

**PREPARED STATEMENT OF
THE FEDERAL TRADE COMMISSION**

on

**MARKETING FOOD TO CHILDREN AND ADOLESCENTS:
A REVIEW OF INDUSTRY EXPENDITURES, ACTIVITIES, AND
SELF-REGULATION**

Before the

**SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL
GOVERNMENT
and the
SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES,
EDUCATION, AND RELATED AGENCIES
of the
COMMITTEE ON APPROPRIATIONS**

UNITED STATES SENATE

**Washington, D.C.
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I. Introduction

Chairman Durbin, Chairman Harkin, Ranking Member Brownback, Ranking Member Specter, and Members of the Subcommittees, I am Jon Leibowitz, Commissioner of the Federal Trade Commission (“FTC” or “Commission”).¹ The Commission is pleased to have this opportunity to provide testimony on our efforts to address childhood obesity. Today, I would like to provide some context to the Commission’s efforts, describe the agency’s various initiatives to advocate for responsible marketing and enhanced self-regulation, and then turn more specifically to a discussion of the Commission’s July 2008 Report to Congress: “Marketing Food to Children and Adolescents: A Review of Industry Expenditures, Activities, and Self- Regulation.”² The full text of the Report has been submitted to the Subcommittees for the record.

The Commission believes that this Report will provide an important benchmark for measuring the future progress of self-regulatory initiatives. In addition to describing the state of food marketing to children and adolescents in 2006 and analyzing industry initiatives to date, the Report also sets forth a number of recommendations. For example, the Commission recommends that all companies engaged in marketing food to children limit such marketing to products that meet meaningful, nutrition-based standards and that such standards apply to *all*

¹ The written statement presents the views of the Federal Trade Commission. My oral testimony and responses to questions reflect my views, and do not necessarily reflect the views of the Commission or any other Commissioner.

² Federal Trade Commission, *Marketing Food to Children and Adolescents: A Review of Industry Expenditures, Activities, and Self-Regulation* (2008) (2008 Report), available at <http://www.ftc.gov/os/2008/07/P064504foodmktngreport.pdf>. See also Concurring Statement of Commissioner Jon Leibowitz, available at <http://www.ftc.gov/speeches/leibowitz/080729foodmarketingtochildren.pdf>.

³ See pp. 6-7, *infra*.

⁴ 15 U.S.C. § 45(a).

healthier eating and living by the nation's young people.

The workshop yielded a number of important findings, which are detailed in an April 2006 joint report of the FTC and HHS.⁸ The report identified several steps that food and beverage companies were already taking to respond to childhood obesity, including the introduction of new, lower-calorie products and smaller-portion packages; use of icons and seals to provide simple nutrition information; and an increase in use of popular characters to deliver nutrition and health messages to children.⁹ In addition, two companies¹⁰ had committed to shift their children's advertising to products meeting certain nutrition standards.

⁸ Federal Trade Commission & Department of Health and Human Services, *Perspectives on Marketing, Self-Regulation, & Childhood Obesity* (2006) (2006 Report), available at <http://www.ftc.gov/os/2006/05/PerspectivesOnMarketingSelf-Regulation&ChildhoodObesityFTCandHHSReportonJointWorkshop.pdf>.

⁹ *See id.* at 11-23.

¹⁰ Kraft Foods, Inc. and PepsiCo, Inc.

¹¹ See 2006 Report at 48-54.

¹² *FTC/HHS Forum on Marketing, Self-Regulation, and Childhood Obesity* (July 18, 2007). Agenda and transcript of proceedings available at

Until now, research on food and beverage marketing to children has consisted largely of studies of television advertising and, to a lesser extent, other forms of traditional, measured media. The FTC's Bureau of Economics, for example, issued a study in 2007 comparing children's exposure to food advertising on television in 1977 with their exposure in 2004. The study concluded that children's exposure to food ads had fallen modestly from 6,100 ads seen by children ages 2-11 in 1977, to 5,500 ads in 2004. In 2004, however, children's ad exposure was more concentrated on children's programming; about half of the food ads seen by children were during programs in which they were at least 50 percent of the audience, compared to about one quarter of the ads seen in 1977.¹⁷ Although children's exposure to food advertising on television has remained fairly constant over the past 30 years, marketing to children has become

¹⁷ *Children's Exposure to TV Advertising in 1977 and 2004: Information for the Obesity Debate*, FTC Bureau of Economics Staff Report (June 2007), available at www.ftc.gov/os/2007/06/cabecolor.pdf.

¹⁸ The Conference Report (H.R. Rep. No. 109-272 (2005)) for the Commission's FY 2006 appropriation legislation (Pub. L. No. 109-108) incorporated by reference language from the Senate Report directing the FTC to submit a report to the Committee regarding:

marketing activities and expenditures of the food industry targeted toward children and adolescents. The report should include an analysis of commercial advertising time on television, radio, and in print media; in-store marketing; direct

only marketing activities in traditional measured media – television, radio, and print – but also analyzes the Internet and other new media, as well as older, but mostly unmeasured, forms of promotional activities directed to youth. This Report presents a great deal of information not previously collected and not otherwise available to the research community. Significantly, the study analyzes data from 2006 – a year just before, or very early in the inception of, industry self-regulatory activities. The Commission believes, therefore, that the study will serve as a benchmark for measuring the future effects of voluntary efforts to reduce the amount or improve the nutritional profile of food and beverage marketing to children.

A. Study Design and Scope

The study analyzes data from both public and non-public sources to provide a comprehensive picture of expenditures and activities directed toward children and adolescents by 44 food and beverage producers, marketers, and quick-service restaurants (QSRs) in the United States during 2006. Those 44 companies, which provided data in response to compulsory process issued by the Commission, were generally selected based on their status as the top advertisers during children’s programming and as the companies with the largest sales shares for selected food categories. The Commission sought information from these companies for marketing of brands in 11 categories of food products ranging from breakfast cereals, candy, and carbonated beverages, to fruits and vegetables. Companies were required to report their marketing expenditures across 20 categories of promotional activities including traditional media

payments for preferential shelf placement; events; promotions on packaging; all Internet activities; and product placements in television shows, movies, and video games.

S. Rep. No. 109-88, at 108 (2005).

like television, newer media like the Internet and mobile phones, and other promotional techniques like product placement, event sponsorship, character licensing, and in-school marketing. In each category, spending was broken down between activities targeted to children (ages 2-11) and adolescents (ages 12-17). In addition to reporting spending, companies were also asked to provide samples or descriptions of their marketing in various categories.¹⁹

Although the study does not include the entire universe of companies marketing food to children and adolescents, or the entire range of foods promoted to them, the Commission believes that it covers a substantial majority of such expenditures and activities for the relevant time frame. It should provide an accurate picture of the scope and variety of food marketing to American youth in 2006.

B. Key Findings

The Report provides a detailed breakdown of spending for both children and teenagers for each type of marketing activity and across each food category. It also provides examples and descriptions of the various promotional techniques used by the companies. This testimony will highlight only a few key findings.

Total spending on food and beverage marketing to children and teens (together described as “youth”) by the 44 reporting companies slightly exceeded \$1.6 billion, with approximately \$870 million of that spent on marketing directed to children under 12.²⁰ Not surprisingly,

¹⁹ Appendix A to the Report describes the research methods in detail and identifies the specific companies, food categories, and promotional activities that were included in the study.

²⁰ 2008 Report, *supra* note 2, at 7. The cost of youth marketing reported here is significantly lower than some previous estimates. There are several reasons for this disparity. Other researchers have not had access to the confidential company financial data obtained by the

Commission. Moreover, prior estimates have included advertising directed to children for products other than food and also have included price promotions, which generally are targeted to adults and therefore were not included in the FTC data.

²¹ The FTC defined the in-school marketing category to include the commissions paid to schools and school districts by beverage companies and bottlers pursuant to vending machine contracts. Thus, the majority of the expenditures reported in this category were not for

²⁴ *Id.* at 10.

²⁵ *Id.*

Id.

The extensive cross-promotion of food and beverage products with popular movie releases illustrates the integration of marketing methods. The PG-13-rated movie, *Pirates of the Caribbean: Dead Man's Chest*, for example, was released in July 2006.²⁷ Coinciding with the release, food, beverage, and restaurant companies ran cross promotions for QSR meals, frozen waffles, fruit snacks, breakfast cereals, popcorn, lunch kits, candy, and fresh fruit. The food products tied to *Pirates* were promoted by television ads, in-theater ads, Internet “advergames,” specially marked packaging, and in-store displays and tags for pineapples and bananas. Limited edition line extensions were created, including candy that turned gold in the mouth, fruit snacks in treasure shapes, and frozen waffles stamped with movie images. Promotions also included premiums and prizes like skull-shaped cereal bowls, bandanas, and skull strobe light key chains.²⁸ *Pirates* was just one of approximately 80 films, television programs, and video games used in cross promotion of food and beverages to children and teens in 2006.²⁹

The Report also provides illustrations of many other youth-directed marketing techniques used by the industry. It describes, for example, the variety of methods that the industry uses to market in schools – vending machines, contests, team sponsorship, event advertising, and others. The Report also describes the branding of clothing, toys, and other children’s merchandise with food, beverage, and QSR logos; digital marketing that includes downloadable podcasts,

²⁷ In October 2006, the Walt Disney Company announced new food guidelines stating that its name and characters would be used only for food products that meet specific nutritional requirements, including limits on calories, fat, and sugar. This and other initiatives by media and entertainment companies are described in the 2008 Report at 78-79.

²⁸ 2008 Report at 37-38.

²⁹ *Id.* at 29-32.

“webisodes,” and ringtones; viral marketing; word-of-mouth marketing that recruits youth as “ambassadors” to hand out product samples and promotional items; event marketing; celebrity endorsements; product placement; philanthropic activities, and more.

C. Key FTC Recommendations

Drawing from the findings of our study as well as from our assessment of the industry’s progress on self-regulation since our first report, the 2008 Report concludes with several new and stronger recommendations designed to further strengthen and expand on all aspects of the industry’s self-regulatory efforts and company initiatives.

First, the Commission recommends that *all* food and beverage companies adopt and adhere to meaningful nutrition-based standards for marketing their products to children under 12. A useful first step would be to join the CBBB Initiative. In other words, *all* companies should take measures to limit their food and beverage promotions directed to children to those for healthier products.

Second, given the integrated nature of most marketing campaigns, the Commission also recommends that these nutrition-based standards be extended beyond television, radio, print, and Internet advertising, to cover the full spectrum of marketing activities to children, including product packaging, advertising displays at the retail site, premium distribution, celebrity endorsements, and other promotional activities.

Third, the Commission also recommends that all companies stop in-school promotion of foods and beverages that do not meet meaningful nutrition-based standards. In addition, all companies that sell “competitive” food or beverage products in schools (outside of the school meal program) should join the Alliance for a Healthier Generation or otherwise adopt and adhere

