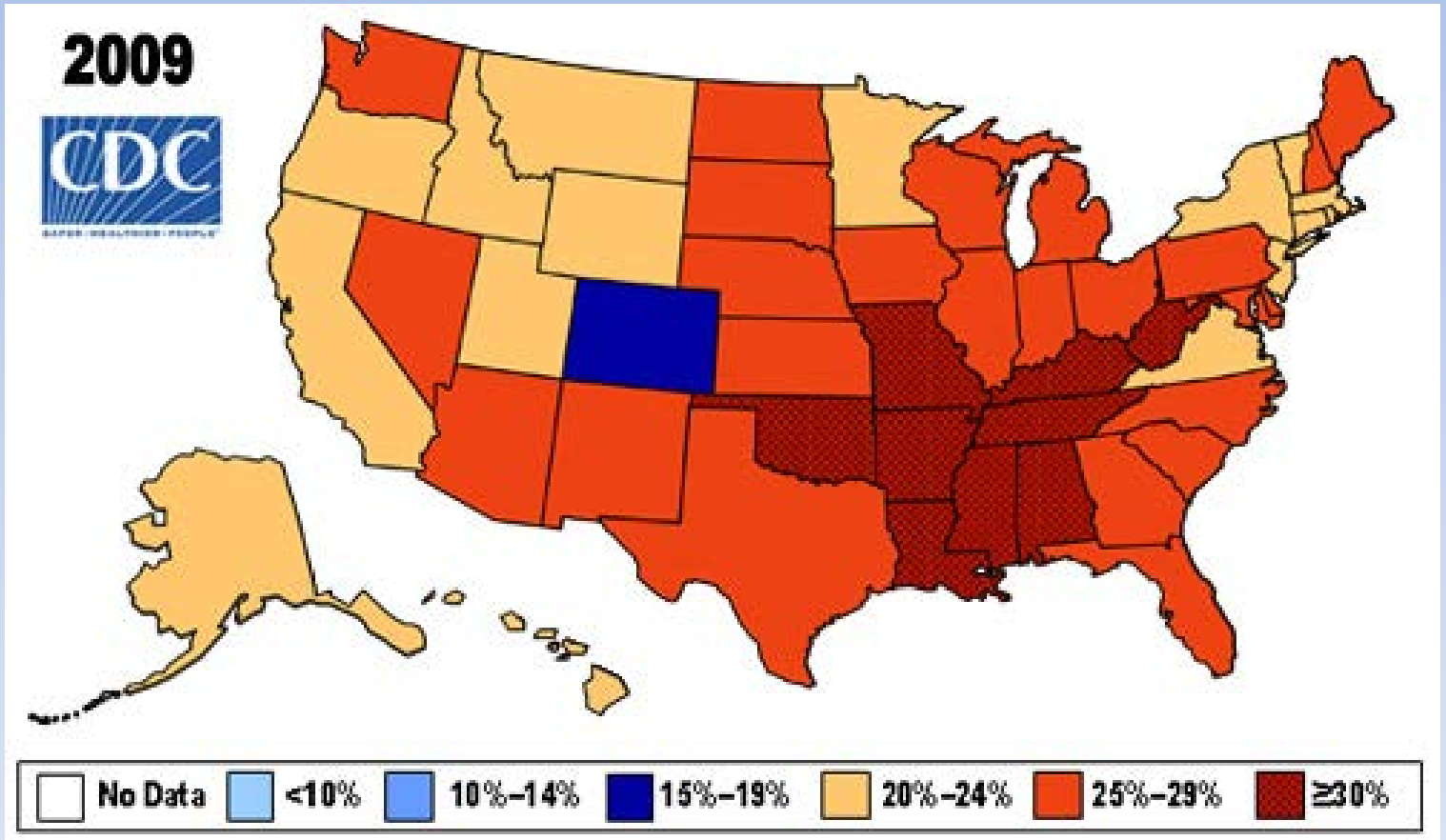
Using Health as a Strategy for Competitive Advantage

Hank Cardello
Hudson Institute
March 2, 2011

Obesity Now a Serious Problem




...LAUNCH THE CHEESEBURGERS...
OVERWEIGHT AMERICAN KIDS THREATEN U.S. NATIONAL SECURITY
-REPORT
IRANIAN PRESIDENT AHMADINEJAD
KIRK HANDELSMAN
Newsday

A Losing Battle Despite Significant Effort

- **Nothing has worked to reverse obesity rates**
  - Consumers haven't changed
  - Regulations are ineffective

Obesity Solutions Initiative

- **Developing free-market solutions to the obesity crisis**
  - Best Practices
  - Metric Motivators
  - Performance tracking

Addressing Problem Presents a Huge Opportunity for the Corporate Sector

Why Would Food Corporations Change?

“It’s just good business”

- Steve Sanger, former CEO

Why Change?

1. **Improved performance metrics**

DANONE

❖Company has revamped entire portfolio to focus entirely on healthier products

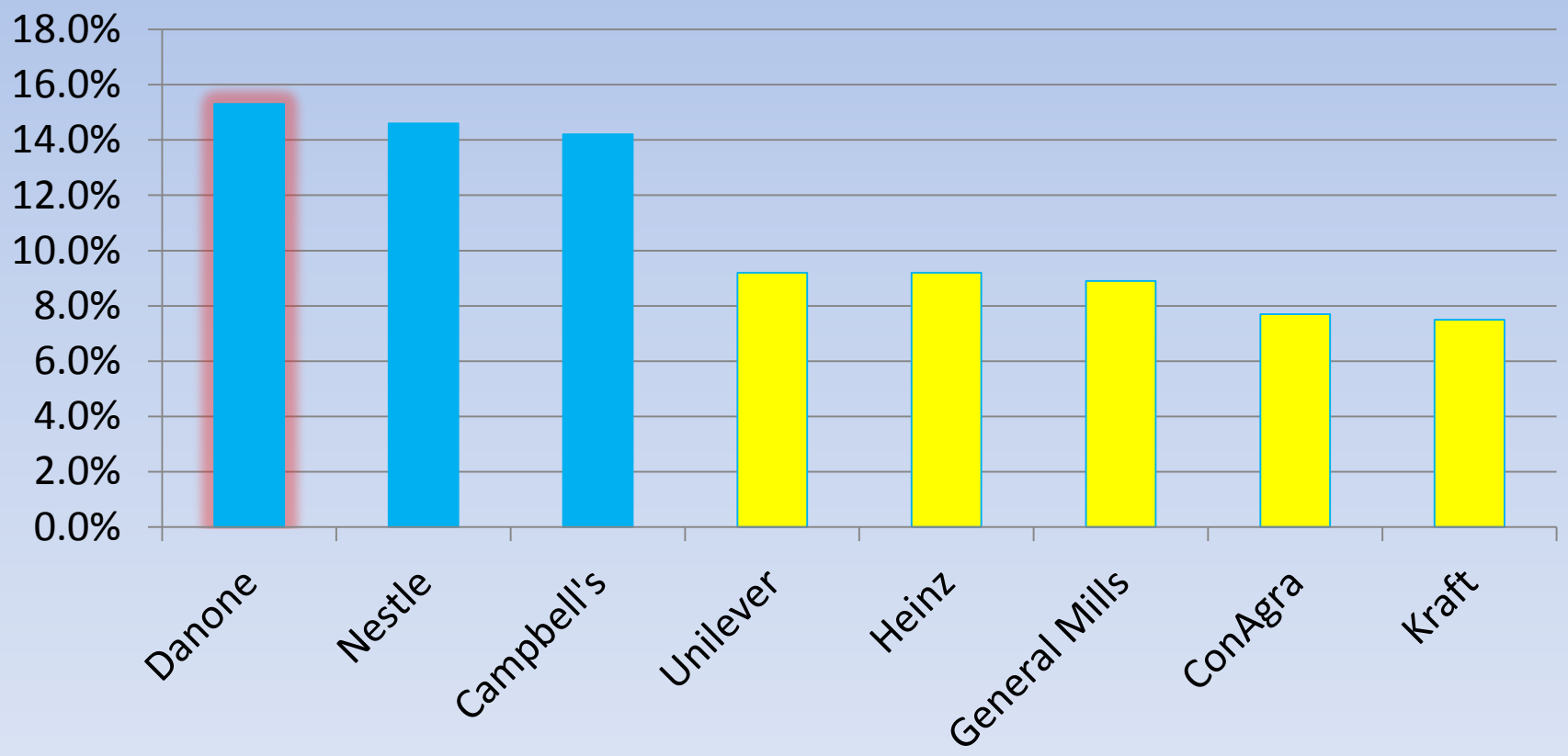
- ❑ 1994-2004
  - ➢ Stripped out all non-food, plus beer and confectionary businesses
- ❑ 2007
  - ➢ Sold Biscuit division to Kraft
  - ➢ Purchased Royal Numico

DANONE

Portfolio Profile

"Healthier" Companies Performing Better

(Earnings as % of Net Sales)



Source: Hudson Institute analysis

Why Change?

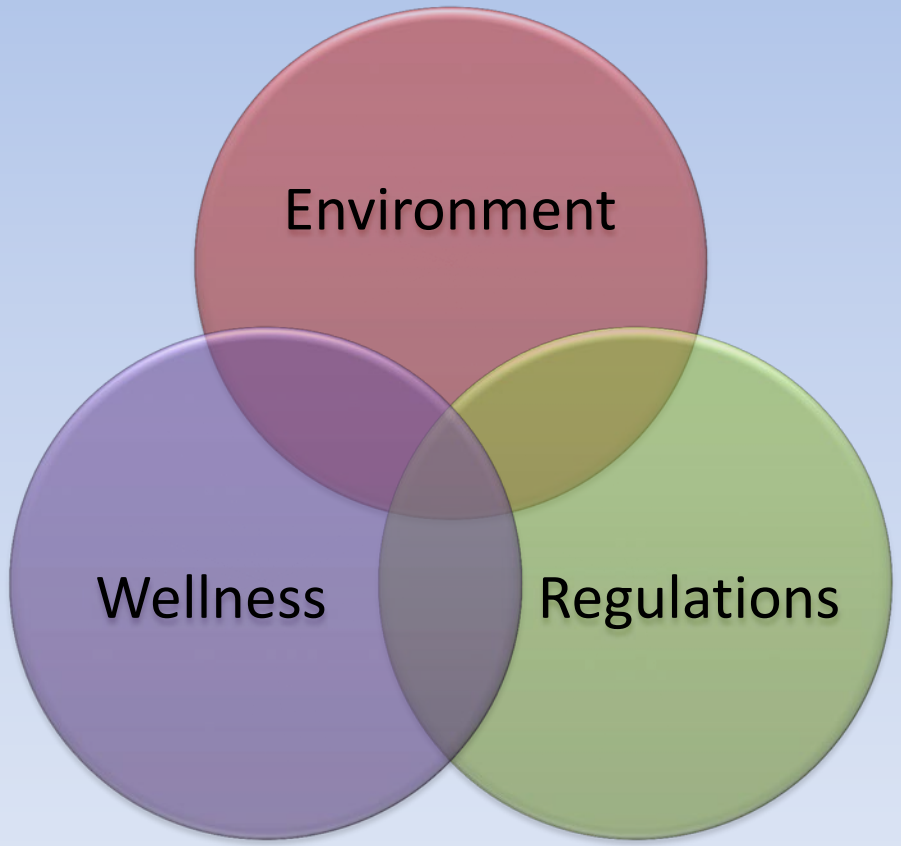
1. Improved performance metrics: profits, sales, market share and/or reputation

2. **Retention of consumer loyalty**

Emergence of New Consumer Demanding Responsibility

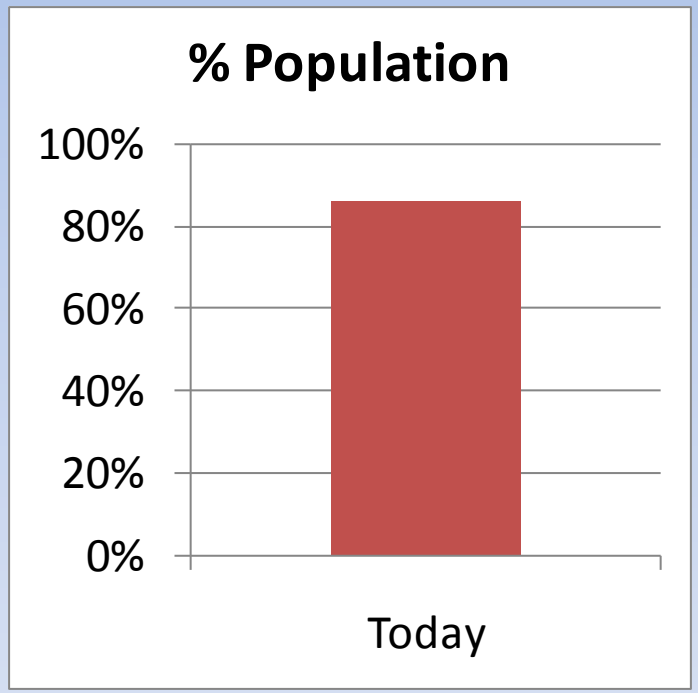
- 86 million/38% of adults comprising:
  - Millennials
  - Healthy lifestyle Baby Boomers
  - Women/Children

Emergence of New Consumer Demanding Responsibility



Purchases Used to Influence Corporations

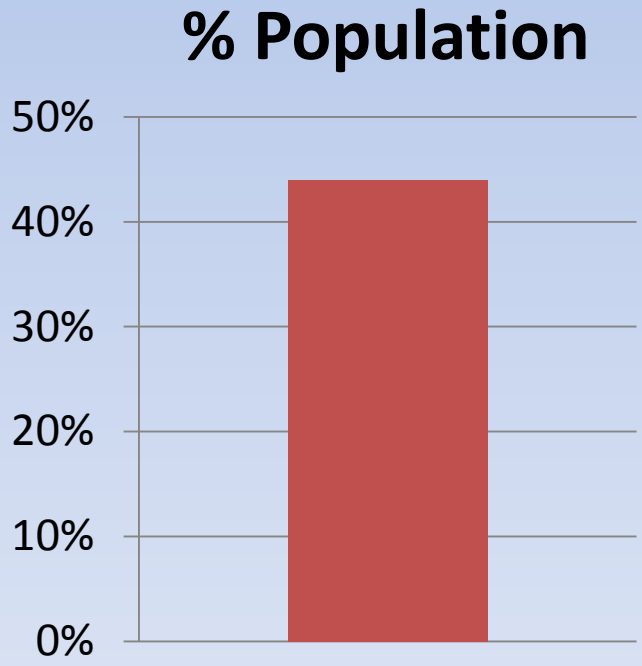
"I consider my purchases to be a way to send a message and influence companies' business practices for the better"



Source: Yankelovich

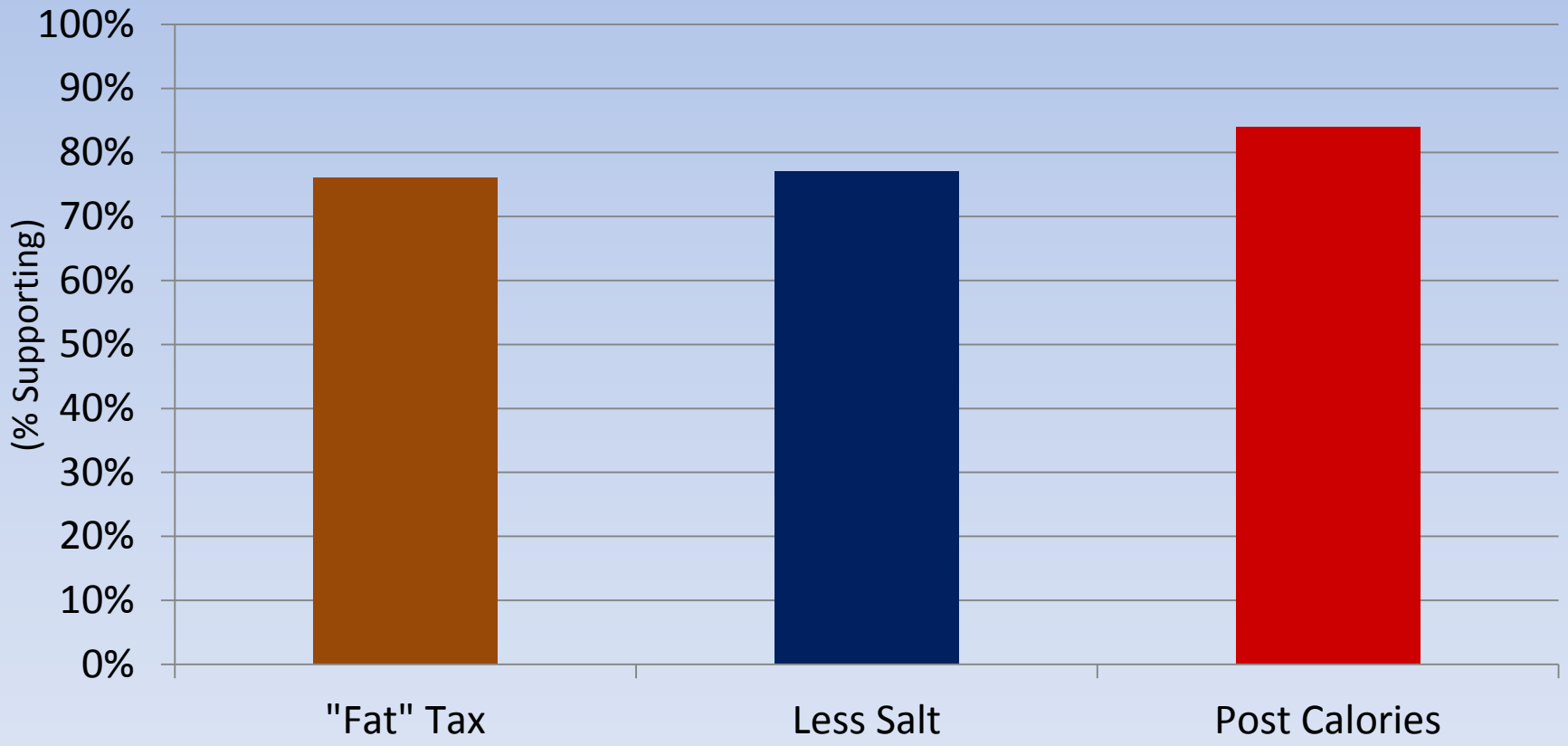
Willingness to Switch Brands

"I switched brands at least once last year because the company I purchased from did not act responsibly in my opinion."



Source: Yankelovich

Support for Regulations



Source: New York Daily News Q Poll, February 18, 2010

Why Change?

1. Improved performance metrics: profits, sales, market share and/or reputation

2. Retention of consumer loyalty

3. **Competitive Advantage**

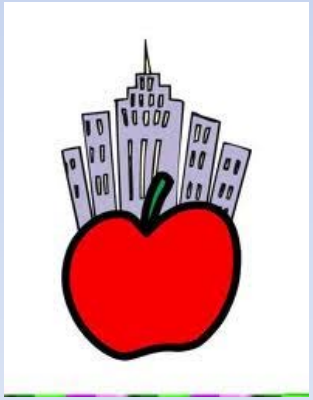
The Reasons for Walmart's Healthy Foods Initiative

Feb 10 2011

By pushing produce and healthier foods, Walmart's ***"Cuddle Capitalism"*** could slim us down and bloat the company's profits.

The Reasons for Walmart's Healthy Foods Initiative

1. A means to gain access to inner cities



The Reasons for Walmart's Healthy Foods Initiative

2. A strategy to build the Great Value megabrand

- ❖ **Reduce sodium by 25%**
- ❖ **Reduce added sugars by 10 %**
- ❖ **Remove all trans fats**

The Reasons for Walmart's Healthy Foods Initiative

3. Boxes in Competitors

Current Structure

Walmart
Save money. Live better.

Kroger

A&P

SAFEWAY

Wegmans

WHOLE FOODS MARKET

Low Price/Quality

High Price/Quality

The Reasons for Walmart's Healthy Foods Initiative

3. Boxes in Competitors

With Walmart Wellness Strategy

Walmart
Save money. Live better.

Kroger

A&P

SAFEWAY

Wegmans

WHOLE FOODS MARKET

Low price/Quality

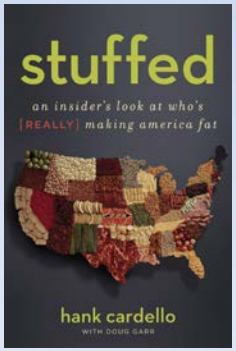
High price/Quality

Cuddle Capitalism:

Taking care of your customer's well-being is the new road to success

brite brands innovation technology

Thank You



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