

“Charmingly delicious”: childhood obesity and General Mills’ dilemma

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In 2012, the Yale Rudd Center for Food Policy and Obesity released a report on advertising cereals to children[1]. The findings reported were not favorable to the cereal industry, stating that companies “continue to aggressively market their least nutritious products directly to young children” (Yale Rudd Center for Food Policy and Obesity, 2012). Although the report noted that General Mills (GM) had improved the nutritional content of all its children’s cereals, the report also showed that seven of the ten advertised cereals with the poorest nutrition scores were GM’s brands (Yale Rudd Center for Food Policy and Obesity, 2012). It seemed that while GM produced cereals that were popular with consumers, it was constantly under attack by advocacy groups for both its product contents and its advertising of those products.

Jeff Harmening, Senior Vice President of GM, and president and CEO of Cereal Partners Worldwide (CPW), was involved in implementing a pledge to address concerns with childhood obesity by reducing the amount of sugar in cereals to make them healthier for the kids who ate them and who were targets of Big G’s advertising (General Mills, 2010). Jeff noted that both GM and the CPW were driven by consumers rather than the threat of regulation. “If we’re not delivering what they want, somebody else will deliver what they are looking for. The consumers are the judge” (General Mills, 2010). He and his team needed to consider not only how product and advertising decisions impacted the public health concerns, but also how those decisions affected consumer response to GM products and the subsequent effect on the company’s profitability.

GM CEO commented, “We at General Mills have been responsible not only to consumers but to shareholders. We offer products that are low-fat, low-sugar [...] to people who are concerned about eating those products. Bottom line being, though, that we need to ensure that our products taste good, because our accountability is also to our shareholders. And there’s no way we could start down-formulating the usage of salt, sugar, fat if the end result is going to be something that people do not want to eat” Boeschenstein (2013).

Jeff Harmening’s role at GM

Jeff Harmening began his career with GM in 1994, soon after completing his MBA at Harvard (General Mills, n.d.b). By 2000, he held the title, “Marketing Director” (General Mills, n.d.b). He became a vice president of CPW, a joint venture between GM and Nestle, in 2004 (General Mills, n.d.b). By 2007, he became president of GM’s cereal division, Big G, and by April 2011, Jeff served in both that role and as senior vice president of CPW (General Mills, n.d.b). In July, 2012, at approximately 46 years of age, Jeff became president and CEO of CPW, responsible for leading a \$2 billion global cereal industry, and was promoted to senior vice president of GM (General Mills, n.d.b).

Under his watch, GM made continuous progress in improving the nutrition content of its children’s cereals. GM announced in 2009 that they would set a goal of single-digit levels of



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grams of sugar per serving of cereals targeted to children (General Mills, n.d.b). Although ready-to-eat cereals accounted for <5 percent of sugar consumed by children, Jeff knew that GM still had a long way to go (General Mills, n.d.b). “We know that some consumers would prefer to see cereals that are even lower in sugar,” Jeff said, “Consumers know that cereals are low in calories, but we think that consumers will be pleased that they now have lower sugar, too” (General Mills, n.d.b).

Sugar was only one nutritional focus of public concern. Advocacy groups also argued for stricter health standards related to calories, saturated fats, and sodium. These advocacy groups, supported by child health initiatives from the White House as well as the medical community’s concerns about childhood obesity, put pressure on GM and other cereal companies to make changes to both product formulas and advertising. GM continued to reformulate 20 cereal brands, popular with both children and teenagers, not only by reducing sugar, but by boosting whole grains and calcium (*New York Daily News*, 2012).

Making these changes to the products without negatively impacting sales was not always easy. It was difficult to reduce sugar and improve the nutritional content of cereals without affecting the taste that consumers enjoyed and demanded. Even so, Jeff indicated a commitment on behalf of GM to strive for healthier products and yet meet consumer desire. “Maintaining great taste while continuing to reduce sugar is a challenge,” Jeff said, “It requires technology, time and investment, but we’re doing it. We are committed to reaching single-digit levels” (Schroeder, 2009).

Despite the progress on nutritional content, advocacy groups also continued to challenge the advertising used by GM and other big cereal makers. As one spokesperson for a children’s advocacy group said, “Reformulation is great, but the question is how they then talk about their products. They can’t talk about the cereals being healthy. They will be mildly less unhealthy than they were before” (*New York Daily News*, 2012). GM made some changes to marketing, including the elimination of popular internet game web page, which in turn reduced access to online advertising[2]. GM also reduced the amount of banner ads placed on children’s web sites by nearly 43 percent (see footnote 2). But it still did not seem to be enough to satisfy the advocacy groups.

Jeff, as a leader in the cereal industry, had to consider the public’s concern along with the welfare of the company and industry. Jeff and his team needed to decide what their responsibility and role should be regarding the obesity epidemic. They had to figure out the right balance between the nutrition standards, the positioning of the product as reflected in advertising, and the profitability of the company.

A history of the cereal industry and GM

In the early 1900s, the cereal industry was highly competitive with “more than forty cereal companies [...] launched in the United States” (Cavendish, 2006) GM was a 62-year-old company when it entered the cereal market, founded by Cadwallader C. Washburn in 1856 as the Minneapolis Milling Company[3]. Ten years later Washburn built his first flour mill, and by 1874 had opened a second flour mill (see footnote 3). In 1880, the company then known as Washburn Crosby Company had created award-winning flour products named Gold Medal flour (see footnote 3). Washburn Crosby Company also created various brands and products throughout the early 1900s, including Betty Crocker and Bisquick[4], and in 1928, merged with several other mills to become GM.

GM first entered the cereal industry with the introduction of Wheaties in 1922[5]. A health clinician who was mixing a batch of bran gruel for his patients created the first Wheaties prototype. This health clinician spilled some of the mix onto the stove, and this mishap caused a crispy flake to form. The health clinician then took his idea to GM, where it further developed the product into Wheaties. Since then, GM expanded their cereal brands to include Chex, Cheerios, Lucky Charms, Cinnamon Toast Crunch, Fiber One, Kix, and Total among others[6]. By 2010, GM was second only to Kellogg’s in market share, holding 14 percent of the market. That year, ready-to-eat cereals earned \$24.4 billion for the overall cereal market, which

represented 90 percent of the entire global cereal market. The remaining ten percent consisted of hot cereals the consumer prepared.

Competition in the cereal industry was intense through the years, particularly among the larger companies such as GM and Kellogg's. Additional competition came from small companies who entered the market to appeal to health conscious consumers and from private-label cereals attempting to meet the need of price-conscious consumers. GM and other cereal makers, faced with high commodity prices and rising costs, tried to offset those costs by raising prices (Rooney, 2012). However, GM did not pass all increased costs on to consumers due to consumers' price sensitivity and the potential of brand-switching. Additionally, profit margin and revenue across the industry was predicted to fall until 2013 (PRWeb, 2013). Profitability of each of the competitors depended on how well they managed raw material costs, how efficiently they operated and how well they managed retail shelf space[7].

By 2012, GM was a multi-billion dollar company, with sixteen billion dollars in net sales and an operating profit of over two and a half billion dollars. The mission statement of the company read, "Our mission is to make lives healthier, easier and richer. GM is Nourishing Lives. We make lives healthier by delivering important nutrients and increasing people's intake of whole grains, by providing foods that contribute to a heart-healthy diet, and by helping people manage their weight. We make lives easier with convenient meals and packaging, and foods that provide nourishment on the run. We make lives richer with foods that add fun or help to create a special moment with family and friends[8]." The company's stated values are to build great brands, strive for superior performance, innovate, respect and invest in people and to "do the right thing, all the time[9]."

In addition to GM consumer-oriented mission, they also had a responsibility to those who had invested in the company—the shareholders. GM was committed to creating value for their shareholders. According to their annual report, they considered dividend growth as "an important component of [...] value creation for shareholders" (General Mills, 2012a). GM had a commitment to "pursue strategic objectives of General Mills and ensure its long-term vitality for the benefit of stockholders" (General Mills, 2012h). In fact, by law, shareholders relied on company employees, its executives and board of directors to protect and further their interests (Miller and Cross, 2013). Some corporate executives felt that corporate laws that protected the interests of shareholders actually made it difficult to direct resources to socially responsible goals (Hinckley, 2002).

Consumers and the cultural environment

To market ready-to-eat cereals in the early days, GM commonly used musical radio commercials, catchy slogans, and premiums that were available for order. Familiar slogans included "the breakfast of champions" for Wheaties, which typically had a picture of a sports star or Olympian on the cover of the cereal, and "kid-tested, mother-approved" for its Kix cereal brand. The Wheaties tagline appealed to the children's desires to become like the people on the cover of the cereal box, and the Kix tagline showed kids how desirable other children found the cereal.

Whether out of a desire to maximize profits at all costs, or because it was unknown that processed sugars would cause health problems, it was common amongst all competitors in the ready-to-eat cereal industry to focus advertising on the sugar and sweetness in each cereal. In fact, it was not unusual to see cereal names start with the word sugar, such as GM Sugary Jets in the 1950s.

In addition to the focus on sugar, GM first introduced cereal premiums in 1931 and advertised them on popular radio shows. To receive these promotions customers would have to send in box tops, special coupons, or sometimes even money. Examples of GM premiums were teaspoons, special license plates, and various types of rings such as six-shooter rings, silver bullet rings, and secret decoder rings. GM teamed up with the popular Jack Armstrong radio show, and provided premiums such as the Jack Armstrong Mystery Torpedo Flashlight and the Jack Armstrong Explorer Telescope. Eventually, GM and other companies began promoting the prizes instead of the cereal itself. Over time, GM began putting them directly in the cereal boxes.

In 1999, GM even developed a window in the cereal boxes where the premium could be seen. These premiums served the primary purpose of enticing children to want the cereal.

Perhaps due to this type of marketing in the cereal industry, adults' love of cereal was in-grained with consumers who often felt nostalgic about brands they ate as children (Schoen, 2005). The taste of sweetness and the convenience of ready-to-eat cereal meant that Americans of all ages ate cereal all times of the day and night (Schoen, 2005). Parents, nostalgic about their own childhood and short of time, bought familiar brands for their own children, even though in some cases they knew it was not the healthiest choice.

Childhood obesity

In 2010, in the USA, approximately one-third of children and adolescents were classified as at least overweight. In total, 17 percent of children and adolescents were classified as obese, a rate that was "triple the rate from one generation ago" (Centers for Disease Control and Prevention, 2012b). Obesity was defined as a body-mass index (BMI) at or above the 95th quartile for children of the same sex and age, while overweight was defined as a BMI at or above the 85th quartile, but lower than the 95th quartile for children of the same sex and age (Centers for Disease Control and Prevention, 2012a). Many causes were identified, including lack of regular exercise, accessibility of less-healthy foods on school campuses, limited access to healthy and affordable foods, increased portion sizes, and food advertising.

Childhood obesity was associated with many health risks, including high blood pressure and cholesterol, cardiovascular disease, impaired glucose tolerance; type two diabetes, breathing problems, joint problems, and fatty liver disease. In addition to physical health problems childhood obesity was linked to mental health issues such as poor self-esteem, social problems and discrimination, and other psychological problems. When a child was obese, he or she was more likely to suffer from severe obesity as an adult, leading to even more health problems.

The First Lady's initiative

It was on the impact of these health problems that First Lady Michelle Obama focussed as she created her *Let's Move* campaign in 2010. When she announced the campaign, Mrs Obama pointed to four pillars for healthier youth: first, helping parents make healthy family choices (including encouraging improved labeling and stricter nutrition guidelines); second, serving healthier foods in schools; third, accessing healthy, affordable food; and fourth, increasing physical activity (Office of the First Lady, 2010). While the focus on these issues was highlighted by Mrs Obama, the cereal industry had been looking at labeling and nutrition guidelines for a number of years.

First Lady Michelle Obama set a "national goal of solving the challenge of childhood obesity within a generation so that children born today will reach adulthood at a healthy weight" (Office of the First Lady, 2010). The foundation of Mrs Obama's concern was the approximately 12.5 million US obese children and adolescents (two to 19 year olds; Centers for Disease Control and Prevention, 2011). To accomplish this goal and "combat the epidemic of childhood obesity," she introduced the *Let's Move* campaign (Office of the First Lady, 2010). One of the main tenets of the program was to empower consumers through improved information on foods. In addition to the campaign, President Obama created a Task Force on Childhood Obesity to develop recommendations to accomplish the First Lady's goal.

In addition to other various causes of childhood obesity, the marketing and advertising of food directly to children was identified by the Task Force on Childhood Obesity as one newsworthy factor that contributed to childhood obesity (White House Task Force on Childhood Obesity Report to the President, 2010). A study by The Kaiser Family Foundation found that "ads strongly influence the buying habits of children and their parents" (White House Task Force on Childhood Obesity Report to the President, 2010). In addition, according to the study, "72 percent of all children's ads are for candy, cereal and fast food" (White House Task Force on Childhood Obesity Report to the President, 2010). Given the evidence of the growing epidemic,

food industries began to self-regulate. Within the cereal industry, a number of organizations developed guidelines for advertising products targeted to children. Cereal companies, such as GM, struggled with whether or not to adopt those standards.

Public opinion and trends

Much had changed since the days when cereal names started with the word sugar. The obesity crisis, with its accompanying health care costs and the perceived lack of concern by cereal companies, drew the ire of consumers and consumer advocacy groups. Many children's food producers, including cereal companies like GM, were blamed for the increasing obesity rates. Watchdog groups, such as the Center for Science in the Public Interest (CSPI), charged that companies like GM purposefully advertised unhealthy products to kids. These researchers stated that food and companies spend more than \$10 billion annually marketing to children in order to "build brand recognition, brand preference, and brand loyalty" (Fox News, 2012). In 2005 the Institute of Medicine released an expert committee report on "the nature, extent, and influence of food and beverage marketing practices on the diets and health of American children" (Kraak *et al.*, 2011). It was concluded that the then current marketing efforts were not health conscious and did not support a healthful diet. Another study found that children watched an average of ten food-related advertisements every day and nearly all of these advertisements were for products high in fat, sugar, or sodium (Powell *et al.*, 2011). According to the FTC, "Carbonated beverages, fast food, and breakfast cereals make up 63% of the total amount spent on marketing to youth" (Center for Science in the Public Interest, 2010). The Federal Trade Commission was responsible for protecting consumers, including children, "from unfair or deceptive advertising and marketing practices that raise health and safety concerns" (Small Business Administration, 2010). However, there was no law banning the marketing of high sugar or high calorie foods to children (Federal Trade Commission, 2002).

In addition to the blame placed on cereal companies and other children's food companies for childhood obesity, children's parents were also at fault. The actions of parents and the home environment strongly influenced whether a child would become obese (LaRocca, 2009). Studies and researchers argued the import of parents setting a good example regarding eating habits for their children and for teaching them why they select healthy options (Karnik and Kanekar, 2012). Even though parents shared the blame for childhood obesity, much public criticism was directed toward the suppliers of the products.

Advocacy groups and industry self-regulation

Because of the epic nature of the crisis and the public focus on the problem, advocacy groups formed to influence product ingredients and advertising. One initiative, the Children's Food and Beverage Advertising Initiative (CFBAI), begun in 2006, was made up of the ten largest American marketers of food targeted to children, including GM. The CFBAI formed as a "self-regulatory program administered by the Council of the Better Business Bureaus (CBBB)." The initiative did not create uniform health standards for companies to follow in their products but the core principles of the CFBAI included to "establish nutrition standards, consistent with established scientific and/or government standards and recommendations and subject to [C]BBB approval, that govern what foods they may advertise to children." Because of this core principle, the CFBAI gave the CBBB the authority to create standards, or to create a system where companies set their own standards (subject to CBBB approval).

On July 14, 2011, the CFBAI announced a groundbreaking agreement in which its participants, who were responsible for the majority of food advertising to children under 12, pledged to use uniform per serving nutrition criteria for foods advertised to children" (Better Business Bureau, 2011). The uniform set of standards was scheduled to go into effect by December 31, 2013. The CFBAI's uniform criteria for grains, including cereals, fruit and vegetable products, and items not in other categories were as follows:

- calories \leq 150;
- saturated fat \leq 1.5 grams;

- sodium \leq 290 milligrams; and
- total sugars \leq 10 grams (Children's Food and Beverage Advertising Initiative, 2011).

In 2012, CFBAI consisted of 16 participants. Together these 16 companies purchased over 80 percent of the television advertisements directed at children.

Shortly after the CFBAI was formed, a second watchdog group, the CSPI, advocated for a more stringent set of nutrition standards for nutrient criteria and content than did the CFBAI. Three scientists formed the CSPI in 1971 with a mission of serving as an "organized voice of the American public on nutrition, food safety and health issues[10]." Their standards for nutrient criteria included:

- no more than 35 percent of total calories from fat;
- no more than 10 percent of calories from saturated fat plus trans-fat;
- <35 percent of added sugars by weight; and
- no more than 480 mg of sodium per serving for cereals (Center for Science in the Public Interest, 2005).

Additionally, the CSPI recommended that products contain one or more of the following:

- 10 percent of the dietary reference intakes (DRI)[11] of vitamins A, C, or E, calcium, magnesium, potassium, iron, or fiber;
- half a serving of fruit or vegetable; or
- 51 percent or more whole grain ingredients (see footnote 11).

GM response

GM initially responded to the concerns about childhood obesity by joining the CFBAI at its start in 2006, and promised to change the way its products were marketed to children. This pledge involved only advertising "Healthy Dietary Choices to children under 12," which included only advertising "those products that have 12 grams or less of sugar per serving" (General Mills, 2007). GM also pledged that it would not "target any advertising to preschool children," and would "continue to reinforce positive, healthy lifestyle choices" in the advertising that it created or purchased (General Mills, 2007).

In 2011, in addition to the pledge through the CFBAI, GM created its own standards defining a "healthy product." GM planned for the standards to go in to effect prior to the December 2013 deadline for the CFBAI standards. GM committed to only advertising to children 12 years and under if the product:

1. contains 175 calories or less per labeled serving, AND either;
2. meets the FDA definition of "healthy" per labeled serving Code of Federal Regulations, 2005[12] OR;
3. supplies (per labeled serving) at least one-half serving of a specific "healthy" food group (i.e. whole grain, fruit, vegetables or fat-free or low fat dairy), and has:
 - \leq 230 milligrams of sodium for cereal and snacks;
 - \leq 2 grams of saturated fat; and
 - 0 grams of labeled trans fat (General Mills, 2007).

GM stated that it fully supported the goals of the CFBAI, and was "committed to maintaining the highest standards for responsible advertising to children" (General Mills, 2007). However, because of the difference in standards, one hundred percent of the products in GM ads fit the company's nutrition standards under the CBBB system, but only 28 percent of the products in those same ads satisfied the CSPI's nutrition standards.

GM also took actions to support healthy activities and fitness. The company created a new advertising campaign that included the use of a "fitness squad" on cereal boxes and other

packages as well as its overall emphasis on the importance of breakfast (Adamy, 2005). Some of GM cereal commercials included three of the popular cereal mascots for the company: the Trix rabbit, Coo Coo the Cocoa Puffs bird, and the Lucky Charms leprechaun – specifically encouraging kids to eat healthy breakfasts (General Mills, 2012e).

Despite the promises and progress, GM faced criticism for the mislabeling of products as “Smart Choices.” GM planned to label 67 of its products with this phrase in order to help consumers pick out the more healthy products that it offered. Some of the products that GM planned on placing the “Smart Choices” label on were Chocolate Lucky Charms, Cheerios, and Froot Loops. However, due to “public pressure after the Food and Drug Administration said the labels misled consumers,” GM agreed to not use the “Smart Choices” label[13].

GM was caught in another public affairs problem with its Total Blueberry Pomegranate cereal. It was discovered that this cereal contained neither blueberries nor pomegranates (Roan, 2011). GM was not alone; there were numerous companies advertising real fruit in products while actually only using “an elaborate concoction of sugar, high fructose corn syrup, starch, hydrogenated oils, and chemical food coloring,” that look like fruit pieces.

The future

GM stated that one of its goals “is to be among the most socially responsible food companies in the world” (Roan, 2011). But, Jeff Harmening said, “Taste will never be compromised – or lowering sugar levels would go for naught. To be successful with consumers, big changes like these must be made in a series of small steps that consumers accept and embrace, because taste rules” (General Mills, 2010). The changes made by GM were considered steps in the right direction but GM continued to be under scrutiny of advocacy groups. How could Jeff and GM make changes to product nutritional content and/or marketing and address the societal concern about childhood obesity while also meeting responsibilities to consumers and shareholders? What decision(s) would best meet the needs of these stakeholders?

Notes

1. Cereals were scored based on a nutrient profiling system developed by Rayner and colleagues at Oxford University and used by the Food Standards Agency in the UK as the basis for determining which products can be advertised to children on TV. Scores range from 0 to 100. A score of 62 or higher is defined as a healthy product. General Mills had an average score for brands identified as child brands of 43. F.A.C.T.S. is the acronym for Food Advertising to Children and Teens Score.
2. Yale Rudd Center for Food Policy and Obesity, 4, the report noted that General Mills had eliminated a popular “advergame website” called Millsberry.com which decreased exposure to cereal company-sponsored webpages by an average of 100 ads per year.
3. www.generalmills.com/Company/History/Beginnings.aspx
4. www.generalmills.com/Company/History/Brand_heritage.aspx
5. http://generalmills.com/~media/Files/history/hist_wheaties.ashx
6. <http://generalmills.com/Brands.aspx>
7. Breakfast Cereal Manufacturing Industry Profile, available at: www.firstresearch.com/industry-research/Breakfast-Cereal-Manufacturing.html (accessed July 8, 2013).
8. www.generalmills.com/Company/Mission.aspx
9. www.generalmills.com/Company/values.aspx
10. www.cspinet.org/about
11. <http://fnic.nal.usda.gov/dietary-guidance>; the DRI standards were developed by the Institute of Medicine’s Food and Nutrition Board and are provided to the public by the USDA’s Food and Nutrition Information Center. The DRI was introduced in 1997 and is derived from the recommended daily allowance which also determines recommended daily value which is used for food labeling in the USA and Canada.
12. www.fda.gov/forconsumers/consumerupdates/ucm094536.htm
13. www.slashfood.com/tag/FoodAndDrugAdministration/

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