



HEALTHIER OILS, HEALTHIER BUSINESS

CHANGES MADE FOR THE GOOD OF YOUR CONSUMERS ALSO ARE GOOD FOR YOUR BOTTOM LINE

There is no shortage of research highlighting consumers' desire to eat healthier foods, but launching better-for-you (BFY) food products and menu items needs to deliver not only great taste and health benefits, but solid business results as well. Hank Cardello — senior fellow at the Hudson Institute, former food industry executive, and author — believes this is possible. Hank's mission with his recent work was to determine if serving BFY foods and beverages is healthier for the food industry. The answer? It is.

BETTER-FOR-YOU IS BETTER FOR BUSINESS

The obesity statistics in North America are staggering. The Centers for Disease Control and Prevention (CDC) estimates that more than 35 percent of adults and nearly 17 percent of children in the United States are obese, and Health Canada estimates that over 25% of Canadian adults are obese.^{1,2} Business leaders in both the foodservice and packaged foods industries are stepping up by participating in obesity-tackling initiatives, such as the Healthy Weight Commitment Foundation and the National Restaurant Association's Kids LiveWell program. However, until Cardello's research, there has been little evidence to reveal whether packaged foods companies and restaurant chains can profit by doing good. A systemic review of key financial metrics, such as sales, operating income, share price, and company reputation and favorability rankings led to the same conclusion in both industries: BFY is better for business.

CONSUMER PACKAGED GOODS

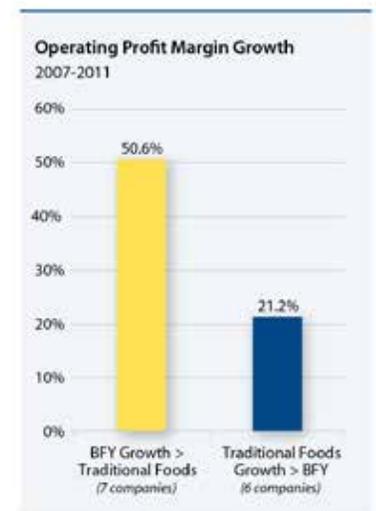
There has been an explosion of BFY products in the grocery store — they are in every aisle of nearly every store. Cardello's first study, released in 2011, examined the total portfolio impact, product level sales and brand metrics of more than 15 key consumer packaged goods (CPG) companies.³ The research showed not only did CPG companies with solid BFY portfolios outperform the competition, they did so significantly and even outperformed the S&P 500.

Key findings from the study include:

- BFY foods drove a disproportionate share of sales growth in the past five years.
- In the five years of this study, BFY foods made up roughly 40 percent of sales, but generated more than 70 percent of the growth in sales.
- Companies that have been growing their sales of BFY items faster than sales of traditional items are delivering overall sales growth at more than twice the rate.
- Companies with a higher percentage of sales of BFY foods are delivering superior operating profits and profit growth.



Source: Nielsen Food, Drug and Mass Merchandise sales tracking.



Source: Nielsen Data and Company Annual Reports. (Excludes companies with declines in BFY and Traditional products.)

“When you look across the restaurant trade [and] packaged goods ... it’s the better-for-you products that are driving the bottom line. They’re good for business.”

– **Hank Cardello**,
Senior Fellow & Director of Obesity Solutions Initiative,
Hudson Institute



FOODSERVICE INDUSTRY

Roughly half of American food dollars are spent in the grocery store. The other half is spent in restaurants and other foodservice operations. In early 2013, Cardello released new findings that clearly demonstrate the foodservice industry can contribute to improving the health of Americans while still maintaining a solid business model.⁴ Better-for-you foods were defined as being lower-calorie options. Analysis of sales data, foot traffic and product serving information for 21 quick-service and full-service sit down restaurant chains revealed:

- Same-store sales were superior among chains growing their BFY servings.
- BFY items were the key growth engine for foods and beverages among all chains studied.
- Chains growing BFY servings saw increases in overall servings, while other chains recorded declines.
- Chains growing BFY servings also recorded strong traffic growth, while other chains declined.



Source: Nation's Restaurant News, Trinity Capital, Company Annual Reports.

HEALTHIER OILS DELIVER HEALTHIER BUSINESSES

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Healthier oils drive healthier business, which drive your bottom line.

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1. U Ogden CL, Carroll MD, Kit BK, Flegal KM. Prevalence of obesity in the United States, 2009–2010. NCHS data brief, no 82. Hyattsville, MD: National Center for Health Statistics. 2012.

2. Public Health Agency of Canada and Canadian Institute for Health Information. (2011). Obesity in Canada: A joint report from the Public Health Agency of Canada and the Canadian Institute for Health Information. Retrieved from <http://www.phac-aspc.gc.ca/hp-ps/hl-mvs/oic-oac/assets/pdf/oic-oac-eng.pdf>.

3. Hudson Institute. (2011). Better for you foods: It's just good for business. Available: <http://www.hudson.org/files/documents/BFY%20Foods%20Executive%20Summary.pdf>. Accessed 25 April 2013.

4. Hudson Institute. (2013). Lower-calorie foods: It's just good for business. Available: http://www.hudson.org/files/publications/lower_calorie_foods.pdf. Accessed 25 April 2013.