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Talking Points

Badges Of Honor - Restoring Trust With The Consumer

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Summary

In this month's Talking Points, we discuss the intertwined themes of restoring trust with the consumer and various educational initiatives aimed to help consumers make more informed choices.

- 1. Badges of honor – restoring trust through certification
- 2. Nutritional quality – the new company metric
- 3. Calorie counts to combat consumer confusion

1. Badges of Honor – Restoring Trust Through Certification

Many large food companies, certainly those with flagging sales, believe restoring trust with consumers is a key milestone in turning around their fortunes. For example, Emmanuel Faber, the CEO of Danone (whose sales are growing at their lowest rate in [two decades](#)) in a frank admission recently confessed, “there is growing distrust in the large traditional, conventional brands and companies from all kinds of stakeholders, including sometimes their own employees, as to exactly whose interests they are actually serving.”

But how does one go about restoring trust and becoming credible again? Is there a twelve-step path to redemption for recovering food companies? The admission of powerlessness in light of consumer changes? The moral inventory? The willingness to make amends? For Danone in the US, the answer, in addition to the no-nonsense name rebranding to Danone North America (formerly DanoneWave), was to become accredited by the nonprofit B-Lab as the world's largest B-Corporation. In this context the 'B' is all about delivering benefits – companies looking beyond the dollar sign by providing benefits to all stakeholders and society and not just shareholders. As B-Lab likes to say, “B-Corp is to business what Fair Trade certification is to coffee or USDA Organic certification is to milk.”

B-Lab was founded over a decade ago and their certification is essentially a transparent benchmarking exercise to demonstrate that a company operates as a “force for good”, passing an assessment of the company's impact on the environment, staff, customers, community, and governance through such metrics such as energy use, waste disposal, staff pay, and diversity, etc. (For now, it is a low bar, one needs to score just 40 percent to pass.) We have five observations on this:

a) Accreditation proliferation. B-Corp¹ is the latest example of the proliferation of brand-supporting independent certification schemes such as Bonsucro, Fair Trade, Organic, Food Alliance, Bird Friendly, Marine Stewardship Council etc., though is not just limited to food companies – there are about 2,500 B-Corps globally across 150 industries. These ‘marks of trust’ or badges of honor signal to the consumer that the company is trustworthy (i.e. doing what it says

¹ In addition to B-Lab's B-Corp certification, some states allow companies the more legal designation of being a ‘benefit corporation’, which carries more legal protection when balancing the non-financial with the financial when making decisions.

it is doing) and, provided the logo is big enough, helps them to make the packaging stand out on supermarket aisles, and prevents them from being filtered out from the online shopping baskets of ethical consumers whose principals and agenda they are appealing to.

b) More to come. Danone North America is certainly not the first food company to get B-Corped (it is the seventh Danone subsidiary to do so), but with sales in excess of USD 6bn it is by far the biggest to date. As one would expect, many of the small mission-driven emerging brands have already signed up, including leading luminaries, notably Stonyfield Farm, Dang Foods, Numi Organic Tea, Ben & Jerry's, Once Upon a Farm, and Patagonia, as well as several FoodBytes! Alumni including ReGrained, Seal the Seasons, Kuli Kuli, and Back to the Roots. Other large players, specifically Hain Celestial, Campbell Soup, and Unilever have also shown an interest in getting certified (some of their subsidiaries already have, such as Plum Organics in the case of Campbell's Soup). Given the herd-like mentality of Big Food, we do not expect Danone's certification to be a one off.

c) But does it work? Certainly, in the case of Danone North America it is too early to tell, and besides, any direct impact will be hard to tease out from all the other changes occurring within these companies. For now, I'll defer to the wisdom of my colleague, Georgia Twomey, who in a recent report on sustainability accreditation, 'Does Accreditation Pay? Weighing up the Value in Sustainability Accreditation' found that regardless of whether they afford a price premium, as companies face increasing pressure to demonstrate progress on sustainability efforts, accreditation helps maintain a social license to operate as well as help maintain a competitive position in the market. In the case of B-corps, they have yet to enter the mainstream in the same way as Fair Trade labels but that is why Danone's decision to be certified is so significant.

d) May the force be with you. It goes without saying that B-Lab certification, or any other accreditation scheme, is not the be-all and end-all of doing the right thing – not getting certified does not imply that companies have chosen the dark side. Companies across the food system recognize that having a higher calling resonates with their customers.² A quick scan of recent news items reveals a number of initiatives being undertaken by food companies without requiring a logo:

- Kraft-Heinz's commitment to donate 1bn meals by 2021 in partnership with Rise Against Hunger, acknowledging that there is greater interest in "what companies are doing more broadly in society and the environment."
- The humanitarian response by [Ardent Mills](#) to Hurricane Maria in Puerto Rico, providing a safety net to its workforce and surrounding community as the island battled to get back on its feet.
- McDonald's ongoing work with the Alliance for a Healthier Generation to improve the nutritional profile of their Happy Meals, taking cheeseburgers off the menu and halving the French fries portion.
- General Mills is sustainably sourcing three-quarters of its top-ten priority ingredients because according to CEO Jeff Harmening, "Consumers increasingly demand food that reflects their values."
- Tyson Foods has committed to supporting improved environmental practices on two million acres of corn by the end of 2020, which comes on top of their recently announced goal to reduce greenhouse gas emissions by 30% by 2030. Not to be outdone, Perdue Farms is also aiming to reduce greenhouse gas emissions by 30%, but by 2022, and divert 90% of its solid waste from landfills.

² IFIC's – International Food Information Council - latest food and health study noted an uptick in the importance of sustainability issues for consumers where six in 10 consumers say it is important to them that the food they purchase or consume is produced in a sustainable way.

- In May, Nestlé announced further cuts in the sugar, salt, and saturated fats used and aims to replace these with healthier ingredients such as fiber-rich grains and vegetables, as according to CEO Mark Schneider, "The trend towards healthier foods is to be observed worldwide."
- Kroger has launched the OptUp app in an attempt to simplify the process of making healthier choices. The app provides nutritional advice, health scores on purchases, and even buddies you up with a dietician.
- Campbell Soup came in first place in the Reputation Institute's ranking of top-100 trusted companies (with sales in excess of USD 3bn), attributed in part to the changes undertaken by the recently exited Denise Morrison. This includes the company's 'What's in my food' website, part of their move to become a more transparent 'real food' company. Interestingly, while most companies' reputation score was on the decline, food companies were on the up, perhaps suggesting that food company trust-building initiatives are already working? Kellogg's and J.M. Smucker's were in the top-10 for the first time this year too, alongside Hershey. And General Mills was in 11th place. In contrast, Amazon fell eight places to number 10 and both Facebook and Apple dropped out of the top-100.

e) The elephant in the room. While we can all feel the positive vibes emanating from the B-Corp language about progressive socially-conscious companies and higher goals beyond dollars and cents, there does seem to be one glaring omission – the nutritional quality of the food, and an assessment of the impact that this has on consumers (although points are awarded for using or producing organic ingredients and around food safety). To regain trust, surely one has to have trust in both the company and the food products said company is producing? Writing in the foreword to the B-Corp manual, Vincent Stanley, Director of Philosophy at Patagonia noted, "Each business must justify to its stakeholders the legitimacy of its products or services through the lens of their social and environmental costs." Similarly, the B-Corp Declaration states that companies, "through their products... business should aspire to do no harm."

Although often stated, the prevalence and the economic and social cost of obesity remains startling.³ A recent report from the USDA brought this closer to home, reminding us that the "diets of most Americans have room for improvement. Americans' diets are typically lower in fruits, vegetables, whole grains, and low-fat dairy, and higher in calorie-dense, low-nutrient foods, when compared to Federal recommendations." Of course, we accept this may be an impact assessment too far for this particular certification scheme, which focuses on companies in terms of community and environment rather than on product portfolio. There is clearly value in independently verifying a company's 'healthy' supply chain with their community initiatives, environmental commitments around waste recycling, and carbon offsets, but we are left wondering at what point this tips over into the quality of the food and when will the nutrition facts panel and calorie count, count?

2) Nutritional Quality - the new Company Metric

An example of one organization that is trying to do just that is the Access to Nutrition Index Foundation.⁴ Since 2013, with funding from the Bill & Melinda Gates Foundation and the Dutch Ministry of Foreign Affairs, they have produced a series of reports presenting indices that aim to track the contribution of the world's largest 22 food and beverage companies "to address global nutrition challenges and to encourage them to do more."

³ According to the FDA, about 40 percent of all Americans are obese, and obesity increases the chances of developing heart disease, diabetes, and some types of cancer where "weight-related diseases and conditions reduce productivity and shorten lives due to decades of metabolic damage."

⁴ There are others. For example, the American Heart Association, in partnership with Label Insight, have come out with a Heart Check certification scheme to identify products that are heart healthy (for example low in salt).

In an encouraging development, the 2018 report concluded that the average score for all companies had improved, driven by “new and updated nutrition strategies and policies, improved commitments on affordability and accessibility, better performance on nutrition labeling and health and nutrition claims, and more disclosure of information across categories”. The report placed Nestlé at the top of the list in “addressing the double burden of obesity and malnutrition”. Unilever was in second place and Danone in third, all improving on their 2016 scores – the last time the index was updated. Despite being a purveyor of candy and chocolate, Nestlé’s ‘Creating Shared Value’ strategy, in which the company has adopted 15 measurable nutrition-related commitments (tied to the relevant SDGs) seems to have gone down very well with the Foundation’s algorithm and experts.

Following on from our B-Corp observations, an interesting new feature of this year’s report was the deeper dig into the companies, by evaluating the healthiness of their product portfolios in nine leading markets including China, India, the UK, and US. Although not every product or market was assessed, their algorithm did digest over 20,000 products and found that less than one-third met their definition of a healthy product (using nutrient profiling to determine the levels of fat, salt, sugar, fruits, vegetables, etc.) and only 14% of the products meet WHO criteria for marketing to children. As the report stated, “most companies’ portfolios and their sales are made up of products that do not meet the healthy standard.”

What gives this report added weight, no pun intended, is the fact that the Foundation has collected over 50 investor signatories that have a combined USD 5 trillion in assets under management who are, according to the Foundation, “increasingly using the results of the indexes when choosing in which companies they should invest.” Each of these investors – including some heavy hitters such as AXA Investments, BNP Paribas Investment Partners, and Dutch pension group PGGM – has signed an investor statement which says, “We believe that health and nutrition are among the most important drivers of future growth in the F&B sector and that those manufacturers that are most effective in anticipating and responding to these factors will be better positioned to deliver superior and more sustainable financial performance over time.” In the same vein, Yahoo Finance, earlier this year, became the first public provider of Environment, Social and Governance (ESG) scores of more than 2,000 publicly-traded companies alongside the more traditional company metrics. Such mainstreaming helps widen the door to allow in other non-traditional metrics of company performance and offers up the prospect that in the future, companies will face growing investor scrutiny over the nutritional caliber of their product portfolios by both impact investors and Joe public.

3. Calorie Counts to Combat Consumer Confusion

We have commented previously on the plight of the consumer who increasingly faces what oftentimes feels like a daily barrage of conflicting or depressing advice on what to eat and what to avoid. Take California’s recent flip flop on labeling coffee as a carcinogenic, or the research coming out of the Lancet, that alcohol consumption limits needs to be revised downwards... again. No surprise then that the IFIC’s food and health survey found that consumers remain confused about food choices, with 60 percent finding that conflicting advice on what to eat makes them doubt their choices and adds to the stress of shopping.

We end then with one long-awaited government initiative – the roll out of menu calorie counts – which recognizes that food options are not always healthy, and aims to nudge consumers to make more informed choices. After an almost an eight-year delay, part of the 2010 Affordable Care Act requiring supermarkets and restaurants (even cinemas) with 20 or more locations to list calorie counts on their menus has finally come into effect. This is significant because according to the Food and Drugs Administration (FDA) tasked with implementing the legislation, Americans drink or eat about one-third of their daily calories outside the home and research such as the Cochrane Collaborative shows that “calorie labels seem to reduce the number of calories people

purchase by an estimated 50 calories per meal.” Good news if you believe these small nudges have a bigger impact over time. The primary driver is about providing information about how healthy food allows consumers to make better choices to tackle obesity and related diseases (obesity is a big driver of chronic diseases). Scott Gottlieb, head of the FDA added that, “this same information also inspires competition among producers to formulate food in ways that make it more healthful.” Next up, though subject to repeated delays, is changes to the Nutrition Facts Label, something which hasn’t happened in over two decades.

The inertia of government on these regulatory issues clearly presents an opportunity for food companies to step in and help educate consumers to make informed dietary choices. There are plenty of examples of food companies and retailers moving in this direction already, but we suspect there is potential to do more. McDonald's for example began rolling out menu calorie counts six years ago and since 2016, Mars Inc. has begun to label some of its products such as pasta sauces (but oddly not candy) as 'occasional foods' that are not intended to be eaten daily. The company has also been an advocate of labeling added sugars. PepsiCo now breaks down the earnings of its portfolio into 'fun for you', 'better for you' and 'good for you' segments, which is essentially a continuum from the less healthy to the healthier.

Clearly, education by itself can only take us so far along the path towards healthier diets and better weight management. But we have already written too much this month to launch into a discussion on the role of personal choice (did I really need to eat that second Kind bar?), marketing, exercise, and our obesogenic work and living environments on our diets. So let's end with a question for food companies. What would it take for them to adopt the language and advocacy of alcohol beverage companies such as Constellation Brands who say, “As a beverage alcohol industry leader, we take our commitment to promoting safe and responsible drinking very seriously”? Is it conceivable that in the future, food companies would encourage consumers to eat responsibly?

Imprint

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