

FIGHTING FAT

A ROLE FOR FOOD RETAILERS

In January 2016, Oliver Wyman led a session at the World Economic Forum in Davos, Switzerland, entitled "Sugar, obesity, and diabetes – the other global food crisis." In the discussion, it was clear that harnessing the positive contribution from the food and retail industries could deliver real change. So, after the session, our retail team decided to study how food retailers can make a difference in their shoppers' weight, build loyalty, and enhance brand position. This report is the end result.



Being obese or overweight creates a global economic burden of trillions of dollars. It increases the likelihood of life-shortening conditions like heart attacks, strokes, diabetes, osteoarthritis, and some cancers. As a result, more members of the workforce have to take time off for sick leave and use healthcare resources.

At its most basic level, the obesity epidemic can be solved if consumers follow a very simple equation. (See Exhibit 1.)

Many stakeholders have proposed initiatives to tackle the obesity challenge. However, these typically focus on a single element of the weight-loss equation. For example, sugar consumption is often in the headlines and is an important part of the problem, but this campaign misses the opportunity to encourage healthier habits like exercise.

Exhibit 1: The weight loss equation
Simplifying the math of caloric intake



WHY SUPERMARKETS ARE THE ANSWER

In many countries, big supermarket chains are positioned to be able to influence customer health habits in a way that could be very positive for their business while also delivering big health benefits for their customers.

By providing a range of simple services that make weight (and health) management easier, retailers could encourage customers to both eat more healthily and increase their activity levels. The key to this lies in being able to connect changed habits to improved outcomes. Unlike many stakeholders involved in health and wellness, big supermarket chains are in a position to encourage people to eat more healthfully, get them to increase their activity levels, and measure health and wellness outcomes and link them back to shopping habits and activity levels.

We believe supermarkets can provide a range of simple services that make weight (and health) management easier. And in our view, supermarkets that provide these services will create a strong reason for customers to keep shopping with them – and prevent third parties coming between them and their customers. (See our report “The Future of Customer Loyalty.”)

MAKING BETTER FOOD CHOICES TO EAT MORE HEALTHILY

Information on food labels is complicated, even in countries with “traffic light” systems, and customers have to make decisions about different nutrition categories. For example, is a product that’s low on fat but high on sugar better or worse than the other way round?

We propose a system where points are calculated for each product, then combined for the basket. This is simpler than traffic-light scoring, as each product label could show only two figures: a Health Score ranging from -2 (unhealthy) to +2 (healthy), based on the overall nutritional value, and the number of portions in the pack.







These scores will help customers make healthier choices by clearly identifying which products are better for them.

At the checkout, the Health Score and the portion count would be combined, giving an overall score for the shopping basket. (See Exhibit 2.) The product scores will help customers make healthier choices by clearly identifying which ones are better for them, while the basket score enables customers to assess the healthiness of all the food they are buying.

Government or World Health Organization (WHO) guidance would be required to set a framework for these Health Scores. This guidance could develop over time to encourage food manufacturers to change their recipes to create healthier products.

Exhibit 2: Creating a basket-level scoring system for healthiness

A healthier approach toward maintaining good eating habits

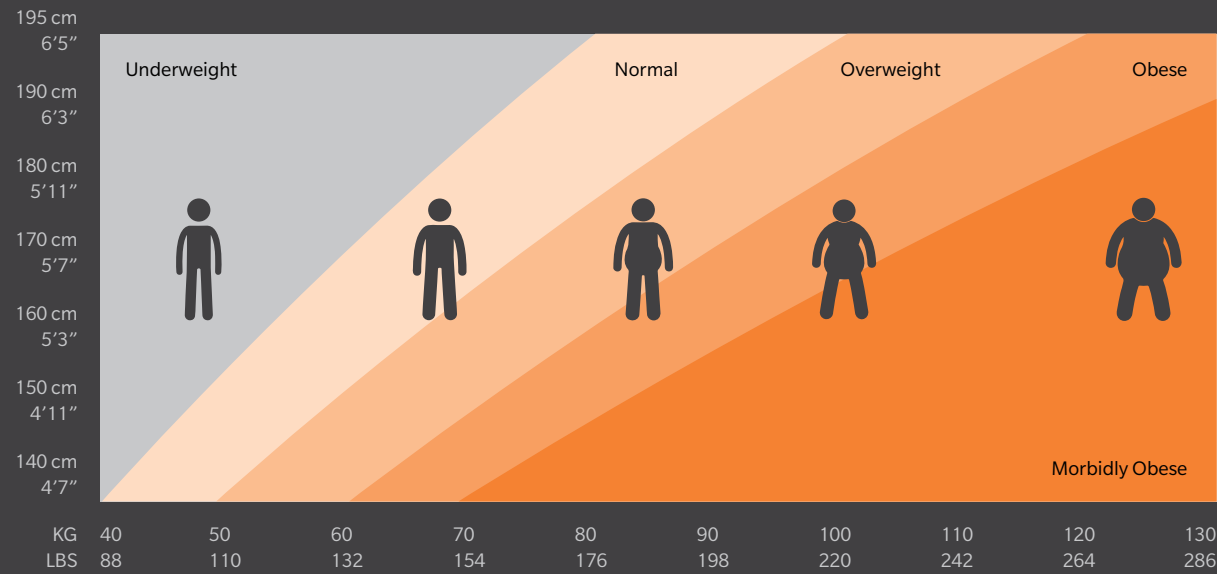
						
Sugar per 100g	8.5g	6.5g	21g	17.2g	12g	10.6g
Calories per 100g	59	82	103	366	47	42
Calories per serving	88	123	116	213	70	139
Example Health Score per portion	+1	-1	+1	-2	+2	-1
Number of portions	6	6	+4	6	8	8
Health Score for whole basket	6	-6	+4	-12	+16	-8

Source: Oliver Wyman analysis

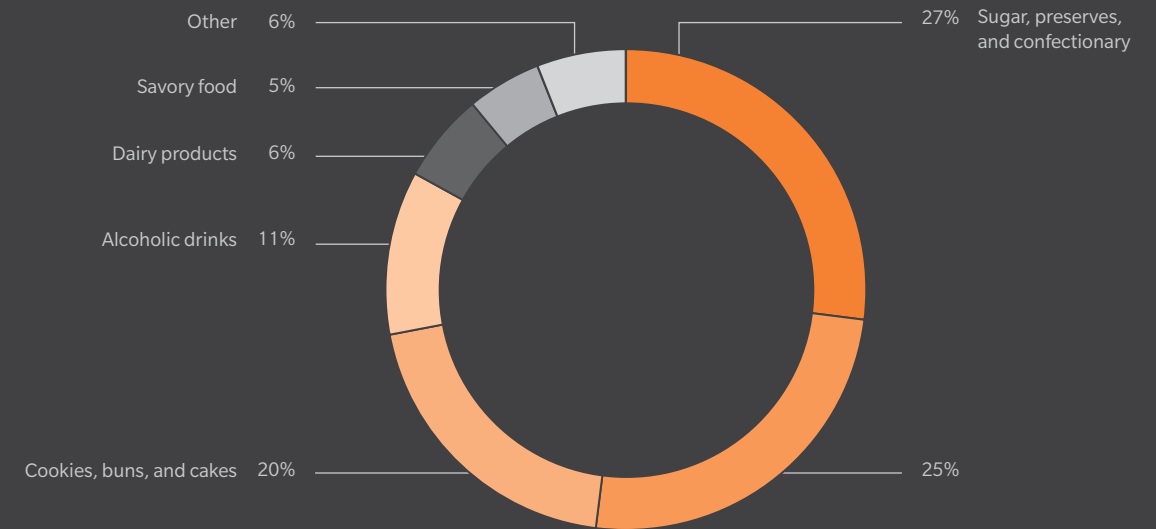
FIGHTING FAT FACT FILE

HOW WE ARE PILING ON THE EXTRA POUNDS

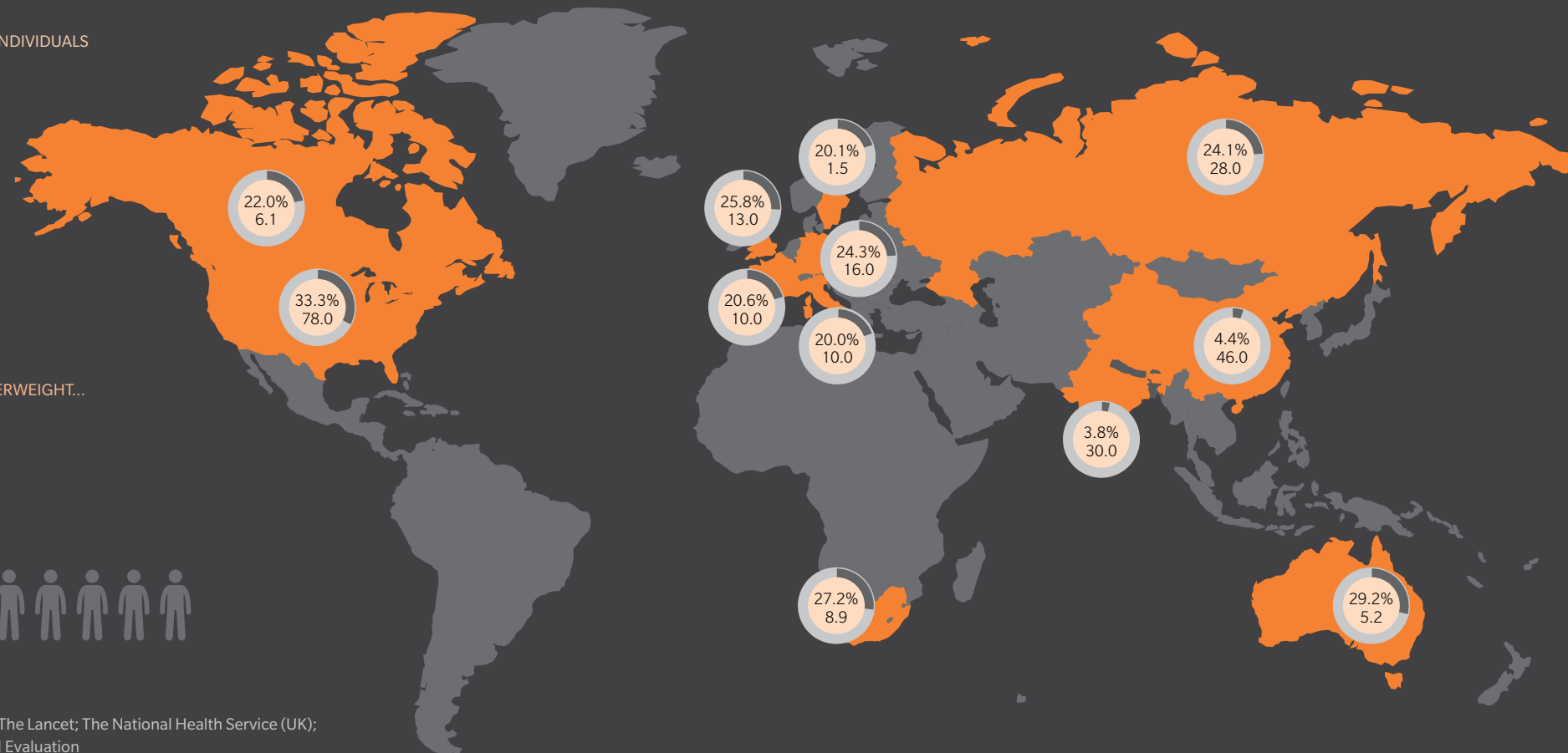
WHAT IS OBESITY?
HEIGHT VS. WEIGHT



SOURCES OF EXCESS CALORIES



LOCAL OBESITY SNAPSHOTS
% OF POPULATION, MILLION INDIVIDUALS



TODAY 1 IN 3 ADULTS ARE OVERWEIGHT...

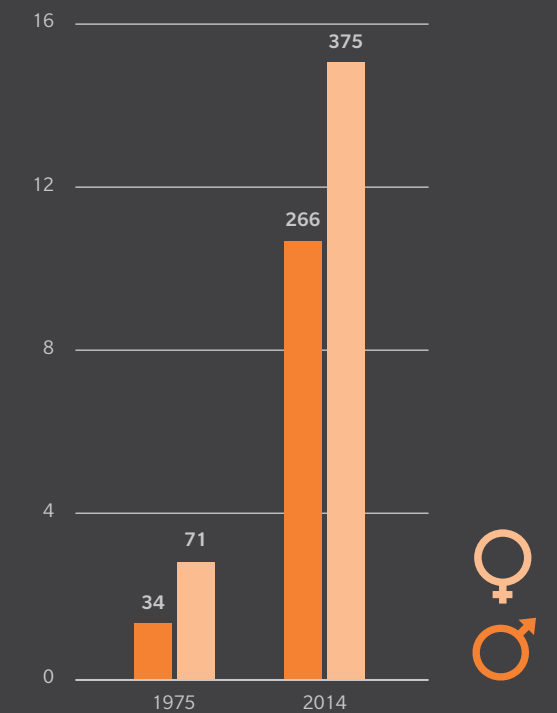


...AND 1 IN 10 ARE OBESE



Sources: Diabetes UK; Nature; The Lancet; The National Health Service (UK); Institute for Health Metrics and Evaluation

THE GROWING GLOBAL OBESITY EPIDEMIC
% OBESE, MILLIONS



ENCOURAGING CUSTOMERS TO INCREASE ACTIVITY LEVELS

While food retailers do not directly control customers' activity levels, we think they can play a role in encouraging people to be more active by helping customers track their activity levels. Many customers have activity monitors, like Jawbone and Fitbit. Retailers could link to this data, or customers could self-report by text, app, or email (with regular reminders from the retailer). For customers without an activity monitor, retailers could provide their own technology that uploads to their database, which may not be as expensive as it first appears. When you consider that many retailers give families a discount of around \$50 each year as part of their loyalty programs, offering a health monitor instead begins to look more cost-effective.

Retailers can use their assets in innovative ways to help improve activity levels. For example, stores with excess space could set up gyms, where attendance and fitness classes could be tracked through the swipe of a loyalty card. The activity data could be included in the shopping basket score with, say, every 10,000 steps giving a bonus activity score of +2.

MEASURE HEALTH AND WELLNESS OUTCOMES AND LINK THEM BACK TO SHOPPING HABITS AND ACTIVITY LEVELS

A powerful part of the proposition will be to show how activity levels and shopping habits contribute to their health outcomes, helping them make informed decisions and trade-offs. Each shopping visit would be an opportunity for the supermarket to monitor customers' key health indicators – weight, body mass index (BMI), blood pressure, and so on – then offer advice and specialist services, such as diabetes monitoring.

In addition to accommodating gyms and fitness classes, supermarkets could use excess space for services such as walk-in clinics, where modern equipment like smart scales can offer health checkups that take only a few minutes, adding another reason for customers to

Exhibit 3: Customer reactions to wellness centers in retail settings in the US

Customers seem open-minded about retail clinics



Source: Oliver Wyman research and analysis

visit the stores. (See Exhibit 3.) Customers might be offered personalized advice linked to their shopping and activity habits. And with everything tracked on an easy-to-use app or web platform, they could quickly compare their shopping and activity logs to their checkup results.

Food retailers already collect huge volumes of data, and have an excellent track record of building sophisticated databases and keeping sensitive information private. Government or healthcare systems can use the combined databases in their care models with a focus on prevention. (See our report “Measuring Wellness.”)

Moving beyond individuals, information collected could contribute to a digital community. Think of friends using the same supermarket and comparing progress; we can imagine how the competitive element might incentivize higher Health Scores. Building a sense of community makes the service more engaging and, we believe, increases loyalty to the retailer. To help offset retailers’ costs, governments or healthcare providers could buy health-monitoring and related services, if they are high quality and favorably priced.

CONCLUSION

By redefining themselves as health and well-being brands, and building customer loyalty through healthy living programs, supermarkets are poised to create unique customer propositions. Consumers will get the advice they need to improve their health, translating into savings for the economy. (See Exhibit 4.)

This is a solution where everyone can benefit, and which could transform the waistlines of an entire population.

Exhibit 4: Stakeholder benefits of retail-based health and wellness services

Supermarkets may be the answer to a healthier society

SUPERMARKETS	CONSUMERS	GOVERNMENT/HEALTHCARE PROVIDERS
<ul style="list-style-type: none"> • Increased customer loyalty • Enhanced brand position • Economic benefits <ul style="list-style-type: none"> – Own-brand healthy options likely to be higher margin¹ – Cheaper than % loyalty scheme – Consumers are more likely to shop at just one store, rather than shop around – Ability to provide customers with better, targeted offers/coupons 	<ul style="list-style-type: none"> • Positive reinforcement to make better choices and sustain them • Helpful, easy-access health support • Improved quality of life • Easy access to own information 	<ul style="list-style-type: none"> • Reduced health inequalities • Improved access to healthcare • Potential to build a robust national wellness database • Saving money • Improving society’s relationship with food in the long term

1. Production and manufacturing costs tend to be lower for fat-free or lower-sugar formulations Stakeholder benefits of retail-based health and wellness services.

Source: Oliver Wyman analysis