

HOW THE CONSUMER INDUSTRY CAN BOOST HEALTHIER EATING

June 2020



The Consumer Goods
FORUM



Healthier
Lives

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation—inspiring complex change, enabling organizations to grow, building competitive advantage, and driving bottom-line impact.

To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.

The Consumer Goods Forum (“CGF”) is a global, parity based industry network that is driven by its members to encourage the global adoption of practices and standards that serves the consumer goods industry worldwide. It brings together the CEOs and senior management of some 400 retailers, manufacturers, service providers, and other stakeholders across 70 countries, and it reflects the diversity of the industry in geography, size, product category and format. Its member companies have combined sales of EUR 3.5 trillion and directly employ nearly 10 million people, with a further 90 million related jobs estimated along the value chain. It is governed by its Board of Directors, which comprises more than 50 manufacturer and retailer CEOs. For more information, visit: www.theconsumergoodsforum.com.

Nielsen is a global measurement and data analytics company that provides the most complete and trusted view available of consumers and markets worldwide. Nielsen is divided into two business units. Nielsen Global Media, the arbiter of truth for media markets, provides media and advertising industries with unbiased and reliable metrics that create a shared understanding of the industry required for markets to function. Nielsen Global Connect provides consumer packaged goods manufacturers and retailers with accurate, actionable information and insights and a complete picture of the complex and changing marketplace that companies need to innovate and grow.

Nielsen’s approach marries proprietary Nielsen data with other data sources to help clients around the world understand what’s happening now, what’s happening next, and how to best act on this knowledge.

An S&P 500 company, Nielsen has operations in over 100 countries, covering more than 90% of the world’s population. For more information, visit www.nielsen.com.



Marcus Bokkerink
Patrick Ducasse
Khaled Tawfik
Tanmay Jain
Alexandra Vedernikova
Ralph Hargreaves
Joseph Ellis
Olivier Lamare

At a Glance

Boston Consulting Group and Nielsen Global Connect, together with The Consumer Goods Forum, completed an in-depth survey about healthy eating in 2019, questioning 7,000 diverse consumers across the globe. Part of the Collaboration for Healthier Lives Coalition, the study included interviews with the CEOs of 15 large retail businesses and consumer goods manufacturers.

Diet a Key Health Metric

The study revealed the growing importance of healthier eating globally, with 23% of respondents admitting they struggle to achieve a healthy, balanced approach to diet. CEOs interviewed agreed, stating that a healthier diet is both a moral and a business imperative for the industry.

CEOs Taking Action

These CEOs believed their most material impact on consumer nutrition would come from increased transparency and health education, proactive company actions—especially in affordability, formulation, and the accessibility of healthier foods—and the use of government regulation to ensure a level playing field. Some of these initiatives would be effective in isolation, while others would benefit from industry or industry-government collaboration.



www.tcgfhealthierlives.com

Consumer health is clearly an area where the industry can have a particularly positive impact.

The health and well-being of the global community are critical to the consumer packaged goods and retail industry. Throughout the world, levels of obesity, diabetes, and malnutrition—powerful health indicators partially tied to diet and lifestyle—have been rising steadily. No matter where they live, consumers want healthier products from their retail and consumer goods suppliers. As of this writing, we find ourselves still fighting the novel coronavirus globally; it is therefore more important than ever to maintain a strong health agenda. (See “Our Methodology and This Series” on the next page.)

The COVID-19 pandemic has only emphasized the essential role that consumer packaged goods (CPG) companies must play on this journey, given the importance of the industry in supporting consumer health and the way the crisis has highlighted the insecure position of society’s most vulnerable populations. Consumer health is clearly an area where the industry can have a particularly positive impact on the societies in which it operates.

For now, CPG companies are under tremendous pressure to continue feeding the world while keeping employees and consumers safe. Nonetheless, the industry continues to prioritize its support for consumers on the journey toward healthier and more sustainable diets. As a result, we find it worthwhile to share and analyze some powerful global data collected before the virus took hold.

For this study, Nielsen Global Connect and Boston Consulting Group, together with The Consumer Goods Forum (CGF), surveyed 7,000 people in 2019 across seven countries and a wide range of incomes, ages, and living zones. This effort, part of the Collaboration for Healthier Lives Coalition, included interviews with the CEOs of 15 large retail businesses and consumer goods manufacturers around the world. What we found will continue to be relevant long after we reach the other side of the pandemic.



Health and Well-Being Were Already Growing Issues

Well before the novel coronavirus struck, health and well-being were becoming increasingly important topics for consumers worldwide, though optimal health outcomes were generally not being achieved. While approximately 97% of consumers in our survey said that their health was important to them, only 64% believed they were on a path to a healthy lifestyle and only 12% thought they had fully achieved one.

Our survey also showed that in multiple countries, including Japan, China, Turkey, France, the US, and the UK, people in low-income or rural communities were the most likely to feel they were not achieving a healthy lifestyle before the virus, thus making the problem not just one of health and well-being, but also one of inequity.

In considering more objective health measures, such as the Bloomberg Global Health Index, we admit that some respondents may have misjudged the problem, sometimes overestimating and sometimes underestimating their success in achieving a healthy lifestyle. For example, while Japan has been one of the world's healthiest countries in recent years, its people ranked themselves low on perceived achievement. In contrast, many consumers in Mexico, China, and Turkey claimed they had already achieved a healthy lifestyle, yet objective health scores in those countries were relatively low.

The Most Essential Habits

When asked at the time of the survey which health habits were most important to them, our respondents listed hygiene, hydration, and sleep as the top three, closely followed by diet and relaxation, although diet often superseded all other metrics in China and Japan. (See Exhibit 1.)

Surprisingly, however, when asked which of these leading metrics were part of their everyday lives, respondents typically admitted they were underachieving, in relation to their importance, on the metrics of sufficient sleep, time for relaxation, and a healthy diet. Meanwhile, exercise ranked lower in terms of importance and achievement, along with not smoking.

Our Methodology and This Series

This comprehensive 2019 study of the state of consumer health and well-being, developed under the Collaboration for Healthier Lives Coalition, was a collaborative effort between the CGF, BCG, and Nielsen. The resulting article is the first in a planned series that will share insights from The Consumer Goods Forum's Collaboration for Healthier Lives Coalition, a global movement led by manufacturers, retailers, public health authorities, and other stakeholders to help empower people to adopt healthier lives. This series will be shared on BCG.com and via the Coalition's new Global Learning Mechanism www.globallearningmechanism.com, which aggregates data and insights from consumer surveys, CEO interviews, case studies, and many participating stakeholders. The goal of this series is to maximize the impact of both individual and collective company actions in the health and well-being space, contributing to health at the local and national level worldwide.

To complete this study, the CGF worked with BCG to interview the CEOs of fifteen large retailers and consumer products manufacturers. These businesses were either global or multinational and were headquartered in France, Japan, Mexico, the Netherlands, South Africa, South America, Turkey, the UK, or the US. And Nielsen worked with BCG to survey 7,000 consumers in China, France, Mexico, Turkey, the UK, and the US across a wide range of incomes, ages, and living zones.

When it comes to diet, 23% of all respondents said that they were struggling to achieve a healthy, balanced approach to nutrition; less than half of this group said that they shopped with health as the primary goal. Their biggest barrier was the high cost of healthier food, with 80% citing price as an issue. Another 36% cited uncertainty about which foods were healthier, while 43% said that healthier foods do not taste as good as less healthy options. Meanwhile, access to healthier foods was not as much of an issue, with 73% of consumers surveyed believing healthier food is already widely available and accessible, with some variation by country. (See Exhibit 2.)

EXHIBIT 1 | The Highest-Priority Health Habits Among Consumers

% respondents viewing behavior as important or very important¹

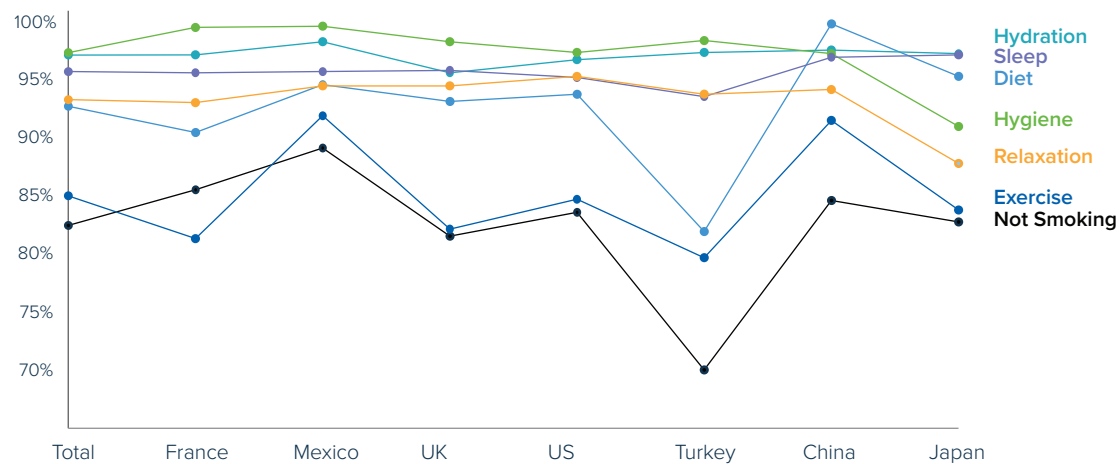


EXHIBIT 2 | Respondents See Cost as the Biggest Barrier to a Healthier Diet

Percent of respondents who ranked a given barrier 1-3 in importance

Heatmap scale: 0 (green) to 100 (red)		Average	China	Japan	US	UK	France	Mexico	Turkey	
Price	Too expensive	79	66	81	87	80	82	75	79	
	Formulation and flavor	Does not taste as good	43	55	59	47	51	27	38	34
		Is not filling enough	32	18	38	27	41	20	43	33
My family does not like healthier food		8	4	6	18	11	5	16	3	
Accessibility and availability	Easily perishable	26	13	13	31	36	36	28	26	
	No time to prepare	12	28	11	9	10	20	11	7	
	Not readily available	33	29	26	25	17	21	38	54	
Knowledge and education	Unsure about which food is healthier	36	55	48	27	22	34	14	42	
	Don't know how to cook	12	28	11	9	10	20	11	7	

Price – Price was the top concern in every country surveyed; however, China found it to be less of a barrier

Formulation and flavor – Taste of healthier food was viewed as a significant barrier in most countries, but was less of a concern in France

Accessibility and availability – Availability was a particular concern in Turkey

Knowledge and education – China and Japan reported uncertainty about which foods were healthier as a significant barrier

EXHIBIT 1

Source: BCG-Nielsen consumer survey, 2019.

1. Representing the percentage of respondents, by country, who answered "Important" or "Very Important" to the following question: "Which of the following behaviors are important to you?"

EXHIBIT 2

Source: BCG-Nielsen consumer survey, 2019.

Note: Sampled respondents include those who answered "Not at all part of my everyday life" or "Not really part of my everyday life" to the question: "To what extent is a balanced and healthy diet part of your everyday life?"

A Moral and Business Imperative

Clearly, consumers worldwide have had steadily growing concerns about their nutrition—from the difficulty of paying for healthier options to a lack of understanding about what constitutes healthy eating. The CEOs we interviewed are well aware of the issue and believe that resolving it is both a moral and a business imperative for the industry. And as the pandemic continues, we believe that healthier eating—and the initiatives of the Collaboration for Healthier Lives Coalition—are even more relevant to businesses and consumers alike. (See the sidebar “CEOs Leading the Collaboration for Healthier Lives Coalition.”)

The Moral Imperative

The CEOs we interviewed shared a common view that society needs to take rapid action. One retail CEO told us, “In our country, it’s an absolute necessity. We claim that we’ve done more than others, but it’s not enough. Problems range from malnutrition to one in five people having type 2 diabetes.” Another CEO noted, “You don’t need a lot of economic proof to know that diet is a big issue and will become an even bigger one. The need to act is clear.”

These CEOs also anticipated that future consumers, employees, and regulators would increasingly demand positive action from businesses in this space. According to the CEO of an Americas food retailer, “Healthy eating has become an important preoccupation for our customers; they have high expectations in this respect.” The CEO of a European food retailer added, “When you are called to account in this domain, you have either done the work, or find yourself on the back foot responding. Where issues have arisen, we have chosen to be on the front foot.” Finally, the CEO of a multinational food and drink manufacturer told us, “Addressing this issue is the right thing for companies to do, not just for their consumers, but also for their employees. There is a big war for talent going on and employees are increasingly demanding positive action.”

CEOs Leading the Collaboration for Healthier Lives Coalition

The Collaboration for Healthier Lives Coalition is co-sponsored by Ahold Delhaize and Nestlé, with Danone and Walmart as steering committee co-chairs. The CEOs of these organizations weighed in on the value of the Coalition.

“I believe that business can be a force for good, including by supporting better nutrition. We, manufacturers and retailers, aim to make a positive difference in people’s lives, serving our communities responsibly and protecting the environment. The Collaboration for Healthier Lives is our platform to help achieve sustainable healthy diets and lifestyles for all.”

– Mark Schneider, CEO, Nestlé

“The key is to holistically educate, and it must be a collaborative effort. We are able to do that because our local brands are deeply embedded in their communities as providers of food and as large employers. These close links to the community are very important for understanding what the challenges are and for helping communities thrive.”

– Frans Muller, CEO, Ahold Delhaize

“We believe that the Collaboration for Healthier Lives is a positive coalition. We believe that by acting together, we can drive the systemic change that we need and scale efforts to affect healthy eating globally. No company can face these global issues alone. Collaboration has never been so meaningful.”

– Emmanuel Faber, CEO, Danone

“We are constantly looking for ways to remove friction from our customers’ lives and make it easier for them to live better—and that includes helping them control their own diet and nutrition. With the Collaboration for Healthier Lives and other collaborators, we can leverage the resources of the community to reach this goal.”

– Doug McMillon, CEO, Walmart

The Business Imperative

The global business community increasingly understands that a focus on positive societal impact tends to translate into higher shareholder returns in the medium and longer terms. BCG's research on industries—including the consumer packaged goods, biopharmaceutical, oil and gas, retail and business banking, and technology sectors—suggests that investors reward the top performers in specific environmental, societal, and governance topics with valuation multiples that are 3% to 19% higher, all else being equal, than those of median performers in those topics. And the leaders in certain ESG topics have margins that are up to 12.4 percentage points higher than the median performers in those topics.

The business imperative is particularly clear, of course, for companies with consumer health and well-being at the core of their mission or as a differentiating factor for their brands. However, there may also be a strong case for companies not directly focused on health and well-being. In fact, 73% of consumers said they would pay more for healthier products in any industry, and 85% said they would shop more often at a retailer that is actively promoting healthy solutions.

Some questions remain around how to deliver on the economic potential, and some of our respondents did not see an immediate business case at the time of our survey. Nonetheless, the bulk of our CEO interviewees wanted to act because, while the short-term business benefits may vary by market and company, they felt it was in the long-term economic interests of their enterprises to tackle this societal issue.



Consumers and CEOs Look for a Variety of Initiatives

Consumers expect their favorite companies and brands to be a force for good, making a difference in the community and the world. As these expectations continue to broaden, so too does the demand for healthy foods, organic offerings, and ethical practices.

While retailers and manufacturers may not typically be top of mind for consumers when it comes to health advice, two out of three consumers surveyed believed the industry could guide them to healthier products, particularly through improved recipes and better product assortment. France was the exception, with less than half of those surveyed saying they trusted grocery chains and food brands to steer them in the right direction.

Those we surveyed also highlighted four types of initiatives they would find particularly effective if offered by retailers and their CPG suppliers: information and education, price and promotion, taste and formulation, and availability and accessibility. These initiatives would address the top barriers to healthier eating: expense, taste, and uncertainty over what constitutes healthier food.

The CEOs, in turn, told us that the most material and lasting impact on healthier eating would come from combining three broad initiatives: increased transparency and health education, proactive company actions, and the use of government regulation to ensure a level playing field. They believe some of these initiatives could be effective in isolation, while some would benefit from intra-industry collaboration, and others from industry-government collaboration, such as public-private partnerships.

The 2018 effort to cut sugar consumption by reducing and reformulating soft drinks in the UK is a powerful example of these three approaches working together to effect large, sustained change. Manufacturers took proactive steps to reformulate their soft drinks to reduce sugar content, then worked with retailers on promotions and space allocation for these new products. UK regulators introduced a tiered tax on soft drinks based on sugar content. A public health campaign reinforced the effort by educating consumers on the effects of sugar, supported by the transparent communication of sugar content through labeling and a “traffic light” system of red, orange, and green to symbolize high, moderate, and low levels of sugar, respectively.

The CEO of a multinational food and drink manufacturer called this campaign “one of the best examples of the government helping the industry—and vice versa” and “one of the few examples around the world where there was a real triangle of collaboration that transformed the portfolio. There are far fewer sugary drinks in the UK as a result, and I don’t think consumers have suffered.”

While improving nutrition is vital, truly moving the needle toward a healthier lifestyle will require a comprehensive approach. For example, one company’s “Well-Being Journey,” a Collaboration for Healthier Lives initiative, addressed three components in parallel: balanced nutrition, regular physical activity, and healthy hydration levels. With more than 30 partners, the program succeeded in engaging approximately four million consumers and reported that more than 51% of those consumers made a shift toward healthier diet and lifestyle options.

Truly moving the needle toward a healthier lifestyle will require a comprehensive approach.



Increase Transparency and Health Education

Interviewed CEOs said that companies needed to clearly communicate, individually and collaboratively, the nutritional value and ingredient details of food and beverage products. They could make a difference by supporting educational and communications initiatives that teach people about healthier options, nudge them toward healthier choices, and improve the well-being of their own employees.

Transparency

Appropriate nutritional labeling is a powerful way to create transparency.

Appropriate nutritional labeling is a powerful way to create transparency. Our survey data shows that nutritional information on product packaging is consumers' first choice for determining which foods are healthy, with 80% using it as a primary source of information. And when consumers were asked which transparency and education initiatives were most likely to be effective, labeling-improvement initiatives were the top choice across all surveyed countries.

Many retailers and CPG companies had already started to make a difference in this area before their operations were interrupted by the global crisis, including actively promoting greater front-of-pack labeling for nutritional information. In addition, many had been working together to create consistent labeling conventions, which made it easier for consumers to make the right choices wherever they shopped. Such collaboration on consistent and transparent labeling has been called one of the biggest success stories in the UK, entailing individual company efforts and a broad collaboration among retailers and manufacturers that was later reinforced by legislation. As the CEO of a European food retailer told us, "One key is finding things that are universally good to do, and labeling is one of them. Displaying guidelines for daily amounts was purely voluntary at first. It wasn't legislated until 2015, helped by the industry coming together and agreeing on the best data set to use."

Consumer products companies and retailers in other countries were also adopting consistent labeling. The CEO of an Americas food retailer noted, "We have just seen labeling legislation in Chile that has been eye-opening for consumers. We will soon see it in Mexico and Colombia. We think it will work, and we are working with regulators to get the right approach and legislation in place."



Health Education

The CEOs we interviewed considered health education essential and best achieved through the combined actions of governments, NGOs, public health organizations, and the industry at local, national, and global levels. For example, the World Health Organization sets international targets and provides advice on dietary issues, while national public health and educational bodies set the domestic education agenda and promote positive change, starting with primary education. Local initiatives complement and reinforce these efforts by tailoring responses to community-specific challenges. As the CEO of an Asian food manufacturer pointed out, “Health is a key responsibility of communities, cities, and countries; hence, the involvement of governments and municipalities is vital.”

Companies can also play an active role, nudging people in the right direction in terms of healthier food choices and combining that effort with product reformulations and promotions. The Collaboration for Healthier Lives Coalition in the UK, a group of manufacturers and retailers, accomplished this by introducing a series of initiatives in two London boroughs to nudge consumers toward healthier alternatives in their food shopping.

Companies can also choose to reduce the marketing of unhealthier products.

Note that the intent among the CEOs we interviewed was not to limit consumer choice. Instead, it was to inform and guide consumers while offering healthy alternatives. As the CEO of a European food retailer told us, “We

are not in the business of editing choice. That’s when our help gets rejected by consumers. We only help nudge them the right way and give them the right options.”

Nonetheless, there was broad consensus among both retailers and CPG companies that current educational efforts were insufficient, with people often relying on misleading sources of information. “When it comes to what is and is not healthy,” noted the CEO of a multinational food and drink manufacturer, “I think there are a lot of messages and very few truths—which means that consumers are not always making the most informed choices.”

Many retailers were addressing this deficit with educational and communications-related interventions at the time of our survey. Some efforts have been more

effective than others. Summary reports for consumers on their eating habits, for example, ranked near the bottom. Retailers have observed greater impact from combining personalized advice on healthier products with other tools, such as exercise trackers. A European supermarket chain, for instance, found high impact from educational interventions, with 72% of customers taking up offers for healthier products and more than 90% saying they approved the company making this type of offer.

In another example, a series of in-store and online educational initiatives spanning six different cities in China included the Collaboration for Healthier Lives’ “One for Good” shelf displays, nutritionist lectures, “health guidance shelves,” the rollout of a Chinese consumer survey, and articles published in the store’s app.

Companies can also choose to reduce the marketing of unhealthier products. A large multinational food and drink company took steps to market only nutritious items to children, actively limiting advertising for the “treats” section of its portfolio.

Collaborative action can greatly augment these individual company education initiatives. “To solve the nutrition problem,” the CEO of an Asian food manufacturer told us, “we need to collaborate with all stakeholders involved, not just acting, but educating too. Collaboration has greater power to achieve greater results.” Such actions can raise the industry’s profile and allow it to better support and align with the government’s education agenda.

In one local example, the Collaboration for Healthier Lives’ “Give a Healthy Twist to Your Life” initiative, a collaboration among 17 major stakeholders in Costa Rica, Guatemala, El Salvador, Nicaragua, and Honduras, educated consumers on leading a healthier lifestyle. The initiative held “Health Fairs” for nutritionists to help customers learn the foundations of better eating. One major retailer reported a 20% year-on-year sales uplift as a result of these fairs, showing the potential for commercial, as well as societal, value.

Finally, perhaps the most direct way to influence the habits of consumers is by educating and enabling employees. All the large companies included in our survey had implemented a wide range of initiatives aimed at their employees—yet another critical lever for creating broader impact.

Take Company Action

There was a shared view among the CEOs we interviewed and the consumers we surveyed that company action could make a big difference in guiding consumers to healthier choices, especially in the areas of affordability, formulation, and accessibility of healthier foods. The following steps can lay the foundation for subsequent regulatory change and larger-scale shifts in consumer demand (see Exhibit 3):

There was a shared view that company action could make a big difference in guiding consumers to healthier choices.

- **Improve affordability through pricing and promotions.** Given that consumers identified cost as the most significant barrier to healthier eating, it's no surprise that price and promotion initiatives were the most popular among those we surveyed, ranking within the top four of the eighteen initiatives proposed. Companies were already responding to this issue by exploring traditional price reduction and promotion schemes along with other, non-price-related ways to reward healthier purchases. At one European grocery chain, for example, an initiative aimed at parents included rewarding extra loyalty points for purchases of healthier children's-food items. Another similar chain encouraged consumers to try healthier options by promoting lower prices on those options, combined with promotional displays identifying specific opportunities for customers to exchange less healthy items for healthier—and lower-priced—choices.

Companies can also offer personalized promotions using digital marketing tools. As the CEO of a grocery chain in Europe told us, "We are looking at our loyalty program over the last 20 years, studying the way people shop and are pushing customized healthier offers to shoppers." Companies can give their employees discounts on healthier items as well. As part of the aforementioned Collaboration for Healthier Lives initiatives in two London boroughs, for example, the staff members of one retail grocery chain receive monthly discount coupons on healthier products.

EXHIBIT 3 | Actions the CPG Industry Can Take to Boost Healthy Eating

Price and Promotions	Taste and Reformulation	Accessibility and Availability
<p>Promote the financial gain of switching to healthier alternatives Use in-store displays to showcase healthier and cheaper alternatives with techniques such as personalized promotions of healthier products through loyalty-scheme data</p> <p>Increase rewards for healthier purchases Give more reward points for healthier goods, or rewards such as collectibles to "gamify" the purchase of healthier goods</p> <p>Give employee discounts on healthier items Offer discounts and vouchers for healthier products as part of employee compensation</p> <p>Give away free samples or healthy snacks Provide free fresh fruit to children as parents shop to discourage unhealthy snacking</p>	<p>Reduce sugar, salt, and fat Reduce nutrients of concern in private labels and promote healthier ingredients, such as protein and whole grains</p> <p>Reformulate for better taste in healthier options Ensure healthier alternatives are still tasty and appealing</p> <p>Design healthy food options that satiate consumers Innovate to make healthier alternatives more filling</p>	<p>Expand healthy-product portfolio Expand the range of healthier products</p> <p>Selectively delist less healthy products for some consumer segments For children's snacks or drinks, only stock "no added sugar" products or healthy equivalents</p> <p>Roll out holistic health offering to all stores Ensure availability of healthier products across entire footprint; combine with in-store pharmacy for greater impact</p> <p>Improve in-store café offerings Increase range of healthier foods and drinks offered in cafés for consumers and staff</p> <p>Display healthier products more prominently in stores Move healthier products to eye level and end-of-aisle displays</p> <p>Remove less healthy items from checkout Stop selling confectionary products at checkout counters</p>

Source: BCG analysis.

- **Accelerate reformulation efforts.** Popular reformulation initiatives among consumers surveyed included the development of better-tasting healthy products and the creation of products that are both filling and have lower sugar, salt, and fat content. Interestingly, decreasing the pack size of unhealthy products was highly unpopular, ranking last among all initiatives proposed. This may have been due to a consumer perception that the motives behind such initiatives had more to do with profit margins than health considerations.

CPG companies and retailers were already pursuing a range of effective reformulation initiatives before the pandemic, such as reformulating existing branded or own-label products to reduce the sugar and/or salt content, while maintaining the taste that consumers want. Each company took these steps as part of its broader strategic portfolio choices. As the CEO of a multinational food and drink manufacturer told us, “We frame the aspirations for the company in terms of how we eliminate ingredients not helpful for the diet, like salts, saturated fats, and sugars. At the same time, while people are looking for more health benefits, they still need the taste and are not going to sacrifice taste for health. Making that successful compromise is the vector we are currently pushing.” This view is supported by the survey results, with 46% of respondents unwilling to choose a healthier option if it is less tasty than an unhealthy alternative.

Major UK retailers have focused on private-label reformulations that reduce the salt and sugar in their products, allowing them to offer a distinctive product they can scale quickly. One retailer, for example, developed multiple “ready meal” product selections targeting specific health aims, such as high-protein, balanced-carb meals designed to make consumers feel satiated while reducing their caloric consumption.

In addition, multiple retailers were expanding their healthier-product portfolio, both through private label and branded products, including the introduction of more “ready to cook” healthy options.

Note that CEOs did not see collaboration as bringing additional value in the area of reformulation, as they did in many other areas, given that product formulation is inherently an important source of competitive advantage.





It is critical to ensure a level playing field through targeted government regulation.

- **Boost accessibility and availability.** Around 73% of our respondents thought CPG companies and retailers were already doing enough to ensure access to healthier food, with nationwide grocery chains and fresh-food markets seen as the most proactive. Nonetheless, several players believed the industry could do more to make it easier for people to find and prepare healthier foods. For example, retailers can display and promote healthier products more prominently, such as positioning them at eye level or on end-of-aisle displays. One Collaboration for Healthier Lives initiative in Colombia, “Se Siente Bien,” launched a range of health stands, video screens, and eye-catching materials in stores to nudge customers toward healthier products. And a UK retail chain had engaged in a range of additional “nudge” behaviors, including prominent positioning of the healthiest versions of popular lines.

It is also critical to ensure a level playing field through targeted government regulation and taxation. The industry generally views the levers of government regulation and taxation as necessary in certain areas, and as providing a consistent set of rules of engagement for all players in the market. Regulation particularly is seen as a way to accelerate and scale transformation efforts, aligning incentives along the supply chain to generate rapid results. As one CEO noted, “The most effective health intervention in the UK has been the sugar tax; everybody was wary of it, but once it happened, the industry reformulated and things were okay, without a lot of negative business impact.”

Public health bodies and governments set the regulatory agenda, but retailers and manufacturers can play an important role. Engaging with the regulator as an industry, involving independent third-party experts, and sharing the lessons from individual as well as collective company actions are important measures that provide the regulators with credibility. As the CEO of an Americas food retailer told us, “We work with regulators to get the right approach and legislation. I am not against legislation, but it needs to be practical and build on what we are already doing, giving the right message to consumers.”

Maximize the Impact of Collaboration

As the possibilities above indicate, CPG companies and retailers are positioned to make a real difference in people’s nutrition, and consumers believe these entities can best do so by collaborating with each other. In fact, 78% of consumers surveyed said that they would trust initiatives from retailers and CPG companies if they were collaborative, while 88% said they would trust initiatives formed in collaborations that also include public health bodies. Further, 87% said that collaboration between retailers and manufacturers would have a positive impact, while the majority expected that it would make healthier food cheaper, tastier, and more available. (See Exhibit 4.)

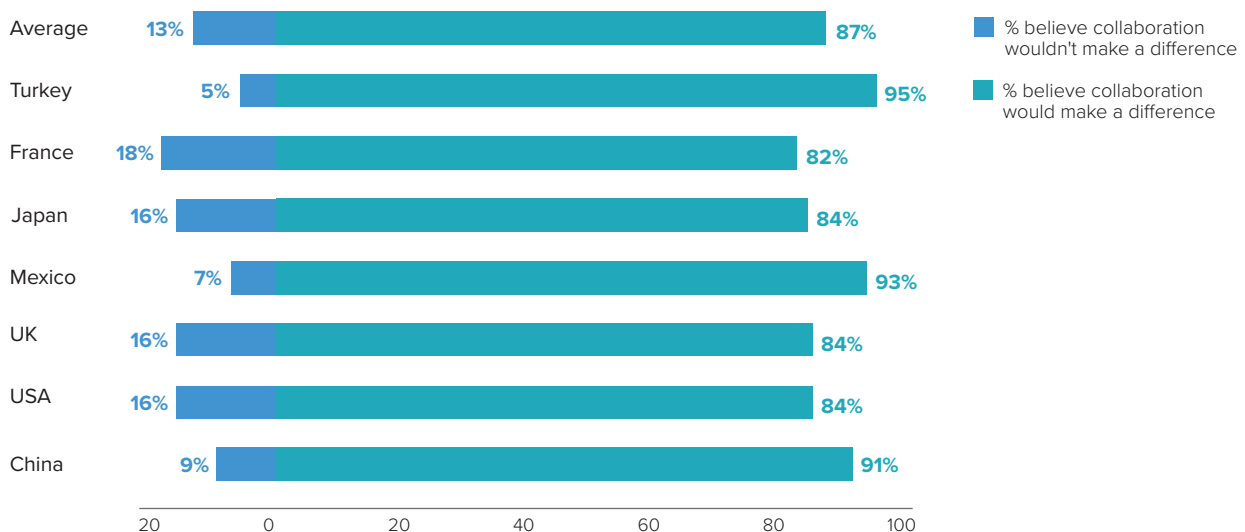
There is a wide-ranging set of potential collaborative actions available to retailers, CPG companies, and public health bodies that can generate value for consumers while adhering to competition or antitrust laws and regulations. These include joint-communication and education campaigns on healthy eating and consumption; development of consistent and transparent nutritional labeling; active support of local community initiatives, such as the “Stay Well

This Winter” campaign; and many more. Typically, communications, local activism, and consumer education tend to be the most tenable areas of first collaboration among industry players, in contrast to areas such as formulation, product accessibility or range, or pricing and promotions, given the competitive sensitivities and legal restrictions in these areas.

Because of the trust placed in companies by consumers and the greater impact sought by CEOs, collaboration can create significant value by amplifying the effects of individual actions. It can help spread out the investment cost of large initiatives, particularly in more fragmented markets, and allow companies to test new ideas in a lower-risk way before scaling the most promising ones.

A French food company, for example, used the Collaboration for Healthier Lives’ “On S’y Met” initiative in Lyon to trial various health-related activations using local produce as part of a “cook it yourself” theme. The results were so promising that the company rapidly deployed the activations nationally, multiplying the impact.

EXHIBIT 4 | Most Consumers Believed Collaboration Between Retailers and Manufacturers Would Have a Positive Impact



Source: BCG-Nielsen consumer survey, 2019.

Note: Consumers who believed collaboration would make a difference answered, “Yes, it would make a difference” to the question: “Do you think it would make a difference if multiple grocers and brands worked together rather than independently?” This encompasses those who listed the following reasons why: “Collaboration will result in cheaper products”; “Collaboration will result in tastier healthy products”; or “Collaboration will result in greater availability of healthy products.” Consumers who do not believe collaboration would make a difference gave the following reasons: “Healthier products will still be too expensive”; “Healthier products will still be less tasty”; or “Healthier products will still be less available.”

The most powerful way to increase impact is for companies to facilitate an exchange of effective initiatives and lessons.

In structuring collaborative efforts, the CEOs we spoke with emphasized the need for remaining pragmatic and keeping things simple. They said the industry should not attempt to design a master solution. Local context is important, requiring different remedies and often a different mix of participants.

Several CEOs cautioned against the trap of setting grandiose ambitions that result in limited actions. “For health initiatives, it is better to have a growing series of small victories that are certain to work than to dream of changing the world,” the CEO of an Americas retailer noted. Others said that simply joining a collaboration program is not enough—companies should only work with those truly willing to “lean in.” As the CEO of an Americas manufacturer pointed out, “We need to make sure that those that are part of a coalition for healthier lives have done their homework and are credible in this space. Otherwise, they could be perceived as disingenuous.” And another CEO added, “When companies join who do not really want to participate in practice, the coalition’s work can be slowed down materially.”

Even beyond working together on specific initiatives, the most powerful way to increase impact is for companies—both retailers and CPG manufacturers—to facilitate an appropriately sanitized exchange of effective initiatives and lessons, and to adopt, adapt, and scale the most effective ones quickly. The establishment of a global learning mechanism¹ through the Coalition is a promising vehicle for achieving this.

As the CEO of an Americas food retailer told us, “I would focus on constructing a toolkit of health initiatives that can be expanded and improved, shared, and taken everywhere, so that all regions learn from what others are doing, what has worked, and what has not.” It is also essential that companies collaborate with independent third-party experts, from public health bodies and universities, for example, to bring such sharing and learning programs to light. As another CEO stated, “To offer a healthy basket of goods, let’s get objective criteria for what a healthy basket looks like that we can then all work towards enabling.”



1. www.globallearningmechanism.com

How CEOs Can Make a Difference

CEOs are uniquely positioned to steer their businesses toward an agenda that generates better nutrition and helps overcome any tension between short-term commercial incentives and a longer-term strategic view. Ultimately, it falls to the CEO to set company priorities, act as an external ambassador, put the right structures and personnel in place, and ensure that the appropriate culture and values permeate the business. To carry out this agenda, CEOs should:

1. Make healthier diets part of the company's mission and values.

"It is the CEO's role to set the company's mission and align everything to it, bringing the business and shareholders with them," according to the CEO of an Americas food retailer. The first step in this process is to communicate a vision that makes improved nutrition a cornerstone of long-term commercial success. This vision, in turn, can guide the business's commercial activity to align it with the company's mission.

As the CEO of a multinational food and drinks manufacturer added, "The CEO should start from a personal conviction that driving better nutrition is the right thing to do. The role of the CEO is then to give strategic direction, set objectives, and express his or her expectations." The CEO of an Americas retailer also noted, "To drive change throughout a company, what is important is that CEOs establish the right culture and ensure that people believe in this culture. The rest will follow."

2. Set the right tone and maintain it.

It is not enough for CEOs to state their personal commitment to change. The biggest challenge they face is that this commitment is not always reflected in discussions with commercial managers, buyers, or salespeople down the chain. As the CEO of a European food retailer pointed out, "When setting an agenda, CEOs can sometimes move in one direction and buyers in another. They each try to deliver different things, so it's important that the right message flows down."

CEOs are uniquely positioned to steer their businesses toward an agenda that generates better nutrition.



3. **Actively shape the portfolio to achieve nutritional outcomes.** Gradually shifting the portfolio can have tremendous impact in the long term, including on a company's investor valuation. "CEOs need to look at their portfolio and see whether it's geared too much toward unhealthy items and, if it is, consider how they can change the portfolio for both the good of the consumer and for the long-term sustainability of business," the CEO of a multinational food and drink manufacturer told us.
4. **Put the right KPIs and incentives in place.** Our CEOs emphasized the importance of establishing the right incentives. One European retail CEO, for example, had to reinforce among his commercial directors that it is okay to accept reduced profitability on changes in the product range and promotions that were aimed at improving the health of the overall offering. "Set the right KPIs to determine success, and not just around volume growth and sales," another CEO told us. "It means profits might be lower initially, but it needs to be done."
5. **Make the right people responsible.** CEOs also pointed out the need to resource appropriately and give responsibility to senior commercial leaders to champion the change. One way that CEOs do this is by "double-hatting" commercial activities with healthier options. "You need the right people in place," the CEO of a European food retailer told us, "making them not just responsible for their commercial outcomes but also ambassadors for nutrition, so both factors drive their decisions."
6. **Lead and motivate by personal example.** "CEOs need to educate people about healthier eating, and champion it," one CEO noted. "They have to be personally passionate about the topic and transmit it to others." As the CEO of a European food retailer added, "CEOs are responsible for the products they sell and must ask themselves whether they're comfortable selling those products and the impact that this mindset has on performance. They have to take personal responsibility for it."
7. **Amplify what works.** Last but not least, CEOs can make a difference by championing mechanisms to identify which initiatives work, both inside and outside the company, and then quickly scaling those initiatives. In the UK, for example, 80 stores in London piloted a range of 21 healthy eating interventions through a Collaboration for Healthier Lives initiative, with a further 25 planned. The participating companies will now determine which pilots have the potential for impact at scale and support them in a broader rollout. As the CEO of a consumer products manufacturer explained, "For healthier eating initiatives to have an impact, you need to start with the end in mind—the intent to scale. These are big investment decisions for retailers and suppliers, so if we don't start with the conviction that we will end up pushing these changes, we will always be self-limiting."

CEOs have to be personally passionate about healthier eating.

Regardless of today's uncertainties and evolving priorities, it's important to remain focused on the broader ambition, which is for the industry to play an even more active role in the improvement of consumer health and well-being. We know that nutrition is still tremendously important for people—and for the businesses that serve them. Retailers and CPG companies can continue to improve their game, innovating to overcome the barriers of affordability, taste, accessibility, and uncertainty around healthier food options. They can work to boost consumer understanding and interest in healthier foods, shifting their portfolios and investments to healthier products. Finally, they have a large and currently underexploited opportunity to promote healthier outcomes by circulating their most successful actions with industry peers, encouraging rapid adoption by others, and sharing the resulting progress with society at large.

About the Authors

Marcus Bokkerink is a managing director and senior partner in the London office of Boston Consulting Group and leads the Consumer Products practice in Europe, the Middle East, Africa, and South America. You may contact him by email at bokkerink.marcus@bcg.com.

Patrick Ducasse is a managing director and senior partner in the firm's Paris office and a core member of the Consumer and Marketing, Sales, and Pricing practices. You may contact him by email at ducasse.patrick@bcg.com.

Khaled Tawfik is a managing director and partner in BCG's London office and a core member of the Retail practice. You may contact him by email at tawfik.khaled@bcg.com.

Tanmay Jain is a principal in the firm's London office. You may contact him by email at jain.tanmay@bcg.com.

Alexandra Vedernikova is a project leader in BCG's London office. You may contact her by email at vedernikova.alexandra@bcg.com.

Ralph Hargreaves is a senior associate in the firm's London office. You may contact him by email at hargreaves.ralph@bcg.com.

Joseph Ellis is senior vice president, Consumer Insights, West Zone (South Asia, Middle East, Africa, Europe, and the Americas) and is based in the UAE office of Nielsen Connect. You may contact him by email at joe.ellis@nielsen.com.

Olivier Lamare is senior vice president, Retail, for Europe and the Pacific and is based in the French office of Nielsen Connect. You may contact him by email at olivier.lamare@nielsen.com.

Acknowledgments

The authors would like to thank Clement Richet and Sharon Bligh for their contributions to this report. They are also grateful to the survey respondents for their time, particularly during the interview process, and to the Healthier Lives board co-sponsors, Ahold Delhaize and Nestlé, and their Healthier Lives steering committee co-chairs, Danone and Walmart. The authors would also like to thank Alice Griffiths for her help in writing this report, along with Kelli Gould and Julia Slater for their marketing support. They thank Katherine Andrews, Kim Friedman, Abby Garland, Thayer Warne, and Sarah Wood for their contributions to the editing, design, and production of the report.

For Further Contact

If you would like to discuss this report, please contact one of the authors or Sharon Bligh, director, Healthier Lives, at The Consumer Goods Forum (s.bligh@theconsumergoodsforum.com).

For information or permission to reprint, please contact BCG at permissions@bcg.com.

To find the latest BCG content and register to receive e-alerts on this topic or others, please visit bcg.com.

Follow Boston Consulting Group on Facebook and Twitter.

© Boston Consulting Group 2020. All rights reserved.

BCG



nielsen
.....