



## The Role of the Food Industry in Obesity Prevention

Lessons from



## Key Messages

- Your work is commendable, but falling short
- Food industry holds the keys to solving the obesity crisis
- A new paradigm to solve the problem
- Things you can do

U.S. Department of Health & Human Services [www.hhs.gov](http://www.hhs.gov)

### Healthy People 2010 Obesity Goals

- 19-1: By 2010, increase the percentage of adults who are at a healthy weight to 60%.
- 19-2: By 2010, reduce the percentage of adults (20 years old or older) who are obese to 15%.
- 19-3: By 2010, reduce the percentage of children and adolescents (age 6-19 years old) who are obese to 5%.

Source: The Department of Health and Human Services (January, 2000)

U.S. Department of Health & Human Services [www.hhs.gov](http://www.hhs.gov)

### Healthy People 2010 Obesity Goals

- 19-1: By 2010, increase the percentage of adults who are at a healthy weight to **35%**.
- 19-2: By 2010, reduce the percentage of adults (20 years old or older) who are obese to **34%**.
- 19-3: By 2010, reduce the percentage of children and adolescents (age 6-19 years old) who **17%** obese to 5%.

Source: The Department of Health and Human Services (January, 2000); CDC; NHANES

## A losing battle despite significant effort



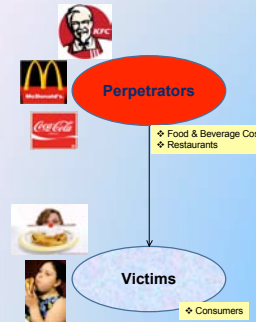
## Why Has Nothing Worked?

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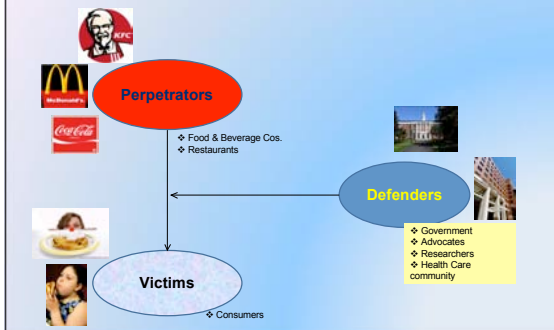
### ❖ Polarized POVs preventing resolution

- Conflicting agendas
- Different motivations
- Different approaches to problem solving
- Different perspectives
- Different politics

## Obesity Playing Field Perceived Roles

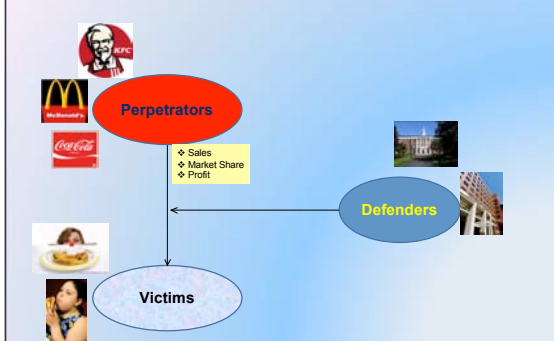


## Obesity Playing Field Perceived Roles

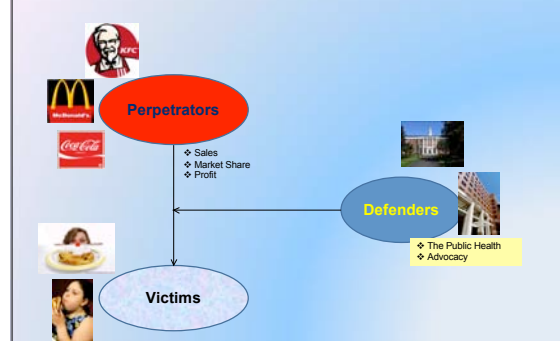


- You represent the Defenders
- I am here to help you understand:
  - ❖ How the food industry thinks and makes their decisions & profits
  - ❖ How industry can be driven to doing what's best for the public good

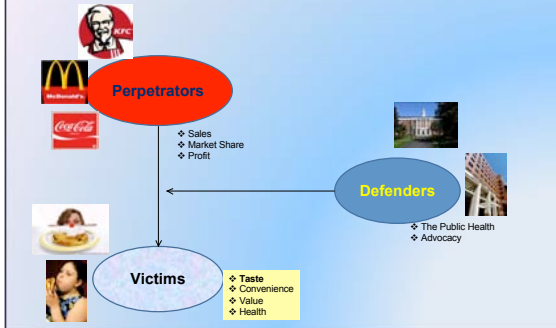
## Primary Motivations Are Different



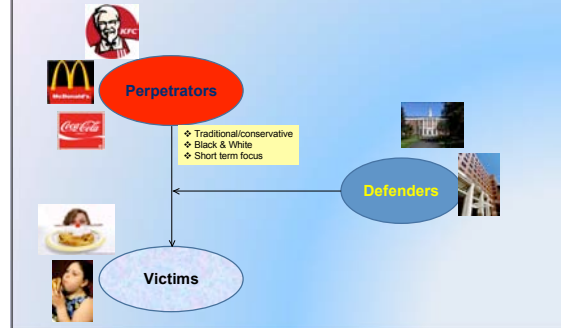
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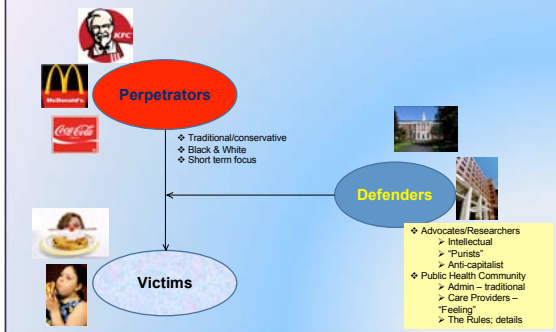
## Primary Motivations Are Different...



## As Are Their Personalities



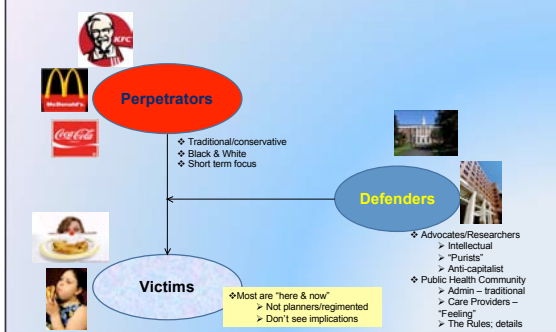
## As Are Their Personalities



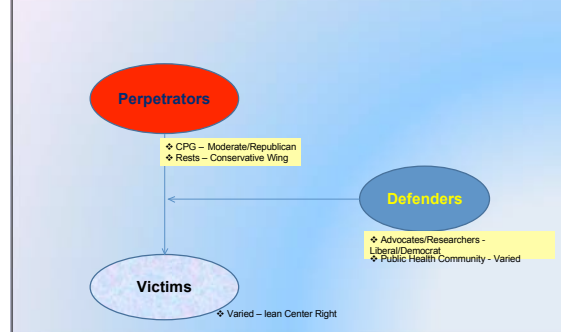
## Healthy People 2010 Nutrition Goals

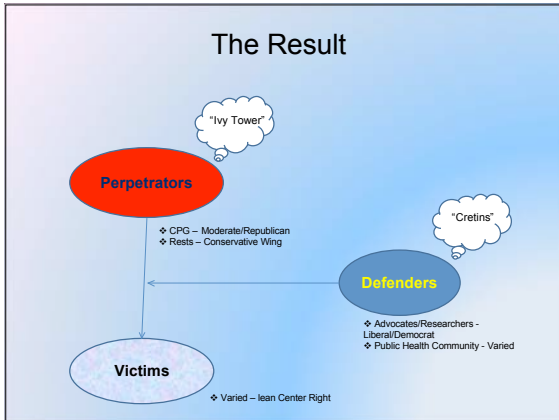
- 19-5 By 2010, increase the percentage of persons aged 2 years and older who consume at least two daily **servings of fruit** to 75%.
- 19-6 By 2010 increase the percentage of persons aged 2 years and older who consume at least 3 daily **servings of vegetables**, with at least **one third being dark green or orange** vegetables to 50%.
- 19-7 By 2010, increase the percentage of persons aged 2 years and older who consume at least six daily **servings of grain products**, with at least three being whole grains to 50%.
- 19-8 By 2010, increase the percentage of persons aged 2 years and older who consume less than 10 percent of **calories from saturated fat** to 75%.
- 19-9 By 2010, increase the percentage of persons aged 2 years and older who consume no more than 30 percent of **calories from total fat** to 75%.
- 19-10 By 2010, increase the percentage of persons aged 2 years and older who consume 2,400 mg or less of **sodium** daily to 65%.
- 19-11 By 2010, increase the percentage of persons aged 2 years and older who meet dietary recommendations for **calcium** to 75%.
- 19-15 By 2010, increase the proportion of children and adolescents aged 6 to 19 years whose intake of **meals and snacks at school** contributes to good overall dietary quality.
- 19-16 By 2010, increase the percentage of worksites that offer nutrition or weight management classes or **counseling** to 85%.
- 19-17 By 2010, increase the proportion of **physician office visits** made by patients with a diagnosis of cardiovascular disease, diabetes, or hyperlipidemia[1] that include counseling or education related to diet and nutrition to 75%.

## As Are Their Personalities...



## As Are Their Politics







### How Polarized POVs Play Out

- Health Care Debate
  - Resistance to change  
Town Hall meetings
  - Universal coverage  
Public Option mandatory

### How Polarized POVs Play Out

#### Food Industry


- ❖ **Position**
  - We offer healthier options
  - Consumers must be responsible for their choices

### How Polarized POVs Play Out

#### Food Industry

- ❖ **Approach**
  - Continued resistance to change
    - Change = Pain**
      - Ingredients
      - Logistics
      - Costs


### How Polarized POVs Play Out

#### Advocates/Regulators

- ❖ **Position**
  - Food industry is the perpetrator
  - Entire categories are inherently "bad"





- Unfettered capitalism is perpetuating obesity

## How Polarized POVs Play Out

### Advocates/Regulators

#### ❖ Approach

- Advance initiatives that are:
  - ✓ Punitive
  - ✓ Force change

THE WALL STREET JOURNAL

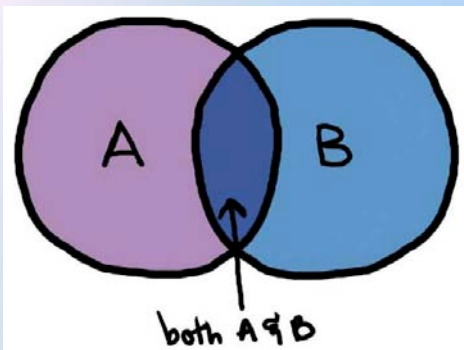
The New York Times



"Soda Tax Weighed to Pay for Health Care"

"Salt: The Forgotten Killer"

"Fructose-Sweetened Beverages Linked to Heart Risks"



## Conclusions

- ❖ Current Polarized approaches have/will not solve obesity crisis
- ❖ Without the food industry's direct involvement, a solution will be elusive

### The New York Times "Putting America on a Healthier Diet"

Saturday, September 12, 2009

To The Editor:

I applaud Michael Pollan's recognition that obesity is the "elephant in the room" in the health care debate, but dissent on his solutions.

Taxing specific products such as soft drinks or creating yet another educational program will not get the job done. Multiple studies have demonstrated that "fat" taxes will not appreciably lower obesity rates, while attempts to change consumer eating behavior have historically come up short.

**The real enemy is the number of excess calories available for consumption, regardless of the source. The only way to slim down this beast is to engage the food industry.**

Rather than alienate or overregulate the industry, my recommendation is to put into effect tax incentives that would entice food companies to sell fewer calories. If they cut their calories, they would be rewarded. If they continued to spew excess calories on the public, they would risk losing favorable tax treatments.

This approach is well worth discussing. Our nation's health depends on it.

Henry J. Cardello  
Chapel Hill, N.C., Sept. 10, 2009

The writer is a former food industry executive and author of "Stuffed: An Insider's Look at What's

## Thesis

### ❖ Food, beverage and restaurant corporations must lower the # of calories they sell

- Calories are the issue...*regardless of the source* (NEJM 2/26/09)
  - ✓ +29% per capita since 1950s
- Consumer confusion rampant about fats, HFCS, etc.
- Focuses efforts behind the biggest culprit

### ❖ Companies must help educate consumers about portion control

- Woeful lack of government funds to educate
- Corporations doing most of the advertising

### ❖ They must have the latitude to sustain their profits

## Thesis In Action

### ❖ Pushing a plan with Senate HELP & Finance Committees



Incentive  
+  
Performance

## Thesis In Action

### ❖ Plan Highlights



- ❖ **Must lower calories sold to keep tax deductions on advertising expenditures (\$14 Billion)**
  - Bonus if lower calories > 10%
- ❖ **Must "tag" 25% – 50% of ads with portion control message to keep deductions**
  - Bonus for airing PSAs

## Thesis In Action

### ❖ Why I don't like soft drink/"fat" taxes



- ❖ Primary purpose: raise revenues
- ❖ Efficacy has been questioned
- ❖ Addresses a small % of the problem (7% max.)
- ❖ Singles out a category rather than over-sized portions/packaging ("WMCs")
- ❖ Sparks industry resistance
- ❖ Regressive

## The New Foodonomics: Understanding How Food Companies Can Comply

### ❑ School vending



### ❑ More 100-calorie packs



### ❑ "Zero-sizing"



### ❑ "Junior-sizing"



Little Thickburger

## Case Examples

### School Vending



- Guidelines in place to:**
- limit/remove soft drinks and high calorie beverages
  - replace with low/no calorie beverages



## Case Examples

### School

Vending  
Why This Works?

- **For Industry**
  - ❖ Keeps them in schools
    - ✓ Brand awareness & trial ("Captive Audience")
    - ✓ Source of high margin sales
  - ❖ Substitute beverage profits comparable to soft drinks
- **For School System**
  - ❖ Source of needed revenues
  - ❖ Better for the kids

## Case Examples

### School

Vending  
Program Status (National)

- Beverage calories shipped to schools down 58%
- 65% of vending machines changed over
- 79% of schools in compliance with national Guidelines



## Case Examples

### School

Vending  
Minneapolis Test Program Success

- ❖ Action: Set 3 levels of pricing:
  - Bottled water: \$ 0.75
  - Juices/sports drinks: \$1.00
  - Soft drinks: \$1.25
- ❖ Results:
  - Soft drink sales (and calories) down
  - Profits up \$4K



## Case Examples

### Controlled Calorie Packs

- Early evidence that 100 calorie packs are effective
  - ❖ Center for Human Nutrition at the University of Colorado-Denver:

"People ate **120 calories a day less** when eating from 100-calorie packs than when they were given the regular packages"



## Case Examples

### Controlled Calorie Packs

- Reduced calorie packs are profitable
  - ❖ Higher gross margins per package
    - ✓ Premiums of 16% to 279% per ounce



## Case Examples

### "Zero-sizing"



- Beverages highly profitable → reason for supersizing

Price (32 oz.)	\$ 1.19
Cost	____.36
Gross Profit	\$ 0.83

## Case Examples

### "Zero-sizing"

- Calories not a factor regardless of drink size
- Opportunity to retain economics of larger-sizes



## Case Examples

### Restaurant Initiatives

#### ☐ Healthier Beverages for Kids

- Branded product as base + Flavor ingredient(s) + Fruit garnish = New Beverage
- ½ **calories** of equivalent beverages
- Each contains a **nutritional element** e.g., Calcium; Vitamin C



## Case Examples

### Restaurant Initiatives

#### ☐ Healthier Beverages for Kids

#### Benefits

- Premium price yields higher profits for restaurant
- Company secures more occasions to sell its products
- Parents pleased about child consuming a healthier beverage
- Kids happy about the taste + fun

## Case Examples

### Restaurant Initiatives

#### ☐ Reducing Combo Calories

- Combo meals a major source of excess calories
  - ❖ Value proposition that trades customer up to additional item purchase(s)
- Drinks and fries are highly profitable



## Instead of This...



Monster Thickburger®	
1420 cals	
Large Crispy Curls	480 cals
Soft Drink (32 oz.)	<u>388 cals</u>
	2288 cals

## ...Can Profitably Offer This



Little Thickburger®	620 cals
Large Crispy Curls	480 cals
Large "Zero" or Diet Drink	<u>0 cals</u>
	1100 cals (-
51%)	

## Will Industry Go For This?

### ❖ They have a lot to gain:

- Retain maximum flexibility to structure portfolios
- Can make their profits
- Avoids harsh regulatory actions if they comply

## Approach is a Win-Win-Win

- Improvement to Public Health
  - Takes calories off the streets
  - Consumer education becomes a reality
- Program structured for success
  - Consumer not asked to fail again
  - Food corporations have flexibility
  - Public Health community's goals are addressed

## What Else Can You Do?

## The Coastal Coalition



- Consider forging a **Coastal Coalition**
  - ❖ South Atlantic states = 20% of population
  - ❖ Fast food and soft drink sales skew disproportionately to Southern states
- As a block, can influence what is sold in restaurants, grocery and convenience stores

I welcome your support



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Lessons from



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