



September 2008
**Consumers and
Nutritional Labeling**
a global Nielsen
report

nielsen
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INSIDE:

Two thirds of global consumers are reading nutritional panels more than two years ago

A quarter of the world's shoppers always check nutritional information

High levels of cynicism and confusion surround food labeling claims

Fat and calories are the most checked for on a nutritional label

Consumers are vulnerable to advertising that reinforces perceived notions of healthy and non-healthy foods

United States consumers seem the least inclined to use nutritional labeling information

To eat or not to eat, that is the question...or is it? Does the proliferation of 'low fat', 'low GI' and 'low calorie' products on supermarkets shelves mean we can have our cake and eat it too?

Not necessarily. Despite the growing proliferation of products claiming to help manage weight gain, waistlines are growing to epic proportions globally. World Health Organization indicators reveal that in 2005, 1.6 billion adults were overweight and 400 million obese¹. They project that by 2015 a further billion people will have loosened their belts.

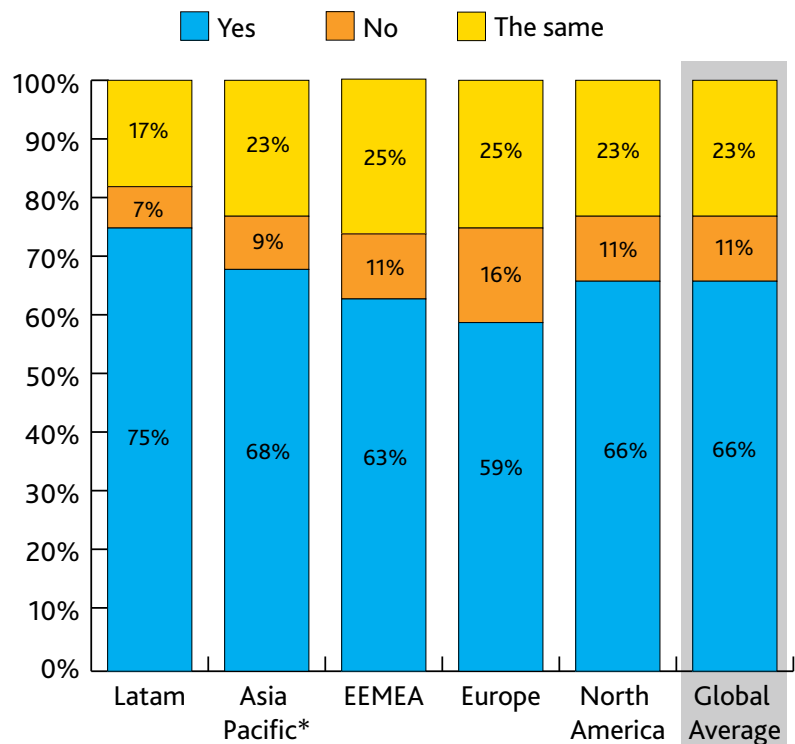
In a bid to mitigate this impending crisis, policy-makers across the globe have turned to labeling packaged goods with nutritional information to help consumers become savvier in managing their energy intake². Where once the back of most food packets featured little more than a list of ingredients, listing comprehensive nutritional information such as calories, fat, sugar, carbohydrate and vitamin breakdown on food packaging is fast becoming the norm³.

Yet waistlines continue to expand, so how effective has nutritional labeling regulation really been? How many consumers actually read the nutritional content and understand it?

Latest findings from The Nielsen Company suggest the problem isn't lack of interest in weight and health issues. According to Nielsen's Nutritional Labeling survey, two thirds of global consumers are reading nutritional panels more than they did two years ago. (Chart 1)

Chart 1

Do you take notice of the nutritional information on packaging more now than you did two years ago?



Average % of population with body mass index greater or equal to 25** (51 markets included in study)

63%	23.3%	60%	54.3%	67.6%
excluding Aus and NZ (Aus and NZ 67%)				

Base: All Respondents *Pacific includes Australia and NZ. **Forbes World's Fattest Countries

¹ Overweight defined as body mass index (BMI) over 25, obese as over 35.

² World Health Organization. Obesity and Overweight fact sheet no 311, September 2006.

³ World Health Organisation. Nutritional Labeling and Health Claims: The Global Regulatory Environment.

Nielsen's survey has found that around a quarter (24%) of the world's shoppers always check the nutritional information on the package and 37 percent will check when considering purchasing a product for the first time. (Chart 2)

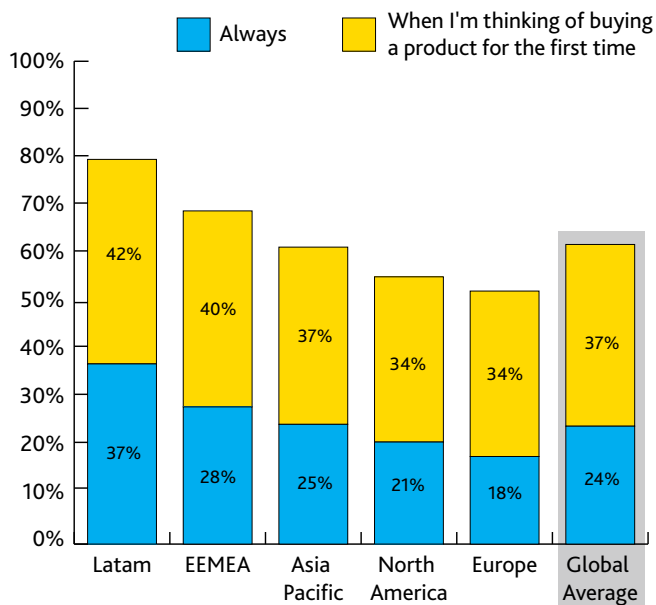
Consumers in countries where obesity levels appear to be correlated with fast economic growth are generally the most interested in the nutritional content of their food; potentially due to the plethora of new unfamiliar products flooding in from the West. Latin Americans⁴ appear to be most concerned with what's on their plates, with an average of 37 percent always checking the nutritional contents before purchasing and 42 percent claiming to check when purchasing a product for the first time.

South East Asians⁵ are also avid label-readers, with almost three quarters (73%) always reading the nutritional panel or when purchasing a product for the first time. The Chinese seem a little less inclined, with over half (58%) always reading the nutritional panel or when purchasing a product for the first time.

In New Zealand, Australia and England, countries open to fast food and generally without a strong culinary history, six out of ten (56%) shoppers always read nutritional panels or when purchasing a product for the first time. In these markets, where modern trade has long dominated the retail landscape, consumers are familiar with contemporary packaged grocery products and therefore more likely to take their health cues from visual references rather than nutritional labels.

Chart 2

When you are buying packaged food, when would you check the nutritional information on the package?



The development of supermarkets and the modern trade in emerging markets in the last ten years has brought a plethora of new packaged products to consumers. Many consumers only discover new products when they see the display in store, and as such, nutritional information on packaging serves to educate shoppers on what they are buying and eating.

Deepak Varma, Senior Vice President,
Consumer Research, The Nielsen Company

⁴ Given internet penetration in LATAM is skewed towards high socio-economic groups, our findings are only indicative of trends among this segment of the market, and cannot be said to represent the general population. Nielsen's findings are supported in part by a 2002 study conducted by the Food Policy and Nutrition Unit / University of Brasilia which found that 75% of Brazilian consumers read the label at point of purchase. Mentioned in 'Nutritional labels and Health Claims: The Global Regulatory Environment'. World Health Organisation. Countries included in study: Brazil, Mexico, Argentina, Chile.

⁵ Countries surveyed: Malaysia, Vietnam, Philippines, Thailand, Indonesia, Singapore.

Northern Europeans⁶, who have retained to a large extent their traditional staples, are the least concerned with reading food labels with 52 percent always reading the nutritional label or when purchasing for the first time. As lack of exercise appears to be a key factor behind weight gain, food content may not yet be on the radar. The Danes and Germans are the exception, with an average of 76 percent vigilantly reading the nutritional contents.

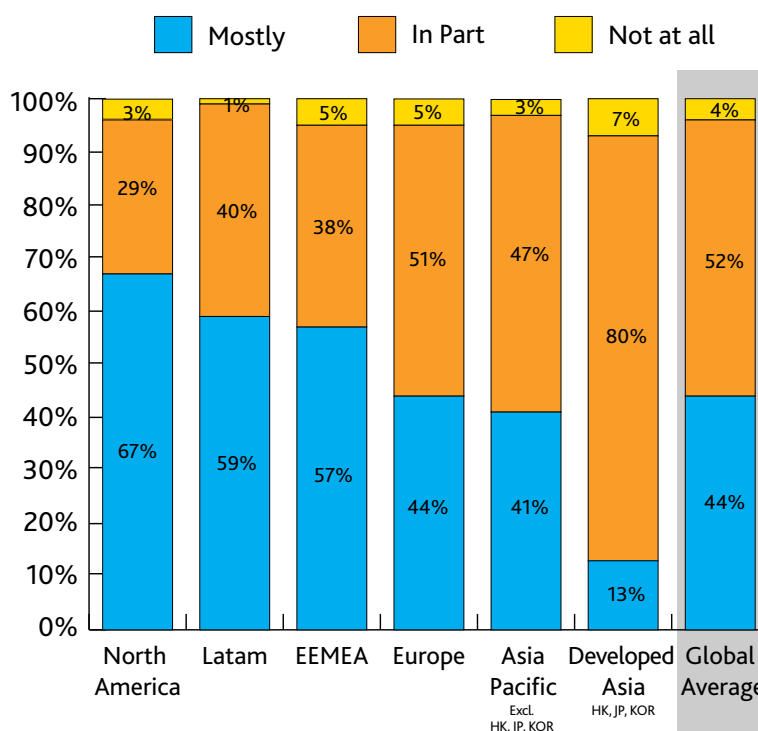
So with at least half of consumers surveyed claiming to read nutritional labels, why do consumers continue to battle the bulge? Do they actually understand what they are reading?

According to Nielsen, although two thirds of consumers indicate they read nutritional labeling more than they did two years ago, less than half (45%) actually understand for the most part what they are reading. Just over half (51%) say they partly understand. Latin Americans, the most prolific label-readers surveyed, also seemed the most knowledgeable, with an average of 59 percent understanding for the most part what is listed. Consumers in developed Asian markets such as Hong Kong, Korea and Japan, who are less interested in reading labels, also seem the least likely to understand what they're reading (an average of 13 percent mostly understand the nutritional panel), however they also probably have the least reason to, given the low incidence of overweight and obesity. (Chart 3)

The problem seems to be that we find nutritional labels too difficult to decipher. Research findings from the European Heart Network⁷ suggest a general lack of understanding of nutritional terms, with confusion mounting as 'the complexity of the task increases'. To make matters worse, consumers also 'find it difficult to use nutritional label information to place an individual product into the context of their overall diet'. Findings from Nielsen BuzzMetrics support this, recording high levels of buzz among online consumers reflecting both cynicism and confusion around food labeling claims⁸.

Chart 3

How well do you understand the nutritional information panels/labels on food packaging?



⁶ Northern European Countries in study: Germany, Finland, Denmark, Norway, Sweden, Belgium and the Netherlands.

⁷ European Heart Network. A Systematic Review of the Research on Consumer Understanding of Nutritional labeling, June 2003.

⁸ Online buzz is measured by Nielsen Online BuzzMetrics to gauge word of mouth in the online Consumer-Generated Media [CGM] space. CGM is high-impact media generated by consumers, typically informed by relevant experience with products and services and archived online for ready consumption by other consumers or key marketplace influencers. CGM includes opinions, advice, consumer-to-consumer discussions, reviews, shared personal experiences, photos, images, videos, even podcasts. Once created, this "media" is also circulated, shared, researched and depended upon by other consumers for everything from purchase decisions to brand choices.

So, when consumers read nutritional labels, what are they actually looking for?

Fat is at the top of consumers' hit list, with 48 percent always checking for it.

After fat, calories are the most checked for on a nutritional label, with just under half (45%) always checking the product's energy content, followed by preservatives (42%) and sugar (41%).

On average, only one in 10 shoppers never look for fat content or calories, and only 13 percent never check for sugar. (Charts 4 and 5)



Chart 4

Generally, how often do you check food labeling for the content or amount of the following:

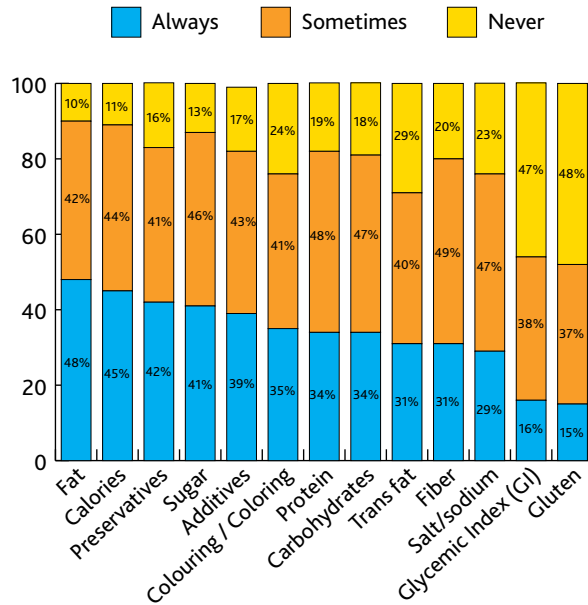
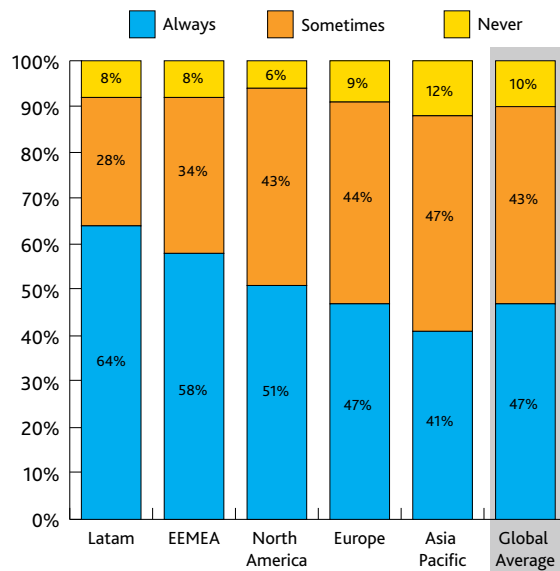


Chart 5

Generally, how often do you check food labeling for the content or amount of the following: Fat



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It appears that while consumers may not understand the intricacies of a nutritional panel, they do have a basic understanding of what 'bads' to look for. So why are we still getting fatter?

Research conducted across four European cities by the European Food Information Council (EUFIC)⁹ may have the answer. The study suggests that confusion with nutritional labeling leads consumers to take their healthy eating cues from advertising, which acts 'both as a shortcut to consumer understanding and as a clear driver to action'. Clear and simple terms such as 'low fat' and 'light' appear to resonate with shoppers, rendering nutritional labeling redundant to a certain extent. However, with these terms primarily the tools of marketing departments tapping into preconceived notions of what is and isn't healthy - the so-called 'halo effect' - many consumers continue to be blindsided.

A study conducted by Cornell University highlights the dangers of taking nutritional cues from advertising. The study examined the extent of the 'halo effect' by studying the eating habits of fast food consumers. The study focused primarily around a comparison of Subway, which promotes itself as a healthier option, and McDonald's, which is generally perceived as indulgent. Students were given either a voucher for a Subway Sandwich (approx. 900 calories) or

a McDonald's hamburger (approx. 600 calories) and were not told the calorie content of either. They were then told they could order any sides if they wanted. Those students with a Subway voucher were more likely to order high calorie sides resulting in their overall meal averaging 363 calories more than those with a McDonald's voucher.

Nielsen's survey corroborates these findings. According to Nielsen, an average of 26 percent of global shoppers look at nutritional labeling when purchasing certain types of food – with foods that are perceived as healthy potentially never coming under similar scrutiny. This makes consumers vulnerable to advertising that further reinforces perceived notions of healthy and non-healthy foods.

"Our survey findings clearly demonstrate the degree to which health and diet have taken a pivotal role in our lifestyles," said Deepak Varma, Senior Vice President, Nielsen Customized Research. "As obesity rates continue to rise globally and with lifestyle-related heart disease the number one killer worldwide today, there is increasing pressure on governments and the food industry to play a greater role in educating people about what they're eating. The urgent need for clear and educational labelling has become one of the most debated and controversial topics in recent years," said Varma.

⁹ European Food Information Council. Consumer attitudes to nutrition information & food labeling.

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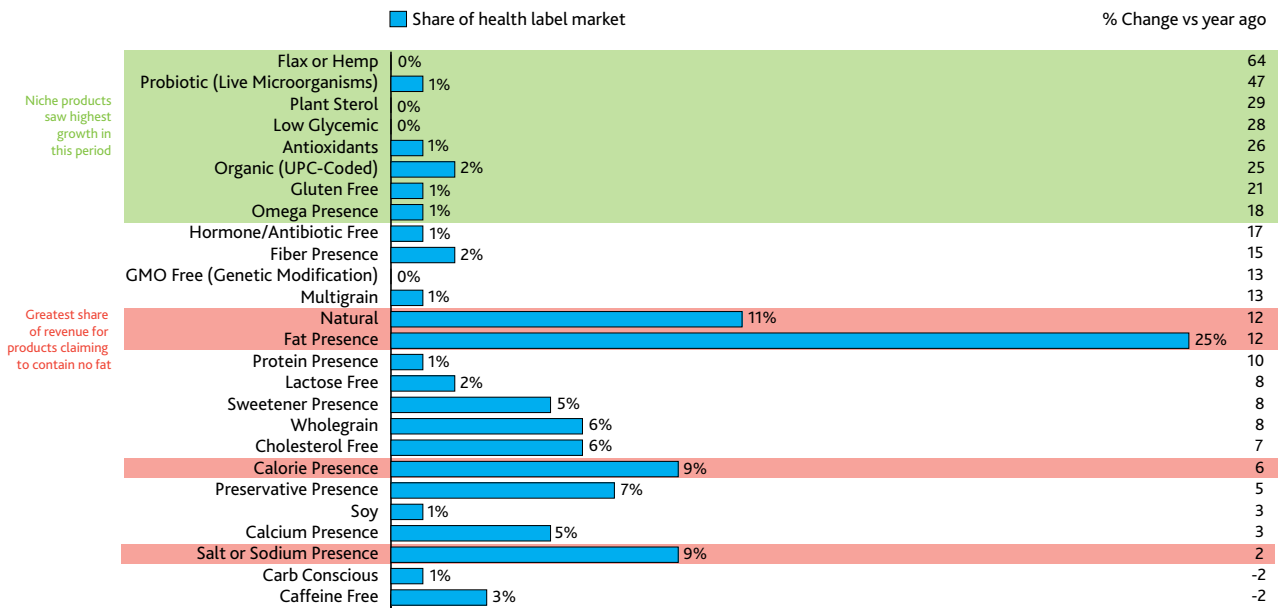
If consumers continue to misunderstand nutritional labels and rely on marketers to point them in the right direction, where are they headed?

The state of the consumer market in the US may give us a clue. American waistlines are generally the benchmark against which all others are measured. While United States consumers are the most likely to understand the information on the nutritional panel (67% compared to a global average of 45%), US consumers seem the least inclined to use the information to positive effect.

Grocery purchasing trends show that consumers in the US are becoming increasingly obsessed with products attributed to health and wellness, and marketers are more than happy to accommodate. According to Nielsen LabelTrends in the US, the total value of products that make any 'fat' claim on pack was

US\$45.6B, growing 12 percent over the same period last year (April 07-April 08). Within this, products which advertise 'no trans or saturated fats', the worst fat offenders in people's diets, have increased 30 percent in the past year netting US\$11.8B for savvy marketers. Though impressive, these figures are small in comparison to the total grocery sales of US\$186 billion brands have gained from citing health claims¹⁰ (Chart 6). Niche products saw the highest growth in this period, with sales from flax or hemp and pro-biotics recording the highest levels of growth (64% and 47% respectively).

Chart 6
Share and Growth in labels with health or nutritional claims



Source: ACNielsen LabelTrends & Strategic Planner Total U.S. Grocery/Drug/Mass Excluding Wal-Mart 52 Weeks Ending 4/19/08

¹⁰ 52 weeks ending 4/19/08. Nielsen LabelTrends & Strategic Planner. Total U.S. Grocery / Drug /Mass Excluding Wal-Mart.

There is no doubt that rates for overweight and obesity have been going up in the U.S. for 25+ years. We eat too much and too poorly, and we don't get enough exercise in spite of our cultural obsession with slimness and a media preoccupation with fat that makes the introduction of a new diet or new diet drug front page news. Still, cultural obsession and the obvious obesity epidemic notwithstanding, we have neither slowed consumption nor increased our level of physical activity. What we do see though is a spectacular rise in products that claim a health or nutritional benefit.

Doug Anderson, Executive Vice President,
Research and Development, The Nielsen Company

With marketers citing 'low fat' on products containing more calories than a box of chocolates and shifting perceptions among consumers of what constitutes overweight, what is the solution?

In a world of quick fixes, the answer is simple: eat less. The French, famous for their rich indulgent food, are paradoxically the slimmest in Europe. An adherence to eating three meals a day without snacking and regularly enjoying meals with family and friends may be the answer¹¹.

With a food culture less reliant on processed and fast food, the French, along with the Japanese who also have a diet consisting predominately of fresh product, appear to have a less vigilant attitude towards food content than other countries. Seventeen percent of Japanese and French consumers claim they never check nutritional information on packaged goods and both markets also rank in the top 10 markets that do not understand food labeling at all. The Japanese also topped global rankings for never checking fat, trans fat, protein, sugar and carbohydrates.

With both countries enjoying a low incidence of obesity, adherence to traditional eating patterns would seem a greater safeguard against overeating than nutritional labels.

In conclusion

As markets develop at unprecedented rates and consumer dynamics continue to shift, obesity rates continue to rise. Increasing wealth, a shift from traditional to 'western' or calorie rich diets and more sedentary lifestyles are main contributing factors.

That said, consumers aren't taking things lying down. Increasingly preoccupied by health claims and the nutritional contents of the food they eat, it is clear that consumers are not prepared to passively watch their waistlines grow, yet lack the ability to translate the information they find on packs into their daily intake. They also are more likely to base their health decisions on marketing cues than nutritional labeling.

Given consumer reliance on marketing cues, policymakers looking to address obesity need to focus equal attention on what marketers put on the front of packs as what they put on the back, especially when often the core package visuals and message only tell half the story. In addition, Nielsen's results highlight a clear need in many markets to make the nutritional labels themselves more accessible and easier to decipher, enabling consumers to make more informed choices about what they're putting in their mouths.



¹¹ BBC News. How the French manage to stay slim. Published 27 July 2004.

About the Nielsen Nutritional Labeling survey

The Nielsen Nutritional Labeling survey, conducted as part of a global online consumer survey by Nielsen Consumer Research, was conducted in April 2008 among 28,253 Internet users in 51 markets from Europe, Asia Pacific, North America and the Middle East. The largest half-yearly survey of its kind, the Nielsen Global Online Consumer Confidence and Opinion Survey provides insight into current confidence levels, spending habits/intentions and the major concerns of consumers across the globe. The Nielsen Consumer Confidence Index is developed based on consumers' confidence in the job market, status of their personal finances and readiness to spend.

About The Nielsen Company

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