

Inspired thinking



A recipe for success

Background

Insight has been tracking the issue of obesity since 2003 when the World Health Organisation (WHO) described it as a “worldwide epidemic” in its report ‘Diet, Nutrition and the Prevention of Chronic Disease’. The International Association for the Study of Obesity estimates the total number of overweight and obese people globally to be 1.7 billion. That includes 135 million citizens in the European Union (EU). But the phenomenon is not limited to the developed world. In Africa, Asia, Latin America and the Caribbean the number of obese people is also growing.

Obese and overweight people face an increased risk of premature death, diabetes, cardiovascular disease and cancer. In Europe, unhealthy diets and lack of physical activity are the leading causes of avoidable illness and premature death. A former US Surgeon General estimates that 300,000 deaths a year in the US can be attributed directly to obesity. Apart from the obvious human suffering this gives rise to, the economic consequences are staggering. The EU estimates that obesity currently accounts for up to 7% of the Union’s health care costs, and these costs are expected to rise. The total cost of dealing with the condition and its related illnesses in the US in 2000 was estimated to be \$117 billion. In addition to the direct financial costs, there are also wide-ranging social costs related to workdays lost, doctors’ visits, disability pensions and diminished quality of life.

Multiple factors contribute to the growing number of people becoming overweight and obese. But the fundamental cause is an imbalance between calorie intake and energy expended: people are eating too much and exercising too little.

The role of food companies

Food companies have an enormously important role to play in addressing diet and consumer health issues. In 2004, in its seminal document ‘Strategy on Diet, Physical Activity and Health (DPAS), the WHO called on the private sector to become much more active in the debate. A City University report, published in 2006 entitled ‘The Food Industry, Diet, Physical Activity and Health: A Review of Reported Commitments and Practices of 25 of the World’s Largest Food Companies’ on which Insight advised, found that those companies assessed had not responded very strongly to the WHO’s call, stating that “progress in the sector overall is patchy and much of what companies are doing appears to be ad hoc and piecemeal.” The report concluded that the world’s food companies are “not yet fully engaged with the seriousness and urgency of this transformation”, but did note some “honourable exceptions.”

(For more information on this report see: <http://www.city.ac.uk/press/The%20Food%20Industry%20Diet%20Physical%20Activity%20and%20Health.pdf>).

In May 2006, the WHO reinforced London City University’s findings in a progress report on the implementation of DPAS. It concluded: “Having drawn worldwide attention to the problems caused by unhealthy diets and physical inactivity, much more remains to be done by all stakeholders. Many Member States have responded positively but more countries need to implement the recommendations made by DPAS. Similarly, selected actions have been taken by other stakeholders but much more needs to be done, especially by the private sector, to improve their product portfolios, marketing practices and consumer information”.

The business case for action

Given the high level and intense focus on obesity that has developed in many regions, the extent to which food companies step forward and play a constructive role in solving the global obesity crisis, will, in our view, strongly influence their future financial prospects. In some markets they are already facing more stringent regulation, on labelling and marketing/TV advertising. Some companies have already faced litigation which, even though it has not been successful, has resulted in bad publicity for the firms involved. Further, governments are beginning to support awareness-raising campaigns aimed at changing consumers' eating habits, and these are beginning to work: many companies have started to see big shifts in their customers' spending. Finally, companies' brands and reputations are at stake if they do not demonstrate their commitment to helping their customers' and their families improve their food choices and lifestyles. Insight therefore believes that it is in the best interests of food companies to work with other stakeholders to help consumers to manage their diets and to live healthy, active lives.

Our new report: A Recipe for Success

Many food companies have recognised that they need to address obesity and consumer health issues. However, they were not able to draw on any guidance as to how they might respond effectively on these issues. Insight and the Healthy Eating Active Living (HEAL) programme of the International Business Leaders' Forum (IBLF) therefore teamed up and published in February 2007 'A Recipe for Success: how food companies can profit from consumer health', which can be found at:

http://www.insightinvestment.com/global/documents/riliterature/367922/recipe_for_succes_report

The report provides a comprehensive plan of action for food companies – those in the food retail, food manufacturing and food service sectors. It outlines how companies should respond in all areas of business management from strategy and governance, to product formulation (covering fat, transfat, sugar and salt), labelling, advertising, funding consumer and employee health and activity programmes and much more.

It offers examples drawn from some of the world's leading food companies that have already taken such steps, as an inspiration to other companies. (A draft version of the report was released in July 2006. This final report takes into account comments received during consultations and meetings, and those submitted by a range of organisations).

Next steps

We hope that food companies around the world will use this framework to inform and strengthen their efforts to demonstrate that they are playing a full part in reversing some of the worrying health trends emerging globally. In so doing, they will be helping to retain the trust of their customers and convincing influential commentators of their intentions to be responsible corporate citizens. Their reward will be that they protect their market share, financial returns and the confidence of shareholders.

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