

Rx for Obesity: Fatter Food Company Profits ***by Hank Cardello***

The CEO Council conference recently convened by the Wall Street Journal concluded that obesity was the #1 health priority for the president-elect's administration. Among the suggestions proffered were engaging the president's office, the surgeon general and the Centers for Disease Control and Prevention to spread an obesity prevention message.

While laudable, these recommendations will not work. Educating consumers is not the solution. They already know they need to eat smaller portions, choose healthier foods and exercise more. In fact, they've paid handsomely for this knowledge for years, buying millions of bestselling diet books and diet plans. The result: almost 150 million American adults are now considered either overweight or obese.

The real solution lies with the food industry – marketers of packaged foods and beverages and restaurant chains. It's not a question of blame; it's just that they are the only ones who can make a dent in solving the problem.

Why is this?

For starters, consumers have demonstrated an inability (perhaps an unwillingness) to resist heavily promoted high-calorie foods and beverages. Our culture of convenience combined with good taste plus a good price virtually always trumps health. Depending on consumer willpower to solve this crisis is misguided.

Looking to government is also a mistake as most programs have proven ineffective. Nutritional labeling requirements, 5-a-day fruit and vegetable programs, and food pyramid guidelines have not stemmed the tide of rising obesity rates. And pending proposals to tax sweetened beverages and "sin" foods are regressive and have the unintended consequences of harming lower income consumers.

That leaves the food industry. The current food business model of "more is better" was born in an era when America's collective girth was not an issue. This is no longer the case. With almost two-thirds of adults either overweight or obese (and higher proportions for Hispanics and African-Americans), it's time for a change.

While the food industry's mouthpieces rationalize that they offer healthier options and that consumers need to take personal responsibility for their health, this position is not a solution. Rather, it is a punt.

The food industry can solve the problem because it is in the best position to do so. It has the marketing muscle and know-how to deliver healthier food consumers will buy and the organizational structure to ensure its efforts are implemented. And it can make a very healthy profit doing so.

My call is for industry to abandon its long-held either/or beliefs that lower-calorie, healthier food comes at the expense of the bottom line. The reality is that the food, beverage and restaurant corporations can revamp their marketing programs and product portfolios to create a healthier mix of offerings at even healthier margins. This creates the ultimate win-win scenario: healthier customers that keep buying for a longer time.

So what can the food industry do to help lower caloric consumption? Consider the following:

- *Advertising and promoting lower calorie options more aggressively compared to their higher calorie, less nutritious offerings.* A good example is Coca-Cola Zero, which tastes eerily like Coca-Cola without any calories. And profits aren't compromised.
- *Pushing smaller portion items like 100-calorie packs.* Yes, food activists claim egregious profits are made with these packages, but the benefits to consumers outweigh any concern over profits. Recent studies have shown that consumers eat an average of *120 less calories* when consuming snacks in these packages compared to the traditional box.
- *Capping the calories in restaurant combo meals.* Do Americans really need 2,000 calories of Monster burgers and supersized drinks and fries all in one meal?
- *Building a "health factor" into food company management bonus plans.* By making their products healthier, managers are rewarded. It's no longer an afterthought to consider your customer's well-being.

This is not a wishful fantasy. Some innovative companies that have taken up the charge to offer healthier foods and beverages are seeing positive results. General Mills, for instance, has improved the nutritional profile of its product lines significantly, while increasing sales 29% and net income 41% since 2003. By converting its portfolio to 100% healthier products, Danone's profits have risen sevenfold since 2004. Behind the introduction of no-calorie Coca-Cola Zero and pushes on healthier non-carbonated Minute Maid and Vitaminwater brands, Coca-Cola Company's sales and profits each have increased 38% since 2003. And Subway, by positioning itself to be the healthy fast-food alternative, has powered up sales to \$10 billion annually.

Taking custodianship for their customer's well being is not simply altruism; today, it's simply good business. The food stalwarts can make their money AND do the right thing.

If they don't, can Big Brother be far behind?

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