

Taskforce on Childhood Obesity

Hank Cardello
February 23, 2010

Outline

- I. The forces derailing a solution to obesity
 - ❑ Industry
 - ❑ Health advocates
 - ❑ Consumers
- II. Overview of select initiatives
 - ❑ Industry
 - ❑ Public Sector
- III. Bridging the Gap: Calorie Reduction Incentive Plan

What's Not Working?

Polarized Viewpoints Hindering Progress

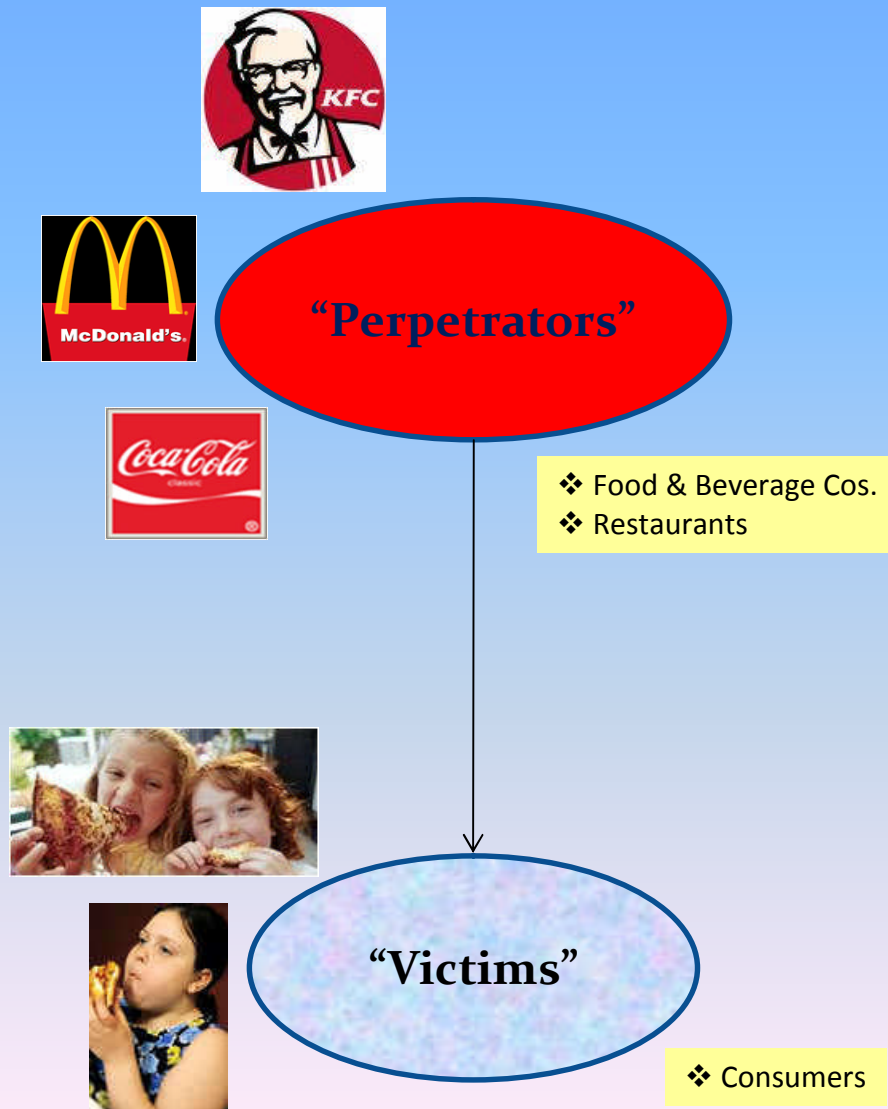


versus



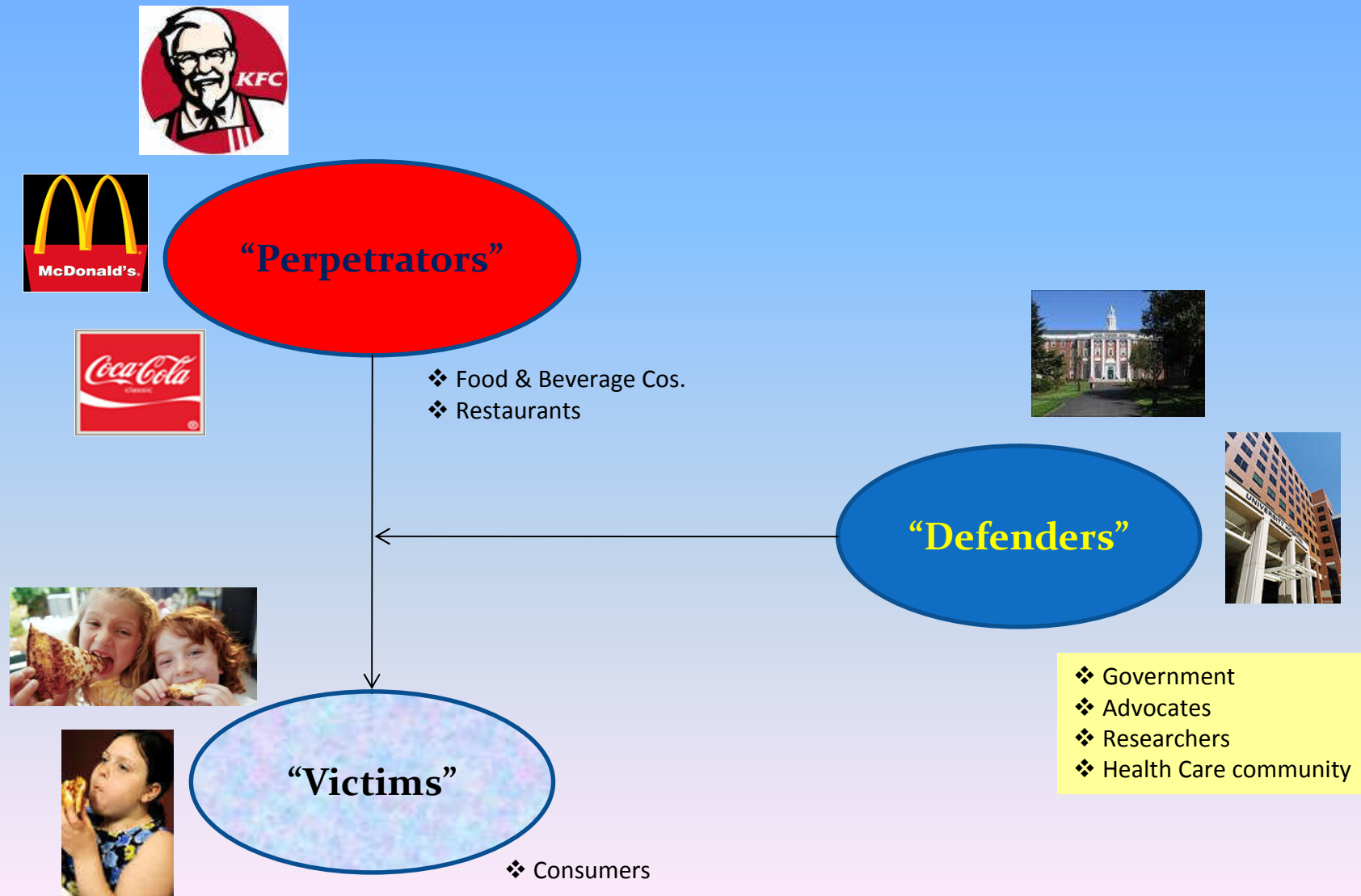
Obesity Playing Field

Perceived Roles

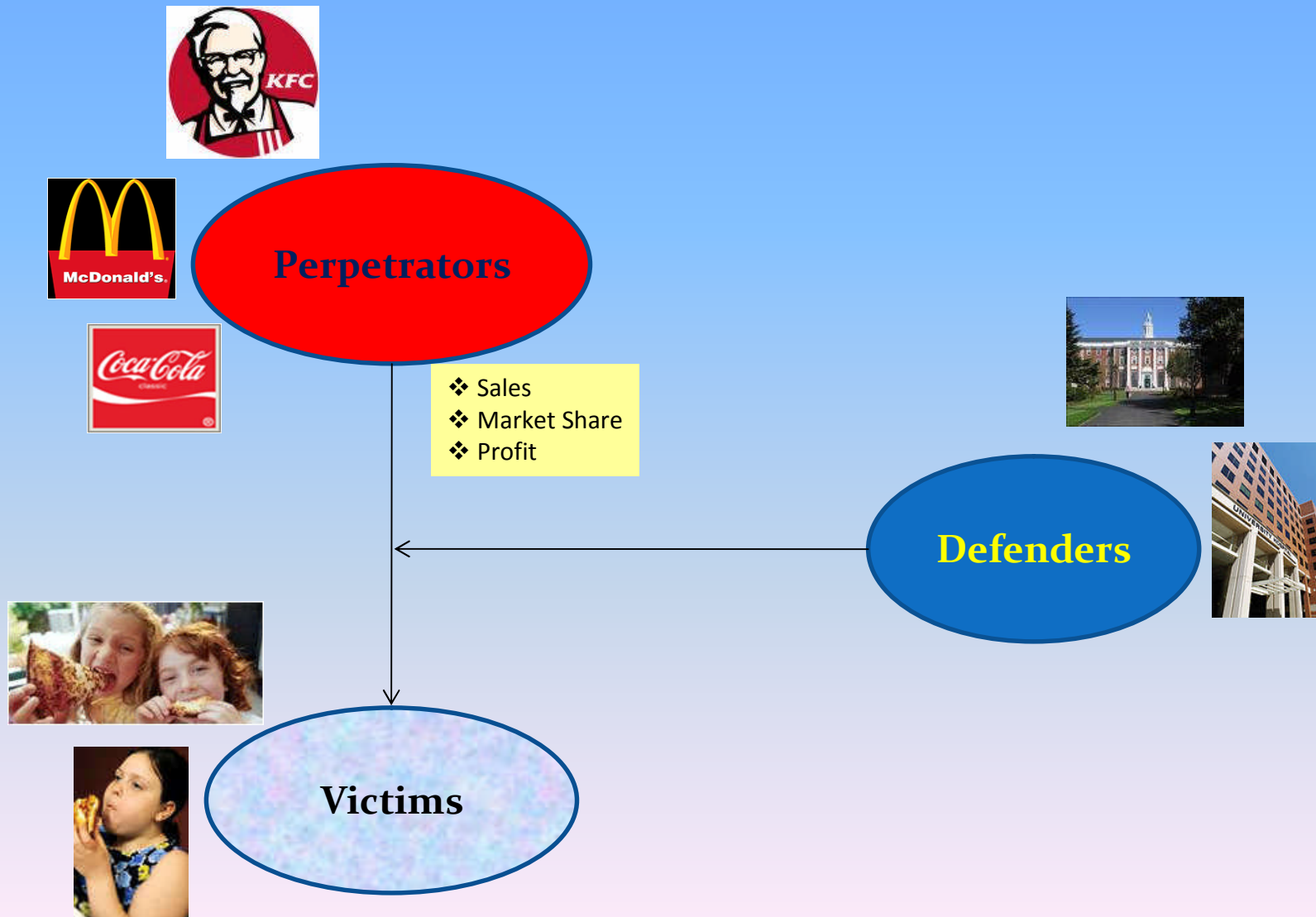


Obesity Playing Field

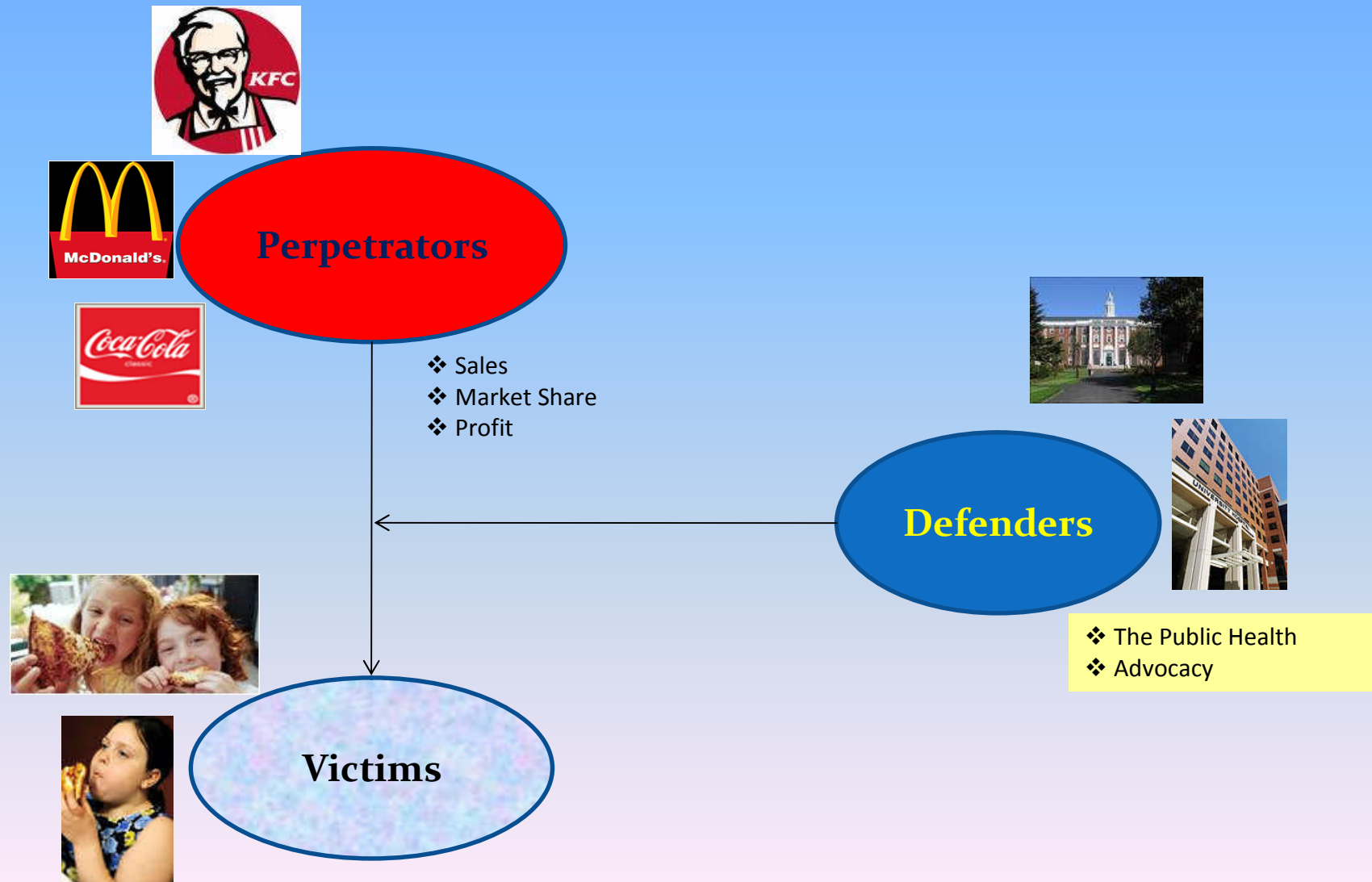
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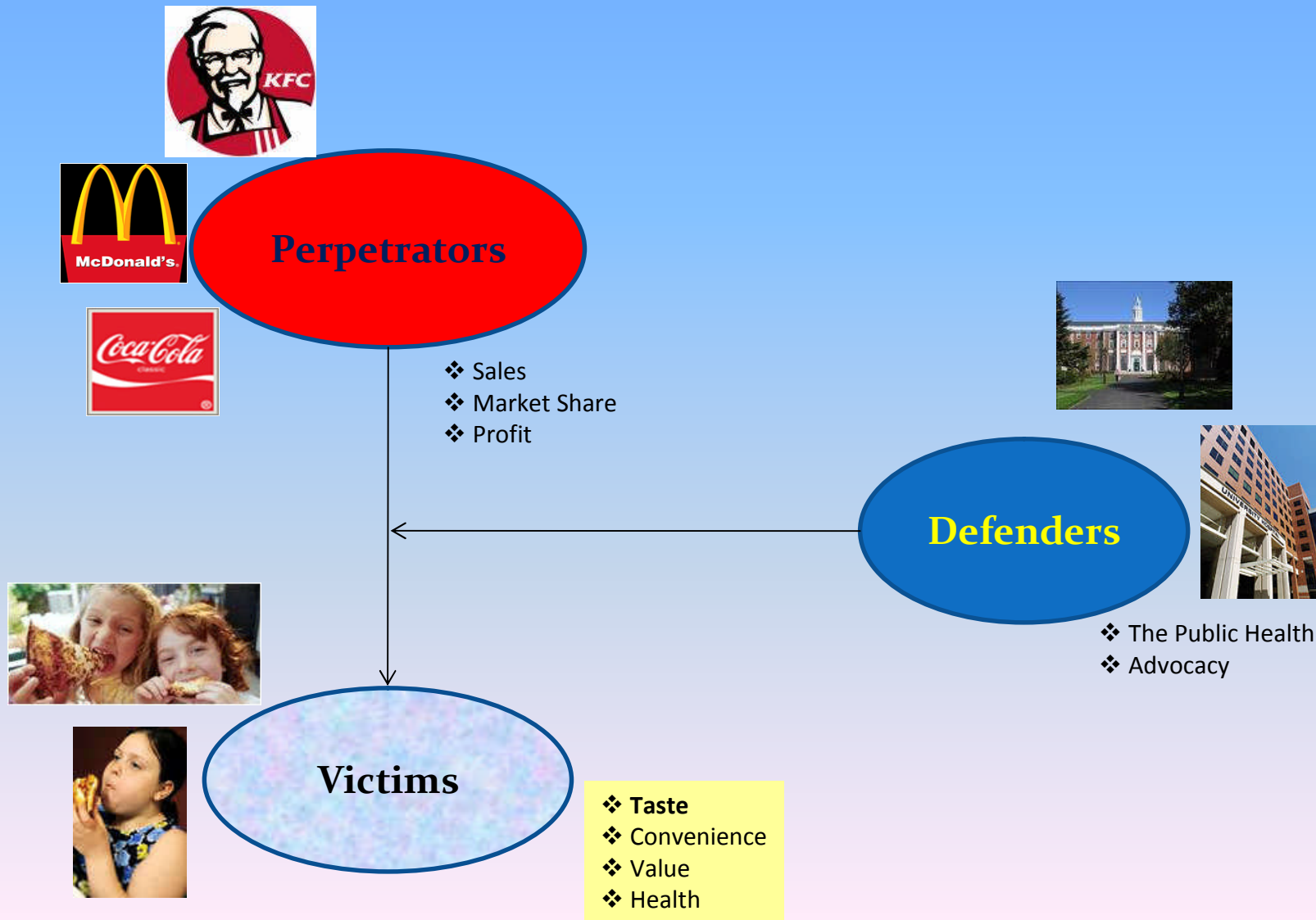
Primary Motivations Are Different



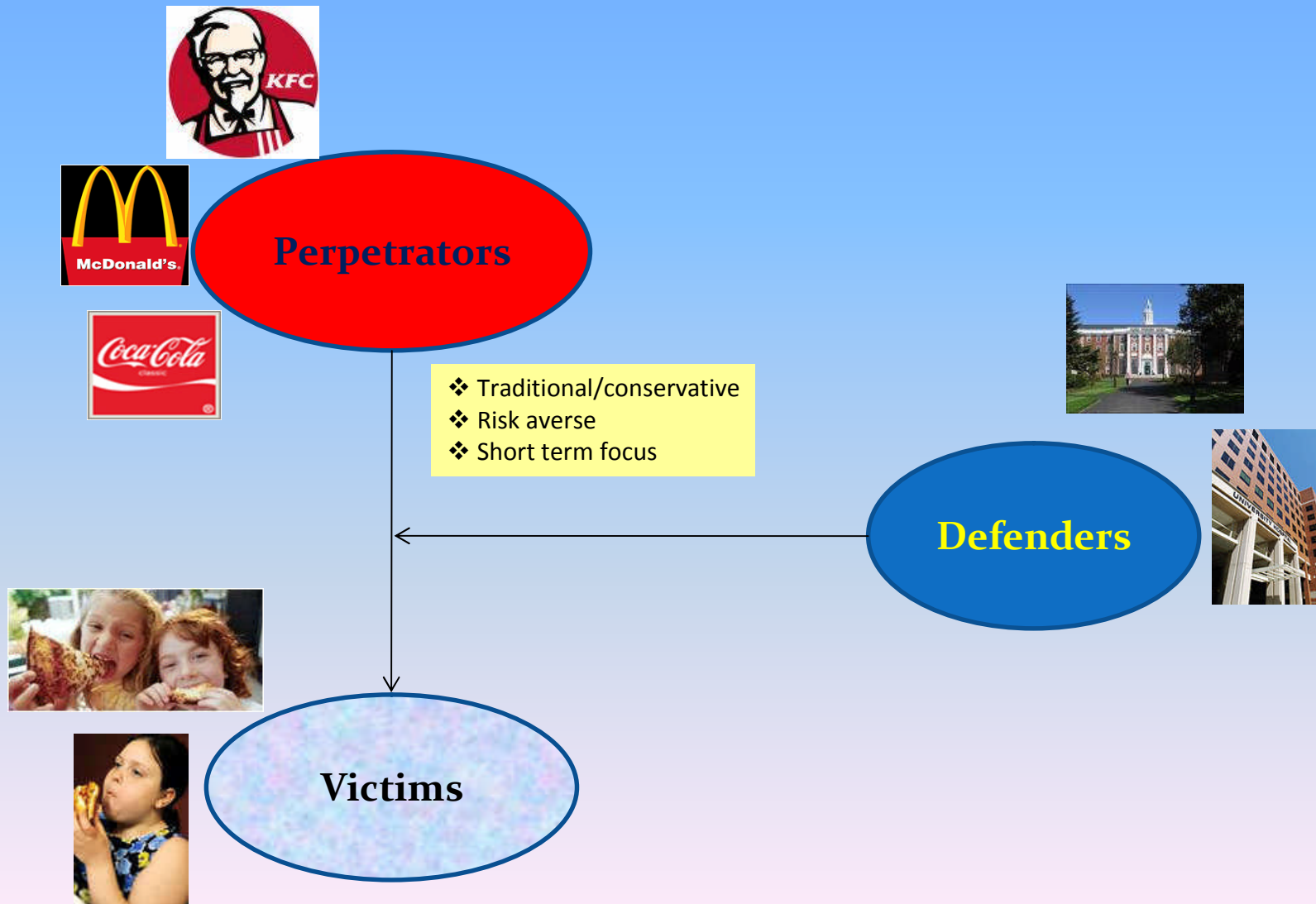
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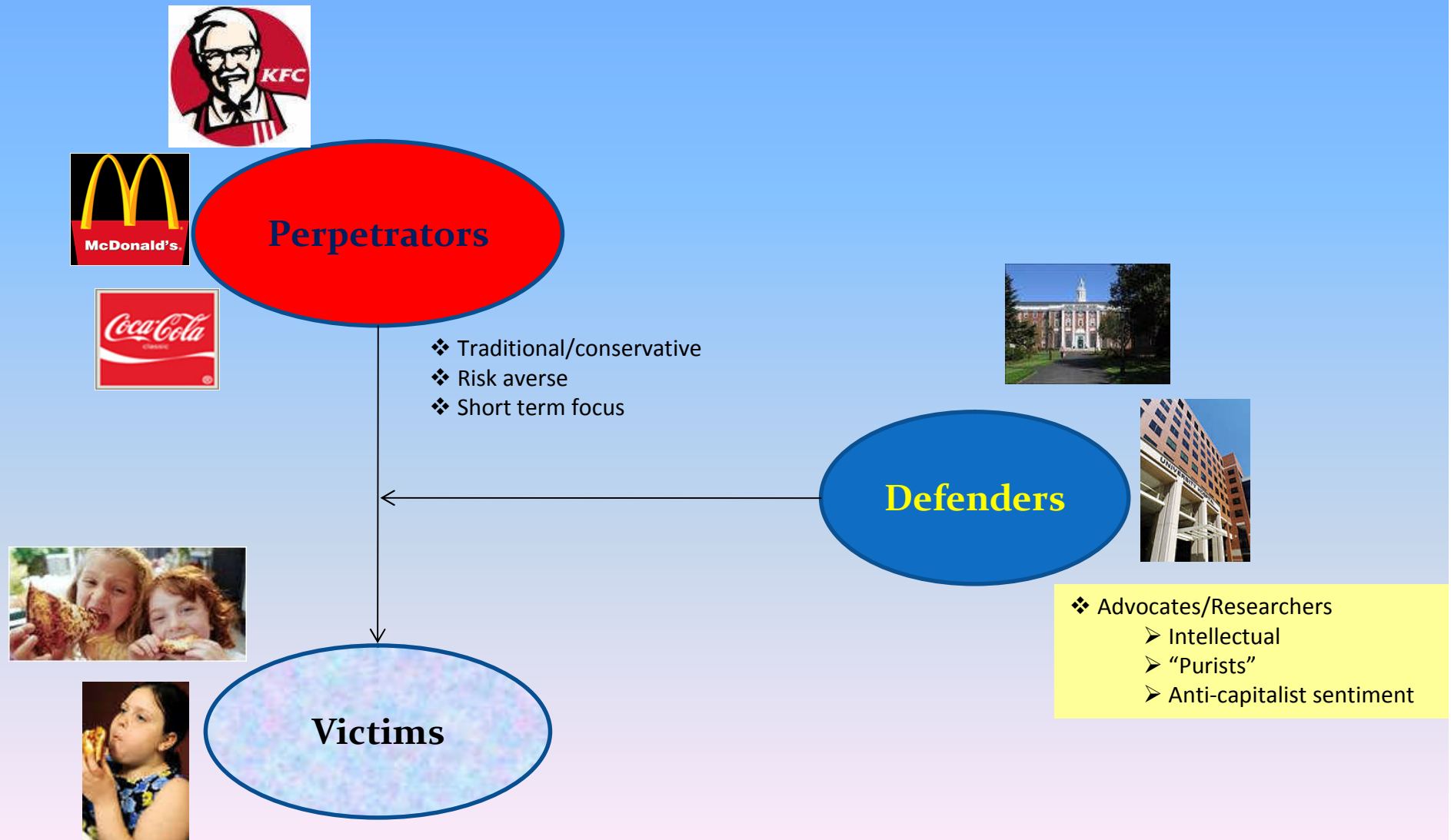
Primary Motivations Are Different...



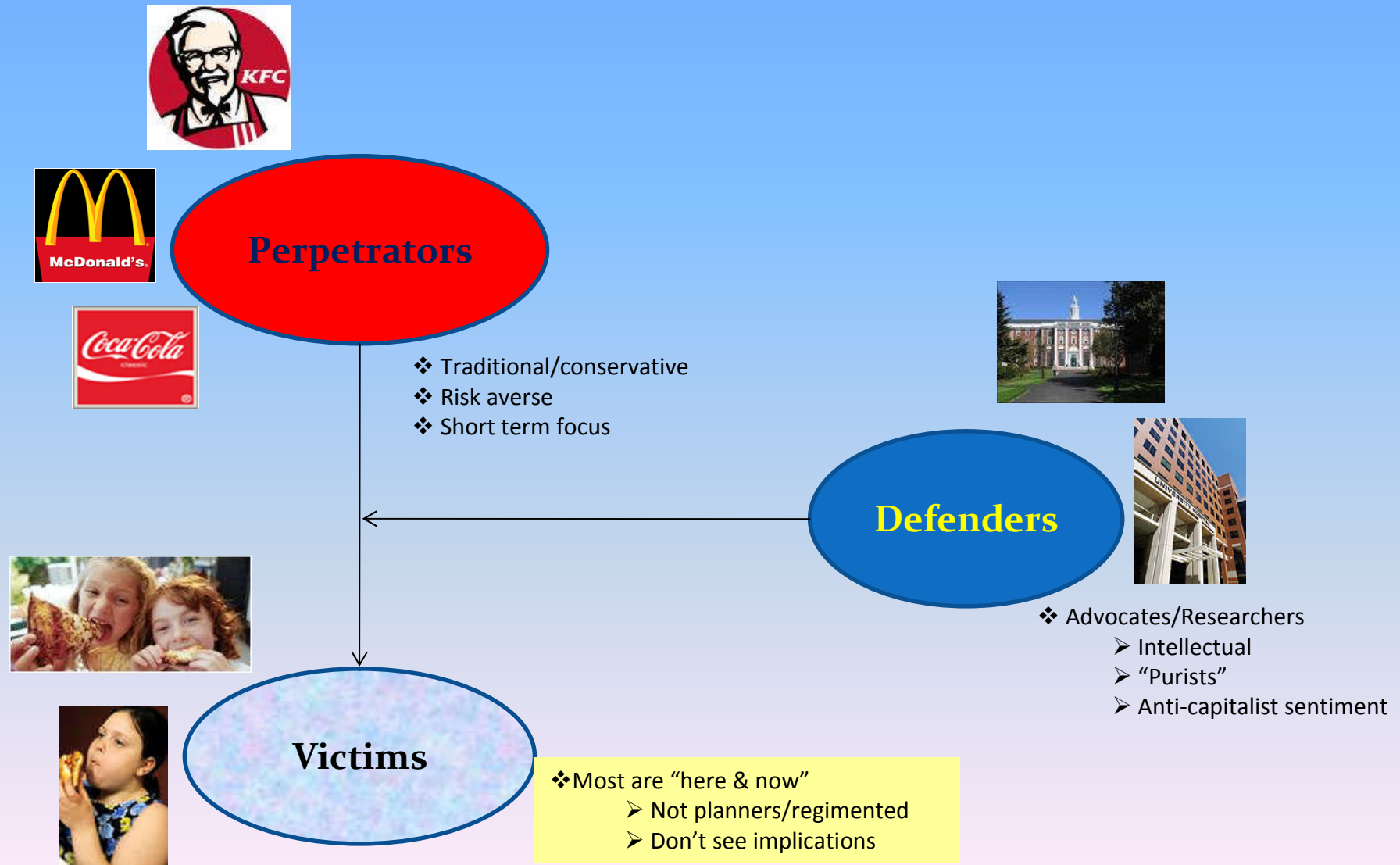
As Are Their Personalities



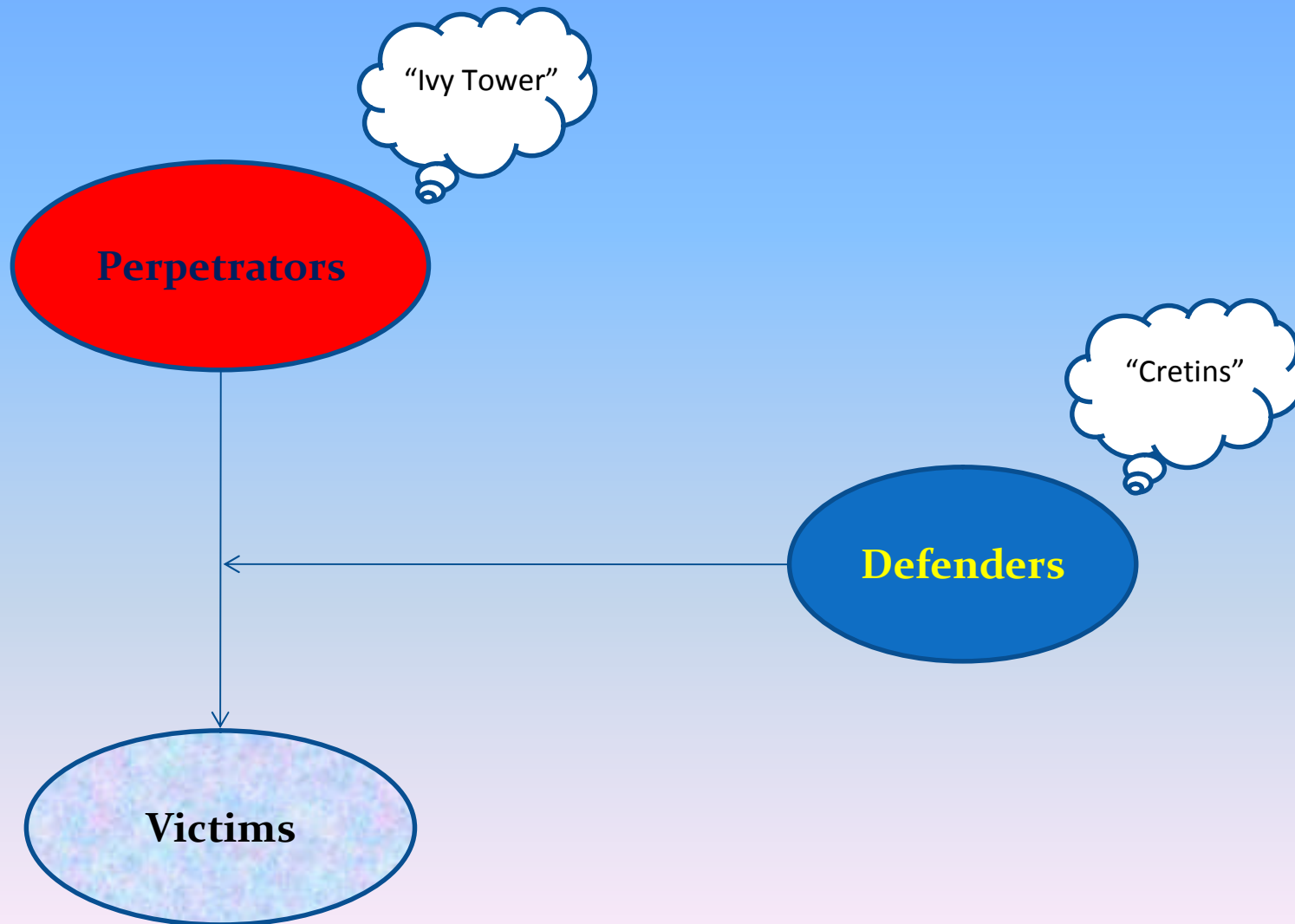
As Are Their Personalities



As Are Their Personalities



The Result



How Situation Plays Out

Food Industry Position

- ❖ We offer healthier options
- ❖ Consumers must be responsible for their choices
- ❖ Advocates trying to harm our business models

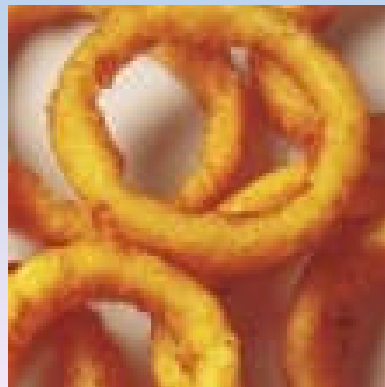


How Situation Plays Out

Food Industry Approach

❖ Continued resistance to change **Change = Pain**

- ❑ Increased costs
- ❑ Ingredients
- ❑ Profit Margins
- ❑ Way of business



How Situation Plays Out

Advocate Positions

- ❖ Entire categories are inherently “bad”



- ❖ The profit motive is perpetuating obesity
- ❖ Food industry resists change vehemently



Frustration

How Situation Plays Out

Advocate Approach

❖ Advance initiatives that are:

- ☐ Punitive
- ☐ Force change
- ☐ Single category/ingredient focused

THE WALL STREET JOURNAL.
WSJ.com

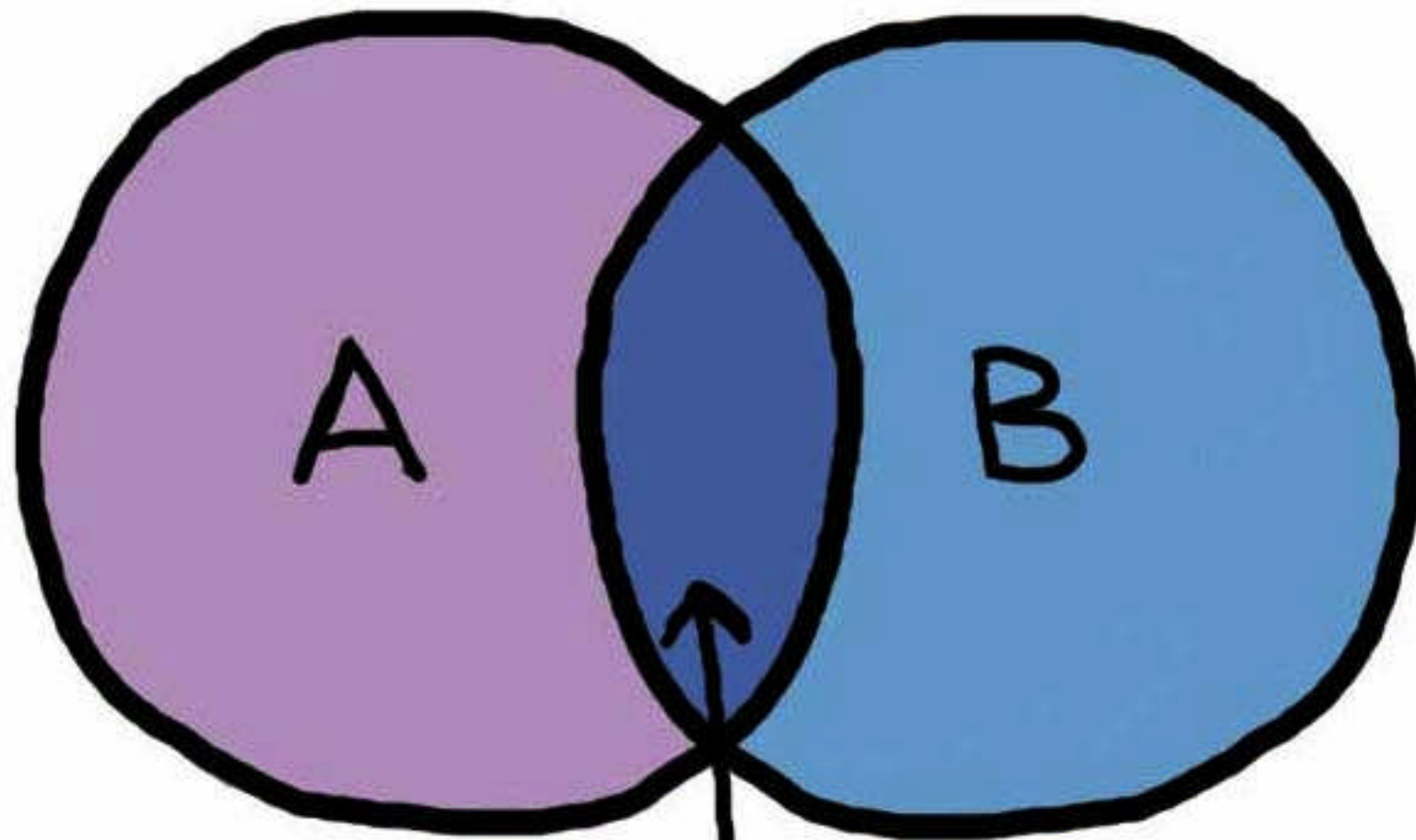
The New York Times



“Soda Tax Weighed to Pay for Health Care”

“Salt: The Forgotten Killer”

“Fructose-Sweetened Beverages Linked to Heart Risks”



both A & B



How Situation Plays Out

The Consumer

- ❖ Poor track record with diets and exercise
- ❖ Majority not “walking their talk”
 - ❑ Only ~ 25% following a healthy lifestyle

Why?

Consumer Segments

Disciplined

Logical

Hard rules

Organized

Conflict OK



Consumer Segments

Disciplined

Logical
Hard rules
Organized
Conflict OK

Situational

Transitional
Forward
looking
Chameleon

Consumer Segments

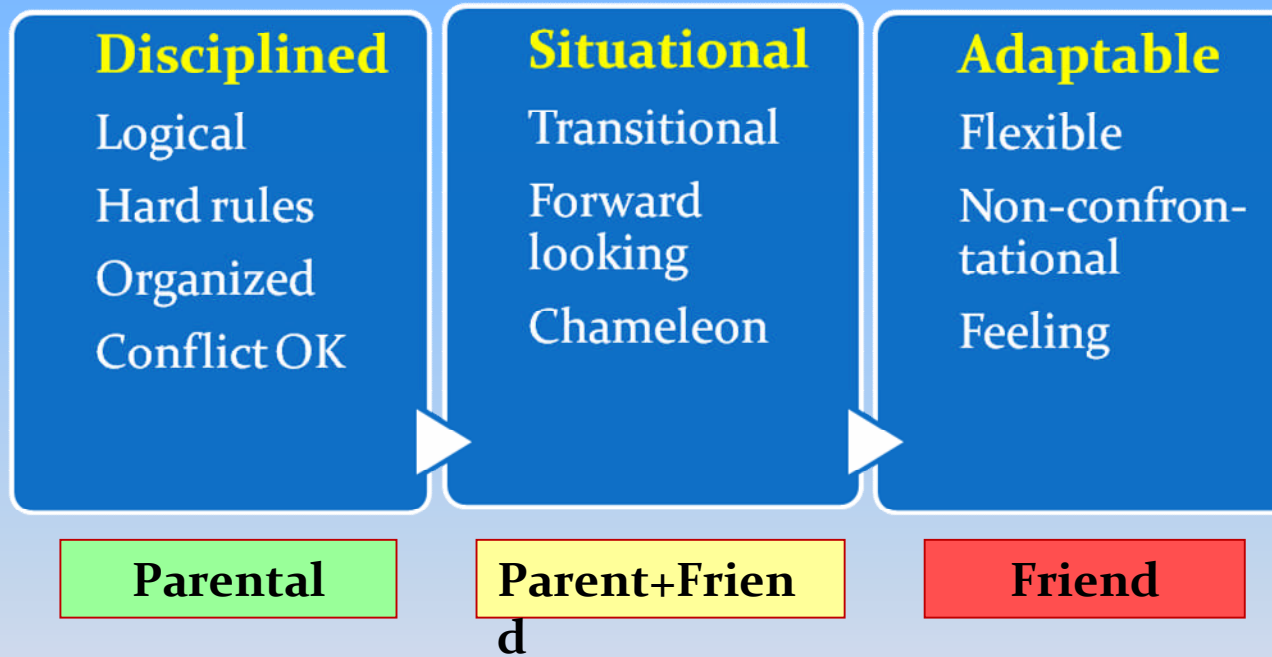


“Extreme” Adaptables



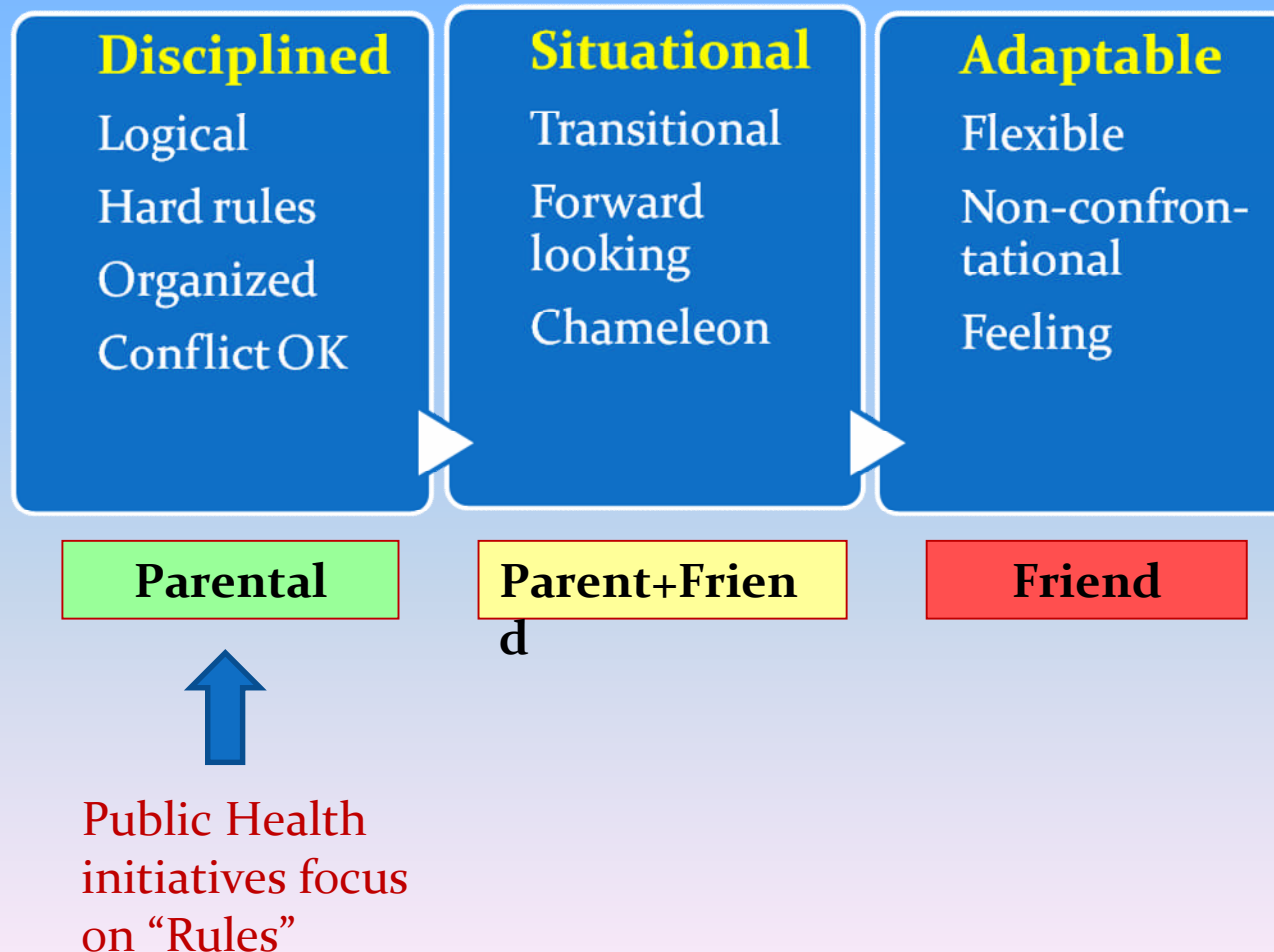
Consumer Segments

Child Relationship Style



Consumer Segments

Child Relationship Style



Implications

- ❖ Current polarized approaches have/will not solve obesity crisis
- ❖ Relying on consumer to change behavior is an uphill battle
 - ❑ After-school eating behavior less likely to be enforced among non-”Disciplines”
- ❖ Biggest impact can come from the food industry
 - ❑ Key: must see their way to making a profit

**Without the food industry’s direct involvement,
a solution will be elusive**

Select Food Industry Initiatives

1. Portion-controlled Packaging

- ❖ Studies show that 100-calorie packs are effective



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

- ❖ Reduced-calorie packs are profitable
 - ❑ Higher per ounce pricing

Reduced-calorie Products for Kids

Beverages



Reduced-calorie Products for Kids

Snacks



2. Restaurant Products for Kids



Kid's Meals

- ❖ Between 300-400 calories
 - ❑ McDonald's 400-600 calories



2. Restaurant Products for Kids

Specialty Kid's Beverages

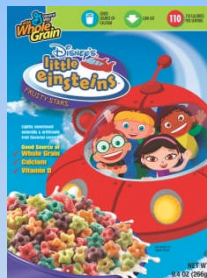
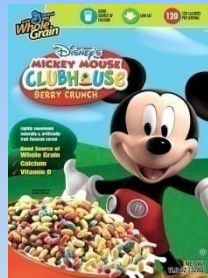


- Branded product as base +
Flavor ingredient(s) +
Fruit garnish = New Beverage
- $\frac{1}{2}$ **calories** of equivalent beverages
- Each contains a **nutritional element**
e.g., Calcium; Vitamin C
- Premium price = higher profits

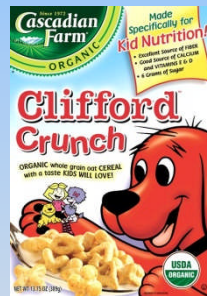


3. Cereal Initiative

- In the past, General Mills has attempted to lower the sugar in its pre-sweetened cereals



9 gm/serving



6 gm/serving



2-3 gm/serving

3. Cereal Initiative

❖ General Mills recommitted to reducing sugar in 10 pre-sweetened cereals

- **Goal:** Reduction to single-digit grams of sugar per serving
- Yale's Rudd Center: "The least-healthy breakfast cereals are the most frequently and aggressively marketed directly to children."



Why?

“It’s just good business”

- Steve Sanger, former CEO

4. School Vending



☐ National School Vending Program

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



4. School Vending

Program Can Be Profitable

- ❖ Action: Set 3 levels of pricing:
 - Bottled water: \$ 0.75
 - Juices/sports drinks: \$1.00
 - Soft drinks: \$1.25

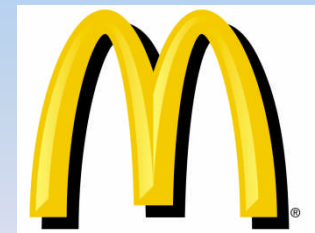
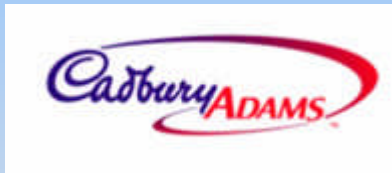
- ❖ Results:
 - Added 9 more vending machines
 - Soft drink sales (and calories) down
 - Profits up \$4K



Source: Minneapolis School District Test

5. Advertising to Children

- ❖ Several major food corporations committed to limit and/or eliminate advertising to children under 12



Select Public Sector Initiatives



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



California Initiatives

- ❖ Banned trans fats January 1, 2010
- ❖ Will post calorie counts on menus in 2011
- ❖ Considering a tax on soft drinks
- ❖ Los Angeles:
 - ❑ Moratorium on new fast food restaurants in certain districts
 - ❑ Reconfiguring vending machines in county facilities as they come up for renewal
 - More baked chips, low-fat cookies and crackers
 - No action yet on soft drinks



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



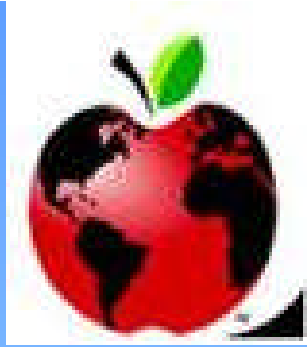
Ways & Means Precedent

Key Elements

- ❖ Strip deductions for direct-to-consumer drug ads
- ❖ Would generate \$37 billion over 5 years

Result

- ❖ Strong resistance from advertising federation quickly squelched the proposal



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

Bridging the Gap

Blueprint for Success

Criteria

1. Corporations must make profits
2. Corporations must be part of the solution
3. Bottom-up consumer efforts need allied support
4. Actions must be geared to lowering obesity rates not punishing specific products or categories
5. Keep It Simple

Initiative to Engage the Food Industry

❖ Advancing a plan with Senate and House



**Incentive
to reduce
calories**

Initiative to Engage the Food Industry

Goals

1. Lower the # of calories sold on a mass basis
 - ❑ Calories +29% over last 50 years; need to reverse
2. Leverage marketing prowess of food companies to help educate consumer about healthier eating

Initiative to Engage the Food Industry

❖ Plan Highlights



- 1. Must lower calories sold to keep tax deductions on advertising expenditures**
 - ☐ Docked up to 50% if increase calories
 - ☐ Bonus if lower calories \approx 10%
- 2. Must “tag” 25% of ads with healthy eating/ lifestyle message to retain full deductions**
 - ☐ Bonus for airing PSAs

Initiative to Engage the Food Industry

❖ Definitions



1. **Calories sold:**

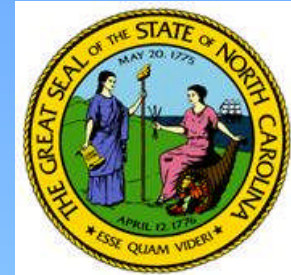
- ☐ Restaurants: Calories per store
- ☐ Packaged goods: Calories per serving

2. **Tags:**

- ☐ Portion control or healthy lifestyle message
(e.g.) “Eat Smart, Move More”

Initiative to Engage the Food Industry

Benefits



- ❖ **Bipartisan appeal**

- ☐ Structured to mitigate industry resistance
- ☐ Opportunity to raise \$1 billion over 5 years

- ❖ **Non-punitive structure: *Shifts* rather than eliminates tax deductions**

- ☐ Corporations that meet criteria will not lose deductions
- ☐ Potential to earn additional tax deductions
- ☐ Provides maximum flexibility for corporations to meet criteria

- ❖ **Superior approach to punitive taxes**

- ☐ Focuses on the crux of the problem: excess calories from any source

- ❖ **Simple to implement and track**

Putting the Pieces Together

Calorie Reduction Incentive Plan

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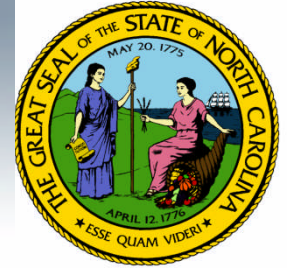


Full Engagement of key constituencies

Recap

- ❖ An engaged food industry is essential to enhancing child nutrition
- ❖ Regulatory initiatives must consider both corporate and public health goals
- ❖ Changing consumer behavior is challenging
 - ❖ Leverage the power of the Eat Smart, Move More program
- ❖ Lowering excess calories should be our #1 priority

General Assembly of North Carolina



Thank You

Hank@StuffedNation.com

www.StuffedNation.com

