

On May 20, 2016, the U.S. Food and Drug Administration announced the new Nutrition Facts label for packaged foods. The changes required by this new regulation represent the most radical overhaul in nutrition labeling in decades, and the impact on food industry Regulatory and Marketing departments cannot be overstated. On May 24, at Prime Label Consultants' Federal Food Regulatory Conference, industry thought leader Aidan Tracey, CEO of **sgsco**, delivered a presentation directly addressing the cross-departmental impact on industry and recommended approaches to managing the transition. Following Tracey's talk, a panel of food industry regulatory and marketing professionals presented their approaches to the transition. This white paper details the content of both sessions.

Industry Impact of the New Nutrition Rules

May 24, 2016



Major Impacts

- 1 Changes to what is emphasized (Calories, servings per container, daily values)
- 2 Changes to servings and claims (single serve, 17% of RACCs)
- 3 Changes to nutrients tracked (added sugar, Vitamin D, Potassium, etc.)
- 4 Changes to format & graphics (larger footprint)
- 5 Data tracking & supply chain

Summary of General Session & Panel Discussion

In his General Session presentation "Industry Impact of the New Nutrition Regulations," **sgsco** CEO Aidan Tracey discussed some of the consumer and marketing implications of the new NFP. Here is a detailed summary of his comments and the Panel discussion that followed.

Folks in the Regulatory Department already appreciate the significance of the changes announced on May 20, but for those in Marketing, the level of awareness is likely much lower. This is where you can step in—work with your executive team (CMO, CFO, CEO) to make sure they are aware of what's about to happen. And keep in mind that your Marketing teams are working 12 to 18 months ahead, and need to begin factoring in the implications of the new NFP for their products now. Changes must be complete by July 2018. Marketing needs to be made aware of the major impacts on the left.



Aidan Tracey

CEO of **sgsco**, a global leader in design and print marketing services. Tracey has a passion for helping marketers combat growing erosion of traditional forms of mass media by combining Packaging, Digital, PR & Social Media, Experiential and Retail Marketing to reach consumers.
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Products that utilize added sugars are especially at risk.

Communications campaigns against added sugars are being waged by the World Health Organization and global companies alike; meaning consumer awareness around the issue is growing. Food companies may need to consider adjusting brand strategy—everything from repackaging to reformulating—to minimize the effect of having to declare added sugars on the new NFP.

Packaging is at the center of everything: changing the packaging may require you to change your claims, which means you need to change your advertising. You and your CMO need to take a hard look at everything that's in your product and make sure that the claims you're currently making are still supportable under the new NFP rules.

A lot of brand managers rely on the Regulatory and Compliance people to tell them what claims they can make – so be prepared to step into that role, and remember that even the simplest claims will need to be reviewed.

Marketers need to be aware that consumers will be getting their “information” on the new NFP not from the FDA website (trust in government and corporations being at an all-time low), but instead from social media. What they learn from these outlets may be spun in a misleading way.

When a historically brand-loyal consumer looks at your product with this new NFP – with its Calories appearing in enlarged font and Added Sugars explicitly listed – he or she may suddenly evaluate the product more critically, even negatively, and that brand loyalty may be in jeopardy. Consider the impact this could have on sales volume and profit, and make sure your company executives know it, too.

So how to mobilize for action? Prime Label and **sgsco** developed a process, “7 Steps to a Successful Transition” (<http://www.primelabel.com/nfpim pact.html>) to guide your organization through the change. The volume of work will be heavy, and the timeline is short, so begin planning and implementing an action plan right away.

Key Steps

- 1) Get your CMO or Marketing VP in the loop immediately about the potential implications
- 2) Create an internal project team to help educate the brand organization about the scope of the changes
- 3) Many claims and core brand positioning may be disrupted by the label changes and social media buzz that will likely follow
- 4) Recognize that the entire design-to-print industry in the USA will be very strained for the next 24 months. Supply chain pressure is likely, as was seen in the EU two years ago when the same process happened
- 5) If reformulation or repackaging is required, it will be especially important to have service partners at the table who can get great work done in a timely fashion

“Start Now!”
-Marriott Winchester



Best Practices from the Panel

Penny Hennessy (Rich Foods)

Penny began the transition process last year with education sessions with Marketing and R&D, introducing them to the idea that everything on the package will change. She put R&D in charge of keeping on top of developments related to Added Sugars. Marketing postponed plans to update packaging until after the 2016 NFP final rules were issued. Next Steps:

- 1) Get corrected/updated nutrition information from all ingredient suppliers
- 2) Input this updated information into the nutrition system
- 3) Generate new nutrition facts for their own products
- 4) Begin evaluating claims and pack sizes

Marriott Winchester (sgsco)

First and foremost: companies need to start the transition process immediately. Getting Marketing and Regulatory teams working together is a challenge, but doing so can save money in the long run. Here are some suggestions based on the experiences of SGS teams in Europe and Latin America, who've recently dealt with similar nutrition transitions:

- 1) Get teams to work in batches to minimize spending
- 2) Consider product lead times and schedule accordingly – they're different for every category
- 3) Consider printing lead times--high-value, fast-moving products differ completely from, say, seasonal products so schedule their print jobs at different times to avoid bottlenecks
- 4) Copy Management—make sure Marketing copy and Regulatory copy are approved at the same time so you're not paying twice
- 5) Create written guidelines
- 6) Utilize available technologies and other resources

David Eaheart (Seaboard Foods)

At Seaboard Farms, Marketing handles labeling and is taking the lead in transitioning to the new NFP. Coordinating with other departments and assuring the effective communication of information between departments is key. The cost of the transition will be significant across departments, but especially for Marketing. Make sure they're aware of this and are building up resources to make the changes they'll need to make to preserve or overhaul their branding.

Jane Hanigan (Abbott)

Abbott's Regulatory Department knew from the beginning that the transition would involve pretty much every department in the company. A representative from each department was assigned to a core transition team. This person was tasked with attending meetings, and keeping their teams involved as needed.

Regulatory then took several steps to analyze each change to the NFP, and evaluate its impact:

- 1) Identify each category of change (for example, "RACC changes" would be a category)
- 2) Look at each category to determine exactly what is changing and why
- 3) Develop an interpretation of each change and practice applying it to their products
- 4) Assess whether or not the change actually affects their products

Once regulatory had a handle on all the changes, they began doing regular presentations to keep other

departments informed and engaged in the transition process.

Next, Regulatory put together working groups to start applying the changes to individual brands. They took a wide selection of the company's products and created mock ups of the new labeling utilizing as many of the changes as possible.

It was only at this point that regulatory brought Marketing fully into the discussion. Regulatory felt it was wisest to have a clear understanding of the changes and the effect they'd have on the company's labels and branding, before involving the other department. They presented the mock ups to Marketing and began a conversation about brand strategy. Marketing was able to see the old labels side-by-side with the new ones, and see exactly what was changing. They discussed the pros and cons of reformulating, or the possibility of re-packaging. Regulatory saw the importance of working together during this process, provided as much information as possible, and was open to Marketing's ideas and suggestions.

“This is a bigger change for the food industry than the first time around.”

-Penny Hennessy

During the post panel discussion some additional useful information came up:

- 1) The panelists were asked how they decided what products to prioritize in terms of re-labeling.
 - A) Janine explained that Abbott's decision was based on the anticipated bottleneck in the workflow as the implementation deadline nears. Outside vendors like label printers will likely be hit hard right before the deadline, and Abbott should get as many of the easiest product labels out of the way as soon as possible.
 - B) Penny added that her company uses the 80/20 rule when it comes to prioritization—80% of the profit comes from 20% of its SKUs—so they tackle the products in that 20% first and the remaining products are addressed similarly, according to production volume.
- 2) Aidan made the point that given the short career lifespans of CMOs (about 18 months), you'd be well served to find advocates in the company who surround the Marketing Department. People in Sales, for example, generally work closely with Marketing and are likely to be around for the NFP implementation in July 2018.
- 3) Marriott warned about the perfect storm of label printing demand on the horizon. Between now and 2018 label printers will be facing demand from three sectors: 1) NFP-related printing, 2) GMO label printing, and 3) Alcohol-industry “responsible drinking” campaign label printing. So plan ahead and get your print job in the queue ASAP.

Final Thoughts:

Penny: Have a broad-based team driving this project (Purchasing, Marketing, Graphics, Regulatory)

Janine: Remember you're all on one team and want what's best for the company. Communication!

David: Manage expectations and be flexible.

Marriott: Start now!

Aidan: Get senior-level support.

