Driving Food Marketers to Accelerate Progress on Childhood Obesity

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Corporate Model Not Designed to Fix Childhood Obesity

Growth

Consumer Demand

Competitive Advantage

Rewards
Obesity Solutions Initiative

- Developing obesity solutions that drive food industry to act more quickly
  - Marketing/PR benefits
  - Financial Motivators
  - Policies that align interests of industry and public health
Identify the benefits of reducing calories and adopting "healthier" marketing practices on traditional corporate financial metrics

Compile “best practices” case studies delineating how certain companies have improved their business performance while reducing calories and/or improving marketing practices

Propose standards for CPG industry to evaluate performance on the basis of the alignment with healthier production and marketing practices

Completion: Fall, 2011
“Healthier” Danone Performing Better

(Earnings as % of Net Sales)

Source: Hudson Institute analysis
Building the Business Case – Part II

- Assess the risks/costs if industry moves too slowly
  - **Consumer** brand switching
  - **Competitive** vulnerability
  - **Regulatory** exposure
  - Impact on **reputation**/negative publicity

- Track progress in calorie reduction, and improvement in product profiles and marketing practices
Core Research Needs
1. Huge Gap: Motivating Restaurant Chains

- The Largest Food Channel
  - $580 billion (vs. Grocery @ $547 billion)
- “Bigger” is more profitable

<table>
<thead>
<tr>
<th></th>
<th>32 oz.</th>
<th>64 oz.</th>
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<tbody>
<tr>
<td>Price</td>
<td>$1.59</td>
<td>$2.49</td>
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<tr>
<td>Cost</td>
<td>.36</td>
<td>.68</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$1.23</td>
<td>$1.81</td>
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- Skittish that competitors won’t follow them to smaller sizes and healthier fare
1. Huge Gap: Motivating Restaurant Chains

The Need

- Comparable study as Part I for CPG companies
  - Demonstrate improvements to key financial/marketing metrics by selling healthier and/or lower-calorie fare (“Show Me”)
  - Highlight peer “best practice” success stories
  - Devise Report Card to measure progress
2. Need to Understand Consumers As Well As Marketers Do

Substantial gap in understanding different consumer behaviors relative to healthier eating & obesity
2. Need to Understand Consumers As Well As Marketers Do

Consumers Behave Differently Toward Healthy Eating

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

Source: Hudson analysis;
2. Need to Understand Consumers As Well As Marketers Do

The Need

- Apply market segmentation principles to develop a comprehensive profile and understanding of the attitudes and behaviors of different consumer cohorts relative to:
  - Overweight/obese
  - Healthier eating
  - Receptivity to education/prompts
  - How personality differences affect eating behavior
  - Willingness to switch brands
  - How to communicate to them
Benefits

- Help determine optimal approaches to change/improve eating behaviors
- Assist in crafting more effective childhood obesity policies and messages
- Aid in devising healthier merchandising programs for:
  - Supermarkets
  - Restaurant menus/prompts
  - CPG branded items
3. Policy Outcomes Evaluation

Key Issue: Industry resistant to change

- Believe current policy actions are punitive to their business models
- Skepticism re: effectiveness
  (e.g.) Menu labeling
  (e.g.) Fast food restaurant moratoriums
3. Policy Outcomes Evaluation

The Need

- Provide guidance in developing strategies and policy proposals that can be **effective** in reducing calories sold
- To determine the unintended consequences of proposed policy and regulatory scenarios in advance
- To **visually** demonstrate the impact/benefits of proposed changes to industry (“Show me”)
3. Policy Outcomes Evaluation
3. Policy Outcomes Evaluation

Two-phase Approach

1. Restaurants
   - Moratoriums
   - Location/concentration near schools, playgrounds, etc.
   - Healthier/lower calorie menus near schools

2. Grocery
   - Higher % of displays with healthier foods
   - Change shelf positions/locations of healthier items
   - Healthier items at check-out
4. Improving Surveillance

Key Issue: Lacking good surveillance of the food stream

- Must create new measures/metrics ourselves
- High cost to secure data
- Result: No standardized gauges to measure success
4. Improving Surveillance

The Need: Create the Wellness equivalent to core sustainability measures
4. Improving Surveillance

Goal: Develop standard Wellness performance measures to be tracked in annual CSR reports

- Decline in calories sold
- % of portfolio in healthier products
- % of marketing spent on children
- % of children’s products that are healthier
Recap

1. Motivating Restaurant Chains to Change
2. Understanding Consumers As Well As Marketers Do
3. Policy Outcomes Evaluation
4. Improving Surveillance