate/Academic Position

- Food industry is the perpetrator
- Unfettered capitalism is perpetuating obesity
- Entire categories are inherently “bad”
Advocate/Academic Approach

- Advance initiatives that are:
  - Punitive
  - Highlight dire consequences
  - Single category/ingredient focused

  “The Public Policy Case for Taxes on Sugared Beverages”

  “Salt: The Forgotten Killer”

  “Liquid Candy Report”
both A \& B
Consumers Not Aligned With Fixing Obesity

Walking Their Talk
(26%)

Only ¼ of adults pursuing a healthy lifestyle
- Active baby boomers
- Fitness buffs
- Conscientious moms

Source: Hudson analysis;
Consumers Not Aligned With Fixing Obesity

- Walking Their Talk (26%)
- Looking for Help (39%)
- “Later” (35%)

Source: Hudson analysis;
One-Size-Fits-All Approach Won’t Work

Walking Their Talk (26%)

Looking for Help (39%)

“Later” (35%)

Education; Rules

Environment ("Nudge")

Policy

Source: Hudson analysis;
Implications

- Relying on consumers to change behavior is an uphill battle
- Regulations will continue to be met with fierce industry resistance
- Industry won’t cooperate unless their bottom lines are considered
Why Would Food Corporations Change?

McDonald's

KRAFT

ConAgra Foods

Coca-Cola

HERSHEY'S
“It’s just good business”

- Steve Sanger, former CEO
Obesity Solutions Initiative

- Developing *market* solutions to the obesity crisis
  - Marketing/PR benefits
  - Financial Motivators
  - Policies that work for public health *and* industry
Addressing Problem Presents a Huge Opportunity for the Corporate Sector
Why Change?

- Fear of Regulation not a motivator
  - Believe they have improved their products and marketing practices
    - (e.g.) 88% reduction in beverage calories shipped to schools
    - (e.g.) Commitment to eliminate 1.5 trillion calories
Why Change?

- Fear of Regulation not a motivator
  - Successes lobbying against legislation
    (e.g.) Defeated Soda tax push in several municipalities/states
Why Change?

- Fear of Regulation not a motivator
  - Point to issues surrounding proposed laws
    - (e.g.) Menu labeling – negligible impact on calories purchased in 4 cities

Calorie Counts on Restaurant Menus Don't Work
Study: Calorie Counts in Restaurants May Not Curb Eating Habits

Calorie labeling doesn't change fast-food orders
Why Change?

- Fear of Regulation not a motivator
- Point to issues surrounding proposed laws
  (e.g.) **Soda tax** – studies indicate “substitution effect” nets negligible impact on obesity
Why Change?

1. Improved profits, sales, market share and/or reputation
Company has revamped entire portfolio to focus entirely on healthier products

- 1994-2004
  - Stripped out all non-food, plus beer and confectionary businesses
- 2007
  - Sold Biscuit division to Kraft
  - Purchased Royal Numico
Portfolio Profile
“Healthier” Companies Performing Better
(Earnings as % of Net Sales)

Source: Hudson Institute analysis
Why Change?

1. Improved profits, sales, market share and/or reputation

2. Retention of consumer loyalty
Emergence of New Consumer Demanding Responsibility

- Environment
- Wellness
- Regulations
“I consider my purchases to be a way to send a message and influence companies’ business practices for the better”
“I switched brands at least once last year because the company I purchased from did not act responsibly in my opinion.”
Support for Regulations

Source: Thomson Reuters April, 2010
Why Change?

1. Improved profits, sales, market share and/or reputation

2. Retention of consumer loyalty

3. Competitive Advantage
The Reasons for Walmart's Healthy Foods Initiative
Feb 10 2011
By pushing produce and healthier foods, Walmart's “Cuddle Capitalism” could slim us down and bloat the company's profits.
The Reasons for Walmart’s Healthy Foods Initiative

1. A means to gain access to inner cities
The Reasons for Walmart’s Healthy Foods Initiative

2. A strategy to build the Great Value megabrand

- Reduce sodium by 25%
- Reduce added sugars by 10%
- Remove all trans fats
The Reasons for Walmart’s Healthy Foods Initiative

3. Boxes in Competitors

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With Walmart Wellness Strategy
The Real Issue: Eliminating Excess Calories
Epicenter of the Problem

WMCs

Consumer wants VALUE
Calories available per person up 30% since 1970

Source: USDA
Leisure-Time Physical Activity Relatively Flat Over Last 20 Years

Source: CDC
Supply Side Obesonomics: Blueprint for Success

Focus on reducing the TOTAL number of calories sold
Reducing TOTAL Calories the Key

Increase in Daily Calories

- Fats & Oils: 35% of Gain
- Flour & Cereal: 31% of Gain
- Dairy: 17% of Gain
- Caloric Sweeteners: 9% of Gain

Source: USDA
Some Proposals to Fix Obesity

To Fight Obesity, Give Industry a Carrot
28 April 2010
A tax incentive to reduce calories by package or restaurant serving could transform big business from foe to friend.

Unleash the Marketers to Fix Obesity
13 September 2010
Food companies and their ad dollars could be our best hope for fighting obesity.

There’s a Better Way for the FTC to Regulate Food Marketing to Kids
17 September 2010
Rationale

1. Corporations can implement profitably
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2. Shifts impetus away from less effective consumer and government solutions

3. Addresses TOTAL problem, rather than a specific food category
Will Industry Go For This?

- **They have a lot to gain:**
  - Avoids harsher regulatory actions if successful
  - Positive PR to consumers and analysts
  - New opportunities to improve the bottom line
Thank You

Hank@StuffedNation.com
www.StuffedNation.com
3. Getting Ahead of Regulators

- Governments aggressively pursuing new legislation to police food industry practices
Anti-Obesity Plan

Key Elements
- Increase # of USDA-accredited healthy schools
- More opportunities for physical activity
- Better availability of healthy foods in low-income areas

Assessment
- Commitment secured from school foodservice suppliers to cut fat and salt and offer more whole grains and fruit
- Doesn’t address:
  - After-school eating behavior compliance
  - Supply-side calorie-reduction solutions
- High cost: $10 billion over 10 years
Calorie Labeling on Menus

Key Elements

- National legislation to note calories on restaurant menus
  - Applies to chains of 20 units or more

Assessment

- Evidence suggests potential reduction in calorie consumption for select outlets
  - Calorie reduction of 6% in Starbucks test
  - Little impact in fast food restaurants

- Focused on most crucial information: Calories
H.R. 4310

Key Elements

- Strip deductions for marketing/advertising to children for:
  - Fast food consumption
  - Food of “poor nutritional quality”
- Would result in 40% reduction of ad messages to children

Assessment

- Would raise government revenues
- Will face strong food and advertising industry resistance
- Not a “win-win” – will negatively impact bottom lines
Soda Tax Proposal

Key Elements

- 10% tax would reduce sugared beverage consumption by 8-10%
- Will raise substantial government revenues

Assessment

- Strong industry resistance
  - Deleterious to business financial models
- Other academic studies suggest tax would negligibly impact obesity
- Regressive to consumers in tough economic climate
  - Need for taste precludes rapid shift to water