Ford Motor Company Center for Global Citizenship

Three strategies for boosting growth in the healthy-living sector

Companies in the healthy-living sector are struggling to adapt their consumer engagement strategies to an evolving, conscientious market. Strategies aimed at changing consumer perceptions, their own business culture, and their approach to those who influence buying decisions can help companies to boost growth and consumers to form more healthful habits.

http://www.kellogg.northwestern.edu/research/fordcenter/focus/ford_network.htm

Recently, a large international hotel chain tallied guest responses on end-of-stay surveys and found that an overwhelming number of people requested better selections of healthful in-hotel foods and beverages. The chain spent millions to rework restaurant menus and in-room offerings to include more items such as fresh produce, fat-free snacks, and low-calorie beverages. After this costly effort, it introduced the new offerings to guests with great enthusiasm. To the company's surprise, the healthy selections were roundly ignored. No one ate them.

Could this have been predicted? Perhaps. It seems that every industry is struggling to keep pace with the rapidly and drastically changing consumer landscape. But keeping up becomes much more difficult when consumers' stated preferences and goals differ widely from their actual behavior, as is so often the case with healthy-living products and services. This increasingly common misalignment has caused these companies to fall behind in their understanding of consumer behavior, despite access to sophisticated consumer insight divisions with unprecedented amounts and types of data.

To help these companies gain a better understanding of their target consumers and drive profitable growth, we've identified a portfolio of strategies—including several based on academic research—to turn threats into opportunities that benefit all stakeholders. First, companies must work to influence consumers by adopting a more holistic view of their needs and preferences and aligning communications strategies accordingly. Second, they must work to transform their own organizations to be more consumer-focused at a deep, cultural level. Third, executives must anticipate and react strategically to the often uncontrollable forces that influence consumer decisions—including the media, activist groups, government leaders, and social media users—in an effort to build trust in the marketplace.

Health-conscious consumers are not a monolithic segment of society

In the case of the hotel chain's efforts to satiate guests with more healthful foods, in hindsight it's understandable that the numbers didn't bear out. Joe Traveler checks a box saying he would like more healthful food choices in his minibar, but months later, when faced with a choice between a pack of M&Ms and an apple, he still reaches for the M&Ms. We've all experienced a situation where we don't execute our best intentions, or times when we treat ourselves to an unhealthy snack because we're on vacation or want to reward ourselves for a long day's work. Myriad considerations—many of them emotional—are involved in every food and beverage purchase decision.

The purchase decisions of individual consumers shift along this multi-dimensional continuum of health-consciousness. But when analyzing data and setting strategy, many companies view health-conscious consumers as a monolithic segment: Either they're health-conscious or they're not. In reality there are many, potentially overlapping subsegments, each concerned with different combinations of health and wellness needs.

Companies must view consumers as people with multifaceted concerns about health, safety, and well-being—at the individual, family, group, and society levels. Complicating these well-intentioned concerns is the fact that what consumers say they want or are observed to purchase isn't necessarily what they want. Kellogg Professor Alexander Chernev has shown through empirical research that for most people, our daily health-related behavior (eating, exercise) is hopelessly inconsistent with our long-term fitness goals.[1] Getting behind the curtain of consumer influences and actions, then, necessitates a more holistic approach to consumer health. Indeed, driving purchases and long-term loyalty is not about changing a flavor, packaging, or advertising campaign; instead, companies must develop a deeper understanding of consumers to support more effective engagement, messaging, and communications.

In addition, some consumers may be concerned with not only improving their own health, but also seeking products to enhance their *family's* health, including their spouse, children, aging parents, and even pets. More and more, consumers are also considering the costs of their purchases to *broader society*, and they look more favorably upon offerings that do less damage on multiple levels (for example, those that are better for the environment). Healthy-living companies, then, must associate their brands with knowing and caring for *all* those things—even if the end-goal is driven by business objectives.

Of course, the first goal is to offer consumers a desirable, healthful food or beverage option. A 2012 Edelman survey showed that 83 percent of U.S. consumers believe it's important for food and beverage companies to offer healthy foods that taste great. But only 50 percent of respondents said the industry is doing this effectively.[2] And the stakes are growing with our waistlines: a recent study estimates that more than half of all Americans could be obese by 2030, dramatically elevating rates of disease, healthcare costs, and lost productivity.[3] The mission of the healthy-living sector is clear.

Understand and influence the consumer

Understanding the depth and dimension of target individuals/groups and their values is important—but not sufficient—in crafting the highest-value strategies and tactics in the healthy-living sector. Your new perspective should also consider that consumers are subject to multiple influences from an entire *system of stakeholders,* of which your company is just one. So your company's brand and products are affected by not just the front-facing actors—the supply chain, consumer groups, regulators—but also the complete network of stakeholders that influences perceptions and purchase decisions, both short- and long-term. Embracing this mentality will help you imbue all your firm's business units—including marketing, strategy, R&D, consumer insights, among others—with a much deeper consumer focus. That focus, in turn, will promote an organizational understanding whose influence on consumers extends far be-

[1] Chernev, A. (2011). *The Dieter's Paradox*. Cerebellum Press.
[2] Edelman (March 15, 2012). "New study by Edelman shows consumers feel America's approach to food production is on the wrong track." Retrieved from http://www.edelman.com/news/new-study-by-edelman-shows-consumers-feel-americas-approach-to-food-production-is-on-the-wrong-track.
[3] Braun, M. (September 18, 2012). "Most Americans may be obese by 2030" *ABC News*. Retrieved from http://abcnews.go.com/Health/americans-obese-2030-report-warns/story?id=17260134.

yond traditional elements such as packaging, labeling, advertising, and even taste. Anticipating and addressing this complex web of influence is the heart of sustainable success.

This complex, growing system of unprecedented influences includes health-focused regulators such as the FDA; technology-enabled connectedness that gives an unprecedented role to digital media, including more than a billion Facebook users and countless gurus and blogs; and a larger, more global potential consumer base than ever before, especially in countries such as Brazil, China, and India. Given the diverse needs of international target markets, most companies offering healthy-living products struggle to understand, meet, and shape consumer expectations.

Innovative Kellogg research illuminates key issues related to understanding and changing consumer behavior. Professor Angela Y. Lee studies health-related messaging to understand which types of communication elicit responses from consumer groups with divergent values. She found that *prevention-oriented* consumers respond better to more concrete messages that emphasize how to achieve the goal of healthy living ("50 percent lower fat"), whereas *promotion or growth-oriented* segments respond more to abstract messages that emphasize the goal of healthy living ("part of a healthy lifestyle").[4] The takeaway for business executives, then, is that you must "ladder up" messaging for healthy-living products (like nutritionally dense foods) to a more abstract level for promotion-oriented segments. Alternatively, if you're not sure about a target segment's exact values/orientation, it's best to test both types of messages in marketing campaigns (Figure 1).

Figure 1: **Crafting messages to reach consumers at a cultural level**

Consumers with an **independent self-view** (as in most Western cultures) better respond to a message focused on the **individual and on benefits that promote good health,** such as energy-boosting vitamins.

Consumers with an **interdependent self-view** (as in most Eastern cultures) better respond to a message focused on **family and on preventative benefits,** such as reducing the risk of heart disease.

Welch's Information

Purple Grape Juice Benefits

Give yourself a chance at great taste!

Welch's Grape Juice has been a favorite for more than six generations. Today, our classic Purple Grape Juice has been joined by a wide variety of wholesome juices to please your taste. They're all made with the same attention to quality as the original.

Further, preliminary medical research suggests that drinking purple grape juice may contribute to the creation of greater energy.

- Growing evidence suggests that diets rich in Vitamin C and iron leads to higher energy levels. According to research by the United States Department of Agriculture, Welch's Purple 100% Grape Juice has more than three times the naturally-occurring Vitamin C and iron than other juices. Our Concord grapes and Niagara grapes are harvested only at the peak of flavor so that Welch's Grape Juice is great tasting as well as energizing. It is simply fun to drink!

We're proud to say that everything bearing the Welch's label meets the very highest standards for great taste, enjoyment and energy.

Welch's Information

Purple Grape Juice Benefits

Give your family a chance at great taste!

Welch's Grape Juice has been a family favorite for more than six generations. Today, our classic Purple Grape Juice has been joined by a wide variety of wholesome juices to please every taste. They're all made with the same attention to quality as the original.

Further, preliminary medical research suggests that drinking purple grape juice may contribute to healthy cardiovascular function.

- Growing evidence suggests that diets rich in antioxidants may reduce the risk of some cancers and heart disease. According to research by the United States Department of Agriculture, Welch's Purple 100% Grape Juice has more than three times the naturally-occurring antioxidant capacity of other juices. Purple grape juice's antioxidants are commonly attributed to the flavinoids contained in the juice that help keep arteries clear so that blood can flow freely. Therefore it is healthy to drink.

We're proud to say that everything bearing the Welch's label meets the very highest standards for great taste, goodness and healthiness.

[4] Lee, A.Y., P. Keller, and B. Sternthal (2010). "Value from regulatory construal fit." *Journal of Consumer Research*, 36(5), 735-747.

Relatedly, understanding consumers' cultural mindset is also crucial for developing a more holistic view of target segments and reaching them effectively. Professor Lee's work again offers applicable insights: She has found that definitions of "healthy choices" and "healthy living" vary across cultures—meaning that companies should fit their communications in order to intensify consumer reaction.

Western cultures tend to view health enhancement through food choices as being more about *taking away* features and ingredients (such as fat or sugar), whereas Eastern cultures are more likely to promote health by *adding* items (such as herbal supplements). This stems from the tendency for Westerners to adopt a more dialectic approach to problem solving—in their view, ingredients are either healthy or unhealthy, so food choice can be made healthier by taking away the "bad" ingredients. Easterners, on the other hand, adopt a more holistic approach where all ingredients have pros and cons; so food choices can always be made healthier by adding "good" ingredients.

Lee also demonstrated a relationship between the two cultures' "self-view" and each group's response to healthy-food messaging.[5] Specifically, segments with a more *independent* self-view—more common among Western cultures—are more likely to respond to messages emphasizing self-worth and growth possibilities ("Our product will help you enjoy many years of healthy living"). In contrast, those with more *interdependent* self-views, which are observed more in Eastern cultures, will respond to messages referring to immediate problems ("You need to lose weight now").

By considering the goals and values of your target segments, you can tailor communications in order to more effectively change consumer perceptions and behavior.

What you can do now

- **Host a consumer influences workshop—**List all potential influences on your target consumers (the more, the better), how these can be measured through primary and secondary sources, and how they might be addressed through specific tactics.

- **Categorize your target segments—**Consider your key target segments and whether they could be categorized as promotion- or prevention-oriented. Think about ways to "ladder up" your messaging to a more abstract level for the promotion-oriented groups.

- **Adapt your messaging—**Culture and geography have a huge bearing on how consumers respond to products and brands, so you should seek to gain an understanding of the tastes and customs of each region you serve and tailor specific messages—including as they relate to self-view and other concepts—to each audience.

[5] Spassova, G., and A.Y. Lee (June 2013). "Looking into the future: A fit between self-construal and temporal distance." *Journal of Consumer Research*, 40, 159-171.

Transform your organization

Many players recognize the need to be consumer-focused in both product development and marketing, and how that leads to better understanding of the market for healthy living. But they still struggle to implement this philosophy at the *organization-wide* level. Integrating the consumer perspective at every level of the organization will not only help generate better consumer-related insights, but also support the translation of those findings into a unified, dynamic strategy that yields sustainable value. For example, if the CEO, product development, and marketing are aligned in their understanding of how people perceive the company and its products, this shared consumer focus can drive faster, more effective action in a range of situations.

On one hand, developing an enterprise-wide consumer focus is no easy feat; established functions, departments, and teams often create barriers to knowledge-sharing and collaboration. On the other hand, we've seen companies across industries successfully reinvent themselves as more consumer-focused.

The vast majority of firms engaging in transformational efforts take the same actions, such as reorganization, changing compensation structures, and immersing themselves in better understanding customers. But Kellogg Professor Gregory Carpenter has found that the sequence of the change process is key to successful transformation.[6] According to his research, successful organizations move through four specific stages of cultural change:

1. **Recognition:** The recognition of a threat or need for change, followed by preparation to address the issue by powerful stakeholders (like the CEO).

2. **Reinvention:** Organizational implementation of a plan for change, including the development of new values and norms, hiring of "believers," and discovering what behaviors and offerings align best with the market.

3. **Formalization:** Consumer focus becomes formalized across the organization through elements including training and rewards alignment.

4. **Maintenance:** The consumer-focused culture is reinforced by "cultural screening" of new employees, ongoing market-connection activities, and the work of "cultural flame-keepers"—those charged explicitly or implicitly with ensuring new programs or procedures don't damage the organization's consumer focus.

Carpenter's findings illuminate how companies ranging from Alberto-Culver to Harley-Davidson exemplify each of the stages, and how efforts in one stage affect the success of subsequent ones. While your company may not need to follow this exact sequence of activities, recreating some of these measures within your company may help you develop a more unified view of consumer focus, enabling you to tackle the challenges facing the healthy-living sector.

[6] Gary Gebhardt, Gregory Carpenter, and John F. Sherry. 2006. "Creating Market Orientation: A Longitudinal, Multi-firm, Grounded Analysis of Cultural Transformation." *Journal of Marketing*. 66(4): 37-55.

What you can do now

- **Perform a silo search—**Bring leaders from across the organization together to discuss where potential silos may be impeding broader, consumer-focused knowledge sharing. Identify steps you can take to reduce these barriers.

- **Determine who you are trying to influence—**Start an organization-wide discussion regarding who each department sees as the most important customers (whether consumers, retailers, or other groups) and how best to serve them with a collaborative effort. This calls for a truly firm-wide discussion, not just a conversation among customer-facing groups.

- **Develop innovative knowledge-sharing tools—**The increased number of consumer touchpoints means that marketing is no longer the sole source of insight. Develop communication platforms that enable functions to foster a rich, shared understanding of target consumers using insights and ideas collected from individuals across the organization.

Change your image and relationships with influencers

Even healthy-living players with a strong, organization-wide consumer focus struggle to manage their image and relationships with consumers and other external stakeholders such as activists. Companies face a paradoxical situation: On one hand, corporations are among the least-trusted U.S. groups. Recent surveys reveal only 50 percent of respondents trust companies to do the right thing, while only 18 percent trust business leaders to do so.[7] Contributing to this trust gap is the fast-growing influence of the media and a variety of advocacy groups. These influences can affect trust, attitudes, brand evaluation, taste, and consumption patterns associated with your brand—even when a consumer's actual experience is positive. On the other hand, some consumers will strongly defend brands they like from criticism, in part because they identify strongly with the brand, even to the point of seeing it as part of themselves. Professor Lee demonstrated this effect for brands like Starbucks.[8]

The key question, then, concerns how to manage your company's image and relationships with not only the public at large but the many influencers of consumers. We recommend several interrelated approaches, based on Kellogg research:

First, you must anticipate the effects of influencers. Kellogg Professor Daniel Diermeier maps out the "reputational terrain" companies must navigate on two dimensions: *audience interest* and *societal importance*.[9] An understanding of where a given influencer (such as in-depth

[7] Adams, S. (January 22, 2013). "New study: Trust in both business and corporate leaders plummets." *Forbes*. Retrieved from http://www.forbes.com/sites/susanadams/2013/01/22/new-study-trust-in-both-business-and-corporate-leaders-plummets.

[8] Lisjak, M., A.Y. Lee, and W. Gardner (2012). "Brands as extended self: When a threat to the brand is a threat to the self." *Personality and Social Psychology Bulletin*, 38(9), 1120-1132.

[9] Diermeier, D. (2011). *Reputation Rules*. McGraw-Hill.

coverage by *The Economist* or mass-market treatment by *60 Minutes*) falls on this terrain helps you anticipate—and address—the effect their influence will have on your brand. For example, if you are dealing with negative mass coverage, you are better off using a story-based approach—portraying the company as a "hero" seeking to aid the literal or figurative victim—than one built on facts or statistics.

Second, you must build a reputation-management system with mutually reinforcing governance such as a corporate reputation council, and intelligence components (Figure 2). The intelligence component can be carried by what Diermeier calls an "anticipatory issues management" (AIM) team charged with anticipating reputational issues (such as negative news coverage) and developing related strategies. For example, the system can help you navigate the reputational terrain using tactics such as "borrowing credibility" by announcing a third-party investigation during product-harm crises—another Diermeier-recommended strategy.[10]

Figure 2: **The Reputation Management System**
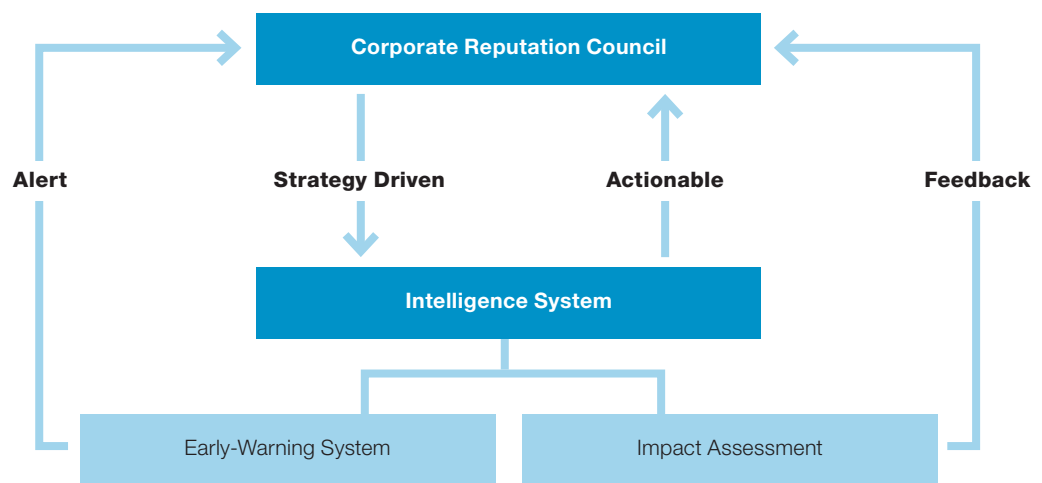
Source: Diermeier, D. (2011). *Reputation Rules*. McGraw-Hill.

Third, you must be strategic Samaritans. Companies looking to build their reputation for corporate citizenship must understand that not all citizenship efforts are equal. For example, the public tends to judge corporate responses to external crises (such as natural disasters) based on key dimensions including *effectiveness* and *authenticity*, as Professor Diermeier has demonstrated.[11] That is, your efforts to help have to be seen as genuine and having real impact in order to result in a reputational boost. Healthy-living companies can be "strategic Samaritans," for

[10]Heinze, J., E.L. Uhlmann, and D. Diermeier (Forthcoming). "Unlikely allies: Credibility transfer during a corporate crisis." *Journal of Applied Social Psychology*.
[11]Jordan, J., D. Diermeier, and A.G. Galinsky (2012). "The strategic samaritan: How effectiveness and proximity affect corporate responses to external crises." *Business Ethics Quarterly*, 22(4), 621-648.

example, if they donate much-needed items (food, water) in the aftermath of a natural disaster and avoid attracting negative publicity to their effort by bragging about how much they spent.

These three measures can help you manage your image and relationships with target consumers, including by "influencing the influencers" who have deep, lasting effects on public opinions.

What you can do now

- **Engage with the influencers—**Establish a dialogue with stakeholders proactively to gain a better understanding of industry issues and also insulate your organization from future criticism by demonstrating your willingness to acknowledge opposing views.

- **AIM for success—**The viral nature of events and ideas can significantly increase the reputational damage for companies that are caught flat-footed. Executives should plan and build an anticipatory issues management (AIM) team with resources from multiple areas: marketing, regulatory, legal, and others.

- **Pinpoint what your consumers value—**Social media is one of many tools that, through strategic use and monitoring, can provide insight on emerging consumer trends and help your firm avoid reputational damage by resolving issues that might alter public perceptions of your brand or product.

□   □   □   □

Taking a smarter approach to consumers isn't just about reworking products, packaging, or promotion efforts. It's about driving wholesale change in the way you approach consumers and the space in which they operate, including a growing network of influences. Based on a more holistic view of consumers, we recommend developing a portfolio of new tactics based on the ideas presented by Kellogg faculty research. By taking steps to understand and change consumers' perceptions and behaviors, building a truly organization-wide consumer focus, and anticipating and addressing key sources of influence, you can capture unprecedented value in the healthy-living sector while promoting the welfare of your target groups and broader communities. ■

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