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# Lower-Calorie Foods and Beverages Fuel Growth at Healthy Weight Commitment Foundation Companies

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**HEALTHY  
WEIGHT  
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# Obesity Solutions Initiative

The mission of Hudson Institute's Obesity Solutions Initiative is to bring about practical, market-oriented solutions to the world's overweight and obesity epidemic.

The Initiative devises policies and offers solutions to the global obesity epidemic by aligning the needs of all vested parties—corporations, the public health community, consumers and regulators. Emphasis is placed on sound quantitative analysis and the incorporation of pragmatic principles to enhance adoption. The undertaking is currently focused on building the business case for lower-calorie and better-for-you foods and beverages by quantitatively demonstrating the sales, financial and reputational benefits from selling larger amounts of such products.

The Initiative's director is Hudson Senior Fellow Hank Cardello, the author of *Stuffed: An Insider's Look at Who's (Really) Making America Fat* ([www.stuffednation.com](http://www.stuffednation.com)). He is a former food executive with Coca-Cola, General Mills, Anheuser-Busch, Nabisco and Cadbury-Schweppes, and co-Chair of the Global Obesity Business Forum sponsored by the University of North Carolina at Chapel Hill. Cardello has been a frequent contributor to *The Atlantic* and *Forbes* on business strategy, food policy and obesity matters.

**For more information, visit [www.obesity-solutions.org](http://www.obesity-solutions.org)**

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# Summary

The Centers for Disease Control and Prevention (CDC) estimates that more than one third of adults and 17 percent of children in the United States are obese.<sup>1</sup> Governments at all levels have taken action to address this national epidemic through efforts to make schools and communities healthier for children and families. Business leaders are stepping up as well, by participating in initiatives like the Healthy Weight Commitment Foundation (HWCF), a CEO-led organization that aims to help reduce obesity - especially childhood obesity - via a commitment to eliminate 1.5 trillion calories from the market by 2015.

The Hudson Institute, a nonpartisan policy research organization, has now completed four landmark studies covering consumer packaged goods (CPG) food companies and restaurant chains which have demonstrated the positive impact of lower-calorie and/or better-for-you (BFY) foods and beverages on overall sales growth. Funded by the Robert Wood Johnson Foundation or the Healthy Weight Commitment Foundation, these studies have proven that selling more lower-calorie/BFY foods and beverages is good business.

The first CPG study, titled “Better-For-You Foods: It’s Just Good Business,” found that between 2006 and 2011, 15 leading CPG companies that grew their lower-calorie/BFY foods and beverages enjoyed superior sales growth, operating profits and operating profit growth.<sup>2</sup> An analysis of restaurant chains, which covered the same time period, illustrated similar results: those that grew their lower-calorie menu servings enjoyed greater same-store sales, traffic and total servings gains<sup>3</sup>

In May, 2013, a third study evaluated data from the first CPG study to specifically examine HWCF members in order to determine whether they were increasing their sales of lower-calorie items and how that trend was influencing total company sales.<sup>4</sup> Results indicated that from 2006 to 2011, lower-calorie products drove 82 percent of the sales growth among the HWCF member companies, over four times the rate of higher-calorie products.

This newest study takes a second look at whether the HWCF member companies are continuing to make progress in increasing the sales and availability of lower-calorie items, and how that trend is influencing total company sales and other success metrics. Increasing sales of lower-calorie products - in absolute terms and relative to higher-calorie products - is an indicator that companies are shifting their product portfolios toward foods and beverages containing fewer calories.

This report examines the aggregate data for all CPG member companies of the HWCF covering the initial five-year calorie reduction commitment period ending December 31, 2012.

## Highlights

- Lower-calorie products drove virtually all of the growth at the HWCF member companies studied, accounting for 52.5 percent of sales and 99 percent of the sales growth.
- Companies that grew their lower-calorie products increased total sales; companies that didn’t recorded total sales declines.
- Similar to sales trends, lower-calorie products accounted for an overwhelming 96+% of the gains in distribution.
- More lower-calorie sales were derived from in-store promotions, indicating an increased emphasis on these products. In-store promoted sales of lower-calorie products grew +9.0%, more than 1.5 times the rate of higher-calorie products.
- While slightly fewer lower-calorie products were introduced compared to higher-calorie versions, the number of lower-calorie products that remained on the market after 5 years was double that of higher-calorie items.

# Background

Reducing obesity is the foremost public health challenge facing our nation today. Over the past two decades, obesity rates have grown to epidemic proportions that threaten our economic and national security. In 2013, twenty states recorded adult obesity rates in excess of 30%.<sup>5</sup> Thus, there has been growing momentum among policy-makers at all levels to pass and implement laws to improve school nutrition, make communities safer for physical activity, and improve access to affordable healthy foods.

Many have suggested that the food industry should help to solve the obesity crisis by making the U.S. food supply more nutritious and by reducing the number of calories it sells. Consumer packaged goods (CPG) companies have committed to reducing calories through a variety of pledges, including the Healthy Weight Commitment Foundation's promise to eliminate 1.5 trillion calories by 2015; however, some in the public health community question whether this commitment will actually be realized in the marketplace. Largely undisputed, however, is the direct impact that the \$2+ trillion food industry can have on improving consumption of lower-calorie and better-for-you (BFY) foods and beverages if fully engaged in the fight to reverse obesity.

## *The Case for Calorie Reduction*

At the most basic level, overweight and obesity are the result of a caloric imbalance: too few calories expended for the amount of calories consumed.<sup>6-7</sup> In 2010, our aggregate food supply provided 2,568 calories per person per day, 459 more calories than in 1970.<sup>8</sup>

Thus, it is not surprising that organizations such as the Institute of Medicine (IOM) have called for food companies to substantially reduce the number of calories served to children and their families. In its report titled "Accelerating Progress in Obesity Prevention: Solving the Weight of the Nation," the IOM highlighted that people are consuming more calories, in part, because portion sizes have increased; calorie-dense foods such as French fries are more available; and the food industry has aggressively marketed high-calorie products.<sup>9</sup>

To date, proposed public health policy interventions aimed at the food industry have focused primarily on changing consumption habits by mandating calorie labeling, banning oversized beverages or taxing sugar-sweetened drinks. Each of these approaches contains elements that automatically guarantee industry resistance -- either because it raises costs or induces declines in sales of highly profitable items. None of these approaches gives consideration to the success metrics that industry executives are responsible for when making decisions on behalf of their companies and shareholders.

While reducing consumption of more highly caloric foods and beverages is a desirable outcome from a public health and nutritional policy perspective, in most cases consideration has not been given to the impact these measures have on a company's ability to grow its sales.

While food industry proponents are understandably concerned about how such policies will impact their business, several food and beverage companies are now participating in self-regulatory initiatives such as the HWCF. Member companies of HWCF collectively pledged to remove 1.5 trillion calories from the marketplace by 2015.<sup>10</sup> In January, 2014, it was reported that the HWCF companies had in fact reduced calories by 6.4 trillion, three years ahead of the 2015 commitment date, exceeding its pledge by over 400%.<sup>11</sup>

# Research Overview

The overarching goal of this latest study was to determine whether lower-calorie products sold by HWCF member CPG companies continued their growth trajectory following the aforementioned 2011 study, and to gauge the impact of those sales on total company sales and other success metrics.

To address this objective, Nielsen ScanTrack data was utilized to enable analysis of the dollar sales for foods and beverages sold by the CPG members of the HWCF. The CPG companies participating in the HWCF account for nearly 25 percent of calories consumed in the United States and approximately \$93 billion in annual U.S. food and beverage sales in grocery, drug and mass merchandise outlets. The study evaluated Nielsen data for more than 52,000 SKUs (stock keeping units) sold in more than 40,000 stores. Four key metrics were examined: dollar sales volume; promoted dollar sales volume; availability; and new product launches.

## Methodology

### *Data Source*

Our analysis relied on purchased ScanTrack data from the A.C. Nielsen Company. One of two major sources of CPG food and beverage industry data, Nielsen ScanTrack captures sales data on point-of-sale purchases through UPC codes at food stores with more than \$2 million in sales, drug stores with more than \$1 million in sales, and mass merchandisers. ScanTrack data for the time periods evaluated in this study does not include some key retailers and channels, including Walmart, Dollar Stores, and warehouse clubs.<sup>12</sup>

The 5-year period evaluated analyzed two end-points: the 12-month period ending December, 2008, and the 12-month period ending December, 2012. It should be noted that the time frame covered in this report is designed to approximate the initial five-year commitment period that HWCF member companies pledged to reduce calories.

### *Company Selection*

All CPG companies that were members of the HWCF as of December, 2012 were included in this study. Those companies include Bumble Bee Foods, LLC, Campbell Soup Company, The Coca-Cola Company, ConAgra Foods, General Mills, Inc., The Hershey Company, Kellogg Company, Kraft Foods, Inc. (now Kraft Foods Group, Inc. and Mondelez International), Mars, Incorporated, McCormick & Company, Inc., Nestlé USA, PepsiCo, Inc., Post Foods, LLC, Sara Lee Corp. (now Hillshire Brands), The J.M. Smucker Company and Unilever.



## Lower-Calorie Product Criteria and Categorization Process

A two-tiered product categorization system was developed for each product by breaking down the proprietary Nielsen sales data into two discrete categories:

- Lower-Calorie
- Higher-Calorie

Guidance for the categorization of lower-calorie products was drawn from calorie criteria developed in conjunction with the University of Minnesota Nutrition Coordinating Center (NCC)<sup>13</sup> for a previous Hudson Institute study on restaurant chains titled “Lower-calorie Foods: It’s Just Good Business.”<sup>13</sup> These criteria were also applied in the original Hudson Institute study for the HWCF. Any product not meeting the lower-calorie criteria was classified as a higher-calorie product.

Figure 1 illustrates the “lower-calorie” thresholds for key product categories.

## Calorie Content Guidelines

Calorie Guidelines for Study	
Product Category	Calorie Criteria
RTE Cereal - Kids/Adult <sup>1</sup>	≤150
Hot Cereal <sup>1</sup>	≤150
Pancake/Biscuit/Muffin Mix <sup>2</sup>	≤150
Toaster Waffles/Pop Tarts	≤150
Soups	≤150
Meal/Pasta Sauces	≤100
Main Dishes	≤350
Complete Meals	≤500
Sides Dishes	≤150
Fruit & Vegetables	≤150
Condiments/Coffee Additives	≤50
Dressings	≤100
Complete Breakfast Bars/ Drinks	≤250
Plain Pasta	≤250
Spreads/Dips	≤50

Figure 1

Calorie Guidelines for Study	
Product Category	Calorie Criteria
Snacks (Popcorn/Crackers/ Pretzels & Baked Snacks)	≤150
Gum	≤50
Candy	≤125
Salted Snacks/Chips	≤125
Nuts	≤150
Snack Bars	≤100
Juice/Juice Beverages	≤50
Coffee/Juice/CDSs	≤50
Breads and Pastries	≤150
Milk	Skim, 1%
Yogurt	≤170
Cheese	≤80
Dessert	≤150
Cookies	≤125

<sup>1</sup>10 Gram cap on sugar

<sup>2</sup>As prepared

As part of the classification process, nutrition information on the product packaging or from the company’s web site was reviewed for each product.<sup>14</sup> If caloric data was unavailable from either of these sources, third-party calorie information web sites, such as [www.myfitnesspal.com](http://www.myfitnesspal.com) and [www.caloriecount.about.com](http://www.caloriecount.about.com), were consulted.

# Findings

Our study found that lower-calorie items now account for 52.5 percent of the dollar sales of CPG members of the HWCF, up from 50.5 percent in the earlier study. Of note, these products drove virtually all of overall sales growth for the 5-year period evaluated: 99 percent.

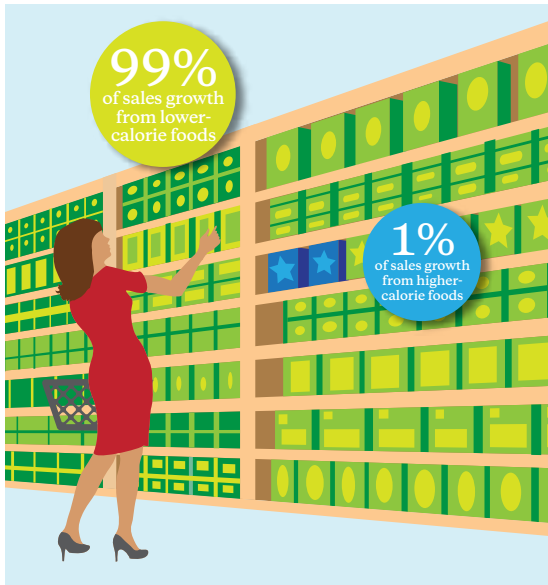
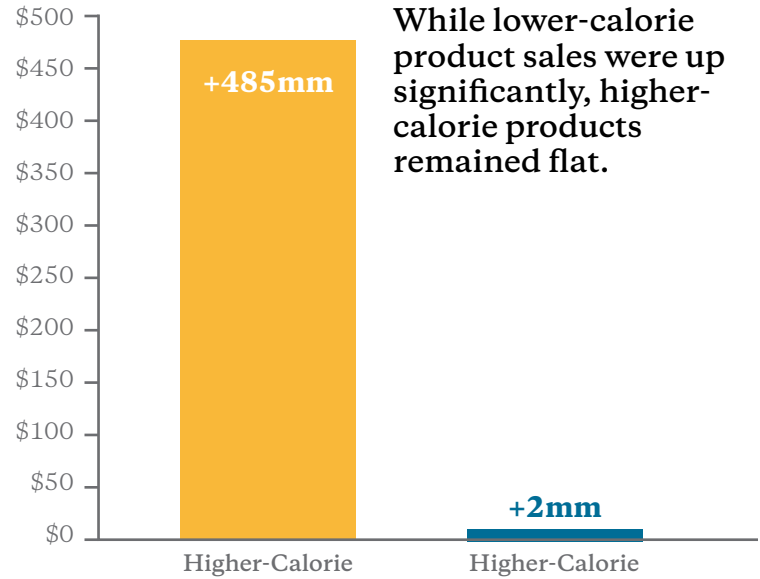


Figure 2



Source: AC Nielsen ScanTrack - 5-year period ending December 31, 2012

Figure 3

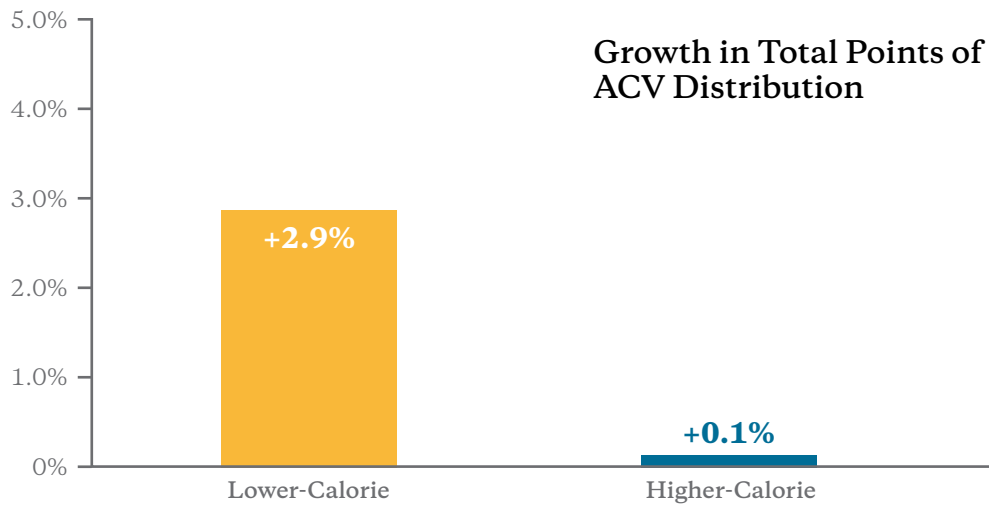
The research also found that companies that increased their lower-calorie products increased total sales; and companies that emphasized higher-calorie products declined.



Source: AC Nielsen ScanTrack - 5-year period ending December 31, 2012 (flat = chg. < 0.1%)

Figure 4

Virtually all distribution gains came from lower-calorie products, paralleling the increases in dollar sales. This suggests that companies can drive more sales of lower-calorie products if they push availability in more retail outlets.



Source: AC Nielsen ScanTrack - 5-year period ending December 31, 2012

Figure 5

The study also examined whether new lower-calorie products introduced after 2008 sustained their sales better than new higher-calorie products introduced during the same period. While HWCF companies introduced slightly more higher-calorie products than lower-calorie items (10,779 versus 9,790), the lower-calorie products had more staying power. At the end of 2012, lower-calorie SKUs still on the shelves increased by more than 14 percent, approximately 2 times the increase in the higher-calorie products.

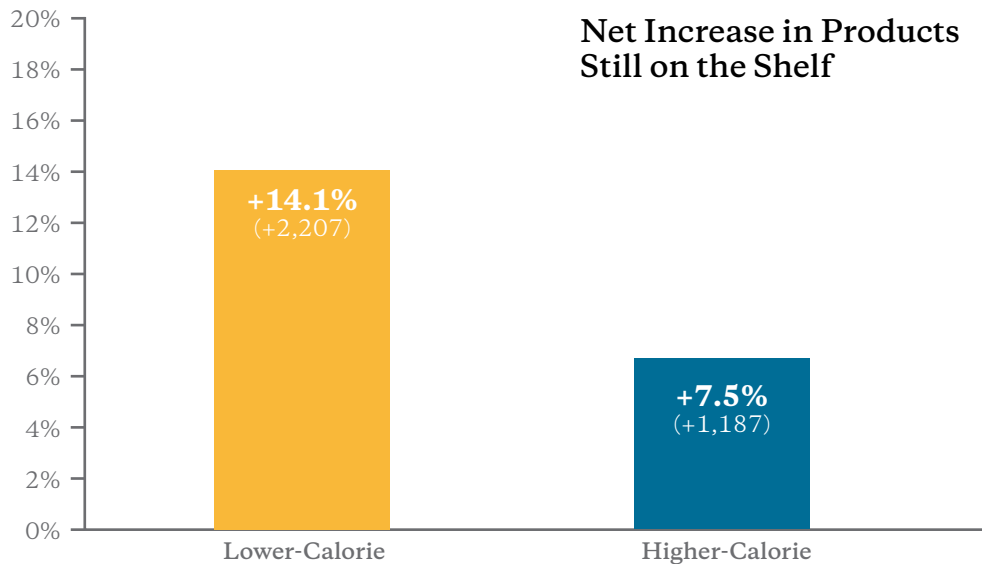
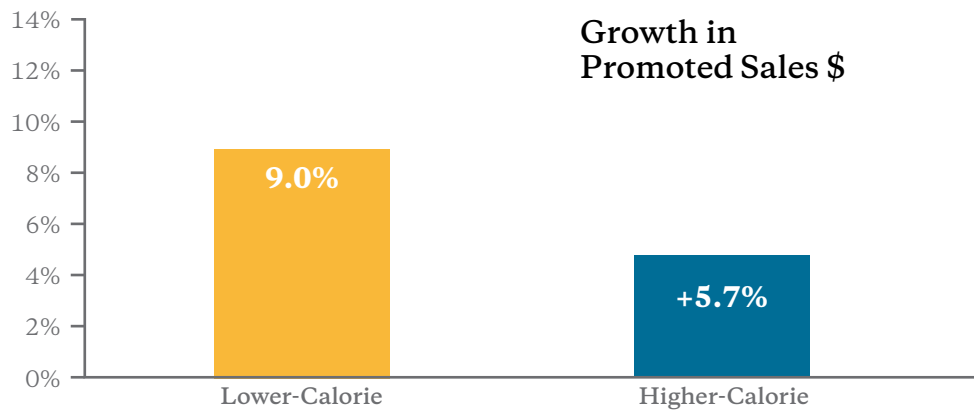


Figure 6

Moreover, the in-store promoted sales of lower-calorie products grew more than 1.5 times the rate of higher-calorie products. Considering that the amount of sales derived from in-store promotions increased for both lower- and higher-calorie products, yet higher-calorie product sales remained flat, we conclude that promoting lower-calorie products in-store is yielding larger overall dollar sales gains than promoting higher-calorie items.





Source: AC Nielsen ScanTrack - 5-year period ending December 31, 2012

Figure 7

## Discussion

Our evaluation concludes that lower-calorie products drove HWCF member sales growth at a disproportionate pace compared to higher-calorie offerings over the 5-year evaluation period. This trend is significant as it is compatible with HWCF’s actual reduction in the calorie contribution of its member companies by 6.4 trillion calories by 2012.

The authors have made significant progress in developing a unique research question and sound evaluation process for assessing product portfolios and performance metrics surrounding lower-calorie and better-for-you foods and beverages. The classification criteria provide a methodologically sound process for future research, and the findings establish baseline benchmarks on which to evaluate future industry and company performance.

## Limitations

The following important limitations should be noted.

Foremost is the quality of the nutrition information for product classification. Calorie information was obtained primarily from the package labels and company web sites, and the Food and Drug Administration allows manufacturers and packagers a considerable margin of error (+/- 20%) regarding the nutrition information depicted on the product packaging, which may have impacted our precision. Additionally, the nutrition information collected does not account for nutrition fact changes that might have occurred during the analysis period, as certain discontinued package labels or calorie information were not available for our review.

It is also important to note the limitations of the sales data. The data for dollar sales during the 5-year evaluation period, collected by Nielsen ScanTrack, does not include figures from Walmart, Dollar Stores and warehouse clubs such as Costco.

# Conclusion

Through Hudson Institute studies, conducted with funding support from the Robert Wood Johnson Foundation and the Healthy Weight Commitment Foundation, evidence is mounting that increasing sales of lower-calorie foods and beverages can improve overall company sales performance. Our study concludes that lower-calorie foods are driving growth in overall sales, availability and sales derived from in-store promotions for CPG companies that are members of the HWCF, and these choices should continue to be pursued aggressively.

Based on our findings, we recommend the following:

- Food companies should realize that pursuit of lower-calorie sales is necessary to drive growth, and that making lower-calorie food and beverage items more available will increase both lower-calorie and total company sales.
- Striving for lower “calorie footprints” will also help companies improve public health through reducing calories, fats and sugars in their products.
- Companies should seize opportunities to accelerate the growth of lower-calorie products by increasing the promotional support behind them, as they yield higher sales returns than higher-calorie products.

## HWCF Companies Analyzed



Note: Kraft Foods Group and Mondelez International were formerly part of a single company: Kraft Foods Inc.

# Authors and Acknowledgments

**Hank Cardello** (lead author) is a Senior Fellow and the director of Hudson Institute's Obesity Solutions Initiative. Hank is the author of *Stuffed: An Insider's Look at Who's (Really) Making American Fat* ([www.stuffednation.com](http://www.stuffednation.com)) published by HarperCollins/Ecco and the landmark reports "Better-for-you Foods: It's Just Good Business" and "Lower-Calorie Foods: It's Just Good Business." He is a former food company executive with Coca-Cola, General Mills, Anheuser-Busch and Cadbury-Schweppes and has been a frequent contributor to *The Atlantic* and *Forbes* on food industry and obesity policy matters.

**Jeffrey Wolfson**, Chief Strategic Officer at The FORT Group, provided industry perspective and led the project analytics for this study. Jeff has been a consultant to the food industry for more than 25 years and previously served as a food company executive with General Mills, Nestle and General Foods (now part of Kraft Foods Group).

**Jason Riis, (TBD)** Assistant Professor of Business Administration at Harvard Business School, reviewed the findings. Dr. Riis is a specialist in consumer health, a growing field at the intersection of consumer marketing and healthcare. Professor Riis is examining the ways that food retailers and manufacturers can grow their businesses while making it easier for consumers to eat better. His research has appeared in top academic journals including *Journal of Consumer Research*, *American Journal of Preventive Medicine*, *American Journal of Public Health* and *Health Affairs*. Jason has written Harvard Business School cases on food retailers H-E-B and Red Lobster. He is a former Postdoctoral Research Associate at Princeton University's Center for Health and Wellbeing.

Special thanks to Catherine and Bob Buday, **The Bloom Group**, for their contributions to the writing and editing of this paper.

**The Healthy Weight Commitment Foundation** (HWCF) provided support for this study. The HWCF, a CEO-led organization, is a national, multi-year effort designed to help reduce obesity—especially childhood obesity—by 2015. This first-of-its kind coalition brings together more than 200 retailers, food and beverage manufacturers, restaurants, sporting goods and insurance companies, trade associations and non-governmental organizations (NGOs) and professional sports organizations. The companies that participate in HWCF account for nearly 25 percent of calories consumed in the United States and have exceeded their pledge to eliminate 1.5 trillion calories from their products by over 400%. For more information visit [www.healthyweightcommit.org](http://www.healthyweightcommit.org).

**The Robert Wood Johnson Foundation** (RWJF) has sponsored previous Hudson Institute studies on the impact of lower-calorie and better-for-you foods and beverages on food company and restaurant chain performance. RWJF is the nation's largest philanthropy devoted exclusively to health and health care and strives to build a national Culture of Health that will enable all Americans to live longer, healthier lives. For more information visit [www.rwjf.org](http://www.rwjf.org).

A companion power point presentation to this report is available online at [www.obesity-solutions.org](http://www.obesity-solutions.org).

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