



FEDERAL TRADE COMMISSION

Marketing Food to Children and Adolescents

A Review of Industry Expenditures,
Activities, and Self-Regulation

A Report to Congress

Federal Trade Commission
July 2008



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Executive Summary

Concern about the dramatic increase in childhood obesity in the United States prompted Congress to request that the Federal Trade Commission conduct a study of food and beverage marketing to children and adolescents. The results of that study – an analysis of 2006 expenditures and activities by 44 companies – are presented here. Included are not only the traditional measured media – television, radio, and print – but also activities on the Internet and other new electronic media, as well as previously unmeasured forms of marketing to young people, such as packaging, in-store advertising, event sponsorship, and promotions that take place in schools. Integrated advertising campaigns that combine several of these techniques and often involve cross-promotions – linking a food or beverage to a licensed character, a new movie, or a popular television program – dominate today’s landscape of advertising to youth.

The data presented here tell the story of food and beverage marketing in a year just preceding, or early in the development of, industry self-regulatory activities designed to reduce or change the profile of such marketing to children. These initiatives – some of which grew out of a 2005 joint FTC and Department of Health and Human Services (HHS) Workshop on Marketing, Self-Regulation & Childhood Obesity – are described in Section IV of this Report, which also sets forth recommendations for future actions by food and entertainment industry members, as well as the organizations that have spearheaded self-regulatory efforts. This Report, which compiles information not previously assembled or available to the research community, may serve as a benchmark for measuring future progress with respect to these initiatives.

The data in this Report were obtained by issuing compulsory process orders to industry members, including beverage manufacturers and bottlers; companies that produce packaged food such as snacks, baked goods, cereals, and prepared meals; makers of candy and chilled desserts; dairy marketers; fruit and vegetable growers; and quick-service restaurants (QSRs). These are the foods most frequently advertised to children (ages 2-11) and adolescents (ages 12-17), and the 44 target companies are the primary marketers to youth (ages 2-17) in those food categories. The companies were required to provide expenditure data in each of 20 advertising or promotional activity categories for marketing directed to children, adolescents, and all audiences. Samples of marketing activities or descriptions of techniques used in 2006 were also obtained.

Dollars Spent on Marketing to Children and Adolescents

The 44 reporting companies spent approximately \$1,618,600,000 to promote food and beverages to children and adolescents in the U.S. in 2006. Approximately \$870 million was

spent on food marketing directed to children under 12 and a little more than \$1 billion on marketing to adolescents. About \$300 million of these expenditures were addressed to both age groups; hence, the total spending is less than the sum of the separate expenditures for the two age groups.

Previous estimates of food marketing directed to children and adolescents by other researchers have been significantly higher than \$1.6 billion. 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 appear to have included advertising directed to children for products other than food. In addition, these estimates have included price promotions, such as coupons or discounts for children at hotels and restaurants, that generally are targeted to adults.

For those food and beverage brands promoted to children and adolescents, the overall expenditures for promotional activities directed to *all* audiences, including additional adult-oriented marketing, was more than \$9.6 billion. Therefore, the expenditures directed to those between the ages of 2 and 17 represented 17% of the total 2006 marketing budget for those brands.

Carbonated beverages, restaurant (QSR) food, and breakfast cereals accounted for \$1.02 billion of the \$1.6 billion, or 63% of the total amount spent on marketing to youth by the reporting companies. For carbonated beverages, the total was \$492 million, with \$474 million (or 96%) of that amount directed to adolescents. Nearly 24%, or \$116 million, of carbonated beverage youth marketing consisted of in-school expenditures. QSRs reported spending close to \$294 million on promotions to youth, divided fairly evenly between activities directed to children and those targeted to adolescents. For cereals, the total was \$237 million, with \$229 million targeted to children.

Television advertising still dominates the landscape of marketing techniques used to promote foods and beverages to youth; companies reported spending \$745 million, or 46% of all reported youth marketing expenditures, on this medium. More than 50% of the television advertising was directed to children under 12, with breakfast cereals and restaurant food accounting for more than half of that advertising. Carbonated beverages and restaurant food dominated adolescent-directed television advertising. All told, traditional “measured media” (television, radio, and print) accounted for \$853 million, or 53% of the reported youth-directed marketing expenditures.

New media – the Internet, digital (such as email and text messaging), and word-of-mouth/viral marketing – have become an important component of promotional activities intended to reach children and adolescents. In an attempt to quantify the use of online marketing, Appendix

D to this Report explores the amount of display advertising for food and beverages that appeared on child- and adolescent-oriented websites in 2006, as well as traffic on company websites that promote food or beverage products through branded entertainment and activities designed for children and adolescents. In terms of expenditures, however, the new media accounted for only \$77 million, or 5% of reported youth-directed marketing.

Expenditures on specialty items (premiums) and prizes for children and adolescents totaled \$67 million, or 4% of reported youth marketing dollars. However, this number does not include toys distributed by QSRs with children's meals because, in those cases, the consumer purchases the toy when paying for the meal. If the cost of QSR toys – which is estimated to total \$360 million – were added to the reported premium expenditures, this category would jump to \$427 million and would rank second only to television as a promotional technique targeted to children. Moreover, if added to QSRs' reported child-directed marketing expenditures of \$161 million, these costs would result in total spending on child-directed marketing by the reporting QSRs of over \$520 million – more than twice the amount spent on child-directed marketing in any other food category.

Companies reported spending \$195 million on packaging and in-store display materials to reach children and adolescents, or 12% of all reported youth marketing expenditures. Marketing in schools totaled \$186 million, or 11% of reported youth marketing, and 90% of those expenditures were for beverages, both carbonated and non-carbonated. The remaining \$241 million (15%) of reported youth-directed marketing was spent on other traditional promotional activities, such as event and athletic sponsorships; celebrity endorsement fees; movie theater, video, and video game ads; product placements in movies, television, and video games; cross-promotion licensing fees; and promotional activities conducted in connection with philanthropic endeavors.

Expenditures for cross-promotions, including the use of licensed characters and tie-ins with television programs, movies, toys, or other entertainment events, were compiled across promotional categories – generally including television, the Internet, premiums, packaging, and in-store displays. A little more than \$208 million, representing 13% of all reported youth marketing, was devoted to cross-promotions. For some food categories, such as restaurant food and fruits and vegetables, cross-promotions were nearly 50% of reported child-directed expenditures. Cross-promotional activities directed to children were used for restaurant food, breakfast cereals, snack foods, prepared foods, dairy products, baked goods, and fruits and vegetables. Cross-promotions targeting an adolescent audience were used for snack foods, candy, and carbonated drinks.

Methods of Promoting Foods and Beverages to Children and Adolescents

For most food and beverage products, advertising to a young audience employs the full spectrum of promotional techniques and formats. Promotional campaigns directed to youth tend to be fully integrated, with themes encountered in television ads carried over to package materials, promotional displays in stores or restaurants, and the Internet. Packaging promotes the company or food product website, where entry of a code found on the package might enable the young consumer to participate in a contest, play a game that features the product, or receive “points” to redeem for premiums.

Cross-promotions were widespread in 2006, tying foods and beverages in all of the covered categories to about 80 movies, television shows, and animated characters that appeal primarily to youth. *Superman Returns* and *Pirates of the Caribbean* were prominent that year – promoting QSR children’s meals, frozen waffles, fruit and fruit snacks, breakfast cereals, popcorn, lunch kits, candy, carbonated and non-carbonated drinks, pasta, snack chips, and milk. Superman and the *Pirates* characters appeared in ads on television, in movie theaters, on the Internet, and on packaging and in-store displays. Companies created special limited edition snacks, cereals, frozen waffles, and candies based on the movies. Children or adolescents could go online to play “advergames” related to the characters and their stories and to enter contests or sweepstakes using special codes obtained from food packages or beverage containers. Prizes ranged from video games to trips to Disney parks to a \$1,000,000 reward for the “capture” of *Superman* villain, Lex Luthor. Related premiums included skull-shaped bowls, bandanas, strobe light key chains, movie posters, outdoor flying toys, Superman action figures, activity books, and digital downloads.

For some food products marketed to children, companies have created their own successful “spokescharacters” – animated versions of animals, people, or even the food itself. Stories and biographical information about the characters appear in television ads, on packages, and in online videos. The stories are augmented by websites that use the characters in games, afford children the opportunity to help them solve problems or mysteries, and offer related prizes or premiums, such as character cards or comic books to collect. Food company characters occasionally even make “live” appearances at events. Some food companies also sell – or license third parties to sell – merchandise, such as toys and clothing branded with food products or their spokescharacters.

The Internet – though far less costly than television – has become a major marketing tool of food companies that target children and adolescents, with more than two-thirds of the 44

companies reporting online, youth-directed activities. Some devote space on a company website to child or adolescent content, while others have developed independent websites for foods or beverages that particularly appeal to children or adolescents. Advergaming, directed to both children and adolescents, were featured on websites for snacks, cookies, candy, cereals, dairy products, frozen meals, beverages, soups, frozen waffles, fruit, and restaurant food.

Websites appealing to adolescents often featured sports or music, and many offered free downloads, such as screensavers, wallpapers, ringtones, music, and layouts for MySpace pages. Downloads for children included activity sheets, pages to color, stickers, iron-on decals, and games. Some beverage companies contacted adolescents by text messaging, and a few companies used podcasts and “webisodes” (online video episodes) to reach children and adolescents.

A by-product of Internet marketing is viral marketing, in which consumers are encouraged to share electronic promotional messages with other consumers. Typically, these efforts consist of “e-cards” (electronic greeting cards) and “send-to-a-friend” emails that can be sent from food product websites and contain hyperlinks back to the site. These techniques were used to reach both children and adolescents, and often were linked to a cross-promotional campaign. Word-of-mouth activities involved electronic and non-electronic peer-to-peer communications about food products, in which consumers were recruited to act as product “ambassadors” or “connectors” by handing out promotional materials or samples. Most of these activities were directed to adolescents.

Product packages and point-of-sale materials in stores were used heavily for movie or television program cross-promotions, displays of company spokescharacters, and premium or sweepstakes promotions. Sports themes and offers of sports paraphernalia were a popular means of attracting adolescent consumers. Other store promotions featured mini-events, with branded vehicles, product samples, carnival-type activities for children, and distribution of toys or other items. Fruit and vegetable companies used *Sesame Street* and other characters on produce displays, packaging, and the produce itself to appeal to young children.

Premiums – available free with the food product or at a discount with proof of purchase – ran the gamut from small toys, trinkets, or collectible cards to DVDs, video games, music or ringtone downloads, and amusement park or event tickets. Prizes available through contests or sweepstakes were often in the form of cash. Other prizes included electronic equipment, such as televisions, digital music players, and cell phones; sports equipment, apparel, camps, or clinics; vacations and trips to theme parks; and tickets to concerts or sporting events. Some companies

offered a point system tied to accumulated proofs of product purchase; points could be redeemed for merchandise, usually through a company website.

Celebrity endorsers – actors, athletes, singers, and musical groups – were featured in television and print ads, on the Internet, and in store displays, primarily in ads directed to adolescents or “tweens” (those between the ages of 8 or 9 and 13 or 14). Often they were tied to sweepstakes, such as a contest for the opportunity to meet a basketball star in person. Food and beverage promotion took place at sponsored events, including local fairs or festivals with children’s activities, performances at mall and retail sites, concerts, athletic events, circuses, children’s movie premieres, and other venues appealing to children or adolescents. Some companies sent branded cars, vans, or buses on tour to distribute samples and engage with children or adolescents at stores, community events, amusement parks, athletic events, or “impromptu” events created by the food marketer itself. Sponsorship of athletes, athletic teams, and competitive sporting events, including those for extreme sports, was a common promotional activity directed to children or adolescents. The sponsorship of professional athletic teams also included opportunities for children or tweens to meet players, participate in pre-game or sideline events, and attend sports camps, clinics, or training programs.

Product placements – such as a character drinking a soda or offering it to another character, a can or bottle appearing on a table, or a brand name mentioned in dialogue – occurred in a few television programs popular with children or adolescents and in some PG and PG-13 movies appealing to youth. Food and beverage ads also appeared in movie theaters, on videos, and before video games, and occasionally food products were integrated into video game content.

Marketing in elementary, middle, and high schools occurred primarily through displays on or around vending machines or in cafeterias. Companies sponsored athletic events, programs, equipment, or apparel; provided product samples and branded merchandise to schools; and sometimes sponsored contests with student prizes. A few provided instructional materials about nutrition and fitness or sponsored reading encouragement programs.

Food Company Health Initiatives

Since the 2005 FTC/HHS Workshop on Marketing, Self Regulation & Childhood Obesity, and the subsequent Report issued in April 2006, members of the food and beverage industry, as well as entertainment and media companies, have taken important steps to encourage better nutrition and fitness among the nation’s youth. The Children’s Food and Beverage Advertising Initiative, established by the Council of Better Business Bureaus (CBBB) in November 2006, represents a significant effort to change the mix of food and beverage advertising messages

directed to children under 12 and to encourage them to eat healthier foods and be more physically active. To date, 13 of the largest food and beverage companies – estimated to account for more than two-thirds of the food and beverage television advertising expenditures directed toward children – have joined the Initiative, pledging either not to direct television, radio, print, or Internet advertising to children under 12 or to limit their advertising to foods that meet specified nutritional standards. Other aspects of the pledges include limiting the use of licensed characters to the promotion of healthier products or lifestyles, not seeking product placements in child-directed media, not advertising food or beverages in elementary schools, and using only “healthy dietary choices” in interactive games directed to children.

The Alliance for a Healthier Generation – a partnership of the William J. Clinton Foundation and the American Heart Association – has joined with industry in a significant effort to change the array of “competitive” foods and drinks (*i.e.*, those sold outside the school meal program) sold to children and adolescents in schools. The School Beverage Guidelines, adopted in May 2006, impose size and calorie limitations that vary based on educational level. The Competitive Food Guidelines, adopted in October 2006, impose restrictions on calories, as well as fat, sugar, and sodium content.

Other efforts by food industry members include: product reformulation; development of new “better for you” products; more nutritious products available in QSR children’s meals; single-serving packages to assist with portion control; nutritional labeling initiatives, such as company icons, third-party seals, and front-of-package nutrition information; and public education directed to children and adolescents regarding nutrition and fitness. Some media and entertainment companies have also stepped forward with new initiatives, such as limiting the licensing of popular characters to promote only foods meeting minimum nutritional requirements; requiring program sponsors to meet nutritional guidelines; and incorporating healthy messages into children’s programs.

The Commission notes that significant progress has been made in implementing the recommendations that evolved from its 2005 Workshop and 2006 Report, although there remains room for improvement. Based on the results of this study, the Commission has developed the following recommendations for future actions by industry members and others, including the organizations that have undertaken new initiatives to address the childhood obesity problem:

Recommendations for Food and Beverage Companies

GENERAL:

- All companies that market food or beverage products to children should 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.
- Companies should broadly construe “marketing” to include all advertising and promotional techniques, including but not limited to: advertising on television and radio, in print media, and on the Internet (including third-party and company-sponsored websites); product packaging and labeling; advertising preceding a movie shown in a movie theater or placed on a video (DVD or VHS) or within a video game; promotional content transmitted to personal computers and other digital or mobile devices; advertising displays and promotions at the retail site; specialty or premium items distributed in connection with the sale of a product; promotion or sponsorship of public entertainment events; product placements; character licensing, toy co-branding and cross-promotions; sponsorship of sports teams or individual athletes; word-of-mouth and viral marketing; celebrity endorsements; and in-school marketing.
- In cases where a product line contains some product varieties that meet the nutrition-based standard and others that do not, companies should strictly limit all components of a promotion or advertising campaign directed to children under 12 to those varieties that meet the standard. Thus, for example, television or print advertisements promoting a sweepstakes would feature only the “better for you” varieties of the product, and licensed characters would appear only on packages of the “better for you” varieties.
- Companies should consider limiting branded merchandise intended for children to products or brand lines meeting meaningful nutrition-based standards.

IMPROVING THE NUTRITIONAL PROFILE OF PRODUCT OFFERINGS:

- Companies should continue and increase efforts to improve the nutritional profiles of their products – especially those marketed to children and adolescents – through product innovation and reformulation.
- Companies should improve upon the nutritional criteria adopted for “better for you” products as they find ways to lower sugar, fat, sodium, etc., without sacrificing taste and appeal.
- In applicable cases, companies should re-examine whether the fact that a product has “less” of, or is “reduced” in, calories or certain nutrients (*e.g.*, sodium, sugar, or fat) is, by itself, a sufficient basis for qualifying as a “better for you” product.

- Companies should continue and expand efforts to package more nutritious products in ways that are more appealing to children.
- Companies should continue efforts to use product packaging to help consumers control portion sizes and calories, by offering smaller portions and single-serving packages.

NUTRITION LABELING:

- Companies should conduct research on the effectiveness of various labeling devices to determine how consumers interpret such labeling and to identify those devices most effective at conveying meaningful, truthful information.
- Companies should work toward consistency among the standards used by individual food and beverage companies to determine what constitutes a “better for you” product, such as through the development and use of third-party standards, icons, or other devices. The Commission supports the work of the Keystone Center and others in this regard.

HEALTHY MESSAGES:

- Companies should expand public outreach efforts – through company-sponsored initiatives, third-party partnerships, and innovative and varied media techniques – to educate children and adolescents about the importance of healthy eating and exercise.
 - Companies should devote particular attention to outreach aimed at ethnic minority populations that are disproportionately affected by childhood overweight and obesity.
- Companies should continue researching the effectiveness of their campaigns to educate and motivate youth to engage in healthier lifestyles.

THE CBBB INITIATIVE:

- The CBBB should closely monitor participating companies’ compliance with their pledges.
- The CBBB and participating companies should enhance the Initiative in the following ways:
 - Expand the scope of “advertising to children” to encompass *all* advertising and promotional techniques, including, for example, product packaging and in-store marketing;
 - Require that 100% of food advertising directed to children under 12 promotes healthy dietary choices;

- In cases where a product line contains some product varieties that meet a company’s nutrition criteria for a “healthy dietary choice” and others that do not, the company should strictly limit all components of a promotion or advertising campaign directed to children under 12 to those varieties that meet the criteria. Thus, for example, television or print advertisements promoting a sweepstakes would feature only the varieties of the product that represent healthy dietary choices, and licensed characters would appear only on packages of the varieties that are healthy dietary choices.
- Work toward standardizing the nutrition criteria for “healthy dietary choices” that may be marketed to children, such as by product category (*e.g.*, for beverages, cereals, snack foods, soups, canned pastas, frozen entrees, etc.);
 - In applicable cases, companies should re-examine whether the fact that a product has “less” of, or is “reduced” in, calories or certain nutrients (*e.g.*, sodium, sugar, or fat) is, by itself, a sufficient basis for qualifying as a “healthy dietary choice”;
- Work toward developing meaningful, standardized definitions for what constitutes advertising “directed to children under 12.” In considering how to define “directed to children,” the CBBB and participating companies should consider, where relevant to the advertising medium, factors such as the percentage of the audience under 12; the total number of children reached; the time of day and venue in which the advertising appears; and whether the advertising features characters, performers, or celebrities who are popular with children, or contains themes, language, or other attributes designed to appeal to children.
- Require companies not to engage in, approve, or allow placement of their product in media directed to children under 12;
- Require participating companies to ensure that their franchisees are bound by the companies’ pledge commitments, such as by incorporating the pledge commitments into any franchisee contracts.

FOODS & BEVERAGES IN SCHOOLS:

- Companies should continue efforts to improve the nutritional profile of foods and beverages sold in schools.
- All companies that sell “competitive” food or beverage products in schools should join the Alliance for a Healthier Generation or otherwise adopt and adhere to meaningful nutrition-based standards for foods and beverages sold in schools, such as those recommended by the Institute of Medicine.
- Participating companies should consider incorporating their Alliance commitments into distributor contracts.
- Companies should cease all in-school promotion of products that do not meet meaningful nutrition-based standards.

- The Commission encourages schools and school districts, as part of their school wellness policies, to adopt and implement meaningful nutrition-based standards for competitive foods sold in schools.

Recommendations for Media and Entertainment Companies

- More media and entertainment companies should limit the licensing of their characters to healthier foods and beverages that are marketed to children, so that cross-promotions with popular children’s movies and television characters will favor the more, rather than the less, nutritious foods and drinks.
- Media companies should consider adopting uniform, objective standards that limit advertising placements on programs “directed to children” to healthier food and beverage products.
- Media and entertainment companies should continue to incorporate health and nutrition messages into programming and editorial content, and to create public education campaigns aimed at the problem of childhood obesity.
- Media and entertainment companies should test the effectiveness of any health and nutrition messages and public education campaigns aimed at the problem of childhood obesity.
- Media and entertainment companies should consider the feasibility of instituting a self-regulatory initiative to facilitate implementation of the recommendations above. The companies should consider working with the CBBB in this endeavor.

Conclusion

The food and beverage companies surveyed for this Report spent more than \$1.6 billion marketing their products to children and adolescents in 2006. The Commission believes that these companies were responsible for a substantial majority of the industry expenditures for food and beverage marketing to children and adolescents during 2006. The companies used myriad techniques, including traditional measured media, the Internet and other “new” media, as well as product packaging, in-store advertising, and event promotions, to name a few. Integrated advertising campaigns that combined several of these techniques were prevalent.

Whether there is a link between food marketing to children and childhood obesity is a question not addressed by this Report. What is clear, however, is that childhood obesity is a complex problem, with many social and economic contributing factors. The Commission believes that all segments of society – parents, schools, government, health care professionals, food companies, and the media – have an obligation to contribute to finding and implementing solutions. This Report – with its detailed assessments of the kinds of foods being marketed to

children and adolescents and how these foods are being marketed – informs one aspect of the ongoing dialogue about how to address the problem.

Participants in the 2005 Workshop generally agreed that, regardless of the causes of childhood obesity, food and beverage marketers can employ a wide range of strategies to play a positive role in reversing the trend. Participants also recognized that consumers expect the industry to help both adults and children improve their diets by providing more healthy choices and helpful nutrition information, and by engaging in responsible marketing practices. Based on this study, the Commission has formulated its recommendations for future actions by members of the food industry, the media and entertainment industries, and others. These recommendations, set forth above, are also included in Sections IV and V of the Report.

I. Introduction

At the request of Congress,¹ the Federal Trade Commission (FTC) has conducted a study of the marketing of foods and beverages to children and adolescents.² This Report presents the results of that study. It analyzes data from both public and non-public sources to provide a comprehensive picture of expenditures and activities directed toward children (ages 2-11) and adolescents (ages 12-17, also referred to as “teenagers” or “teens”) by 44 food and beverage producers, marketers, and quick-service restaurants (QSRs) in the United States during 2006. While the study does not include the entire universe of companies marketing food to children and adolescents (collectively referred to as “youth”), or the entire range of foods promoted to them, the Commission believes that this Report covers a substantial majority of such expenditures and activities for the relevant time frame. As requested by Congress, the study addresses not 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. The Report presents a great deal of information not previously collected and not otherwise available to the research community.³ Significantly, the Report gathers data from a year just before, or very early in the inception of, industry self-regulatory activities aimed at reducing or changing the profile of food and beverage marketing to children. As a result, the Commission study may serve as a benchmark for measuring the future success of voluntary efforts to modify that advertising.

A. Background: Marketing, Self-Regulation, and Childhood Obesity

In recent decades, the incidence of childhood overweight and obesity in the United States has increased rapidly. According to the Centers for Disease Control and Prevention, the prevalence of overweight youth has increased about three-fold over the last 25 or 30 years. Today nearly 14% of children ages 2-5, 19% of children ages 6-11, and about 17% of adolescents ages 12-19 are overweight.⁴ The long-term health consequences – with increased risk for cardiovascular disease and greater prevalence of type 2 diabetes – are very serious.⁵ Growing awareness of the health issues has focused public attention on what and how much children consume and which foods and beverages they are encouraged to eat and drink.

Government agencies, private organizations, and food and entertainment industry members have endeavored, in recent years, to explore the contributing factors and develop new initiatives to address the problem.⁶ In July 2005, the FTC and the Department of Health and Human Services (HHS) jointly convened a two-day Workshop on Marketing, Self-Regulation

& Childhood Obesity.⁷ This event brought together some of the largest food manufacturers and entertainment companies, as well as government officials, health experts, and consumer advocates. The purpose of the Workshop was not to attempt to determine the causes of childhood obesity nor to assess blame; rather, the goal was to focus attention on positive initiatives that industry members and others could take to encourage healthier eating and living by the nation's young people. Out of the 2005 Workshop came a 2006 Report with a series of recommendations for the food and media industries, including suggestions for self-regulatory initiatives to change the way food is marketed to children.⁸

In July 2007, the FTC and HHS conducted a follow-up Forum to review progress in the implementation of self-regulatory and educational initiatives.⁹ The agencies were encouraged to learn that the 2005 Workshop and 2006 Report had provided a stimulus for new programs, in particular the Children's Food and Beverage Advertising Initiative, established by the Council of Better Business Bureaus (CBBB) and the CBBB's National Advertising Review Council. To date, 13 of the largest food and beverage companies – estimated to represent more than two-thirds of children's food and beverage television advertising expenditures¹⁰ – have joined the Initiative, making pledges that, when fully implemented, will significantly alter the landscape of food marketing to children. Most of these companies have committed either not to advertise directly to children under 12 or to limit such advertising – including television, radio, print, and the Internet – to foods that qualify as “healthy dietary choices” by meeting specified nutritional standards, such as limitations on calories, fat, sugar, and sodium and/or providing certain nutritional benefits to children. In addition, the companies have pledged to limit the use of licensed characters to promote “healthy dietary choices” or healthy lifestyles, not to seek product placements in child-directed media, not to advertise food or beverages in elementary schools, and to use only their “healthy dietary choices” in interactive games directed to children. The Children's Food and Beverage Advertising Initiative, and other voluntary efforts such as the Alliance for a Healthier Generation, are described in Section IV of this Report.

In preparing this Report, as in sponsoring the 2005 Workshop and follow-up Forum, the Commission has not attempted to address the question of whether there is a link between food marketing to children and childhood obesity. An Institute of Medicine study released in 2006 included a comprehensive survey of research addressing the relationship between exposure to food advertising on television and requests for, preferences for, and consumption of the advertised products by children and adolescents. (The relevant research did not address forms of marketing other than television advertising.) The IOM concluded there is strong evidence that television advertising influences the food and beverage requests and preferences of children ages 2-11, but found insufficient evidence for teens ages 12-18. With respect to actual food

consumption, the IOM concluded there is strong evidence that television advertising influences the short-term consumption of children ages 2-11, but again found insufficient evidence with respect to teens. When looking at usual dietary intake, or long-term, as opposed to short-term, food consumption, the evidence of a relationship to television advertising was much weaker. Finally, the IOM found strong statistical evidence that exposure to television advertising is associated with adiposity in children and adolescents; however, the IOM could not make a finding about a causal relationship between the two.¹¹

Another significant study regarding advertising on children's television was published by the Commission last year. Economists in the FTC's Bureau of Economics compared children's exposure to television advertising in 1977 with their exposure in 2004. They concluded that children's exposure to food ads on television has not risen and has actually fallen modestly. In 2004, children ages 2-11 saw approximately 5,500 food ads on television, which constituted 22% of their total annual television ad exposure. This is about 9% less than the 6,100 food ads children were estimated to have seen in 1977. 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 children were at least 50% of the audience, compared to about one quarter in 1977. In both years, the advertised foods were concentrated in the breakfast cereal, candy and dessert, and restaurant food categories.¹²

This Report will complement the Bureau of Economics study, providing information on expenditures and promotional activities in the newer media that did not exist in 1977. Although children's exposure to food advertising on television has remained fairly constant over the past 30 years, marketing to children has become omnipresent, and promotional campaigns have become more integrated because of the Internet, other new electronic media, and the burgeoning of cross-promotions with products, movies, and characters popular with children and teens.

B. Conducting the Study

Based on its own research, as well as public comments received in response to a preliminary *Federal Register* notice,¹³ the Commission concluded that the data necessary to prepare the comprehensive report sought by Congress could be obtained only through the use of compulsory process. Therefore, on July 31, 2007, the FTC issued an Order to File Special Report (Special Order)¹⁴ to 44 food and beverage manufacturers, distributors, and marketers, as well as QSRs, in the U.S.¹⁵ As noted in Appendix A, those 44 companies included the top television advertisers in programs or time segments where 30% or more of the audience was between the ages of 2 and 17. In addition, for the primary products in the selected food categories, the companies accounted for 60% to 90% of U.S. sales. Therefore, the Commission believes that the companies

that received and responded to the Special Order were responsible for a substantial majority of expenditures for food and beverage marketing to children and adolescents during 2006.

Also included among the 44 companies were 12 fruit and vegetable producers, distributors, and marketers. Fresh produce companies traditionally have not engaged in significant marketing efforts directed toward children; however, some have now begun to use innovative techniques, such as placing popular licensed characters on labels or in supermarket displays, to reach children. Although the expenditures and range of activities for marketing these products to children may be small when compared to those for packaged foods (such as snacks, baked goods, cereals, and prepared meals) and beverages, the Commission decided that it was important to include the marketing of fresh fruits and vegetables in this study. The new, child-friendly promotions by some growers are a creative way to encourage healthier eating habits among children; it is likely such efforts will gain momentum with heightened public awareness of children's health issues.

In addition, four major beverage bottlers were included among the 44 companies. The bottling companies are responsible for many beverage marketing activities on a local level, such as in-school marketing, event sponsorship, and in-store promotions. The Commission therefore concluded that major bottlers should be included in the study in order to provide a more complete and accurate picture of beverage marketing to children and adolescents.

The Special Order required information about marketing activities and expenditures in 2006 for brands in 11 categories of food products: breakfast cereals, snack foods, candy, dairy products, baked goods, carbonated beverages, fruit juice and non-carbonated beverages, prepared foods and meals,¹⁶ frozen and chilled desserts, fruits and vegetables, and restaurant (QSR) food. A detailed explanation of the criteria used in the Special Order and the methodology of conducting this study is set forth in Appendix A.

1. Marketing Expenditures

The companies were required to submit expenditure information for their marketing activities directed toward children (ages 2-11), adolescents (ages 12-17), or both, in each of 20 separate promotional activity categories: television, radio, and print advertising, company websites, other Internet advertising, packaging and labeling, advertising in movie theaters/videos/video games, other digital advertising (such as email and text messaging), in-store marketing, premium distribution, public entertainment events, product placement, character licensing/cross-promotions/toy co-branding, sponsorship of sports teams or athletes, word-of-mouth marketing, viral marketing, celebrity endorsements, in-school marketing, advertising in conjunction with philanthropic endeavors, and other promotional activities.

For food products marketed to children or adolescents in any particular promotional category, the companies also were required to report the total amount spent in that category to market the product to all audiences. Finally, for any product marketed to children or adolescents, each company also was required to report its overall marketing budget for that product. The information about promotional category totals and overall expenditures for those products marketed to children or adolescents was included in the request so that the reported expenditures for children and adolescents could be placed within the appropriate context.

To protect the confidentiality of financial information reported by the individual companies, as required by the FTC Act and Commission Rules,¹⁷ the expenditure data are reported, in Section II of this Report, only in aggregated amounts, by food category and by the promotional techniques used.

2. Marketing Activities and Other Information Requested by the Special Order

The Commission Special Order requested samples or descriptions of advertising and marketing in all promotional categories, except for television, radio, and print. The nature of advertising to children in the traditional broadcast and print media is well known, readily accessible, and described in other research studies. Therefore, the Commission limited this aspect of the request to the other promotional activity categories. These comprise the newer forms of marketing to children, such as use of the Internet, as well as traditional venues, like packaging and in-store promotions, that generally have not been documented and described elsewhere. Of course, as noted in Section III of the Report, cross-promotional advertising campaigns generally include television advertising as a key component. Therefore, information regarding television advertising that was part of a cross-promotional campaign involving a licensed character, for example, was included in the company reports. In addition, companies were asked to provide samples or descriptions of promotional activities for which they did not incur expenditures. Therefore, Section III of the Report affords a comprehensive look at the nature of promotional activities targeted toward children, adolescents, or both in 2006. Companies also were asked to provide any marketing research regarding the appeal to individuals under the age of 18 of any particular types of advertising or promotional techniques. Research findings of particular interest are described in Section III as well.¹⁸

In addition to responding to the congressional request, this Report serves as a follow-up report on the recommendations set forth in the FTC/HHS 2006 Report. Accordingly, the Commission Special Order sought information regarding company policies pertaining to food advertising and promotional activities directed to children or adolescents that were in

effect on or after January 1, 2006. The Special Order also requested information regarding company initiatives to promote healthy eating, such as product reformulation, packaging to make nutritious and lower calorie products appealing to children or adolescents, nutritional icon or seal programs, efforts to improve the nutritional profile of foods marketed to children and adolescents, public education efforts regarding nutritional issues, and efforts to improve the nutritional profile of products sold in the schools. Section IV of the Report presents the information received in response to this part of the request.

C. Role of the FTC Study

The data presented in this Report represent a substantial majority of expenditures and promotional activities in the marketing of food and beverage products to children and teenagers during 2006. The study does not represent the entire universe of such marketing. However, the Commission believes that it received data from a sufficient percentage of marketers to afford an accurate picture of food marketing to American youth between the ages of 2 and 17 years old. The Commission recognizes that some companies believe the Special Order required over-reporting of expenditures in certain promotional categories.¹⁹ It is also true that there was under-reporting in some categories.²⁰ The Commission recognizes that the companies included in the study were asked, in some instances, to provide information they do not normally compile in the manner requested and that they may have had to re-structure their usual accounting methods to comply with the Special Order. The Commission believes the companies were thorough and conscientious in preparing their responses, and it appreciates that effort.

Because childhood obesity is a complex problem, with many social and economic contributing factors, the Commission believes that all segments of society – parents, schools, government, health care professionals, food companies, and the media – have an obligation to contribute to finding and implementing solutions. This Report – with its detailed assessments of the kinds of foods being marketed to children and adolescents and how these foods are being marketed – informs one aspect of the ongoing dialogue about how to address the problem. Participants in the 2005 Workshop generally agreed that, regardless of the causes of childhood obesity, food and beverage marketers can employ a wide range of strategies to play a positive role in reversing the trend. Participants also recognized that consumers expect the industry to help both adults and children improve their diets by providing more healthy choices and helpful nutrition information, and by engaging in responsible marketing practices.²¹

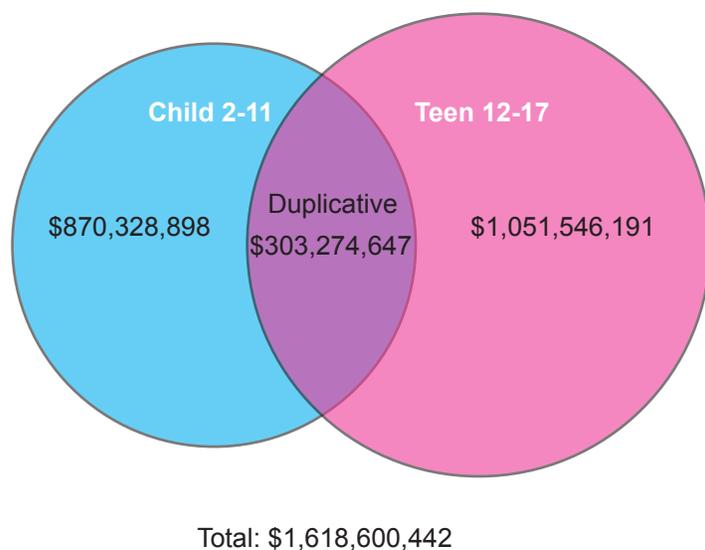
Based on this study, the Commission has developed a series of recommendations for future action by members of the food industry, the media and entertainment industries, and others. These recommendations are set forth in Sections IV and V of the Report.

II. Expenditures for Marketing Food to Children and Adolescents

A. Introduction

The 44 reporting companies spent more than \$1.6 billion to promote food and beverages to children and adolescents in the U.S. in 2006.²² The reporting companies spent \$870 million on food marketing directed to children under 12 and just over \$1 billion on food marketing directed to adolescents ages 12 to 17. As shown in Figure II.1, approximately \$300 million of the reported child- and teen-directed expenditures was directed at age groups that encompassed both children and adolescents.²³

Figure II.1: Reported Child and Teen Marketing Expenditures and Overlap



The reporting companies promoted their youth-advertised brands to adults or to a general audience, as well as to consumers under age 18. Indeed, the reporting companies' overall marketing expenditures for these brands exceeded \$9.6 billion. Thus, the youth-directed portion of the marketing expenditures for these brands represented 17% of total marketing expenditures.

Carbonated beverages, restaurant food, and breakfast cereals accounted for \$1.02 billion of the \$1.6 billion, or 63% of the total spent on youth-directed food marketing. Carbonated beverage companies reported \$492 million in youth-directed expenditures, with \$474 million (or 96%) of that amount directed to adolescents. Close to 24%, or \$116 million, of the carbonated beverage youth marketing consisted of in-school expenditures, the bulk of which were vending machine commissions paid to the schools based on beverage sales, rather than traditional marketing expenses. The reporting QSRs spent close to \$294 million on youth marketing, and split their expenditures almost evenly between children (\$161 million) and teens (\$145 million), with little duplication. Breakfast cereal producers reported a total of \$237 million in

youth-directed marketing expenditures; nearly all, \$229 million, of that amount was reported as directed to children.

In terms of promotional techniques, the \$745 million spent on television advertising accounted for the greatest share (46%) of total youth-directed food and beverage marketing expenditures. An additional \$108 million (7%) was spent on other traditional measured media, namely radio and print advertising. The reporting companies spent \$77 million on new media – company websites, Internet, digital,²⁴ and word-of-mouth and viral – which represented 5% of all reported youth-directed marketing. The companies reported spending \$195 million on in-store marketing and packaging to reach children and adolescents, accounting for 12% of overall youth-directed expenditures. Premium expenditures represented \$67 million, or 4% of all reported youth-directed expenditures. However, there is an important caveat to this figure; if the per unit cost of QSR toy premiums is included (*see* discussion in Section II.C.4.B below), premium expenditures jump to \$427 million, ranking second only to television advertising as a promotional technique directed to youth. An additional \$241 million (15%) of youth-directed marketing expenditures was allocated among other traditional promotional categories, such as product placement, movie, video, and video game advertising, cross-promotion license fees, athletic and event sponsorship, and celebrity endorsement fees. Finally, the companies reported in-school marketing expenditures of \$186 million, representing 11% of all youth-directed food marketing expenditures.

Expenditures on cross-promotions – including the use of licensed characters and tie-ins with television shows, motion pictures, toys, or other entertainment events – included not only the licensing fees but also the cost of implementing the cross-promotion across various activity categories, such as television and Internet advertising, premiums, and packaging. Just over \$208 million, or 13% of all reported youth-directed marketing expenditures, involved the use of licensed characters or other forms of cross-promotion.

B. Expenditures Analyzed by Food Category

As previously noted, the Special Order was sent to 44 food and beverage companies, each of which then reported child- and teen-directed marketing expenditures for any food brands contained within the 11 specified food categories (*see supra* Section I). Because expenditure data were reported for only four brands in the frozen desserts category, the frozen desserts and candy categories were combined for purposes of this Report. For each brand with youth-directed marketing expenditures, the companies also reported the total marketing expenditures for that brand – *i.e.*, all dollars spent to promote the brand to consumers in 2006. In general, the food categories that accounted for the largest youth-directed marketing also accounted for

Table II.1: Total Youth Marketing for Reported Brands and Percent of Total Marketing, By Food Category, Ranked by Youth Spending

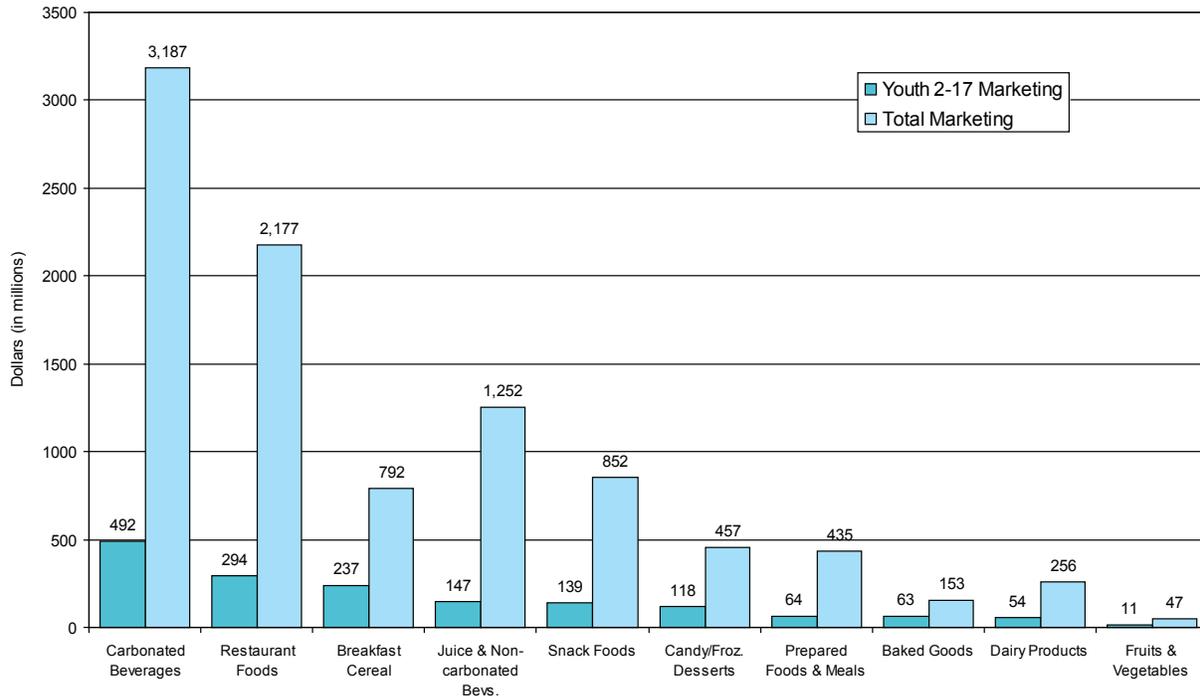
Food Category	Marketing That Meets Youth Criteria (\$1000)	Total Marketing (\$1000)	Percent of Total Marketing Meeting Youth 2-17 Criteria
Carbonated Beverages	492,495	3,186,588	15.5
Restaurant Foods	293,645	2,177,306	13.5
Breakfast Cereal	236,553	792,042	29.9
Juice & Non-carbonated Bevs.	146,731	1,252,022	11.7
Snack Foods	138,713	852,342	16.3
Candy/Froz. Desserts	117,694	456,677	25.8
Prepared Foods & Meals	64,283	434,978	14.8
Baked Goods	62,549	153,393	40.8
Dairy Products	54,475	255,697	21.3
Fruits & Vegetables	11,463	46,769	24.5
TOTAL	1,618,600	9,607,815	16.8

Note: Youth 2-17 marketing includes all marketing that meets either the Child 2-11 criteria or the Teen 12-17 criteria, without duplication.

the largest overall marketing for the reported brands. Table II.1 presents total youth-directed expenditures (without duplication between child- and teen-directed expenditures) for each food category, ranked in descending order, and also expressed as a percentage of the total marketing expenditures for those brands within that food category.

Figure II.2 illustrates the youth-directed expenditures for each food category, as well as the total marketing for these reported brands.

Figure II.2: Reported Youth Marketing and Total Marketing for Reported Brands, Ranked by Youth Expenditures



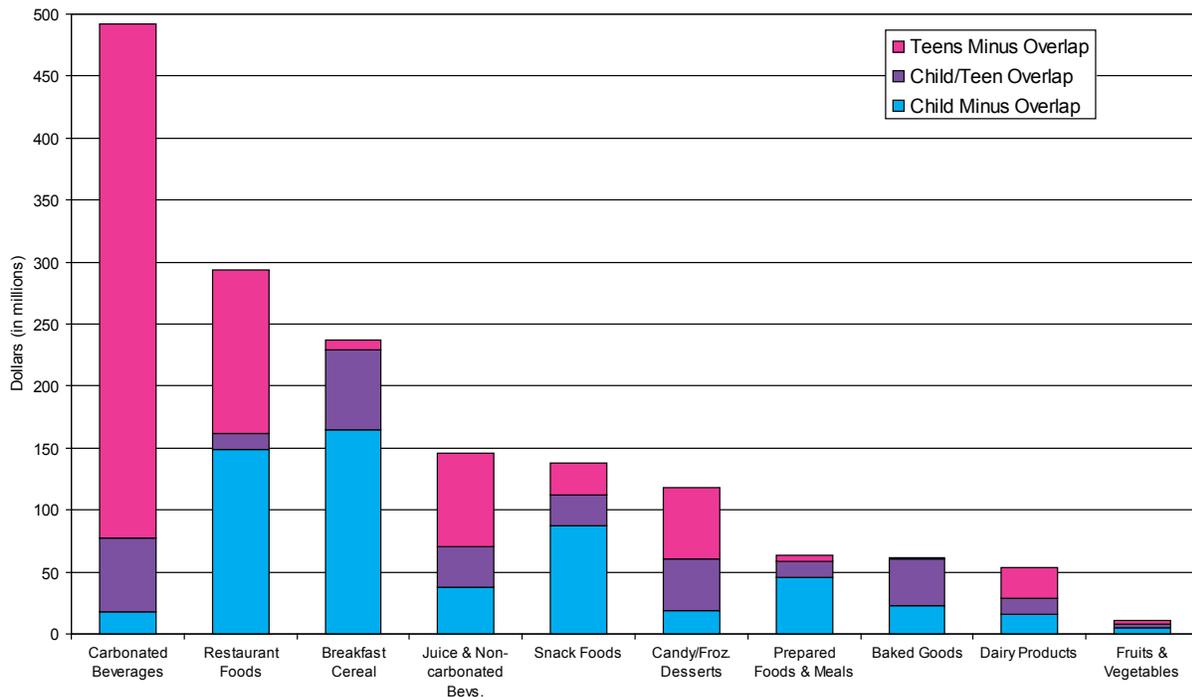
The reporting companies with brands in the carbonated beverages, restaurant food, and breakfast cereal categories spent the most on food marketing to youth; spending in those three categories comprised 63% of all youth-directed spending. However, spending to promote carbonated beverages and restaurant food to children and teens constituted a relatively small percentage of the companies' overall marketing budgets for their reported brands – 15.5% for carbonated beverages and 13.5% for restaurant food. The baked goods category had the highest proportion of youth-directed expenditures relative to total marketing expenditures on youth-advertised brands – 40.8% of the total.²⁵ The juice and non-carbonated beverage category had the lowest proportion (11.7% of the total). Fruit and vegetable growers and producers spent \$11.4 million on youth-directed marketing, 24.5% of their overall marketing expenditures for the reported products.

Breakfast cereals (\$229 million), restaurant food (\$161 million), and snack foods (\$113 million) accounted for the largest amount of expenditures directed to children under 12, representing more than half of the total child-directed expenditures. It is important to note, however, that the restaurant food figure does not include the cost of the toys distributed as premiums with QSR children's meals, although such premiums were a key component of QSR food marketing activities directed to children. As explained in detail below, toy premiums were excluded because they did not meet the definition of "premiums" set forth in the Special Order. Technically, the QSRs *sold* these toys to consumers as part of packaged children's meals; the toys were not free promotional premiums given away with the food. The Commission estimates that in 2006, the reporting QSRs paid \$360 million for the toys distributed as premiums. If these costs were added to other QSR expenditures, the total cost of QSR marketing to children for the reporting companies would increase to approximately \$521 million, which would be more than twice the marketing dollars directed to children in any other food or beverage category. The greatest reported expenditures directed to teens were in the carbonated beverages (\$474 million), restaurant food (\$145 million), and non-carbonated beverages (\$109 million) categories.

Table II.2 lists the reporting companies' total expenditures for both child- and teen-directed marketing by food category and indicates the amount of overlapping expenditures. Figure II.3 illustrates the total marketing expenditures directed to youth in each food category and the breakout between child- and teen-directed expenditures, as well as the overlapping expenditures, for the reported brands.

Table II.2: Reported Child and Teen Marketing Expenditures and Overlap			
Food Category	Marketing That Meets Child 2-11 Criteria (\$1000)	Marketing That Meets Teen 12-17 Criteria (\$1000)	Overlapping Marketing (\$1000)
Carbonated Beverages	77,171	474,192	58,868
Restaurant Foods	161,479	145,008	12,841
Breakfast Cereal	228,983	71,266	63,696
Juice & Non-carbonated Bevs.	70,432	108,606	32,307
Snack Foods	112,607	51,354	25,248
Candy/Froz. Desserts	60,708	98,998	42,012
Prepared Foods & Meals	59,821	17,931	13,468
Baked Goods	61,147	39,649	38,248
Dairy Products	29,572	38,307	13,404
Fruits & Vegetables	8,410	6,236	3,183
TOTAL	870,329	1,051,546	303,275

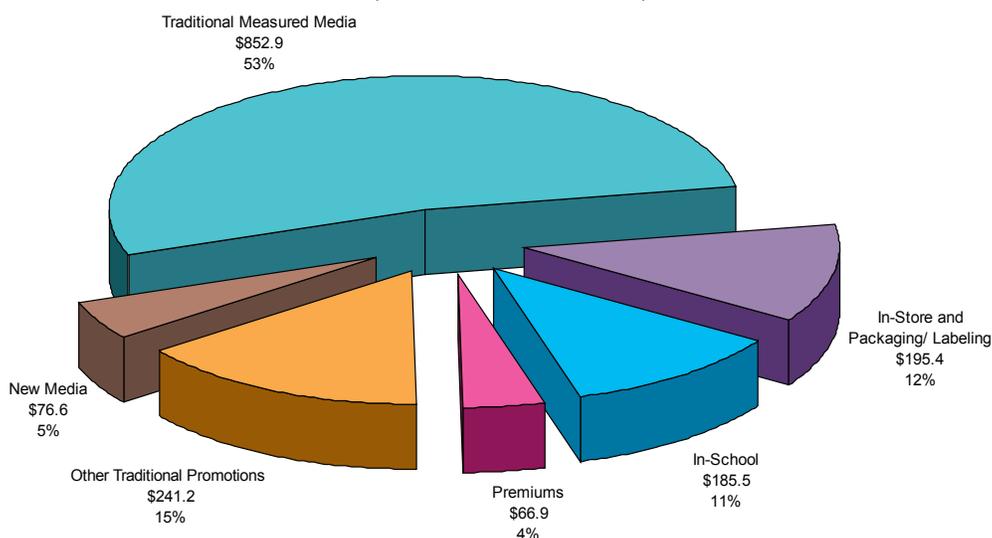
Figure II.3: Child and Teen Marketing, Ranked by Youth Expenditures



C. Expenditures Analyzed by Promotional Activity Groups

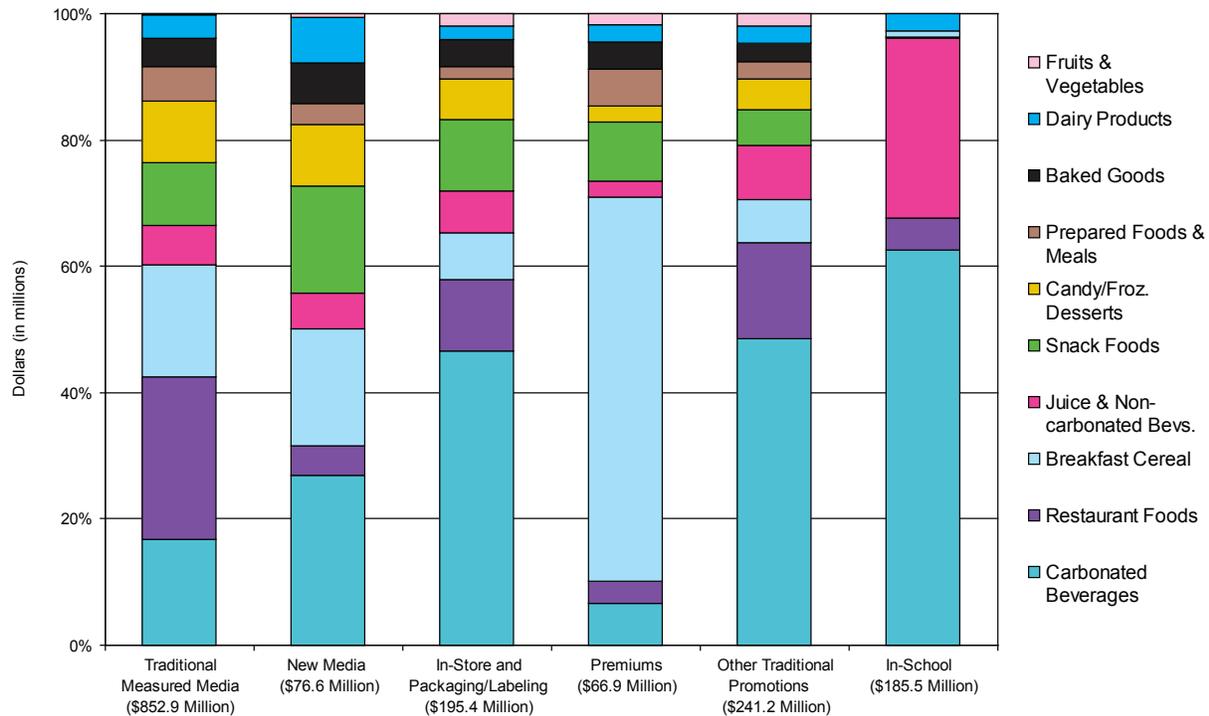
The Commission’s Special Order sought information about 20 separate promotional activity categories. For purposes of this Report, these categories have been consolidated into six groups: 1) Traditional Measured Media, consisting of television, radio, and print advertising; 2) New Media, consisting of company-sponsored websites, Internet, digital, word-of-mouth, and viral marketing; 3) Packaging and In-Store Marketing; 4) Premiums; 5) Other Traditional Promotions, consisting of product placements, movie theater, video, and video game advertising, character or cross-promotion license fees, athletic sponsorships, celebrity endorsement fees, events, philanthropic activities tied to branding opportunities, and other miscellaneous marketing expenditures; and 6) In-School Marketing. Figure II.4 shows how the reporting companies allocated the \$1.6 billion in youth-directed food marketing across the six promotional activity groups. Appendix Tables C.1 and C.2 provide detailed data on these expenditures within each of the 20 individual promotional activity categories for each food group and each age category.²⁶

Figure II.4: Reported Total Youth Marketing Expenditures by Promotional Activity Group (In Millions of Dollars)



Within these six promotional activity groups, Figure II.5 illustrates the percentage of total spending within each group contributed by each food category. The figure demonstrates, for example, that carbonated and non-carbonated beverages comprised a majority of the reported in-school expenditures, that cereals had the largest reported premium expenditures, and that nearly all food categories used traditional measured media, primarily television. Appendix Table C.3 provides further detail on expenditures within the six promotional activity groups.

Figure II.5: Food Category Share of Total Youth Spending For Each Promotional Activity Group



By comparison, figures II.6 and II.7 illustrate the extent to which the various promotional activities are used in each of the food categories for marketing to children and adolescents, respectively.

In addition to the six promotional activity groups identified above, the Report analyzes all expenditures associated with the use of cross-promotions and celebrity endorsements. This category (Use of Cross-Promotions and Celebrity Endorsements) includes character licensing fees paid to the media property owners, as well as all costs associated with use of the licensed property in other promotional categories; it also includes endorsement fees paid to celebrities, and costs associated with promotional activities featuring the celebrity endorser. Therefore, the category is comprised largely of expenditures already reported in the other six groups (e.g., Traditional Measured Media, Packaging and In-Store Marketing, and Premiums).

Figure II.6: Reported Child Marketing Expenditures, By Promotional Activity Group

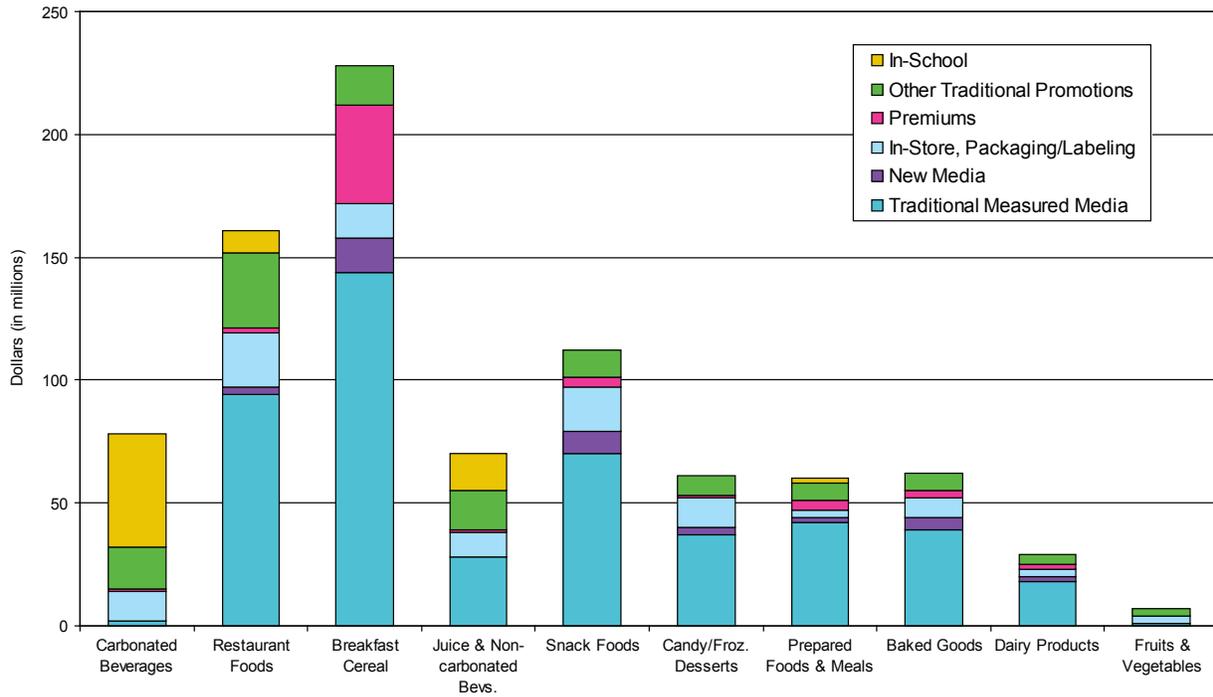
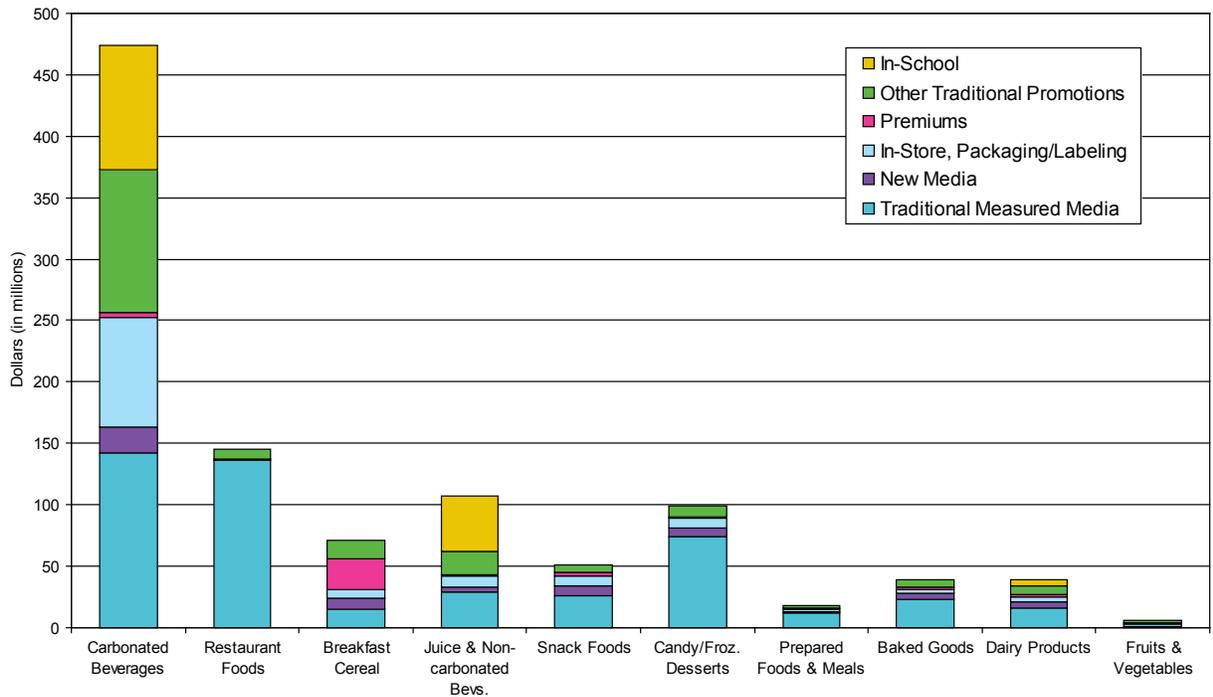


Figure II.7: Reported Teen Marketing Expenditures, By Promotional Activity Group



Note: The child-directed expenditures shown in Figure II.6 are on a scale of zero to \$250 million, whereas the teen-directed expenditures shown in Figure II.7 are on a scale of zero to \$500 million.

1. Traditional Measured Media: Television, Radio, and Print

Traditional Measured Media (television, radio, and print) comprised 53% of youth-directed marketing expenditures – \$853 million.²⁷ The bulk of the reported expenditures in traditional measured media was for television advertising. As noted above, the reporting companies spent more than \$745 million on youth-directed television marketing, accounting for roughly 46% of all youth-directed marketing expenditures and 21% of the companies’ \$3.6 billion in total television advertising expenditures for their reported brands.

A. TELEVISION

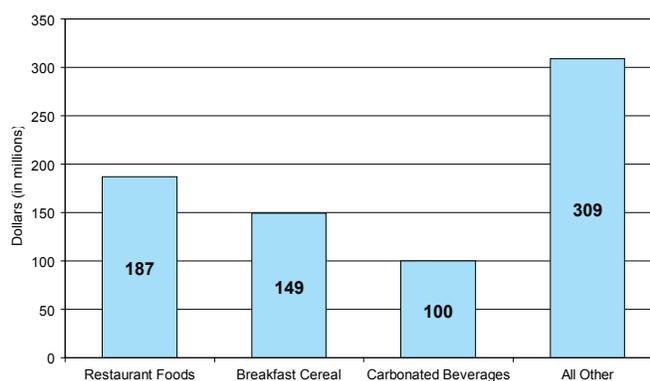
The companies spent \$458 million on child-directed television advertising. Breakfast cereals accounted for more than 31% of those expenditures, or \$142 million, and restaurant food accounted for 20%, or \$91 million. Other food categories with child-directed television advertising were snacks (\$69 million), prepared foods (\$42 million), baked goods (\$37 million), and candy/frozen desserts (\$33 million). Carbonated beverage companies reported \$1.8 million in child-directed television expenditures, representing only three-tenths of 1% of their total television advertising expenditures for their reported brands.

The reporting companies spent \$376 million on teen-directed television advertising.²⁸ QSRs accounted for nearly 28% of those expenditures, or \$105 million, although this amount comprised only 8% of the QSRs’ \$1.3 billion in total expenditures for television advertising. Carbonated beverage companies spent \$99 million, and the candy and frozen desserts category spent \$69 million on teen-directed television advertising. Other food categories with teen-directed television advertising were snacks, juice and non-carbonated beverages, and baked goods; they reported between \$20 and \$25 million each in teen-directed advertising expenditures.

Figure II.8 shows the total youth-directed television expenditures for the top three food categories using this promotional category.

The Special Order also sought expenditure data for advertisements placed during *American Idol*, *American Dad*, *Family Guy*, *UnanImous*, and *The Simpsons*. Among broadcast television programs, these five shows commanded the largest percentage share of teens 12-17 in the audience during the 2005-06 television year, according to The Nielsen Company. Because these programs did

Figure II.8: Television Advertising Expenditures Top 3 For Youth

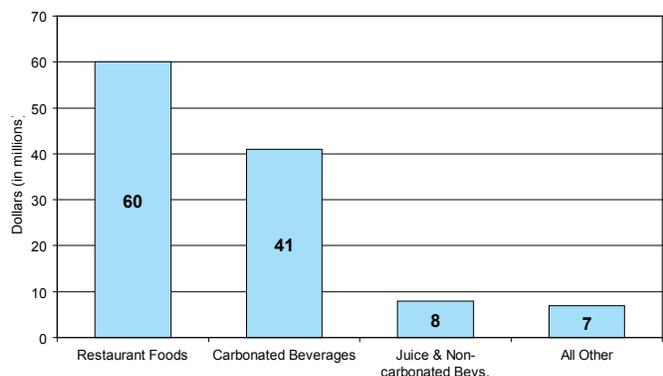


not meet the 20% teen audience share threshold,²⁹ the reported expenditures for these shows are not included in the aggregated television expenditures. However, the data serve to illustrate the point that children and teenagers are exposed to a great deal of advertising that may be targeted to a general audience comprised mainly of adults. On average, more than two million teens watched *American Idol*, and more than one million watched *American Dad* and *Family Guy* during the 2005-2006 time frame. Some of these shows were even more popular with children. On average, more than three million children watched *American Idol*, and more than one million watched *UnanImous* and *The Simpsons*. (By comparison, for the same year, the 2-11 audience for Nickelodeon’s popular youth-directed show *SpongeBob SquarePants* ranged from 576,000 to over 2.4 million, with an average child audience of about 2 million.³⁰)

Most of the companies that advertised on these five broadcast programs stated that their ads were not child- or teen-directed. One carbonated beverage company, however, acknowledged that ad placements on these shows were part of its marketing strategy to reach teens.³¹ In addition, at least two companies have affiliated their brands with shows such as *American Idol* in order to reach children and teens – one through toy premiums for children’s meals³² and the other through sponsorship of the American Idol Live! Tour.³³

Advertising expenditures on these top five broadcast shows – a total of \$116 million – were reported for all food categories except fruits and vegetables. As shown in Figure II.9, QSRs reported \$60 million, and carbonated beverage companies reported \$41 million; these two categories combined accounted for 87% of reported expenditures for the top five shows.

Figure II.9: Television Advertising Expenditures on Top 5 Teen (12-17) Broadcast Shows



B. RADIO AND PRINT

Child-directed expenditures for radio and print ads were relatively small in comparison to those for television. Only in the juice and non-carbonated beverage category were there significant expenditures – \$2.5 million for child-directed radio advertising.³⁴ Teen-directed radio advertising was more significant, with carbonated beverage companies spending more than \$41 million, and QSRs nearly \$30 million. Candy/frozen dessert and non-carbonated beverage companies reported more than a million dollars each for teen-directed radio advertising.

For print advertising, five food categories – breakfast cereals, candy/frozen desserts, dairy, baked goods, and restaurant food – reported more than \$1 million of child-directed expenditures; spending for candy and frozen desserts was \$4 million. Dairy products accounted for 52% of all reported teen-directed print advertising, with expenditures of \$11.4 million. In five other categories – candy/frozen desserts, baked goods, carbonated beverages, juice and non-carbonated beverages, and restaurant food – between \$1 million and \$3 million was spent on teen-directed print advertising for the reported brands.

2. New Media: Websites, Internet, Digital, Word-of-Mouth, and Viral Marketing

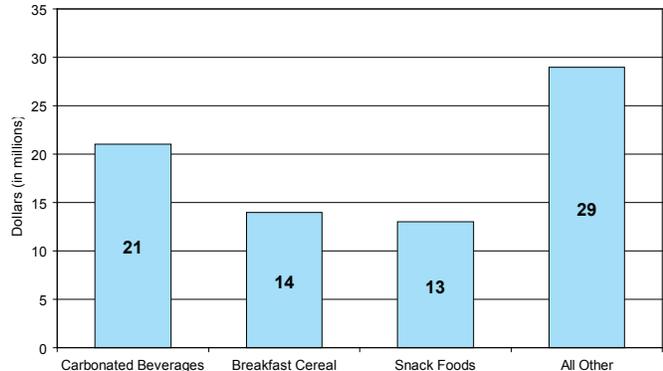
New Media, which includes company-sponsored websites, Internet, digital, word-of-mouth,³⁵ and viral marketing,³⁶ accounted for approximately 5% of all reported youth-directed marketing expenditures. Of the \$77 million spent on these activities for the reported brands, \$32 million was for company-sponsored websites; \$39 million was for advertising on third-party Internet sites; and \$1 million was for other digital marketing, such as mobile marketing. Reported expenditures for youth-directed word-of-mouth or viral marketing were \$5 million.³⁷

Figure II.10 shows the top three food categories with youth-directed promotions in new media.

Breakfast cereals accounted for the highest spending on company-sponsored websites directed to youth (\$6.7 million), followed by carbonated beverages, snack foods, and candy/frozen desserts, which each had expenditures between \$5 and \$5.9 million.³⁸ With regard to

other Internet advertising, \$12.1 million was spent on teen-directed advertising for carbonated beverages; \$7.5 million was spent on breakfast cereal advertising directed to children; and \$6.7 million was spent on youth-directed advertising for snack foods. A focus on expenditure data, however, may underestimate the degree to which food and beverage marketers used the Internet to reach children and teens – both through online display advertising and company-sponsored websites featuring entertainment content like “advergames.”³⁹ Accordingly, Appendix D to this Report explores the amount of display advertising for food and beverages that appeared on child- and teen-oriented websites during 2006, as well as traffic on company websites that feature branded entertainment and activities directed to children and teens.

Figure II.10: New Media Top 3 for Youth



The snack, candy/frozen desserts, dairy products, baked goods, and carbonated beverage categories accounted for digital expenditures ranging from \$100,000 to \$434,000, most of which was teen directed. The companies reported spending just under \$5 million on youth-directed viral and word-of-mouth marketing.⁴⁰ With the exception of \$392,000 that the QSRs reported as child directed, word-of-mouth expenditures were primarily teen directed.⁴¹ Teen-directed word-of-mouth expenditures included \$2 million for carbonated beverages, \$1.3 million for dairy products, and about \$811,000 for juice and non-carbonated beverages.

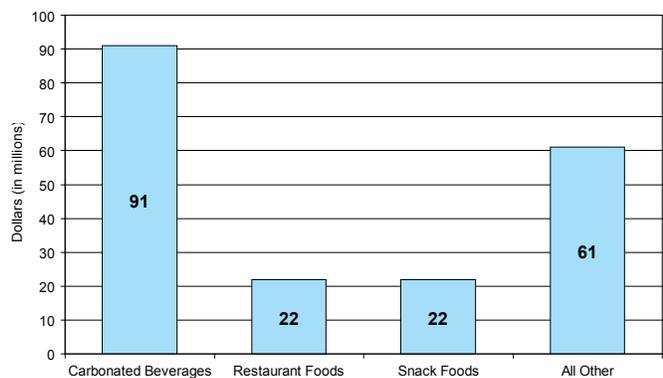
3. Packaging and In-Store Marketing

The companies reported that they spent more than \$195 million on packaging and in-store marketing to reach the youth audience.⁴² In every food category, a total of more than \$3 million was spent on packaging and in-store marketing to reach children. QSRs led spending in these two promotional categories with nearly \$22 million directed to children, followed by companies producing snacks (\$18.2 million), breakfast cereals (\$14.3 million), carbonated beverages and candy/frozen desserts (\$11.6 million each), and juice and non-carbonated beverages (\$10.2 million). Relative to overall in-store and packaging expenditures for the reported brands, the child-directed expenditures for these two categories ranged from 5% for carbonated beverages to 70% for dairy products.⁴³

In the carbonated beverage category, nearly \$90 million was spent on teen-directed packaging and in-store marketing for the reported brands, while teen-directed restaurant food expenditures totaled \$280,000. The carbonated beverages' \$90 million in teen-directed expenditures represented 67% of teen-directed expenditures, and 46% of all youth-directed expenditures, for packaging and in-store marketing for the reported brands.

Figure II.11 presents the top three food categories in terms of total costs on packaging and in-store marketing directed to youth ages 2-17.

Figure II.11: In-Store and Packaging/Labeling Top 3 for Youth

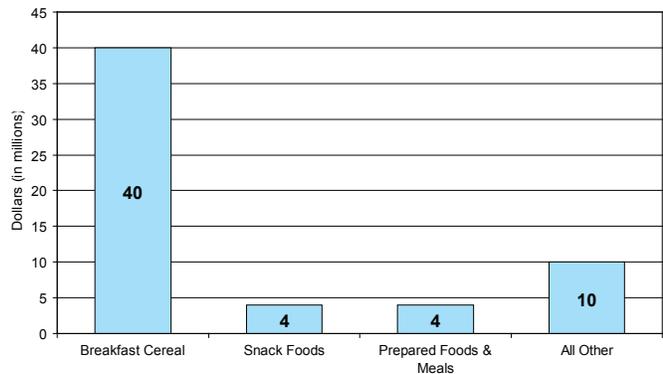


4. Premiums

A. REPORTED EXPENDITURES

The companies reported \$67 million to reach youth consumers through premiums, accounting for 4% of all reported youth-directed marketing expenditures. Far and away, breakfast cereals accounted for the largest expenditures on premiums. As shown in Figure II.12, cereal companies reported close to \$40 million in child-directed premiums, representing 93% of all expenditures on premiums for the reported breakfast cereal brands and 69% of child-directed premium expenditures across all food and beverage categories. For other food categories, companies reported no more than \$4 million and as little as \$450,000 on child-directed premium expenditures. Some companies explained that a cross-promotional partner, such as a toy or media company, often covered the premium costs, such as sweepstakes prizes or DVD rebates. In addition, as noted previously and explained below, the reported premium expenditures do not include the QSRs' self-liquidating premiums (toys), which were a large component of child-directed marketing for QSRs.

Figure II.12: Premiums Top 3 for Children



B. SELF-LIQUIDATING PREMIUMS

The Special Order instructed companies with expenditures for premiums directed to children or adolescents to deduct payments made by consumers for the premium item. As a consequence, premiums distributed as self-liquidating promotions – where the companies' premium costs were entirely covered by the incremental revenue generated by the promotions – would not have triggered a reportable expense. Nevertheless, such promotions can be an important, indeed a critical, component of a QSR food marketing campaign directed to children.⁴⁴

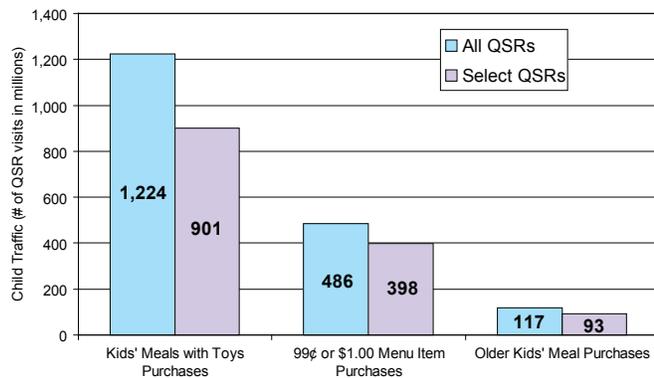
According to data obtained from The NPD Group, in 2006, QSRs sold more than 1.2 billion children's meals with toys to children ages 12 and under, accounting for 20% of all child traffic at QSRs. As shown in Figure II.13, the ten QSR chains responding to the FTC's Special Order (the "Select QSRs")⁴⁵ delivered more than 900 million of those meals. For those Select QSRs, Figure II.14 illustrates that children's meals with toys accounted for nearly 38% of the meals served to children.

Based on an assumed average unit cost of 40 cents per toy,⁴⁶ it is estimated that the Select QSRs spent more than \$360 million to acquire the toys promoted with the children’s meals. If the Select QSRs’ expenditures on self-liquidating premiums were added to their reported child-directed premium expenditures, premiums as a child-directed promotional technique would rank second only to television – \$427 million for premium promotions versus \$458 million for television advertising. The Select QSRs reported spending \$161 million on all child-directed marketing. If their toy acquisition costs were added to this total, child-directed marketing by QSRs would exceed \$520 million – more than twice the amount spent on child-directed marketing by any other food category.

5. Other Traditional Promotional Activities

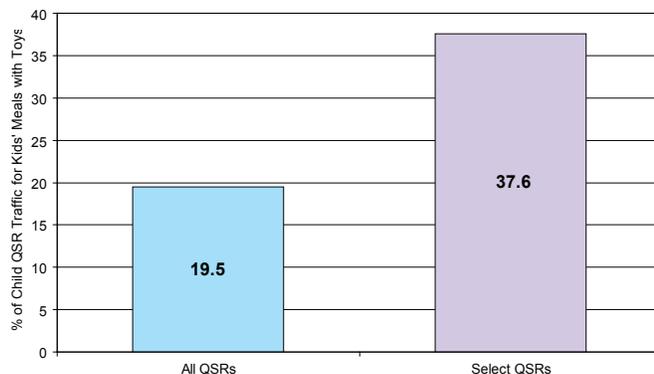
The 44 companies reported youth-directed expenditures for various other promotional activities for which expenditures are not systematically tracked by commercial data companies. These “non-measured” activities included product placements; ads appearing before or within a video game or preceding a home video or theatrical movie feature; license fees paid to use a third-party animated character in advertising or for cross-promotional arrangements; sponsorships of sports teams and athletes; fees paid for celebrity endorsements; public events; advertising or other product branding in conjunction with philanthropic endeavors; and other miscellaneous marketing expenditures. Together, these non-measured activities accounted for \$241 million or 15% of all reported youth-directed marketing expenditures. As shown in Appendix Table C.1, no single one of these activities exceeded 6% of total youth-directed marketing expenditures. The top three food categories in terms of spending on these other traditional media for youth 2-17 are shown in Figure II.15.

Figure II.13: 2006 Child Traffic for Kids’ Meals with Toys, 99¢ or \$1.00 Menu Items, and Older Kids’ Meals (All QSRs versus Select QSRs)



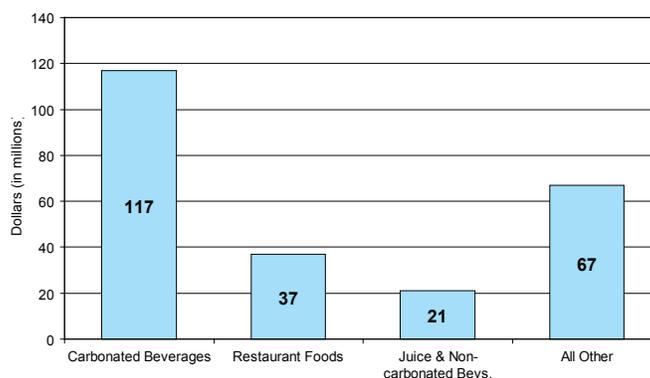
Source: The NPD Group/CREST

Figure II.14: Percent of 2006 Child Traffic for Kids’ Meals with Toys (All QSRs vs. Select QSRs)



Source: The NPD Group/CREST

**Figure II.15: Other Traditional Promotions
Top 3 for Youth**



A. PRODUCT PLACEMENTS AND MOVIE THEATER, VIDEO, AND VIDEO GAME ADVERTISING

The companies reported spending more than \$5 million on youth-directed product placements. Some companies explained that product placement expenses encompassed the cost of the product only; other companies reported expenditures for hiring agencies to negotiate opportunities for product placements. Only carbonated beverage companies spent a significant amount on product placements – just over \$4.5 million for teen-directed placements, which comprised 67% of what the carbonated beverage companies spent in total on product placements for the reported brands.

The companies spent \$8.4 million on youth-directed advertising preceding or appearing in video games or preceding movies. The prepared foods category accounted for the greatest expenditures on movie theater, video, and video game advertising to reach children (\$2.4 million), representing 95% of all expenditures by the reporting companies on such advertising for prepared foods. Candy/frozen dessert makers reported the largest expenditures on movie theater, video, and video game advertising to reach the teen market (\$3 million),⁴⁷ representing 84% of all such expenditures in the candy/frozen dessert category for the reported brands.

B. CHARACTER OR CROSS-PROMOTIONAL LICENSE FEES

Youth-directed expenditures for character or cross-promotional licensing fees were reported in all food categories, for a total of \$46 million. Although these fees comprised only 3% of all youth-directed marketing expenditures, several companies reported that many to most of their cross-promotional arrangements did not require them to pay fees. Breakfast cereal companies reported the largest amount of child-directed licensing fees (\$12.4 million), followed by the QSRs (\$11.5 million) and snack food producers (\$8.7 million).

The Special Order required the companies not only to report license fees, but also to identify the costs reported in other promotional activity categories associated with implementing the license, such as the cost of television ads or product packaging featuring a licensed character. The youth-directed license fees represented 22% of the breakfast cereal companies' total youth-directed expenditures associated with using character and cross-promotional licenses. Such fees accounted for 15.7% of all youth-directed implementation costs in the restaurant food category and 34% in the snack food category. By contrast, 38% of the fruit and vegetable producers' youth-directed expenditures associated with character and cross-promotional licensing arrangements were attributable to license fees. For an analysis of the overall costs associated with implementation of licensed cross-promotions, see Section II.C.7, below.

C. ATHLETIC SPONSORSHIPS AND CELEBRITY ENDORSEMENT FEES

Nearly all of the food and beverage categories used athletic sponsorships⁴⁸ and celebrity endorsements⁴⁹ as promotional techniques, and these were primarily directed to teens. The Special Order asked the companies to report the fees paid to celebrities to serve as endorsers, which are discussed here. In addition, companies were required to identify expenditures already reported in other promotional categories that represented the use of a celebrity endorsement, such as the costs associated with television ads or an event featuring a celebrity endorser. See Section II.C.7, below, for a discussion of the total costs associated with use of celebrity endorsements.

Youth-directed expenditures on athletic sponsorships and celebrity endorsement fees for the reported brands totaled \$37.6 million. Carbonated and non-carbonated beverage companies spent more than \$27 million on teen-directed expenditures in these categories (including \$3.7 million in celebrity endorsement fees), representing about 14% of the total amount they spent on these promotional activities for the reported brands. The QSRs reported nearly \$4.6 million for teen-directed athletic sponsorships and celebrity endorsement fees, and \$1.2 million for similar, child-directed activities. These teen-directed expenditures comprised only 6% – and the child-directed expenditures only 1.6% – of the QSRs' total expenditures in these two promotional activity categories.

D. EVENTS MARKETING

Companies in all food categories reported expenditures for event marketing across the youth spectrum.⁵⁰ The largest amounts reported for child-directed event marketing came from QSRs (\$7.5 million), juice and non-carbonated beverage companies (\$6 million), and baked goods producers (\$4.8 million). The largest amounts reported for teen-directed event marketing came from the carbonated beverages (nearly \$65 million), juice and non-carbonated beverages (\$7.8 million), dairy (\$4.1 million) and candy/frozen desserts (\$3.9 million) companies. As a

percentage of total expenditures on event marketing for the reported brands, the baked goods and breakfast cereal companies spent the most to reach children; approximately 100% of event marketing expenditures for these reported brands were child directed, compared to 30% for the QSRs. For teen-directed event marketing, the ratios were 81% (carbonated beverages), 52% (juice and non-carbonated beverages), 45% (candy/frozen desserts), and 41% (dairy products).

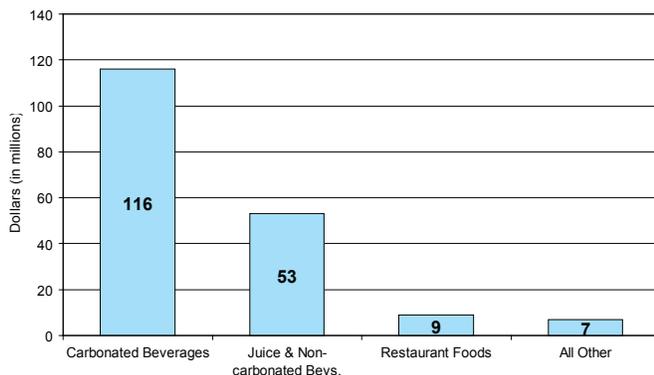
E. PHILANTHROPIC

Seven food and beverage categories engaged in child- or teen-directed advertising or other product branding activities in conjunction with their philanthropic endeavors. The Special Order required the companies to report the costs associated with both monetary and in-kind donations that were conditioned upon or made in combination with the display of trade names, logos, or other branded materials, but not the amount of the donation itself. QSRs spent the most on child-directed philanthropic marketing – \$10.2 million, which was 89% of their overall expenditures on marketing associated with philanthropy for the reported brands. Carbonated beverage companies spent \$3.7 million to reach a youth audience, amounting to 51% of their total philanthropy-associated marketing expenditures for the reported brands. The non-carbonated beverage companies spent \$2.7 million, or 85% of their philanthropy-associated marketing expenditures for the reported brands, to reach a youth audience. Fruit and vegetable producers spent \$1.8 million to reach youths, or 93% of their philanthropy-associated marketing expenditures for the reported brands.

6. In-School Marketing

The companies spent nearly \$186 million in youth-directed in-school marketing expenditures for the reported brands, which accounted for 11.5% of overall youth-directed marketing expenditures, and 67% of the total expended on in-school marketing for the reported brands (including marketing at colleges and universities). As shown in Figure II.16, more than 90% of the youth-directed in-school expenditures was reported in the carbonated beverages and juice and non-carbonated beverages categories (\$169 million combined). The QSRs reported \$9.3 million in child-directed in-school marketing, and the dairy promoters reported nearly \$4.8 million in teen-directed in-school marketing.

Figure II.16: In-School Top 3 for Youth



Under the Special Order, in-school marketing included advertising or promotional activities in or around a pre-school, elementary school, middle or junior high school, and high school, including cafeterias, vending machines, school events, athletic events or fields, school buses, and Channel One or other closed circuit television channels. The 44 companies also had to report payments to schools or school systems pursuant to food and beverage contracts, as well as philanthropic donations to schools or particular school clubs, teams, events, or programs. The majority of in-school marketing expenses consisted of payments made or items provided to schools under “competitive” food and beverage contracts, for products sold outside the school meal program. The Commission recognizes that some of the expenditures captured by the in-school marketing category are not traditional marketing techniques aimed at children or teens. Nevertheless, the payments and items provided to the schools allow access to the youth and are crucial to the food sales directed to youth in the schools.

The Commission obtained expenditure data for in-school marketing from the four largest bottlers of carbonated and non-carbonated beverages, as well as the beverage producers.⁵¹ The QSRs provided the Commission with some data on expenditures associated with the sale of their foods in schools. These data are likely under-reported, however, because in-school sales of QSR foods tend to be conducted by QSR franchisees at the local or regional level, from whom the Commission did not seek data.⁵² Likewise, the snack foods, prepared foods and meals, baked goods, and candy/frozen desserts categories accounted for few in-school expenditures because the vending contracts for these products are often coordinated by local and regional wholesale food distributors from whom the Commission did not seek expenditure data.

7. Use of Cross-Promotions and Celebrity Endorsements

A. LICENSED CROSS-PROMOTIONS

The companies provided expenditure data on both licensing fees paid for and expenditures associated with implementing marketing campaigns incorporating a licensed character or other cross-promotion. A typical cross-promotion featuring a licensed movie or television character tie-in involved expenditures for a license fee, television advertising, packaging and in-store marketing, premiums, and company websites. See Section III for further discussion of cross-promotions.

As shown in Appendix Table C.4, the companies spent \$208 million on youth-directed marketing campaigns that used cross-promotions, representing 13% of all youth-directed spending. As shown in Table II.3, cross-promotional expenditures were a substantially larger portion of some food and beverage companies’ child-directed marketing expenditures. For example, the fruit and vegetable producers spent 47% of their child-directed expenditures on

promotions that used cross-promotions. For QSRs, the cost of promotional activities that used cross-promotions comprised 46% of their child-directed marketing expenditures. In total, more than 78% of all cross-promotion expenditures for the reported brands were youth directed.

In terms of dollars expended, Table II.3 shows that QSRs reported \$74.4 million in child-directed cross-promotions, followed by producers of breakfast cereals (\$56.2 million), snack foods (\$17.1 million), prepared foods (\$8.6 million), dairy products (\$8.5 million), and baked goods (\$5.6 million). The QSR figure would exceed \$430 million if self-liquidating premiums were considered a reportable expense under the Special Order.⁵³ These sums dwarf the \$4 million spent by the fruit and vegetable producers to implement child-directed cross-promotions, as shown in Figure II.17.

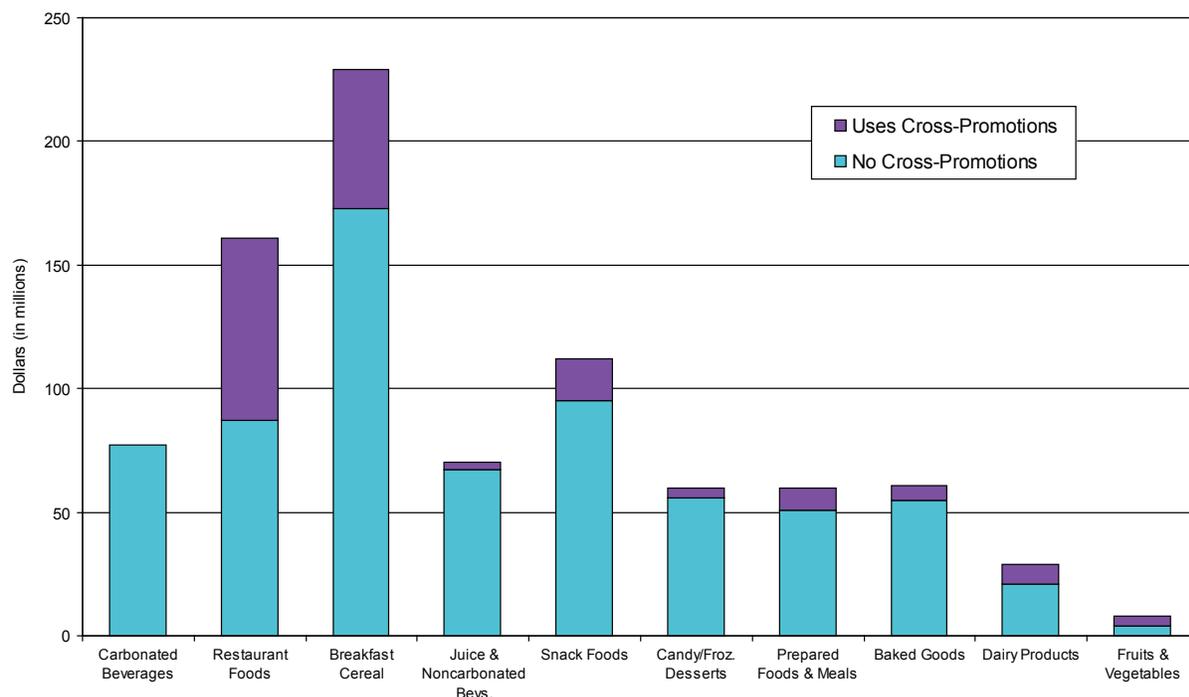
Companies in several food and beverage categories reported teen-directed expenditures for cross-promotions that were not substantially duplicative of expenses reported as child directed. These categories included snack foods (\$12.7 million), candy/frozen desserts (\$3.2 million), and carbonated beverages (\$8.9 million).

Table II.3: Reported Child and Teen Marketing That Uses Cross-Promotions, Ranked by Percentage

Child 2-11			
Food Category	Total Reported Child 2-11 Marketing (\$1000)	Reported Marketing That Uses Cross-Promotions	
		Value (\$1000)	Percentage
Fruits & Vegetables	8,410	3,977	47.3
Restaurant Foods	161,479	74,404	46.1
Dairy Products	29,572	8,474	28.7
Breakfast Cereal	228,983	56,247	24.6
Snack Foods	112,607	17,123	15.2
Prepared Foods & Meals	59,821	8,584	14.3
Baked Goods	61,147	5,648	9.2
Candy/Froz. Desserts	60,708	4,224	7.0
Juice & Non-carbonated Bevs.	70,432	3,343	4.7
Carbonated Beverages	77,171	225	0.3
TOTAL	870,329	182,249	20.9

Teen 12-17			
Food Category	Total Reported Teen 12-17 Marketing (\$1000)	Reported Marketing That Uses Cross-Promotions	
		Value (\$1000)	Percentage
Breakfast Cereal	71,266	32,495	45.6
Snack Foods	51,354	12,660	24.7
Fruits & Vegetables	6,236	958	15.4
Dairy Products	38,307	5,315	13.9
Baked Goods	39,649	3,292	8.3
Prepared Foods & Meals	17,931	1,220	6.8
Candy/Froz. Desserts	98,998	3,169	3.2
Carbonated Beverages	474,192	8,909	1.9
Restaurant Foods	145,008	1,420	1.0
Juice & Non-carbonated Bevs.	108,606	658	0.6
TOTAL	1,051,546	70,096	6.7

Figure II.17: Reported Child Marketing Expenditures and Portion Using Cross-Promotions



B. CELEBRITY ENDORSEMENTS

The companies were asked to provide both the fees paid to celebrities to serve as endorsers, as well as the expenditures for marketing campaigns that involved the use of a celebrity endorsement in other promotional categories, such as in television advertising.⁵⁴ As shown in Appendix Table C.4, the companies spent a total of \$26.8 million on youth-directed promotions featuring celebrity endorsers, representing 1.7% of all youth-directed spending. Thus, implementation of celebrity endorsements represented a much smaller part of youth-directed marketing than did the implementation of character licenses and other cross-promotions.

The dairy promoters reported the largest expenditures on teen-directed campaigns featuring celebrity endorsements, which totaled \$13.9 million (including \$275,000 in endorsement fees), and represented 44% of all celebrity endorsement costs for the reported dairy products. Companies marketing candy and frozen desserts reported more than \$5 million for use of teen-directed celebrity endorsements (including \$1.3 million in fees), accounting for nearly 97% of all marketing that used celebrity endorsements for the reported candy/frozen dessert brands. Additionally, QSRs reported \$1.9 million for youth-directed celebrity endorsements (including \$402,000 in endorsement fees), accounting for 56% of all use of celebrity endorsements for the reporting QSRs. Appendix Table C.4 contains detailed data on expenditures for each age category for marketing using celebrity endorsers.

III. Food Marketing Activities Directed to Children and Adolescents

A. Introduction

In response to the Special Order, the Commission received thousands of samples and descriptions of advertising and promotional activities from the 44 target companies. These samples covered the entire spectrum of advertising and promotional categories covered by the Special Order: television, radio, and print advertising; company-sponsored websites, ads on third-party Internet sites, and other digital advertising, such as email and text messaging; packaging, labeling, point-of-purchase displays and other in-store marketing tools; advertising and product placement in movies, videos, and video games; premium distribution, contests, and sweepstakes; cross-promotions and celebrity endorsements; marketing activities in schools; viral and word-of-mouth marketing; sponsorship of events, sports teams, and athletes; and philanthropic activity tied to branding opportunities.

The companies provided samples for those activities for which they had reportable expenditures, as discussed in Section II, as well as for activities that met the Commission's criteria for marketing directed to children and adolescents but for which there were no reportable expenditures. In some cases, particularly for new media such as the Internet, promotional activities may have required little or no financial investment in order to reach the intended audience.

Broadly speaking, nearly every food product category engaged the full spectrum of advertising and promotional activity formats. One exception was the fruits and vegetables product category, which tended not to use the traditional media of television, radio, and print. Fruit and vegetable companies did, however, use licensed characters and marketed them in much the same way as other food and beverage companies: via company websites, in-store displays, and product packaging. Third-party licensed characters and company proprietary "spokescharacters" – animated versions of animals, people, or even the food itself – were used heavily in marketing to children, but also were used to reach teens. Celebrity endorsers, on the other hand, were almost exclusively employed in advertising directed to teens and "tweens" (those between the ages of 8 or 9 and 13 or 14). For the most part, other promotional activities reported were used to reach both children and teens.⁵⁵

The responses to the Special Order show that product marketing campaigns directed to youth typically are fully integrated: a child might first see an ad on television for a food product;

the child would then encounter related promotional displays or product packaging in a retail setting or restaurant; the child might receive a related toy or other premium immediately upon purchase of the product or might be directed to the product website to enter a package UPC or other code to participate in sweepstakes or to receive “points” redeemable for prizes or digital content, such as ringtones; once on the website, the child might interact with the brand through online games or by sending “e-cards” (electronic greeting cards) or “send-to-a-friend” viral marketing messages to others.

Part B of this Section of the Report focuses on marketing activities such as cross-promotions, new media, unmeasured traditional promotional activities, and in-school marketing that previously have not been systematically analyzed across the youth spectrum for broad categories of food products. Thus, use of traditional measured media, such as television, is described only in the context of cross-promotions.

In addition, Part C of this Section provides an overview of market research reported by companies on the success and impact of various promotional techniques directed to youth. Finally, in Part D of this Section, the Commission reports on information provided by the companies relating to advertising campaigns and techniques that focused on particular gender, racial, or ethnic segments of the population. Companies provided much of this information on a general audience basis, with a small amount examining a target audience of children and adolescents.

B. Specific Promotional Activities

1. Cross-Promotions and Third-Party Licensed Characters

One of the most consistent themes in advertising directed to children and adolescents – appearing in nearly all promotional formats and for nearly all product categories – was the use of cross-promotions and third-party licensed characters to promote foods, beverages, and restaurants. Companies used cross-promotions to advertise nearly every type of food product, including QSR children’s meals, breakfast cereals, candy, snacks, and beverages, as well as fruits and vegetables and dairy products, and the campaigns generally were integrated across promotional formats. The focus of a cross-promotional campaign was typically a child- or teen-oriented movie or television program, but cross-promotional arrangements were also developed for toys,⁵⁶ websites,⁵⁷ theme parks and other children’s entertainment venues,⁵⁸ video games and consoles,⁵⁹ and youth and professional athletic leagues.⁶⁰

Media companies often entered into cross-promotional arrangements with multiple food companies to promote an individual film or television program. Thus, characters from

Nickelodeon's Nick and nickjr programming were used to promote QSR children's meals, canned pastas and soups, snack crackers, snack chips, cookies, clementines, baby carrots, bagged spinach, yogurt, macaroni and cheese, lunch kits, children's frozen meals, fruit snacks, and breakfast cereals. Animated characters from Cartoon Network programming appeared on labels and packaging for QSR children's meals, fruit snacks, snack crackers, yogurt, macaroni and cheese, breakfast cereals, frozen desserts, and fruits and vegetables. Sesame Street licensed its characters only to fruit and vegetable companies as part of its Healthy Habits for Life program. Disney characters appeared on packages and store displays for fruit snacks, breakfast cereals, candy, yogurt, frozen waffles, toaster pastries, macaroni and cheese, and fruits and vegetables. Multi-brand food companies often included several individual food products, spanning multiple food categories, in their cross-promotions. For example, one packaged food company utilized cross-promotions with the films *Cars*, *Over the Hedge*, *Ice Age 2*, and *Open Season* to market multiple products, including its children's frozen meal, pudding, canned pasta, and popcorn products.

Below is a comprehensive list of the media properties that the target companies reported using in cross-promotions to children and adolescents in 2006:

- *The Adventures of Jimmy Neutron: Boy Genius* (canned pastas and soups, snack chips)
- *American Idol* (candy, cookies, toaster pastries)
- *The Ant Bully* (QSR children's meals, non-carbonated beverages)
- *Avatar* (QSR children's meals, fruit snacks)
- *The Backyardigans* (fruit snacks, fruit)
- *Barbie: Fairytopia* (breakfast cereals, toaster pastries)
- *Batman* (canned pastas and soups, fruit snacks)
- *Blue's Clues* (breakfast cereals, fruit snacks, fruit, yogurt)
- *Care Bears* (fruit snacks)
- *Cars* (QSR children's meals, fruit snacks, snack bars, breakfast cereals, toaster pastries, frozen waffles, canned pasta, pudding, cookies, snack crackers, popcorn, yogurt, non-carbonated beverages)
- *Charlie and the Chocolate Factory* (candy)
- *Charlotte's Web* (QSR children's meals)
- *The Cheetah Girls* (macaroni and cheese)
- *Chicken Little* (fruit snacks)

- *The Chronicles of Narnia* (QSR children's meals, breakfast cereals, cereal bars, snack chips, fruit snacks, toaster pastries, packaged salads)
- *Clifford the Big Red Dog* (QSR children's meals, fruit juice, snack crackers, breakfast cereal)
- *Curious George* (QSR children's meals, breakfast cereals, snack cakes, fruit juice, bananas)
- *Danny Phantom* (canned pastas and soups, children's frozen meals, frozen desserts)
- Disney Princesses (breakfast cereals, fruit snacks, yogurt, frozen waffles, toaster pastries)
- *Doogal* (QSR children's meals)
- *Dora the Explorer* (breakfast cereals, canned pastas and soups, snack crackers, fruit snacks, cookies, fruit, yogurt)
- *Dragon Booster* (QSR children's meals)
- *El Chavo* animated series (cookies)
- *Elmo* and other Sesame Street characters (fruits and vegetables)
- *The Fairly OddParents* (snack chips, macaroni and cheese, fruit snacks, frozen desserts)
- *Finding Nemo* (fruit snacks)
- *Flushed Away* (QSR children's meals, breakfast cereals, snack bars, snack crackers)
- *Foster's Home for Imaginary Friends* (QSR children's meals)
- *Go, Diego, Go!* (fruit snacks, yogurt)
- *Goosebumps* (QSR children's meals)
- *Happy Feet* (QSR children's meals, snack crackers, breakfast cereals, yogurt, fruit snacks, baked goods, carbonated and non-carbonated beverages)
- *Hello Kitty* (fruit snacks)
- *Holly Hobbie and Friends* (QSR children's meals)
- *I Spy* (QSR children's meals, fruit juice)
- *Ice Age 2* (QSR children's meals, yogurt, fruit snacks, cereal bars, breakfast cereals, toaster pastries, frozen waffles, children's frozen meals, canned pasta, pudding, cookies, snack crackers, popcorn, carbonated and non-carbonated beverages)
- *King Kong* (fruit snacks, snack cakes, cookies, carbonated beverages)
- *Klutz* (QSR children's meals)
- *Lady and the Tramp* (carbonated beverages, snack cakes)

- *Leroy & Stitch* (fruits and vegetables)
- *The Lion King* (fruit snacks)
- *Little Einsteins* (breakfast cereals)
- *The Little Mermaid* (QSR children's meals, breakfast cereals, candy)
- *The Littlest Pet Shop* (QSR children's meals)
- *Looney Tunes* (QSR children's meals, fruit snacks, fruits and vegetables)
- *Madagascar* (fruit snacks)
- *Mickey Mouse Clubhouse* (breakfast cereals)
- *Monster House* (frozen pizza)
- *Monsters, Inc.* (fruit snacks)
- *My Little Pony* (fruit snacks)
- *¡Mucha Lucha!* (fruit snacks, frozen desserts)
- *Nanny McPhee* (food service pizza and burritos served in schools)
- Nintendo characters such as *Mario* and *Donkey Kong* (QSR children's meals)
- *One Tree Hill* (carbonated beverages)
- *Open Season* (QSR children's meals, breakfast cereals, children's frozen meals, popcorn)
- *Over the Hedge* (QSR children's meals, yogurt, snack chips, snack cakes, popcorn, carbonated and non-carbonated beverages)
- *Paz the Penguin* (fruits and vegetables)
- *Peanuts* (QSR children's meals)
- *Pirates of the Caribbean* (QSR children's meals, candy, frozen waffles, fruit snacks, breakfast cereals, lunch kits, popcorn, non-carbonated beverages, fruits and vegetables)
- *Polar Express* (popcorn)
- *Robots the Movie* (fruit snacks)
- *Rudolph the Red-Nosed Reindeer* (breakfast cereals, snack cakes)
- *Rugrats* (fruit snacks)
- *Scooby-Doo* (breakfast cereals, snack crackers, macaroni and cheese, fruit snacks, yogurt)
- *Shrek* (breakfast cereals, macaroni and cheese, yogurt, fruit snacks, snack crackers, cookies)

- Sony PlayStation characters *Spyro the Dragon* and *Crash Bandicoot* (popcorn)
- *Spider-Man* (QSR children's meals, breakfast cereals, cereal bars, cookies, pancakes, fruit snacks, snack crackers, snack chips, sliced cheese, macaroni and cheese, frozen desserts, non-carbonated beverages)
- *SpongeBob SquarePants* (QSR children's meals, breakfast cereals, snack crackers, macaroni and cheese, lunch kits, fruit snacks, cookies, yogurt, fruits and vegetables)
- *Star Wars Episode III* (fruit snacks)
- *Strawberry Shortcake* (QSR children's meals)
- *Stuart Little 3* (QSR children's meals)
- *Superman Returns* (QSR children's meals, breakfast cereals, milk, cereal bars, snack chips, snack crackers, fruit snacks, packaged pasta, carbonated and non-carbonated beverages)
- *Surf's Up* (popcorn snack)
- *Teenage Mutant Ninja Turtles* (fruit snacks, fruit juice)
- *Trollz* (QSR children's meals)
- *The Wiggles* (fruit juice)
- *The Wild* (QSR children's meals)
- *Winnie the Pooh* (fruit snacks)
- *Winx* (fruit snacks, fruit juice)
- *Xiaolin Showdown* (breakfast cereals)
- *Yu-Gi-Oh!* (QSR children's meals)
- *Zoom* (QSR children's meals)

A. ANCHORING CROSS-PROMOTIONS WITH TRADITIONAL MEASURED MEDIA

Food and beverage companies and restaurants frequently anchored their cross-promotions in traditional measured media, particularly in television advertising. Companies reported using television ads as part of their cross-promotions for a wide variety of food products, including QSR children's meals, breakfast cereals, children's frozen meals, frozen waffles, toaster pastries, cookies, candy, snack chips, macaroni and cheese, fruit snacks, yogurt, and spinach. Print advertising of cross-promotions was used for snack cakes, milk, carbonated beverages, and canned soup. Occasionally, products were embedded in the television program or film to enhance the cross-promotion. For example, one carbonated beverage was cross-promoted, via packaging, in-store advertising, and the Internet, with the teen television drama *One Tree Hill*.

Products were shown within the program, in addition to being advertised in standard television ads appearing during or adjacent to the show.

B. RELIANCE ON PACKAGING AND IN-STORE DISPLAYS

Companies frequently relied on packaging and in-store displays as mechanisms for advertising their cross-promotions. Typically, media companies permitted use of their copyrighted images from films and television programs directly on product packaging and displays. These images usually were featured prominently on the front of the package, with additional, related content, such as games, trivia, and sweepstakes or contest information, provided on the back. Packaging also advertised the availability of promotion-related premiums inside the package or through the product website. In other cases, the packaging itself served as the premium, such as a popcorn carton that had a cut-out picture frame featuring third-party licensed characters, or a candy dispenser that was also a toy thematically tied to the promoted film.

Some product labels explicitly encouraged consumers to watch or buy the particular cartoon or movie being promoted. Other packaging directed the consumer to a website to play a game featuring the licensed character. In a few examples, a licensed character provided nutritional messages. In addition, some produce companies utilized licensed characters to promote fruit and vegetables in stores by using character images on produce bags and placing stickers or tags on loose items.

HOW IT WORKS:

A fruit and vegetable company used a cross-promotion with Discovery Kids character Paz the Penguin to get children's attention in stores and to remind parents to buy fresh produce for their children. The character's name and image were featured on hanging tags used in cold-case produce sections. In-store events with Paz the Penguin in 10 cities featured give-away activities for children, stickers, coupons for parents, and product samples.

Many supermarkets and QSRs displayed materials cross-promoting movies, movie DVDs, television events, athletic teams or events, or sweepstakes. One cereal cross-promoted with a movie had stand-alone kiosks featuring an interactive video game that children could play. Non-carbonated beverage displays at restaurants and convenience stores promoted the chance to win video game consoles, children's books, or free children's meals. Posters at QSRs promoted toy

availability with purchase of a children's meal. Frequently, cross-promotions involved rebate offers that were advertised on product packaging and on point-of-sale displays.

C. REWARDING CHILDREN AND TEENS WITH PREMIUMS

A key feature of a cross-promotional campaign was nearly always the distribution to children of toys, stickers, games, or other items, often found in packages and QSR children's meals, or available with proofs of purchase or by inputting a package code on a food product website. QSRs in particular were apt to use toys linked to cross-promotions of new movies, popular children's television programming, or classic children's toys as a means of marketing their "kids' meals" to children. Toys were generally sold in a series, encouraging children to purchase multiple meals so they could collect each separate toy. Premiums included figurines of film and television characters, plush toys, toy trucks and cars, puzzles and games, including toys for outdoor activities, and functional objects such as calculators, rulers, watches, wristbands, and water bottles. Restaurants also frequently structured their cross-promotions to include toys that would appeal to both girls and boys, such as a promotion for one quick-service "kids' meal" that gave children the option of a G.I. Joe toy or a Bratz toy, and another promotion that offered the option of a Polly Pocket fashion doll or a toy Hummer vehicle.

Packaged food companies also frequently distributed thematically linked premium items with their products. Examples included trading cards, back-to-school kits, movie posters, stickers, iron-ons, video games, activity books, bobble-head dolls, toys, pencil toppers, bowls and utensils, personalized license plates, key chains, and figurines, which typically carried branding for the media property and/or the food brand.

For many DVD releases, food and media companies partnered to offer cash back or a certain quantity of free product when consumers purchased the DVD and/or the food item. Rebates and discounts were also available for cross-promotion themed toys. Companies that were engaged in cross-promotions with theme parks and other youth venues provided discounts on tickets or admission.

Other premiums were distributed to children and teens through sweepstakes.⁶¹ Cross-promotions with films might offer a sweepstakes to win a trip to the film premiere, or to win a family vacation related to the movie's storyline. An example of a sweepstakes prize created to appeal to children ages 12 and under was a contest to win a dream tree house offered as part of a children's frozen meal product's cross-promotion with the children's film *Open Season*. Others were geared toward adolescents, including a candy company's cross-promotion contest with the movie *Pirates of the Caribbean* that offered cash prizes, iTunes downloads, and screensavers.

Companies frequently targeted contests to certain age groups by limiting eligibility for prizes, such as to adolescents ages 13 and over, or to youth 14 or younger.

TARGETED SWEEPSTAKES:

In connection with the release of children's film Charlie and the Chocolate Factory, one candy company ran two sweepstakes aimed at children and teens. In the first, open to ages 16 and under, game pieces in packages offered children the chance to win a trip to Wannado City theme park to be a candy-maker for a day, invent a new, limited edition candy product, and receive a "salary" of \$25,000. In the second, open to all ages, children who found a "Golden Ticket" in the packages of one of five participating candy varieties could win one of five grand prizes, each of which was based on one of the child characters in the movie. Prizes included a trip to Europe, \$10,000 in cash, a shopping spree, a fantasy sports camp adventure, and a video animation studio tour. Runner-up prizes for the sweepstakes included movie kits containing a DVD, T-shirt, poster, and other movie-related items; MP3 players; and candy.

Finally, a common method for distributing cross-promotion related prizes to children and teens was to provide access to content online or opportunities to instantly win items via a website. These types of prizes were available upon entering a UPC or other code from product packaging onto the website. In this way, children were given opportunities to win toys, video games, movie tickets, and other prizes tied to the cross-promotions.

D. INTERACTING WITH CROSS-PROMOTIONS VIA THE INTERNET

As part of their cross-promotions, many food companies dedicated space on company websites or product sites to advertise the promotions. Similar to packaging and store displays, website content prominently displayed copyrighted images from the cross-promoted films and television programs. QSRs featured unique web pages for toys sold during cross-promotions.

Frequently, websites featured an interactive component tied to the cross-promotion, such as an online game featuring the licensed character or an opportunity to win an instant prize related to the promotion. Some websites incorporated the licensed characters into free downloads offered at the sites, such as wallpapers, screensavers, coloring pages, and e-cards. In some cases, media companies allowed movie trailers and extra footage to appear on food company websites advertising the cross-promotion.

Online promotions also commonly involved content on a partner website, such as a media company's website for the licensed film or television program. As part of their cross-promotions, food companies placed banner, skyscraper, and pop-up ads on partner websites, and often the media company and food company sites hyperlinked to each other's related content. In some cases, media partners streamed video ads for the food products on their websites or hosted online games incorporating the food products. Food companies also paid unrelated third-party websites to run banner ads for their child- and teen-directed cross-promotions. One QSR offered codes on its company website that could be used to access additional content on partner websites or console-based video games tied to the cross-promotion.

PROMOTION VIA A PARTNER WEBSITE:

For a cross-promotion for its television character Danny Phantom, Nick.com featured sponsored logos and streaming video ads for a children's frozen meal product. Banner ads directed children to the "FUN GAMES" on the food product website, promoted a contest on the food site to win a Danny Phantom video game, and told children to "look for these meals in your grocer's frozen food section." In addition, the frozen meal product served as a sponsor of Nick.com's New Game of the Week, which enabled the food company to display a branded billboard ad while Nick.com's online video game loaded and to have banner ads and a product logo visible during game play.

E. EDIBLE CROSS-PROMOTIONAL ITEMS

There were many examples of food products with "limited edition" line extensions devoted specifically to the cross-promoted movie, television show, cartoon character, toy, or website. Such products included candy, canned soups, pastas, breakfast cereals, snack crackers, cookies, fruit snacks, snack cakes, toaster pastries, cereal bars, yogurt, children's frozen meals, and frozen waffles shaped like or co-branded with licensed characters from television shows or motion pictures popular with children or adolescents. Sometimes, the food itself was imprinted with the cross-promotion. For example, one snack chip brand was imprinted with trivia questions related to cross-promotions with films, including *The Chronicles of Narnia* and *Spider-Man 3*, and other media properties.

F. CASE STUDIES

Cross-promotions were widespread in 2006, tying foods and beverages in all of the covered categories to about 80 movies, television shows, and animated characters that appeal primarily to

youth. Two examples of movies that were cross-promoted with a wide variety of food products were *Pirates of the Caribbean* and *Superman Returns*. Cross-promotions with these films used the full range of promotional techniques, and were directed to both children and teens.

i. Pirates of the Caribbean

In July 2006, *Pirates of the Caribbean: Dead Man's Chest* was released in cinemas across the country with an MPAA rating of PG-13.⁶² To coincide with the film's release, food and beverage companies and restaurants ran cross-promotions involving a range of foods, including QSR children's meals, fruit, frozen waffles, fruit snacks, breakfast cereals, popcorn, lunch kits, and candy directed to children and adolescents. Advertisements took the form of television and in-theater ads, Internet advergames, specially marked packaging, limited edition line extensions inspired by the movie, premiums, prizes, and in-store displays.

One QSR cross-promotion featured the *Pirates* movie on the restaurant's "kids' meal" packaging and promoted movie-related toys ("loot") via in-store and drive-thru posters. Packaging for a candy brand displayed company animated spokescharacters dressed as pirates and characters from the *Pirates* movie, and some packages were designed to look like swords. Consumers who bought certain breakfast cereals or frozen waffles could mail in for a skull-shaped bowl or a bandana, and other packages offered free movie popcorn or provided a skull strobe light key chain as an in-pack premium.

A produce company created special in-store displays and tags for pineapples and bananas to promote the movie and direct consumers to a website where visitors could "plunder" rooms and get free movie-related holiday posters. Similarly, the website for a children's lunch kit product described the in-pack premiums and the chance to play advergames related to the movie. A cereal company's branded online environment for children promoted *Pirates* on the marquis of the town's virtual movie theater.

Packaging and point-of-sale displays for candies promoted a *Pirates* sweepstakes for a cash prize. A QSR cross-promotion included a "Search for the Golden Treasure" game in which kids' meal purchasers could instantly win a trip to Disney Parks. The website for a popcorn brand featured a *Pirates* cross-promotion, in which consumers could enter the UPC number from the product package to win a prize.

One candy company created limited edition candy products, including "White Chocolate Pirate Pearls" (featured in a television ad in which an actor from *Pirates* talked to company animated spokescharacters), "Shipwreck Treasure Mix" (in which "sea green" candies turned gold in your mouth), and "Jack's Gems" (printed with pirate-themed images, like a skull and

bones). Similarly, a packaged foods company marketed a limited edition frozen waffle stamped with images based on the movie, as well as fruit snacks in treasure shapes.

ii. Superman Returns

The Summer of 2006 also saw the release of *Superman Returns* (rated PG-13), and food and beverage companies licensed the *Superman* character for use in television ads, on packaging, in store and restaurant displays, and on the Internet. Products advertised in *Superman* cross-promotions included carbonated and non-carbonated drinks, breakfast cereals, pasta, snack foods, and QSR children's meals. One dairy marketer used the lead actor from *Superman* in its "got milk?" milk mustache print ads. Limited edition cereal, snack, and pasta products took the shape of the *Superman* shield, and a "Buffalo wings" snack flavor was created to coincide with the film. Product samples were given out at movie premieres and other venues. Branded carbonated beverages were placed in the film itself. A restaurant offered *Superman* outdoor flying toys as children's meal premiums, together with online activity challenges and the opportunity to track and compare individual progress; it also sponsored an online sweepstakes to win a laptop computer. Food company websites promoted the movie by telling the movie's back-story, offering online games (find Lois Lane or find Superman, for example), revealing *Superman* trivia, and affording the opportunity to win prizes with a code found in or on packages. *Superman*-themed prizes – promoted on packages, in stores, and on the Internet – included a vacation trip to various U.S. landmarks; branded T-shirts, towels, and travel gear; video games; a \$1,000,000 reward for the capture of villain Lex Luthor; and other cash awards. Other premiums included posters, game cards, discounts on *Superman* toys, lunch kits, activity books, a door hanger, and wallpaper downloads. *Superman* products were advertised across age groups, from young children to adolescents.

2. Brand Recognition Activities

In addition to the widespread use of cross-promotions with third-party licensed characters and other properties in marketing to children and teens, several companies – including QSRs, a produce company, and cereal, snack, baked goods, and candy makers – have successfully created their own animated spokescharacters. These characters are based on animals, people, the food product, and even utensils, and are used in advertising and promotions to increase recognition of products and brands. Spokescharacters generally are associated with a particular product or product line, and their success is documented by the fact that many have endured for generations of children.

Stories about the characters and fictitious biographical information appeared in television ads, on packages, and in online videos. The stories were augmented by websites and packaging

that used the characters in games, involved children in solving mysteries, and offered related prizes or premiums, such as “collectible” character cards. Spokescharacters also made appearances at events; one snack food brand offered a contest where the winner’s school would have a celebration party with a “live” appearance by the character.

In 2006, a candy company and Marvel Comics created a series of print and online comic books, promoted via in-store displays and through the company website. Comic book pages portrayed each candy piece as a unique character. Print ads directed children to the Internet where they found printable games with instructions to use the candy as game pieces. Codes on product packaging could unlock additional game levels on the website.

As part of the effort to increase brand awareness through the use of spokescharacters and other advertising techniques, a number of companies have successfully developed their own lines of branded merchandise for sale at retail outlets, or have licensed third parties to sell merchandise branded with food company trademarks and characters.⁶³ In addition to serving a promotional purpose by increasing consumer familiarity with and loyalty to particular products and brands, these activities typically profit the company through licensing fees, royalties, and product markups.

Food-branded merchandise may be developed for use by a general audience, or by children or adolescents. Thus, children may wear pajamas that carry a cereal logo, while teens may decorate their lockers at school with message boards branded with their favorite candy bar.⁶⁴ Some companies also entered into marketing agreements with toy companies to produce co-branded toys, including race-cars, dolls, and Play-Doh, which children could use to make models of their favorite snack cakes. These branding opportunities increase brand recognition among the parent purchasers, as well as the child or teen end-users.

One candy company reported being contacted by educators (including the Secretary of the Department of Education) in the mid-1990s with requests to use company brands and images in educational materials, such as counting books, to help children learn math in a creative way. Following these inquiries, the company entered into an agreement with a publishing company to produce books on math topics, as well as holiday and birthday books. The agreement to publish these branded children’s books terminated at the end of 2006.

3. Other Promotional Activities

A. INTERNET AND DIGITAL ADVERTISING

More than 30 of the 44 target companies reported online, youth-directed advertising activities. Online activities included dedicating space on a company website to child- or teen-

focused content; developing independent websites for particular child- or teen-directed food products or promotional campaigns; purchasing ads on third-party websites to promote a food item or promotion; and using a range of other digital marketing techniques, such as email newsletters, downloadable screensavers and wallpapers, podcasts, and “webisodes,” to reach children and adolescents.

Many companies designated portions of their websites as dedicated child or teen zones. Other companies had independent websites for products that were child- or teen-focused, in which all of the content was directed to those audiences. In some cases, unique websites were created for specific promotions. One energy drink company closely tied its promotional activities to extreme sports popular with teens by hosting several websites dedicated to different sporting activities, such as paragliding, skydiving, motorbike racing, and kiteboarding. Child- and teen-directed website content often featured bright colors and graphics, and images of children and adolescents; teen websites occasionally used darker colors and graphics.

Many websites allowed children and teens to view the companies’ television ads for the products, but at least one company had a policy that television ads would not be automatically streamed to child viewers online. Some carbonated beverage companies reported interactive website features that allowed consumers to create their own videos using clips the companies provided of food products and extreme sporting activities.

Advergames were a frequent feature on child- and teen-directed food company websites, appearing on websites for products such as snack chips, fruit snacks, seeds, candy, cookies, cereals, dairy products, cocoa, children’s frozen meals, restaurant food, frozen waffles, canned soups, fruit, and non-carbonated beverages. Product packaging often directed consumers to online games, with a chance to win a prize; companies occasionally rewarded children who entered codes from product packaging with access to additional game levels. In some cases, the games were designed so that consumption of the food product by the game’s characters was an objective for players.⁶⁵ One candy website featured a teen-directed advergame in which players operated a virtual skill crane machine in an effort to retrieve candy bars with the crane; successful players had a chance to win iPod Nanos, as well as real candy.⁶⁶ Another candy maker, however, had a company policy not to promote games that encourage consumption of products, while a packaged food company’s policy prohibited online games that included any type of excessive product consumption. The packaged food company’s policy also required that games targeted to or frequented by children must include an “activity break” every 30 minutes, pausing website action and encouraging children to engage in a “more active” pursuit.

Occasionally, food product websites had social networking components, where children could create personal avatars – computer representations of themselves – and interact with a virtual community. On one candy website, children could create avatars and accumulate virtual currency by playing advergames that they could use to purchase digital merchandise, such as screensavers, instant messenger (IM) icons, and clothing for their avatars. On a cereal website, children could buy clothes and furniture for their avatars with virtual currency earned by playing online games, pick a neighborhood to live in, and shop for the company’s cereal brands at a virtual grocery store. Some websites allowed children to take a quiz to determine what variety of food product best suits their personality.

CASE STUDY:

In 2006, one milk marketer initiated an online campaign targeted at teens. The campaign website aims to teach teens about the consequences of their beverage choices using interactive educational content and trivia quizzes. On the website, teens encounter bright colors and graphics, scrolling elements, and numerous overlapping, interactive, multi-media components. The website has dynamic content, with multiple rooms teens can enter to find out more information about celebrity milk mustache endorsers, download free content such as wallpapers, MP3s, and IM icons, and enter sweepstakes. Teens can create their own milk mustache advertisements and upload their photos to share with others. Throughout 2006, the marketer also ran an online auction in which teens collected milk carton bar codes in order to bid for prizes from popular brands. Prizes included subscriptions to teen magazines, sportswear and sporting equipment, video games, bicycles, DVD and MP3 players, guitars, jewelry, clothing, mobile phones, and televisions. Teens could also sign up to receive email newsletters from the marketer and send “tell-a-friend” emails to others. The campaign was promoted via banner ads on third-party websites, which showed celebrity milk mustache endorsers popular with teens, such as David Beckham and Sasha Cohen. Finally, the milk marketer sponsored a MySpace.com profile page for the campaign that allowed teens to download milk mustache ads as wallpapers for their computers, displayed a David Beckham video ad, and featured a “make your own milk mustache ad” interactive game.

Food companies purchased banner ads, pop-up ads, and streaming video ads on third-party child- and teen-directed websites, such as Nick.com, CartoonNetwork.com, Disney.com, SIKIDS.com, and MTV.com, and social networking sites MySpace.com and Xanga.com. These

ads contained hyperlinks to the food product websites, and often linked directly to promotional features of the site, such as advergames. Some companies that advertised their food brands on third-party websites, such as Nick.com, imported games from those sites onto their own food product websites.

Food and beverage companies and restaurants made available to children and teens a wide variety of free, downloadable and printable content, including coloring pages, stickers, iron-ons, activity books, mazes, tic tac toe, and other games. These frequently, but not always, incorporated food product branding. Free downloadable content for teens included screensavers, wallpapers, ringtones, digital music files, and layouts for MySpace pages.

Many companies offered email newsletters.⁶⁷ Through newsletters and “kids’ clubs,” companies kept children and teens apprised of new products and new promotional offers available through their websites. Some beverage companies reported contacting teens by text message to alert them to new promotions, while one packaged food company had a policy not to engage in cell phone-based promotional or marketing activity targeting children under 12.

A few companies utilized podcasts – downloadable audio files, often similar to radio programs – and “webisodes” – online video episodes resembling television shows – to reach children and teens through their websites. One candy brand’s website featured weekly podcasts of Ryan Seacrest’s American Top 40 radio show, incorporating ads for the brand spoken by Mr. Seacrest. Another candy brand developed original content for a series of webisodes featuring musical group the Black-Eyed Peas, in a fictional storyline relating to the candy brand. One child-directed website for a snack cracker brand had a series of webisodes centered on the product’s animated spokescharacters. Cereal companies also featured webisodes starring animated spokescharacters on their product websites.⁶⁸

B. WORD-OF-MOUTH AND VIRAL MARKETING

Word-of-mouth and viral marketing encompass a variety of promotional techniques that aim to increase discussion of a food product or brand among consumers, and to encourage consumers to share branded messages with one another. Many companies reported their viral marketing efforts together with their other online promotions, such as their company websites. These efforts typically consisted of e-cards and “send-to-a-friend” emails children and teens could send from food product websites that displayed product branding and, frequently, hyperlinks back to the website; companies also provided branded instant message icons that children and teens could use when sending messages to friends.⁶⁹ E-cards were sometimes tied to a particular holiday or occasion, such as a birthday. One company website had “tell-a-friend” messages that could be sent by email or instant messenger, and also provided code that could be copied onto

relevant online message boards. In one case, a company allowed children to send an email to friends challenging them to play a game on one of the company's food brand websites, despite having a policy of not engaging in Internet communications or activities, including websites, blogs, or games, targeting children under 12.

Other viral promotional tools directed to teens and used by a few companies included company-sponsored blogs and social networking profiles.⁷⁰ One flavored milk brand had a website dedicated to a mock political campaign that incorporated a blog. The same brand sponsored a user-generated video contest, inviting consumers ages 14 and older to submit videos and vote for their favorites at MySpace.com; the grand prize was a trip to New York to watch the winning video being screened in Times Square, while people voting on videos could win an iPod. As discussed above, one milk marketer sponsored a MySpace.com profile page for its teen-targeted online promotional campaign.

Word-of-mouth activities frequently involved the recruitment of a group of consumers who could share promotional messages about brands with their peers; these consumers were referred to as "ambassadors" or "connectors." For example, one candy brand hired a group of snowboarders as ambassadors to hand out promotional DVDs and product samples at snowboarding venues. A flavored milk brand had an online brand ambassador program with a dedicated website featuring member profiles, message boards, and activity reports. Members earned points by engaging in online and offline promotional activities for the brand; points could then be redeemed on the website for gift cards, branded apparel, and other merchandise. Members also provided feedback on surveys and research questions. For example, a dairy group recruited "teen connectors" to provide feedback on materials for a new promotional campaign and to talk to others about the campaign and its messages. All reported word-of-mouth activities appeared to be teen directed; one candy company reported having a company policy prohibiting word-of-mouth marketing to children under age 13.

C. IN-STORE PROMOTIONS AND PACKAGING

Food marketers used a variety of point-of-sale materials to attract the attention of shoppers and their children, including teens. Examples of in-store marketing at grocery stores included product-specific bins, racks, or display cases picturing animated children and other characters designed to appeal to children, or extreme sports, major sporting events, or catchy slogans to appeal to teens; "shelf-talkers" (small hanging shelf signs), tear pads, hanging signs, and floor ads; signs advertising free professional sports-related paraphernalia or discounts on theme park admission; holiday-themed packaging and displays; and signs promoting chances to win toys, school supplies, athletic equipment or training, ringtones, electronics, trips, and equipment for

schools. Contests were promoted by store displays that drew attention to information or entry codes on product packages.

Other in-store promotions were mini-events involving branded vehicles, product sampling, circus-like activities, and the distribution of toys or other paraphernalia. Juice sampling at Wal-Mart stores, for example, was combined with the distribution of coloring and activity books that featured *Teenage Mutant Ninja Turtles*, *Winx*, and *Curious George*, and conveyed messages about eating five fruits and vegetables a day. A beverage bottler provided equipment for a family festival at store locations. The festival had auto racing simulators, inflatable play equipment, games, kiosks with video game trailers, an interactive robot, the opportunity to “star” in a music video and take home a DVD of the performance, and free promotional items such as hats and shirts.

Fruit and vegetable companies also used in-store marketing to reach parents and their children. Several companies had marketing tie-ins with Sesame Street’s Healthy Habits for Life program, featuring Sesame Street characters and program icons on produce displays, packaging, or the produce itself. One company created a special fruit stand with a tie-in to Little League Baseball. Another used an apple display to promote a sweepstakes cross-promotion with Radio Disney and Playhouse Disney. Another fruit company created an in-store radio spot and used product giveaways and hanging signs called “wobblers” in cold-case produce sections where an animated character reminded parents to buy fresh produce for their children. The same company engaged in a joint campaign that used posters and “wobblers,” brochures, and in-store events to encourage families to eat more fruit, and provided ideas for making fruit snacks.

Food marketers reported employing a variety of design elements and visual cues to make product packaging appeal to children and adolescents. As previously discussed, a great deal of packaging incorporated characters from television and movies, as well as company spokescharacters. Design elements included bright or contrasting colors; graphics suggesting speed or explosiveness; themes of “fun,” athleticism, energy, or being “cool”; and animated characters. Some fruit snacks and canned soups and pastas, for example, depicted explosions of color in or around the food and portrayed images of children or young teens.

Some product packaging incorporated the word “kids” into the product name or stated that the product was “for kids.” Packaging for one company’s canned soup and pasta products promoted a contest to win a week-long vacation at a mansion in Hawaii; the packaging showed photos of children as the winners and directed children to the company website, encouraging them to enter with the statement, “Kids, you can win!”⁷¹ Some flavors for beverages had fun- or quirky-sounding names appealing to children and adolescents, such as “twisted,” “surge,” “rage,”

“kick,” “slam,” “bite,” “fierce,” “flashing,” and “blast.” Another element was the shape of the container, which sometimes was specifically designed to appeal to children.

Some product packaging and QSR packaging, trayliners, and cups contained jokes or games, such as word searches, mazes, matching games, trivia games, and cut-outs. For example, a breakfast cereal had “double vision” packaging that promoted hidden games. Another included 3-D glasses to view the imagery on the box. Other packaging promoted the food itself as a form of amusement, such as by including a special dispenser for the food, or advertising that the food was wearable like jewelry or had unique textures, tastes, colors, or shapes with a holiday or animal theme.

D. PREMIUMS

Premiums – found in packages, served with QSR children’s meals, or available with proofs of purchase – are popular in food marketing. Often, the same premium cut across multiple food categories. For example, packaging for oranges and breakfast cereals included a coupon for admission to a theme park. Beverage companies offered point systems tied to product purchases, in which purchasers accumulated proofs of purchase and redeemed them for various types of merchandise through a company website.

Premiums offered by the target companies in 2006 included action figures; game cards; video games and video game console-branded apparel; free movie and video game rentals; DVD games; interactive movies; music CDs; digital music downloads, music players, and ringtones; free issues of child and teen magazines or access to a subscription-only website; clothing apparel and iron-on decals; child spoons and “sippy” cups; backpacks and lunch boxes; spy or decoder rings and glasses; flying disks; temporary skin tattoos and tongue tattoos; toy cars; special product dispensers; collectible trading and game cards and collector soda cans; sports cards, magnets, stickers, and books; novelties based on motion pictures and movie popcorn; movie and sporting event tickets; apparel and equipment related to a specific sports figure or team; sports equipment; discount coupons for ski areas, theme parks, circuses, zoos, and aquariums; discounts on summer camps; discounts on toys and stuffed animals; activity books and finger paints; toys served with QSR children’s meals; and codes for use in online virtual worlds. Some of the premiums appealed more directly to teens, such as the music downloads and ringtones, and video game cross-promotions. Others appealed to parents and their children, such as an offer for a kit of activities for family night at home; and others to youth and their athletic teams, such as eraser boards for athletic coaches and an official team book.

Some premiums related to health and fitness included a step counter inside a breakfast cereal and a snack food package containing an activity poster touting “fitness fun.” Another marketer

placed stickers with licensed characters on individual fruits and vegetables, which children could then apply to special sheets to track their consumption.

Premiums often came in the form of prizes offered through sweepstakes and contests.⁷² In 2006, children and teens had the opportunity to win a range of products and services, including cash; college scholarships; magazine subscriptions; a supply of the food product; electronics (televisions, digital music players, video game consoles, cell phones, cameras); ringtones; toys; sports equipment and athletic apparel; sports trading cards; vacations and trips to theme parks, extreme sporting events, and movie premieres; tickets to movies, concerts, sporting events, and Teen Choice Awards; sports clinics and camps; music downloads; the opportunity to appear in advertising for the product; a trip to a beach party with cast members from a show popular with teens; and opportunities for children to participate in professional sports events as a “sideline kid,” “kid’s captain,” “kidcaster,” bat boy/girl, or mascot, or to meet players. Sweepstakes sometimes spanned multiple products and food categories. For example, one company’s sweepstakes, which involved free music downloads and the chance to win bonus songs, was touted on packaging for breakfast cereal, fruit snacks, and baked goods. As discussed in this Section, many of these contests cross-promoted third-party media properties, and many sweepstakes and contests were conducted online.

E. CELEBRITY ENDORSEMENTS

Food and beverage companies hired celebrity actors, athletes, singers, and musical groups to serve as endorsers for their products in advertisements and at events, on packaging and point-of-sale materials, and in sweepstakes and contests. Whereas characters from popular television programs and movies were licensed for promotions to both children and teens, celebrity endorsers were used almost exclusively in marketing directed to teens and tweens. In 2006, a milk marketer’s Internet-based teen-directed promotional campaign included celebrity milk mustache ads by athletes David Beckham, Alex Rodriguez, and Sasha Cohen; singers Beyoncé Knowles, Kelly Clarkson, and Carrie Underwood; and actors Mischa Barton and Raven Simone. Celebrity endorsers were featured in print ads, on the campaign website and MySpace page, in banner ads on third-party websites, and on posters used in schools; celebrities also served as judges in the organization’s Scholar Athlete Milk Mustache of the Year contest. The marketer auctioned a trip to the David Beckham Soccer Academy on the campaign website.

One candy company reported having a celebrity gold card program, in which celebrities could sign up to receive samples of new products and branded apparel; celebrities were encouraged to use these items for parties or travel, or as donations to charity events. Various candy companies used musical performers Jesse McCarthy, the Jonas Brothers, and the Black

Eyed Peas to promote their products at in-store events, in television and website advertising, and, in the case of the Black Eyed Peas, through a series of original webisodes available at a dedicated website and promoted via print ads, point-of-purchase materials, online banner ads, and movie theater video ads.

Celebrity athletes were occasionally used as endorsers for products that sought to align themselves with particular sports or sports in general. For example, a snack seed brand that marketed itself to children and teens involved in youth baseball used celebrity endorser Derek Jeter in website ads and an advergame. A snack meat brand that sponsored extreme sporting events paid BMX biker Dave Mirra to endorse the brand; Mr. Mirra appeared at events and on the company website, and his name was used on a contest to win \$5,000 to revamp a park. A beverage company used basketball player LeBron James for various promotions. He appeared online, on containers, and in point-of-sale materials, as well as in television ads and an MTV promotion. Fans could help to “choose his theme song,” enter a contest to meet him in person or win other LeBron-related prizes, and collect bottle caps to redeem for “LeBron gear” through a website “athletic club.”

Some companies used celebrity athlete endorsers to promote healthy messages and physical activity. A canned soup company featured soccer player Freddy Adu in educational materials distributed to schools in order to spread information on the importance of fitness and nutrition. A vegetable juice brand offered a chance to win a new basketball court for a school, along with a chance to play basketball with the Harlem Globetrotters.

Other celebrity endorsements in 2006 included a cereal brand’s contest for a chance to appear in an ad in *Sports Illustrated for Kids* alongside baseball player Derek Lee; a sweepstakes advertised on a cookie brand’s website and packaging to win \$10,000 and an opportunity to meet American Idol judge Randy Jackson; and a QSR’s television ads featuring professional tween surfers, bikers, and snowboarders.

F. EVENT MARKETING AND ATHLETIC SPONSORSHIPS

Companies reported engaging in child- and teen-focused promotional activities at a wide variety of venues. Sponsored events undertaken by beverage and candy companies and QSRs included children’s activities, such as face painting, bounce houses and pedal car races, at local fairs, festivals, and athletic events; Boys & Girls Clubs “kid days”; Girl Scouts “Local Lore” Badge Days; and acrobatic performances at mall and retail sites. An energy drink company regularly sponsored teen music events, art exhibits (particularly those incorporating its cans into the art project), and graffiti competitions. A carbonated beverage company sponsored high school graduation nights at Disney World and Universal Theme Park.

Promotion of food and beverage products also occurred at music concerts and festivals, teen choice awards and music video awards, and other public appearances by musical entertainers. At one venue at which a candy company purchased billboard and scoreboard advertising, child-focused events included Disney on Ice, the Ringling Brothers Circus, Sesame Street Live, the Harlem Globetrotters, and Hilary Duff and Cheetah Girls concerts, while teen events included high school basketball, wrestling and cheerleading events, Fall Out Boy and American Idol concerts, and high school graduations. A children's toaster pastry brand sponsored the national tour for American Idol, distributing samples at concerts and displaying branded ads on jumbo screen billboards.

Two major beverage companies established shopping mall vending areas, with comfortable seating, as a place for teenagers to congregate, with samples provided at some venues. Candy companies sponsored children's activities associated with Halloween and Easter at shopping malls and train stations. Other events featuring branding and product sampling by marketers of beverages, candy, and baked goods, as well as QSRs, occurred at amusement parks, zoos, museums, parades, and children's movie premieres. One refrigerated cookie dough brand sponsored a Disney Jr. Chef program at Epcot Center, Disneyland, and on Disney Cruise Line ships, in which children baked cookies and received branded chef hats, aprons, mitts, and certificates.

Another common promotional technique was to send branded cars, vans, or buses on national or regional tours to distribute samples and engage with children and teens at stores, community events, amusement parks, and athletic events. One energy drink company employed staff to travel around the country in branded cars to give product samples to consumers, particularly adolescents. A candy company partnered with Six Flags Amusement Parks and made frequent stops of its touring bus at the parks to conduct games, sampling, and premium giveaways; the company also displayed signage and ran 30-second television ads on monitors in the parks. A carbonated beverage company sponsored a "Holiday Caravan" – a branded truck in which children could have their photo taken with Santa. Another beverage company employed two teams of samplers that toured the country in branded vehicles, distributing samples and creating "impromptu" parties at sporting events, skating parks, and areas with numerous pedestrians, with occasional appearances by performing artists.

Several companies – including dairy, fruit, candy, QSR, and beverage companies – sponsored youth soccer events at the local, national, and even international level. Companies also sponsored Little League Baseball and other youth sports, as well as championship games, high school player-of-the-year awards, sports camps for young athletes, and youth ballparks. Product samples were distributed or sold at youth sport events, and sporting equipment branded

with food product logos was used by players. In New York City, one beverage company sponsored a television program, directed to high school students, which provided updates on area high school games.

Youth-related promotional activities with professional athletic teams or athletic associations often involved “kids clubs” or “kids day” events. Events or participatory activities for young people included opportunities to meet and have photos taken with players, serve as bat boy/girl, practice pitching, perform a coin toss, participate in pre-game parades, attend parties, win free tickets, or join youth fan clubs. In addition, some companies sponsored athletic camps, clinics, and training programs, including sweepstakes for children and adolescents to win a place in these programs. One beverage company co-sponsored athletic touring events, drawing players from various professional teams to play exhibition basketball games. Product samples were offered at these events, as well as at other summertime basketball tournaments in outdoor parks.

To reach adolescents, food and beverage marketers and QSRs sometimes focused on sponsorship of “extreme sports” or action sports, which are popular among teens. A snack meat brand sponsored the Dew Action Sports tour, receiving exclusive branding at the tour’s skateboarding park. Another company sponsored extreme sports events – including skateboarding, in-line skating, and bicycle stunts – to promote its carbonated drinks and smoothies. A breakfast cereal brand co-sponsored *Sports Illustrated for Kids*’ national talent search, the Next Snow Search 2006, which aimed to find the next generation of extreme skiers and snowboarders and was open to boys and girls ages 10-15; the company had posters, banners, inflatables, a spokescharacter mascot, and a branded “fun zone” at the event site. One producer of energy drinks focused most of its promotional efforts on extreme sports, sponsoring athletes, teams, and competitive events for activities such as motorcycling, bicycling, auto racing, snowmobiling, kayaking, skiing, swimming, diving, surfing, snowboarding, skating, skydiving, paragliding, and various other wind/water sports.

G. PRODUCT PLACEMENTS

Product placements occurred when food and beverage products or product branding were integrated into the storyline of a movie or television program. Carbonated beverages, including energy drinks, were placed in various television programs that companies reported as appealing to adolescents.⁷³ Beverage placements occurred in some of the top broadcast programs watched by teens, such as *The Simpsons* and *Family Guy*. Placement could include a character drinking a soda or offering a can to another character, the can or bottle appearing on a table or a refrigerator shelf, a character mentioning the product in dialogue, or a product logo appearing on a T-shirt or other item, such as a cooler. Other television programming in which product placements

occurred included *South of Nowhere* (snack cakes), *Unfabulous* (snack cakes), *Nick at Nite's Road Crew* (QSR meal), *Free Ride* (cereal), *Everwood* (cereal), and *Saved* (cereal).

Companies also reported placements in PG- and PG-13-rated movies, including *Curious George* (fruit), *The Shaggy Dog* (carbonated beverages, juice, bottled water), *Saving Shiloh* (snack cakes), *Zoom* (snack cakes), *Annapolis* (snack cakes), *RV* (snack cakes), *Click* (snack cakes), *Bring It On: All or Nothing* (snack cakes), *Step Up* (cereal), *Glory Road* (carbonated beverages, bottled water), *Eight Below* (carbonated beverages), *Aquamarine* (carbonated beverages), *How to Eat Fried Worms* (carbonated beverages, bottled water), *Flicka* (carbonated beverages, sports drinks, bottled water), *Superman Returns* (carbonated beverages), *Employee of the Month* (sports drinks, cereal), *School for Scoundrels* (sports drinks), and *The Fast and the Furious 3: Tokyo Drift* (energy drinks). No placements in G-rated movies were reported.

Two candy companies and one packaged food company had company policies specifically prohibiting the use of paid product placements in any media properties primarily directed to children under 12. In addition, as discussed in Section IV, members of the Children's Food and Beverage Advertising Initiative have agreed not to seek any product placement of food and beverage products in editorial and entertainment content directed to children under twelve.

H. ADVERTISING IN MOVIE THEATERS, VIDEOS, AND VIDEO GAMES

Another technique companies used to promote their food and beverage products to children and adolescents, as well as to general audiences, was to place advertisements in movie theaters, videos, and video games. Ads in movie theaters and on DVDs and VHS tapes were typically 15- or 30-second ads originally developed for television that were shown prior to the screening of the film. In some cases, the ads involved cross-promotions for movies, such as *Pirates of the Caribbean*. Based on the companies' reports, movie theater chains often have discretion in selecting the films before which they show food ads. For this reason, the Commission does not have a list of the films associated with food ads.

Advertisements in online and console-based third-party video games⁷⁴ can take the form of video ads that play before the game, banner ads or virtual billboards that are shown during the game, or product or brand integration into game content, similar to product placements in a film or television program.⁷⁵ A few companies reported using in-game advertising as a promotional tool to reach adolescents. One QSR company placed an ad in a skateboarding game; players in the game would move through a virtual cityscape in which they would pass virtual versions of the restaurant. The company received similar brand exposure in other video games. In another example, a snack chip brand advertised in a PlayStation racing game targeted to adolescents; in the game, racing bikes were adorned with product logos, similar to actual sponsored racing.

Carbonated drinks were placed in sports video games with E ratings. Finally, one QSR company commissioned three CD games featuring the restaurant's branding that it distributed with its "kids' meal" product; the games featured banner ads for the restaurant, and, in one game, clicking on a branded insignia provided additional fuel for the player's jet craft.

I. PHILANTHROPIC

Companies were asked to report on branded materials used in association with donations to non-profit organizations, programs, or events. Several companies reported that they made small contributions, usually on a local level, of money, product samples, and branded apparel and other merchandise to youth organizations such as the Boy Scouts, the YMCA, Boys and Girls Clubs, Big Brother/Big Sister, the Children's Miracle Network, the Miracle League (baseball for disabled children), the Make-a-Wish Foundation, gymnastics academies, arts education organizations, camps, Bible schools, and summer programs in science, music, and art. Other local events sponsored by companies included back-to-school block parties, "Take a Kid Fishing Day," immunization events, and city park and pool openings. Contributions generally involved some kind of brand recognition. On the national level, one QSR company sponsored World's Children Day – a 10-day fund-raiser for the company's children's charities – and advertised the event in television, radio, print, and in-store advertisements.

A number of companies provided scholarships, honors, and cash prizes to children and teens based on success at school or in the community, which were described on their websites and through branded materials distributed in schools and at stores. Some companies sponsored essay contests, asking students to write on topics such as Black History Month. Other company activities encouraged philanthropic behavior among children. One produce company distributed thousands of free lemonade stands – branded with company logos – to children ages 7-12 who pledged to raise money for their favorite local charities.

Some philanthropic activities encouraged children to engage in physical activities or promoted messages about healthy diets. For example, a beverage company partnered with the national non-profit organization Kaboom! to fund and build children's playgrounds.⁷⁶ One fruit and vegetable company sponsored a "Teens for Greens" campaign designed to inspire and encourage tweens and teens to adopt healthier eating habits, while another contributed to an organization called "Produce for Kids," which held events at retailers to educate children about the benefits of eating more fruits and vegetables. Both companies promoted these events on their websites and through point-of-sale materials.

4. In-School Marketing

The Commission required the target companies to report all advertising or promotional activities occurring in or around pre-schools and elementary, middle, and high schools. Several companies provided copies of company policies that prohibited some types of marketing to children in schools.⁷⁷ The Commission's Special Order explained that in-school marketing activities were reportable if they involved the use of trade names, logos, displays, signage, or other branded materials in or around cafeterias, vending machines, or gymnasiums, at school events, youth athletic events, athletic fields or areas, and on school buses or closed circuit television channels.

Vending machines accessible to students, with logo placement, signs, and displays, were the primary vehicle for promoting beverages, both carbonated and non-carbonated, to children and adolescents⁷⁸ in elementary, middle, and high schools.⁷⁹ Beverage bottlers had vending contracts with school districts or individual schools, and money paid to the schools pursuant to these contracts was often designated for sponsored events, such as high school football games and television recaps of games, after-school athletic programs, scholarships, or athletic apparel. In other instances, use of the funds was wholly discretionary with the school or school district. Some bottlers also provided free products to schools. One bottler sponsored contests directed to children and teens, with information displayed on the vending machines and winning stickers on or under caps of random bottles dispensed by the machines. Prizes – some of which could be redeemed at the school principal's office – included tickets to football games, autographed footballs, licensed sports merchandise, fair tickets, ski passes, and T-shirts.

Both beverage and prepared foods companies, as well as one QSR, supplied school food service departments with products to be sold in school cafeterias as part of school lunches. Typically, these companies also provided promotional displays for their foods, such as posters, banners, or ceiling danglers. One company tested a beverage product by providing samples in middle and senior high school cafeterias. The company also distributed premiums – T-shirts, hats, and key chains – in connection with another drink sold in cafeterias. A company selling pizza and other entrees to school cafeterias (at all levels) sponsored a promotion in which schools could receive branded merchandise for use by students, including soccer balls, kick balls, Frisbees, backpacks, and notebooks, in exchange for placing the branded product names on cafeteria menus. Certain of its brands also were tied to a cross-promotion for the film *Nanny McPhee*; schools placing those brands on their cafeteria menus were entered into a contest to win a private screening of the movie and also received movie posters, movie passes for a student raffle, and other promotional materials. Mexican specialty food products were tied to a Cinco de Mayo promotion through which schools could receive pedometers, as well as extra points

to use toward other branded merchandise offerings. Another company rewarded schools with merchandise when students and parents collected and remitted the company's food product labels. The program, which also featured ways to earn "bonus points," was promoted on the Internet, on packages, in stores, and through the endorsement of professional soccer player Freddy Adu.

A producer of baked cheese-flavored snacks offered in elementary and middle school cafeterias linked a popular spokescharacter to a program encouraging exercise, and also distributed U.S. maps. "Instant win" student prizes connected to the snack product included mountain bikes with helmets, iPod shuffles, and CDs, as well as branded soccer balls, kick balls, and T-shirts. The grand prize – a Jeep Hardtail Mountain Bicycle – was selected by random drawing, and the winner's school was the site of a celebration party with a live DJ and snack samples. Another snack seller designed a drop box for use in K-12 schools where students who purchased participating products could enter a drawing for movie tickets.

Milk industry associations promoted milk consumption in schools through branded refrigeration equipment, cafeteria posters, and in-class supplies. In California high schools, one milk board promoted the "Got Milk? Gravity Tour," an extreme sports tour sponsored in association with the Campaign for Tobacco-Free Kids. Another milk marketer distributed its celebrity milk mustache ("got milk?") posters for display in school cafeterias. In addition, it sent to schools large ("truck sized") posters, static clings, and banners in connection with its teen-directed promotional campaign. School posters also supported the campaign's online auction, which featured various items likely to appeal to teenagers. The milk marketer made side panel art – featuring animated teen characters playing the guitar or sports, drinking milk, or cheerleading – available to milk processors for use on small containers for sale in schools. In addition, it advertised its SAMMY ("Scholar Athlete Milk Mustache of the Year") scholarship award in high schools.

Beverage manufacturers offered scholarships to high school students, funded graduation events or souvenirs, sponsored book fairs, and provided books for reading programs, book covers (some in Spanish), growth charts, and reading charts. Producers of sports drinks or bottled water provided branded sports team kits, including coolers, bottles, and bottle carriers; posters and other materials on dehydration and rehydration; as well as discounted products and sideline equipment. A baked goods producer placed ads in yearbooks and athletic programs, provided banners for gyms and athletic fields, and donated its products to schools upon request. Candy manufacturers donated their products or cash to schools. Bottlers donated beverages for school events, sponsored field trips, and funded scoreboards.

Food and beverage companies and QSRs distributed educational materials to schools about nutrition, fitness, wellness, and other aspects of child or teen development; often, these materials were branded or promoted particular products or nutritional icon programs. Educational materials were sometimes accompanied by premiums, such as branded pencils, posters, activity sheets, or soccer balls.

QSRs also sponsored or participated in student writing competitions. QSRs sponsored or participated in reading encouragement programs, providing schools with restaurant certificates or coupons to award to students who read a certain number of books.⁸⁰ One QSR offered branded merchandise, such as pencil sharpeners, cups, pens, and magnets, for sale to schools to use as student reading awards. For children in pre-schools or daycare centers, award certificates were given for books read aloud to children. Another QSR awarded tokens – to be used for playing games at the restaurant – for good report-card grades. The same QSR hosted school fund-raising nights, with a portion of its proceeds donated to the school. These events were promoted with posters and flyers in the schools and stickers given to students to be redeemed for game tokens.

C. Target Companies' Market Research on Child and Teen Audiences⁸¹

The food and beverage companies reported performing marketing research on child and adolescent audiences. They conducted focus groups, online surveys, and in-depth interviews to ascertain what is important to various age groups and what engages them. They also obtained market research from advertising or media firms through commissioned projects or unsolicited presentations. On occasion, research was conducted in schools during class time. Companies tested proposed television ads on young consumers to determine what techniques will make them want to try the product.⁸² Marketers recognized that children's requests to parents to buy a product, sometimes called the "nag" factor, are important in driving purchases.

Research submitted by carbonated beverage companies tended to focus on an adolescent audience, to ascertain, for example, what creative elements appeal to them and which athletes or athletic teams they most admire.⁸³ The research also showed that product placement within the story line of a television show, combined with traditional ads that appear during or adjacent to the program, can be highly successful in achieving product recognition, ad recall, and purchase intent by teens.

Company research showed that children like ads with dramatic, action-filled, and to-be-continued story lines. They also like ads that link to websites and afford an opportunity to play games, solve a mystery or problem, or win prizes. Animated characters – whether third-party

licensed characters or characters created by a company for a brand – seem to be an important factor in getting children to ask their parents to buy a product.⁸⁴ Children like animated characters associated with particular brands, and they want the characters to be both “fun” and “cool.” In fact, the perceived “coolness” of a food product is apparently one of the most important factors in driving children to ask parents to buy the product. Messages that associate a food with “fun” are also persuasive to children. Adolescents, on the other hand, may be more persuaded by an emphasis on taste.

The responding companies’ research showed that children like premiums with food products. For example, research submitted by one company indicated that very young children tend to prefer a small item in the package, whereas older children tend to prefer a large item that they might obtain by collecting and sending in proofs of purchase. One company found that, among tweens ages 9 to 12, a favorite way of participating in a promotion was entering a code from product packaging on a website. Toys available with QSR children’s meals have been a very effective promotional tool, particularly with younger grade school children; they appeared to be less effective with tweens. Contests and sweepstakes are used frequently with both children and teenagers, and can be effective in raising brand awareness among those who participate.⁸⁵ Packaging that refers to prizes likewise attracts attention. Research submitted by some companies revealed the most popular prizes among children and tweens are cash, electronic games or gadgets, vacation trips, product supplies, and event tickets.⁸⁶

In-store marketing techniques, such as floor decals and shelf-talkers, can be successful in drawing children’s attention and getting them to request the product. According to some research, children also use on-shelf coupon dispensers as a way of getting parents to purchase a desired product. Candy marketing to children sometimes focuses on in-store displays, and teenagers learn about new beverage products in stores.

Packaging may effectively communicate that a product is for young children or older children. For one type of prepared food, market research demonstrated that the shape of the letters on the label and the product name itself would signal that the food was primarily for younger children. In contrast, children viewed a similar food to be for older youths because the label used the word “big” and had a product name that sounded more mature. Another important element is the type or shape of container. For example, in one study, juice in a box or a pouch tended to signal that the beverage was appropriate for children, but not teens. Color is an important element in package design to trigger appeal to children and to teenagers, who also like complex design elements. Interestingly, some of the research found that statements that imply a product is healthy or nutritious, or healthier than other comparable products, generally

do not generate appeal to children or adolescents because they are concerned the taste will be compromised.

Several of the 44 companies submitted marketing research and media placement guidelines that touched on gender, race, or ethnicity in marketing. For example, market research submitted by packaged food companies and QSRs examined the attractiveness of particular types of products among Hispanic, African-American, and Asian audiences, and among young girls as compared to young boys. One company conducted a focus group study of Hispanic consumers that, among other things, explored snack food usage and brand awareness among Hispanic moms and the perceived beneficial attributes of the company's snack product by this population (*e.g.*, low cholesterol, zero trans fat, taste, convenience). Another company's research suggested that snacks play different roles for girls and boys – for girls, snacks are more about fitting in, while for boys, snacks are about standing out. As part of a QSR's survey of its kids' meals, the company examined the appeal of kids' meals to African-American and Hispanic segments as compared to the general consumer market, noting stronger ratings by African Americans and Hispanics than the general consumer on issues such as the variety of food choices offered for children and adults, and whether the food is of a high quality. Research conducted for a packaged food company observed that some of the company's food brands were particularly popular among urban populations, including Hispanics and African Americans, and that these groups may provide opportunities for brand growth and be responsive to certain mom-directed advertising.

Market research submitted by candy and milk marketers likewise examined issues such as product consumption in various demographic segments (*e.g.*, girls versus boys, Hispanics, African Americans, Caucasians). One company, for example, noted an even candy consumption pattern by boys and girls and heavier consumption among African Americans and Hispanics as compared to Caucasians. In addition, market research from milk marketers examined issues such as milk consumption and motivation to eat breakfast among adolescent girls, and milk consumption among Hispanics and African Americans, indicating, for example, relative levels of milk consumption in school districts with higher proportions of Hispanic and African-American students.

Packaged food companies, QSRs, candy and beverage companies, and a milk marketer also examined the appeal of certain media and the potential success of advertising initiatives (*e.g.*, cross-promotions and licensed characters) among Hispanic, African-American, and Asian segments of the population, and among grade school boys as compared to girls. Media guidelines submitted by one company noted particular media buying techniques to attract African-American and Hispanic consumers as compared to the general consumer market, and

research submitted by another company indicated that ads with a strong national market also perform well among Hispanics. Some research took note that product promotions involving certain licensed characters have higher awareness or performance ratings among Hispanics and African Americans than do other promotions. Market research also examined the relative performance of television commercials, cross-promotions, other advertising campaigns, and promotional concepts among girls versus boys, observing certain themes, images, characters, modes of participation, and prizes with particular gender appeal.

D. Marketing Directed to Children or Adolescents by Gender, Race, Ethnicity, or Income Level

The target companies were also required to report on any promotional activities and expenditures in 2006 that were directed to youth of a specific gender, race, ethnicity, or income level. Several of the 44 companies reported that certain promotional campaigns and techniques were directed to general audiences, including youth, of a particular gender, race, or ethnicity, and some companies reported on specific campaigns directly targeting youth of a particular gender, race, or ethnicity. No companies reported targeting their promotions specifically based on income level.⁸⁷

The range of marketing activities reported included Spanish-language advertising on television and radio, in print media, and on the Internet; athletic and other event sponsorship; as well as packaging, in-store, premiums, character licensing, school-related marketing, and philanthropic endeavors. Approximately half of the companies stated they did not market based on gender, race, or ethnicity. Fifteen companies were able to calculate a specified amount of expenditures earmarked for targeting youth of a particular gender, race, or ethnicity, and those numbers totaled approximately \$28.6 million. Other companies reported relevant marketing activities based on gender, race, and ethnicity, but stated they were unable to allocate the expenditures. A few companies also submitted market research and media placement guidelines that examined issues related to gender, race, and ethnicity.

1. Television, Print, Radio, and Internet

In 2006, some companies reported television advertising directed to Hispanic or African-American youth audiences. For example, two packaged food companies reported Hispanic-directed television advertising for certain breakfast cereal brands, and one also reported breakfast cereal television advertising directed to a general African-American audience, including youth. Another company reported a television advertising campaign for a snack chip brand directed to African-American adult women that, based on advertising placement, resulted in expenditures

meeting the Commission's adolescent-directed criteria. Two candy companies directed television advertising for certain products to the Hispanic audience, including youth. Finally, a milk marketer and a QSR reported Spanish-language television advertising directed to youth.

A few companies reported other ethnic- or gender-focused print, radio, and Internet advertising. Certain beverage companies reported sponsoring music websites that appeared in Spanish and featured Hispanic artists, and a company marketing energy drinks reported translating many of its ads into Spanish. A QSR reported distributing Spanish-language promotional flyers to general audiences, including youth, for a fund-raising event. A milk marketer reported gender-focused celebrity print advertising directed to either girls or boys, with higher expenditures for boy-targeted advertising, apparently due to the higher cost of media required to reach that audience. A candy company reported gender-focused print, in-store, and Internet advertising in conjunction with a popular retailer specializing in girls' clothing. A few companies reported directing radio advertisements for beverages or snack chips to Hispanic and African-American youth.

2. Athletic and Other Event Sponsorships

Some beverage companies promoted soccer events to Hispanic youth, and sponsored basketball tournaments and streetball events for African-American youth. A QSR noted sponsorship of public events geared toward Asian Pacific Americans, including youth, and sponsorship of a sports program for teenage girls. Two packaged food companies, on behalf of several brands, reported sponsoring sports programs and other events primarily directed to Hispanic audiences, including youth. For example, one canned pasta brand sponsored a youth soccer tournament directed primarily to Hispanics at which product logos appeared on team jerseys, field flags, and banners, as well as on soccer balls and hacky sacks given to participants as premiums. One candy company sponsored a float in the Macy's Thanksgiving Day Parade that featured Latin tween pop group RDB. A beverage bottler engaged in sampling and other promotional activities at various Hispanic festivals. Finally, a beverage company and a QSR reported partnering to raise money for a program to teach English to Hispanic pre-school children; events took place at community parks, with branded prizes.

3. Packaging, In-Store, Premiums, and School-Related Marketing

Packaged food, candy, produce, and beverage companies and QSRs reported some ethnic- or gender-focused marketing on packaging, in stores, through premiums, and in schools. A food company reported packaging-related expenses for breakfast and snack foods directed to female audiences, including some youth. Another company marketed cookies with packaging and back-to-school store displays in Spanish and English, and book covers and sports cards inside

the cookie boxes. Characters from the animated Spanish-language television series *El Chavo* were licensed for product promotion. One candy company reported marketing a candy product with flavors designed to appeal to Hispanic consumers, including youth, and another company indicated it may consider developing special flavors and/or engaging in particular advertising based on research suggesting its products are popular with Hispanic customers, including youth. A produce company reported Spanish-language marketing in regions that have a substantial Hispanic population.

Premiums also were used for ethnic-focused marketing. For example, premiums distributed in conjunction with a celebrity endorsement of certain packaged food brands were directed to Hispanic youth. A beverage bottler's sweepstakes promotion to win certain toys appeared in Spanish. A company also reported distributing child-focused premiums for two beverage products to Hispanic parents. Another beverage company's cross-promotional advertisement for discounted admission tickets to an amusement park was directed generally to "multicultural youth" ages 12-24. Finally, in conjunction with school-related marketing, a beverage company reported providing Spanish-language book covers to "Hispanic designated" elementary schools. A beverage company sponsored an essay contest tied to Black History Month for elementary, middle, and high school students, and a QSR reported an essay contest on the same topic for middle school students.

IV. Assessment of Food Company Health Initiatives and Recommendations

In addition to requesting expenditure and activity data, the Commission's Special Order asked reporting companies to identify and describe all company policies, programs, initiatives, or activities undertaken or implemented between January 1, 2006 and the date of response, to encourage healthy eating and lifestyle choices by children and adolescents. With this request, the Commission sought information to evaluate the extent to which the companies had taken steps to implement the recommendations from the 2006 Report on the 2005 FTC/HHS Workshop on Marketing, Self-Regulation & Childhood Obesity. In the 2006 Report, the Commission committed to monitor future developments in food marketing to children and to "issue a follow-up report assessing the extent to which positive, concrete measures have been implemented and identifying what, if any, additional steps may be warranted to ensure adequate progress is being made to address childhood obesity."⁸⁸

This Section of the Report discusses the information received from the reporting companies, as well as information from public sources, about initiatives by industry, entertainment and media companies, and others, undertaken in response to the problem of childhood obesity. In addition, as promised in the 2006 Report, this Section assesses these steps and identifies additional steps that should be taken. Although the Commission is pleased to report that significant progress has been made on many fronts, room for improvement remains. The Commission encourages all relevant entities to continue and expand their efforts, particularly in the areas identified below.

A. The 2005 Workshop on Marketing, Self-Regulation & Childhood Obesity and the 2006 Report

As noted in Section I, the FTC and HHS jointly convened a two-day Workshop on Marketing, Self-Regulation & Childhood Obesity in July 2005. Participants included government officials, health experts, consumer advocates, and representatives of the food and beverage and media industries. The goal of the Workshop was to focus attention on the positive initiatives that all the participants could take to encourage healthier eating and lifestyles, particularly among the nation's youth.

As discussed in the April 2006 Report, the Workshop yielded a number of important findings. Some food and beverage companies had already undertaken steps to address the problem of childhood obesity, including introducing new products that are lower in calories and more nutritious, some of which are specifically targeted to children; using smaller packaging

sizes to help consumers with portion control; using labeling icons and seals to provide nutrient information to consumers; and highlighting nutrition and healthy lifestyles in their advertising, including through the use of licensed characters that are popular with children.⁸⁹ In addition, two companies committed to shift their advertising to children to products meeting certain nutrition criteria.⁹⁰

The 2006 Report contained a series of recommendations for the food marketing industry, including suggestions for self-regulatory initiatives to address the ways in which food is marketed to children, and encouraged food marketers to:

- Increase product innovation and reformulation, especially for products marketed to children, to offer more products that are lower in calories and more nutritious;
- Expand their use of product packaging to help consumers control portion sizes and calories, by offering smaller portions and single-serving packages and packaging nutritious, lower-calorie products in ways that are more appealing to children;
- Explore the effectiveness of labeling initiatives to help consumers identify lower-calorie, more nutritious foods;
- Improve the nutritional profile of foods marketed to children;
- Explore ways to educate consumers about nutrition and fitness; and
- Improve the nutritional quality of “competitive” foods and beverages sold in schools.⁹¹

The 2006 Report also encouraged media and entertainment companies to continue to explore ways to disseminate educational messages to children and their parents about nutrition and fitness, and to review and revise their practices with respect to licensing popular children’s television and movie characters for use in food advertising.⁹²

B. Developments Since the 2005 Workshop and 2006 Report

Since the Workshop and subsequent Report, food and beverage companies, and others, have responded to the problem of childhood obesity in a number of ways, including working to implement the 2006 recommendations. Their efforts have yielded significant developments, including establishment of the Children’s Food and Beverage Advertising Initiative; development of new and reformulated foods and beverages with improved nutritional profiles; increased offerings of snacks and other foods in smaller portions and single-serving packages; various labeling initiatives designed to help consumers identify “better for you” foods or to better convey nutrition information to consumers; support for public education initiatives to promote nutrition and healthy lifestyles; and the launch of the Alliance for a Healthier Generation’s Guidelines

for competitive foods and beverages sold in schools, outside the school meal program. These developments are discussed below.⁹³

1. Children’s Food and Beverage Advertising Initiative

One major development since the 2006 Report was the Children’s Food and Beverage Advertising Initiative (Initiative), established by the CBBB in November 2006. The Initiative is an effort to change the mix of food and beverage advertising messages directed to children under 12 to encourage healthier eating and lifestyles.

The Initiative has five central components. Participating companies must:

- Devote at least 50% of their advertising directed to children under 12 (on television and radio, in print, and on the Internet) to promote “healthy dietary choices” and/or to messages that encourage good nutrition or healthy lifestyles;
- Limit products depicted in interactive games directed to children under 12 to healthy dietary choices, or incorporate healthy lifestyle messages into the game;
- Reduce their use of third-party licensed characters in advertising that does not promote healthy dietary choices or healthy lifestyles;
- Not engage in product placement of food and beverage products in editorial and entertainment content directed to children under 12; and
- Not advertise food or beverage products in elementary schools.⁹⁴

To date, 13 food and beverage companies have joined the Initiative: Burger King, Cadbury Adams, Campbell Soup Company, The Coca-Cola Company, ConAgra Foods, General Mills, The Hershey Company, Kellogg Company, Kraft Foods, Mars, McDonald’s USA, PepsiCo, and Unilever United States. These companies are estimated to have accounted for more than two-thirds of food and beverage television advertising directed to children in 2004,⁹⁵ and all but one provided a response to the FTC’s Special Order.⁹⁶ Each participating company has submitted a pledge, setting forth the specifics of its commitment, which has been approved by the CBBB.⁹⁷ Appendix E to this Report contains tables summarizing the details of each pledge. The Commission encourages other industry members to join the Initiative.

Four companies – Cadbury Adams, Coca-Cola, Hershey, and Mars – have pledged not to direct any advertising to children under 12. The other nine companies have each adopted minimum nutritional standards for foods and beverages they will market to children under 12, and have pledged that 100% of their child-directed advertising will be limited to qualifying “healthy dietary choices,”⁹⁸ or, in the case of one company, may also include healthy lifestyle messages.⁹⁹ These commitments go beyond the Initiative’s requirement that at least 50% of child-directed ads promote healthy dietary choices or contain healthy lifestyle messages.

Under the terms of the Initiative, the pledges apply to advertising on television and radio, in print, and on the Internet, including company-owned and third-party websites.¹⁰⁰ Some company pledges go beyond this requirement to apply to all advertising directed to children, but most are limited to what the Initiative requires. In addition, the Initiative's requirement that companies reduce their use of licensed characters¹⁰¹ does not extend to the use of such characters on product packaging.¹⁰² The product placement principle, as defined in the Initiative's Program Document, prohibits companies from "paying for or actively seeking" placement in content directed to children, but does not prohibit them from approving or accepting a "free" offer to place their products in such media.¹⁰³

The Initiative's Program Document does not define what constitutes "advertising directed to children under 12," and the standards set forth in the pledges vary. For example, one company's criteria for television include any program for which more than 25% of the audience consists of children under 12. Other companies use 30% or 35% as a threshold, and still others use 50%. Some companies also consider a variety of other factors in determining whether the advertising is directed to children, including whether the program is specifically targeted to or designed to appeal primarily to children, the time of the program, and the program content.

Criteria for what constitutes a "healthy dietary choice" product also vary by company.¹⁰⁴ The criteria generally involve limitations on calories, fat, sugar, and sodium, and/or the inclusion of certain nutrients deemed beneficial for children. For example, the QSR companies' standards for kids' meals contain limits on both total calories and calories derived from fat, as well as the amount of sugar contained in a kids' meal. One packaged food company has adopted criteria limiting total calories and sugar, and requiring that the product either qualify as "healthy" pursuant to a Food and Drug Administration (FDA) standard or provide various nutritional benefits, such as a half-serving of whole grains or fruits. Some companies that offer multiple lines of products, such as soups, snack crackers, and canned pasta, have adopted different criteria for each product line. Thus, although each company has specific guidelines for what constitutes "healthy dietary choices" that may be marketed to children, these standards are not uniform.

In addition, participating companies are implementing their pledges on different schedules. Some pledges were effective immediately upon approval by the CBBB in 2007 or shortly thereafter, while other companies committed to full implementation by early 2008 or the end of 2008. Two companies have pledges of limited duration, but are expected to submit supplemental pledges prior to the expiration dates.

The Initiative reflects substantial cooperative effort by food marketers and the CBBB, and it has an important role to play in the effort to address childhood obesity. The Commission

commends this effort. At the same time, however, the Commission also encourages the CBBB and participants to strengthen the core principles of the Initiative. For example, the pledges should be extended to cover *all* forms of advertising to children – not just television, radio, print, and Internet advertising. As discussed in Section III of this Report, food and beverage companies use a broad spectrum of advertising and marketing to target children, and, to be fully effective, the pledges should address all of those techniques. The current product packaging exception to the character licensing commitment is significant given the widespread use of licensed characters on packaging.¹⁰⁵ The product placement provision does not limit “free” or unsolicited placements. Expanding the scope of the pledges would address these issues. In addition, variations among the companies’ definitions of what constitutes advertising “directed to children” create an uneven landscape among the participants and pose a challenge to monitoring compliance with the pledges. Similar challenges are posed by the variations among the nutritional criteria for “healthy dietary choices” that may be marketed to children. The Commission encourages the CBBB and participants to work toward more consistency in these standards.

There also appear to be some limitations on the scope of the pledges with regard to QSR franchisees. Independently owned and operated franchises (as opposed to company-owned franchises) engage in promotional activities that are addressed by the Initiative, including television, radio, and in-school advertising. However, the independent franchises are not necessarily bound by the corporation’s pledge.¹⁰⁶

RECOMMENDATIONS:

- The CBBB should closely monitor participating companies’ compliance with their pledges.
- The CBBB and participating companies should enhance the Initiative in the following ways:
 - Expand the scope of “advertising to children” beyond advertising on television and radio, in print media, and on the Internet, to encompass all advertising and promotional techniques, including but not limited to: product packaging and labeling; advertising preceding a movie shown in a movie theater or placed on a video (DVD or VHS) or within a video game; promotional content transmitted to personal computers and other digital or mobile devices; advertising displays and promotions at the retail site; specialty or premium items distributed in connection with the sale of a product; promotion or sponsorship of public entertainment events; product placements; character licensing, toy co-branding and cross-promotions; sponsorship of sports teams or individual athletes; word-of-mouth and viral marketing; celebrity endorsements; and in-school marketing.

- Require that 100% of food advertising directed to children under 12 promotes healthy dietary choices.
 - In cases where a product line contains some product varieties that meet a company’s nutrition criteria for a “healthy dietary choice” and others that do not, the company should strictly limit all components of a promotion or advertising campaign directed to children under 12 to those varieties that meet the criteria. Thus, for example, television or print advertisements promoting a sweepstakes would feature only the varieties of the product that represent healthy dietary choices, and licensed characters would appear only on packages of the varieties that are healthy dietary choices.
- Work toward standardizing the nutrition criteria for “healthy dietary choices” that may be marketed to children, such as by product category (*e.g.*, for beverages, cereals, snack foods, soups, canned pastas, and frozen entrees).
 - In applicable cases, companies should re-examine whether the fact that a product has “less” of, or is “reduced” in, calories or certain nutrients (*e.g.*, sodium, sugar, or fat) is, by itself, a sufficient basis for qualifying as a “healthy dietary choice.”
- Work toward developing meaningful, standardized definitions for what constitutes advertising “directed to children under 12.” In considering how to define “directed to children,” the CBBB and participating companies should consider, where relevant to the advertising medium, factors such as the percentage of the audience under 12; the total number of children reached; the time of day and venue in which the advertising appears; and whether the advertising features characters, performers, or celebrities who are popular with children, or contains themes, language, or other attributes designed to appeal to children.
- Require companies not to engage in, approve, or allow placement of their product in media directed to children under 12.
- Require participating companies to ensure that their franchisees are bound by the companies’ pledge commitments, such as by incorporating the pledge commitments into any franchisee contracts.

2. “Better for You” products

As noted above, one of the recommendations from the 2006 Report encouraged companies to offer more products that are lower in calories and more nutritious. Since January 2006, many of the reporting companies have heeded the call by developing new or reformulated products designed to provide more nutritious – or “better for you” – options to consumers, including products marketed to children and adolescents.¹⁰⁷

For example, companies have improved the nutritional profiles of existing products by reducing calories, saturated and trans fats, sugar, and sodium, and/or by adding “positive” nutrients such as important vitamins and minerals, whole grains, and other fortifying ingredients.

Some companies have reformulated products that particularly appeal to children, including soups, canned pastas and other entrees, and snack foods, to reduce fat and sodium content or eliminate trans fat. A number of breakfast cereals – a product frequently marketed to children – have been reformulated to contain less fat, less sugar, and more fiber, as have a number of lunch and dinner products popular with children. Several companies state that they have ongoing programs to evaluate and enhance the nutritional quality of their existing products.

Many companies have developed new “better for you” products as well, such as 100% fruit and vegetable juices and smoothies, and “light” (*i.e.*, reduced calorie) and “fat free” or reduced-fat snack products. Other new products include cereals, snack bars, yogurt products, juices, and fruit snacks fortified with vitamins and minerals, fiber, or whole grain, or with low or reduced sugar, and reduced sodium soups. New, vitamin-enhanced beverages have been brought to market, as have many low-calorie drinks, and some of these products were developed specifically for children. One company introduced new lines of frozen vegetables that are low in fat and designed to help consumers eat more vegetables – including products featuring popular children’s characters on the packaging.

Some QSRs have revised their kids’ menu offerings to include more nutritious products, such as fruit and low-fat milk as alternatives to French fries and soda, or a chewy granola bar and 100% juice as side-dish choices. One chain has eliminated trans fat from some of its products, others are reducing their use of trans fat, while another allows consumers to order certain menu items “Fresco style,” with lower fat content. Other efforts by QSR companies include the introduction of lower- and no-calorie beverages, reductions in the size of individual entrees, and the reformulation of some products. One QSR also reports that its restaurants in one state are participating in a pilot study to promote meal combinations that meet nutritional standards established by the state’s public health agency.

These new product offerings are commendable steps in the right direction. The Commission encourages food and beverage companies to continue their efforts to improve the nutritional profiles of their products, especially those marketed to children and adolescents. The nutritional criteria adopted for “better for you” products should not be set in stone, but can be improved upon as companies find ways to lower the sugar, fat, and sodium without sacrificing taste and appeal.

In this regard, the Commission is also mindful that “better for you” does not necessarily mean “good for you.” For example, a new product that has less saturated fat or sodium than its original version is certainly improved, but may not be “healthy” or “good for you,” especially if the new version still contains significant amounts of fat, sodium, or calories, or lacks beneficial

nutrients such as whole grains, fiber, or lean protein. Food and beverage marketers should be careful to advertise their “better for you” products in a truthful, non-misleading manner.¹⁰⁸

RECOMMENDATIONS:

- Companies should continue and increase efforts to improve the nutritional profiles of their products – especially those marketed to children and adolescents – through product innovation and reformulation.
- Companies should improve upon the nutritional criteria adopted for “better for you” products as they find ways to lower sugar, fat, sodium, etc., without sacrificing taste and appeal.
 - In applicable cases, companies should re-examine whether the fact that a product has “less” of, or is “reduced” in, calories or certain nutrients (*e.g.*, sodium, sugar, or fat) is, by itself, a sufficient basis for qualifying as a “better for you” product.

3. Innovative Packaging

Responding to another recommendation from the 2006 Report, a number of companies are expanding their use of product packaging to help consumers control portion sizes and calories. For example, several reporting companies have begun offering some of their snack foods in smaller portions and single servings, such as 90- or 100-calorie packs or single-serve cups of snack cakes, snack crackers and chips, cookies, and fruit snacks. Beverages are also offered in new portion options, including “mini-boxes” of juice (just over four ounces) and 100-calorie cans and pouches of carbonated soft drinks and other beverages. Some of these products are altogether new, while others are existing products simply repackaged into smaller portions. Some of these products are described by the food companies as more nutritious or “better for you,” but many others do not fall into that category. In either case, these smaller-portion offerings, some of which are marketed to children and/or teens, can help consumers control portion size and limit caloric intake.

Produce companies, too, are offering new product varieties in smaller, convenient sizes. One now markets several fresh fruit and vegetable combination products packaged in portion-correct sizes, while another sells smaller, snack-sized fresh fruit, as well as fruit packaged in snack-sized portions.

Produce companies are also using packaging to make their nutritious products appealing to children. They are using popular licensed characters – such as Curious George, SpongeBob SquarePants, and Sesame Street characters – on packages of frozen vegetables, displays of fresh fruit, and even stickers on the produce itself. One company now offers a fresh fruit and vegetable product in a Mickey-Mouse shaped tray.

RECOMMENDATIONS:

- Companies should continue and expand efforts to package more nutritious products in ways that are more appealing to children.
- Companies should continue efforts to use product packaging to help consumers control portion sizes and calories, by offering smaller portions and single-serving packages.

4. Nutritional Labeling

The 2006 Report encouraged food companies to explore the use of labeling initiatives to help consumers identify lower-calorie, more nutritious foods. Many of the reporting companies are doing so, and they are tackling the issue in different ways. Some companies use icons or seals designed to help consumers quickly and easily identify more nutritious, lower-calorie products. Other companies have developed prominent, front-of-box graphics that provide consumers with information about the amount of calories and specific nutrients in the product, such as fat, sugar, and sodium.¹⁰⁹ Still other companies use different labeling techniques to highlight particular nutritional attributes of their products, such as the fact that the product is “low fat,” has “reduced sodium,” or contains whole grains.

A. ICONS AND SEALS

i. Company Icons

Four of the reporting companies have developed an icon or seal program for products that meet certain nutritional criteria: Kraft has the “Sensible Solution” icon, PepsiCo has the “Smart Spot,” Unilever uses “Eat Smart” and “Drink Smart” icons, and McKee uses the “Snack Smart” seal.¹¹⁰ Some of these programs were in place prior to the 2005 Workshop, while at least one was developed subsequently.¹¹¹ These icons are simple, colorful, easy-to-recognize graphics prominently displayed on product packaging.

According to the companies, these icons were designed to help consumers identify “better for you” products or to limit their intake of certain nutrients in order to eat more healthfully.¹¹² Currently, such icons appear on hundreds of food and beverage products on grocery store shelves, including breakfast cereals, cereal bars, nuts and trail mixes, cookies, crackers, baked potato chips, puddings, cheese, prepared foods and meals, fruit juices, sports drinks, carbonated soft drinks, and other beverages.

To qualify for an icon, a food or beverage product must satisfy certain nutritional criteria established by the individual company. These criteria are reportedly derived from established government and scientific guidelines such as the 2005 Dietary Guidelines for Americans

(developed by HHS and the U.S. Department of Agriculture (USDA)), authoritative statements of the FDA and National Academy of Sciences, and other sources.¹¹³

The criteria fall into two general categories. First, a product may qualify by meeting specific nutrient criteria per serving – for example, the product meets limits on calories, fat, sodium, and sugar, and also either provides a meaningful amount of a beneficial nutrient (such as protein, calcium, fiber, whole grain) or delivers a functional benefit to the body (such as supporting heart health).¹¹⁴ A second type of criterion is based on the fact that a product is “reduced,” “low” in, or “free” of calories, fat, saturated fat, sugar, or sodium (typically as compared to the “original” version of the existing product), or is formulated to have specific health or wellness benefits.

This second type of criterion, used by two companies, does not require that the product meet any particular “positive” nutritional threshold; rather, a product can qualify for “better for you” status by virtue of having less of a negative attribute than the original version of the product. For example, to qualify for Kraft’s “Sensible Solution” seal, a product can simply be “free” of, “low” in, or contain 25% less calories, fat, saturated fat, sugar, or sodium, compared to similar products.¹¹⁵ Similarly, Pepsi’s Smart Spot icon may appear on products that are reduced in calories, fat, saturated fat, sodium, or sugar.¹¹⁶

“Better for you” icon programs are intended to influence consumer purchasing decisions, and they can have an impact. One company has publicly stated that sales of its icon-bearing products are growing two to three times faster than the rest of its portfolio.¹¹⁷ Another company reported that sales of its icon-bearing products have outgrown non-icon products each year since the program’s inception, and the icon products’ share of total company sales has increased each year, as well.¹¹⁸ One other company reported less success when it reformulated several products to meet its “better for you” nutrition criteria.

ii. Third-Party Seals

Some of the reporting companies are using third-party seals on their products to convey nutrition information to consumers. For example, five companies reported that they use the American Heart Association’s “heart-check” mark on their products that qualify. The AHA’s standard requires that a serving of the product contain no more than 3 grams of fat, 1 gram of saturated fat, 20 mg of cholesterol, and 480 mg of sodium, and contain 10% or more of the daily value of Vitamin A or C, iron, calcium, protein, or dietary fiber.¹¹⁹ The companies using the mark include fruit and vegetable companies, as well as traditional food manufacturers. One company reports that it has more than 150 products that bear the mark, some of which are advertised to children and/or teens. Other third-party seals used by reporting companies include the “Fruit & Veggies – More Matters” logo, signifying that the products meet nutritional criteria established

by the Produce for Better Health Foundation,¹²⁰ and the WG Stamp, promoted by the Whole Grains Council, which identifies products meeting certain guidelines for whole grain content.¹²¹

B. NUTRITION INFORMATION LABELS

As an alternative approach to an icon program, several companies have developed front-of-package labeling systems that present nutrition information to consumers in a standardized, easy-to-read format. General Mills, for example, uses a “Nutrition Highlights” graphic on some of its products, displaying the amount and the percentage of daily value per serving of calories and key “negative” nutrients – such as saturated fat, sodium, and sugar – as well as “positive” nutrients – such as whole grain, fiber, and calcium.¹²² Kellogg’s has implemented a similar “Nutrition at a Glance™” banner, which provides the same type of information, such as “100 Calories (5%)” or “6 mg Vitamin C (10%).”¹²³ In 2008, ConAgra launched a labeling system, based on USDA’s “MyPyramid” recommendations, that uses colorful icons designed to tell consumers how much of important nutrients are contained in the product.¹²⁴

This approach to nutrition labeling has a different purpose than an icon or seal program. It is designed to provide consumers with factual information in a prominent, easy-to-read format, to help consumers make their own purchase decision, rather than indicating that the company has predetermined that the product is “good” or “better.”¹²⁵ It also facilitates comparison of nutritional information among various products.

One QSR has begun providing nutritional information on the packaging of some of its menu items, including children’s meal packaging and several of the individual products available in those meals. This information includes total calories and the amounts of fat, carbohydrates, protein, and sodium. Unlike the other nutritional labeling described above, however, this information is presented to the consumer after purchase, and in several instances, the information appears on the bottom of the packaging.¹²⁶

C. PRIVATE INITIATIVES

The issue of nutrition labeling and how best to assist consumers in identifying more nutritious food and beverages is complex. One criticism of current industry approaches is the lack of uniformity in the criteria for what constitutes a “better for you” product.

As a possible alternative to the array of icons and nutrition labeling currently on the market, many individual companies have come together to work on developing a uniform, industry-wide nutrition icon. The effort is being led by the Keystone Center’s Food and Nutrition Roundtable. The Keystone group includes stakeholders from industry, government, academia, consumer groups, and public health advocates. Like individual company icons, the Keystone

effort is focused on developing a simple, front-of-package icon based on nutrition criteria to help consumers make healthier choices. The outcome of this effort is expected to be announced in the Fall of 2008.

Other private initiatives are underway to develop a single nutrition icon that would be used across all food products. For example, the Yale Griffin Prevention Research Center has supported the development of a 100-point ranking system that assigns a score to foods based on their overall nutritional quality. The score provides the basis for a color-coded icon that would be placed on front of packaging or on store shelves. The Overall Nutritional Quality Index (ONQI) system is scheduled to be launched in the second half of 2008, with a cooperative of grocery store chains using the icon on their private label food products.

In a similar vein, one regional grocery store chain, Hannaford, has developed and implemented its own innovative nutrition rating system, called “Guiding Stars,” to help consumers easily identify more nutritious foods. Nearly every food and beverage product sold in the stores is evaluated for nutritional value and rated: “healthy” products get one star, better choices get two stars, the best get three, and foods with no nutritional value get no stars.¹²⁷ Products get credit if they contain nutrients consumers need more of – vitamins, minerals, dietary fiber, and whole grains – and lose credit for nutrients consumers need less of – saturated and trans fats, cholesterol, added sodium, and added sugars.¹²⁸ Since the program’s launch in 2006, less than a third of the store’s 25,000 products have earned any star at all.¹²⁹ Sales of many “starred” products – such as cereals, soups, snack foods, and frozen dinners – have reportedly increased at twice the rate, or more, of unstarred products.¹³⁰ Hannaford is expanding this system to two subsidiary chains, Sweetbay and Food Lion.

D. OTHER NUTRITION LABELING APPROACHES

Beyond icons and nutrition information labels, reporting companies use product labels in a number of other ways to highlight particular nutritional attributes of their products. Some fruit and vegetable marketers affix stickers and “hang-tags” to their products, informing consumers that the products are “chock full of Vitamin C” or a “super food for your joints.” Another produce company uses a Mickey Mouse thumb’s-up “Check It Out” symbol to highlight benefits of its products – stating, for example, that the product is a “Good Source of Vitamin C.” Similarly, other companies use product labels such as “0 Trans Fat,” “100% Fruit Juice,” “Made with Whole Grain,” or “good source of calcium.”

Some companies have developed products or product lines whose names denote that they are “better for you” by using words such as “Healthy,” “Fat Free,” “Sugar Free,” “Baked,” “Light,” “Reduced” or “Less.” Products making many of these labeling claims must meet certain FDA

criteria. Beverage companies, too, offer “Diet,” “Sugar Free,” “Zero Carb,” and other versions of their products.¹³¹

RECOMMENDATIONS:

- Companies should conduct research on the effectiveness of various labeling devices to determine how consumers interpret such labeling and to identify those devices most effective at conveying meaningful, truthful information.
- Companies should work toward consistency among the standards used by individual food and beverage companies to determine what constitutes a “better for you” product, such as through the development and use of third-party standards, icons, or other devices. The Commission supports the work of the Keystone Center and others in this regard.

5. Competitive Foods and Beverages in Schools

As noted above, another key recommendation in the 2006 Report was that companies work to improve the nutritional quality of “competitive” foods and beverages sold in schools.¹³² Together with the Alliance for a Healthier Generation, a number of food and beverage companies were already working on this front, and have made commendable progress through their guidelines for competitive foods and beverages. Some reporting companies also have worked to improve the nutritional profile of products they provide to school food service programs. In addition, in 2007, the Institute of Medicine’s Committee on Nutrition Standards for Foods in Schools issued its own recommendations for nutrition-based standards for competitive foods and beverages sold in schools.¹³³ The Commission expects that all of these efforts will positively impact the nutritional quality of foods consumed by children in school.

A. ALLIANCE FOR A HEALTHIER GENERATION SCHOOL BEVERAGE AND COMPETITIVE FOOD GUIDELINES

In 2006, a number of food and beverage companies committed to limit the products they sell in schools.¹³⁴ Together with the Alliance for a Healthier Generation,¹³⁵ the companies created voluntary nutritional guidelines for competitive foods (such as snacks and side items) and drinks sold to children in elementary, middle, and high schools outside the school meal program. The resulting School Beverage Guidelines and Competitive Foods Guidelines are designed to decrease the caloric value, and increase the nutritional value, of these products.

The nutritional guidelines vary, depending on the type of food or beverage. For beverages, the guidelines impose caloric and size limitations on milk, juice, and other drinks.¹³⁶ The restrictions vary, depending on the school in which the product is sold. For example, in elementary schools, only water, milk and 100% juice may be offered, whereas in high schools,

the choices may include no- or low-calorie beverages such as diet soft drinks, flavored water, and some sports drinks.¹³⁷ Notably, full-calorie soft drinks do not comply with the Guidelines and may not be sold. For foods, specific requirements apply to fruits and vegetables, cheese, eggs, soups, snacks, and all other competitive food products.¹³⁸ Products in each category must meet restrictions on calories, fat, sugar, and sodium, among others.¹³⁹ The specific limitations on foods and beverages are set forth in Appendix F.

Among the companies and other entities signing on to the School Beverage Guidelines are The Coca-Cola Company, PepsiCo, Inc., Cadbury Schweppes Americas Beverages, The American Beverage Association, and numerous dairy processors and associations.¹⁴⁰ Competitive Foods Guidelines participants include Campbell Soup Company, The Dannon Company, Inc., Dole Food Company, Kraft Foods Global, Inc., Masterfoods USA (a division of Mars, Inc.), PepsiCo, Inc., Stemilt Growers, the Snack Food Association, and others.¹⁴¹ A number of these entities provided responses to the FTC's Special Order¹⁴² and five are also participants in the CBBB's Children's Advertising Initiative.¹⁴³ Overall, the signatories to the Alliance Guidelines represent a significant portion of the market for competitive foods and beverages offered in schools.

The distribution and sale of competitive food and beverage products in schools typically is handled by distributors, not the food and beverage companies themselves. Accordingly, Alliance participants may not have direct control over what products are placed in vending machines or otherwise offered for sale on school grounds. Recognizing this limitation, the Memoranda of Understanding require signatories to encourage adoption of the Guidelines by distributors and others in the distribution chain.¹⁴⁴ Thus, one participating company reports that it "works proactively" with its distributors to ensure compliance with the Guidelines. In addition, the beverage companies have worked closely with their bottlers to facilitate compliance with the new Guidelines.¹⁴⁵ The Guidelines require not only changes in the types of beverages sold in schools, but also changes in the package sizes and, in some cases, nutritional content. Bottlers reportedly have spent millions of dollars on compliance efforts, including retrofitting vending machines and repackaging and reformulating products.¹⁴⁶

Moreover, individual schools or school districts play a role in deciding which foods will be sold to students. The Commission is mindful that vending machines and other in-school sales of snacks and drinks can generate significant funds and other benefits for individual schools and school districts, and that changes to product offerings may affect revenue.¹⁴⁷ The Commission is confident, however, that, working together, the interested parties can find workable solutions that will meet schools' needs while also providing nutritionally improved competitive foods and beverages to their students.

The Beverage Guidelines were announced in May 2006. As of September 2007, approximately 35% of all school beverage contracts complied with the Guidelines, including 90% of new contracts entered into between bottlers and schools since the Guidelines took effect.¹⁴⁸ In addition, the total number of calories in beverages shipped to schools dropped 41% between 2004 and 2006-07.¹⁴⁹ The Alliance stated that the industry was on track toward its goal of 100% compliance by the start of the 2009-2010 school year.¹⁵⁰ The Competitive Foods Guidelines were announced in October 2006. Compliance data are not yet available but are expected in 2009.

B. OTHER COMPANY INITIATIVES

Separate from the Alliance, some reporting companies have improved the nutritional profile of their food products used in school food service programs, such as cereals, other breakfast foods, lunch entrees, and snack items. For example, a number of companies reported new products that meet the “35-10-35” guidelines for fat, saturated fat, and sugar,¹⁵¹ and/or that provide additional benefits such as whole grain; a good or excellent source of vitamins and nutrients that children need; and reduced calories, sodium, or sugar; or zero trans fat. The new products involve both reformulations of products previously offered in schools, and the introduction of new, better-for-you options.

As with competitive foods, food service products generally appear to be distributed and sold to schools by third-party distributors. Individual food manufacturers can, however, reformulate their products or create new ones to provide healthier choices for school children. Many have done so already, and the Commission encourages the continuation and expansion of those efforts.

RECOMMENDATIONS:

- Companies should continue efforts to improve the nutritional profile of foods and beverages sold in schools.
- All companies that sell competitive food or beverage products in schools should join the Alliance for a Healthier Generation or otherwise adopt and adhere to meaningful nutrition-based standards for foods and beverages sold in schools, such as those recommended by the Institute of Medicine.
- Participating companies should consider incorporating their Alliance commitments into distributor contracts.
- Companies should cease all in-school promotion of products that do not meet meaningful nutrition-based standards.

- The Commission encourages schools and school districts, as part of their school wellness policies, to adopt and implement meaningful nutrition-based standards for competitive foods sold in schools.

6. Healthy Messages

As noted above, the 2006 Report recommended that food companies explore ways to improve public education efforts about nutrition and fitness.¹⁵² Likewise, the Report recommended that food companies partner with other organizations “to develop and support substantial public education programs that promote nutrition and fitness to children, including outreach programs in local communities.”¹⁵³ The 2006 Report also recommended that food companies “promote more nutritious, lower-calorie products to racial and ethnic minority populations in which childhood obesity rates are high,” and that food companies and media and entertainment companies tailor education and outreach efforts about nutrition and fitness to these populations.¹⁵⁴

The reporting companies have engaged in a variety of public outreach activities to promote nutrition and exercise to children through their own initiatives and through partnerships with national and local organizations. Some of the reported activities preceded the 2005 Workshop, but have continued or expanded. Companies have used a range of techniques to promote healthy messages, such as underwriting youth sports and nutrition initiatives, disseminating information through print publications and company-sponsored websites, and providing health and fitness information and equipment to schools. The reporting companies have directed their outreach and education efforts to children and teens, as well as to parents, teachers, and coaches.

Many of the reporting companies have partnered with government bodies, media companies, non-profit organizations, and other entities to promote nutrition and physical activities for children and teens. Examples of these collaborations include:

- Supporting the efforts of the Centers for Disease Control and Prevention and the Produce for Better Health Foundation to promote consumption of fruits and vegetables;¹⁵⁵
- Partnering with the American Dairy Association’s “Got Milk” campaign and the “3-A-Day” dairy program;¹⁵⁶
- Partnering with Sesame Workshop to promote Sesame’s Healthy Habits for Life program;¹⁵⁷
- Supporting YMCA programs, including “Activate America”;¹⁵⁸
- Partnering with the Ad Council and with television networks to air child-directed public service announcements and advertisements promoting nutrition and fitness;

- Sponsoring activities of the Boys & Girls Clubs, such as the “Triple Play” wellness program;¹⁵⁹
- Supporting the Kidnetic website, a child-oriented health and fitness resource site, offered as part of the International Food Information Council Foundation’s ACTIVATE outreach program;¹⁶⁰
- Sponsoring the America on the Move Foundation’s nutrition and fitness campaign;¹⁶¹
- Partnering with the American Dietetic Association Foundation and the President’s Council on Physical Fitness and Sports to promote healthy lifestyle programs;
- Sponsoring Shaping America’s Youth nutrition and fitness initiative to centralize information on programs around the nation to combat childhood obesity;¹⁶² and
- Pledging to promote the USDA’s MyPyramid Food Guidance System and to encourage physical activity through product promotion or public education efforts.¹⁶³

Several of the reporting companies have distributed printed materials (*e.g.*, brochures, magazines, books, and stickers) to encourage healthy eating by children and families. In many instances, they also have included nutrition and fitness advice on brand websites or other company-sponsored sites. Some companies have posted nutrition and healthy lifestyles information specifically on child-directed portions of their sites. For example, a multi-brand company developed a child-focused interactive website with information about the benefits of fruit, vegetables, whole grains, and exercise. A produce company developed an interactive website with nutrition-based games, animated characters, and eating and exercise tips to encourage children to consume healthy foods and be active. A QSR also developed an interactive website, featuring licensed characters from a popular children’s animated movie, that combined online games with offline activity challenges.

Many of the reporting companies sponsored national, regional, and local youth sporting activities, clinics, and camps in fields such as baseball, track and field, basketball, and soccer. For example, beverage companies and QSRs were among companies that sponsored soccer and basketball activities, with one company sponsoring a community youth soccer program involving over 7,000 adolescents competing in a series of tournaments that culminated in an international World Cup style event. A QSR supported a sports leadership academy for adolescent girls, and a candy company sponsors track and field meets in which over 300,000 children and adolescents compete annually. Several companies described these activities as opportunities to introduce children and adolescents to physical fitness and, in turn, to allow them to have fun, and develop athletic and teamwork skills, confidence, and a sense of achievement.

In addition, several reporting companies have offered nutrition and exercise information to schools, such as lesson plans, educational materials, and fitness programs. For example, one

company supported an in-school “healthy eating” facts newsletter to be sent home with grade school children, and developed educational materials for pre-K and kindergarten classrooms on the importance of proper diet, nutrition, and physical activity. Another company collaborated with the President’s Challenge¹⁶⁴ to develop a national health and fitness initiative for middle school students. The program features inspirational celebrities to promote healthy eating and physical activity, and provides teachers with unbranded materials on how to incorporate lessons on healthy living in their curricula.

Several of the initiatives highlighted by the reporting companies have been aimed at Hispanic and African American populations, in which rates of childhood obesity are high. For example, two packaged food companies reported partnerships with outside organizations to promote youth programs focused on Latin dance in the Hispanic community.¹⁶⁵ Another company reported distributing a magazine with nutrition and other information to assist Hispanic mothers with children at home. A packaged food company has partnered with the BET Foundation to promote health and nutrition to African American families, especially women and girls, through the “Healthy BET” program. Healthy BET activities have included television PSAs, an informational website and toll-free hotline, an obesity camp for girls, a national fitness challenge, and a health forum.¹⁶⁶ The same company offers grants to non-profit organizations to promote nutrition and fitness, with the majority of grant money reportedly going to support children of color.¹⁶⁷ Some companies also reported sponsoring sports programs or events focusing on Hispanic and African American youth. In addition, a beverage company engaged in nutrition-related events aimed at the Hispanic population, and supported a Hispanic community organization that addressed topics such as childhood nutrition and development.

As in the case of product-specific promotional campaigns, some companies have adopted an integrated approach to healthy message campaigns, using several media avenues to reach children and teens. For example, a campaign that aims to increase consumption of milk by teens includes a teen-targeted interactive website, milk-mustache celebrity endorsements, and in-school posters. Similarly, a beverage company’s educational platform has been featured on the children’s portion of the company website, in school materials, in sponsored events promoting physical activity, and through funding and support of fitness activities of certain community organizations. A packaged food company’s campaign to promote produce, whole grains, and exercise featured an interactive website, links on company-sponsored and third-party websites, spots on a popular children’s cable television network, and other media avenues.

The 2006 Report also recommended that food and beverage companies conduct consumer research on the impact of their healthy message initiatives, in order to identify simple, effective messages.¹⁶⁸ Some of the reporting companies have sought to examine the potential

effectiveness of specific healthy messaging campaigns on consumer behavior. For example, a packaged food company has examined the impact of its child-directed campaign to promote exercise and consumption of fruits, vegetables, and whole grains, as well as its health and nutrition grant program. A milk marketer has analyzed the impact of its youth-directed promotion on milk consumption in a sample of secondary schools. A beverage company has evaluated the effectiveness of its nutrition and fitness program for elementary school students, which was developed in collaboration with another organization.

RECOMMENDATIONS:

- Companies should expand public outreach efforts – through company-sponsored initiatives, third-party partnerships, and innovative and varied media techniques – to educate children and teens about the importance of healthy eating and exercise.
- Companies should devote particular attention to outreach aimed at ethnic minority populations that are disproportionately affected by childhood overweight and obesity.
- Companies should continue researching the effectiveness of their campaigns to educate and motivate youth to engage in healthier lifestyles.

7. Media and Entertainment Company Initiatives

In addition to efforts by food and beverage marketers, several media and entertainment companies have taken steps to encourage healthier eating and healthier lifestyles by children. A number of companies have adopted policies to limit the licensing of their popular characters for use in marketing foods meeting certain nutritional guidelines. Disney announced in October 2006 that it would use its characters – such as Mickey Mouse and others – only on products that meet specific nutritional requirements.¹⁶⁹ Sesame Workshop has pledged to license its characters only for more nutritious, lower-calorie products, and has partnered with a number of produce companies to promote fruits and vegetables; consumers now see Elmo promoting strawberries and cherries, Big Bird on applesauce, and Cookie Monster on cans of corn.¹⁷⁰ Similarly, Discovery Kids and the Cartoon Network now license their characters for use on food packaging and promotional tie-ins only for products meeting nutritional standards for fat, calories, and sugar.¹⁷¹ Nickelodeon – which since 2005 has licensed its SpongeBob SquarePants and Dora the Explorer characters for use on packaging of fresh fruits and vegetables¹⁷² – has pledged to limit licensing of its characters exclusively to better-for-you foods by 2009.¹⁷³ Most recently, in 2008, Warner Bros. announced it has partnered with Safeway supermarkets to license its Looney Tunes characters for use on Safeway branded kids' products meeting certain nutritional standards;

as part of the deal, Warner Bros. pledged to stop featuring the characters on “unhealthy” food packaging.¹⁷⁴

These initiatives can have an impact. One clementine seller has reported that “[m]ajor grocers sold nearly 30% more clementines based on the appeal of the Nickelodeon packaging.”¹⁷⁵ In a similar vein, at the FTC’s 2007 Forum, a Sesame Workshop representative discussed research showing that the appearance of a Sesame character on a particular food noticeably increased its appeal to children.¹⁷⁶ In 2007, McDonald’s integrated DreamWorks’ Shrek character into packaging for healthy choices, such as apple slices, milk, water, and carrots, and, according to a trade press report, sales of apple slices and milk increased by 37% and 21%, respectively.¹⁷⁷

Media companies are taking other steps as well. The Disney Channel announced at the 2007 Forum that it now requires food companies to meet nutritional guidelines in order to sponsor Disney Channel programming.¹⁷⁸ In addition, the Disney Channel is incorporating healthy messages into the programs themselves.¹⁷⁹ Similarly, Ion Media Networks – which through a partner produces children’s weekend programming aired on NBC and Telemundo – has committed not to air national ads for unhealthy foods or beverages on its children’s shows, and to create new story lines promoting good eating habits and physical activity.¹⁸⁰ Nickelodeon has devoted nearly \$30 million and 10% of air time to health and wellness messaging to children.¹⁸¹ The “Let’s Just Play Go Healthy Challenge,” launched by Nickelodeon and the American Heart Association in 2006, includes television spots that highlight healthy lifestyles and grants to community organizations that encourage play.¹⁸² One media company has also aired television ads and other messaging highlighting the fact that its licensed character now appears on packages of fresh produce.

RECOMMENDATIONS:

- More media and entertainment companies should limit the licensing of their characters to healthier foods and beverages that are marketed to children, so that cross-promotions with popular children’s movies and television characters will favor the more, rather than the less, nutritious foods and drinks.
- Media companies should consider adopting uniform, objective standards that limit advertising placements on programs “directed to children” to healthier food and beverage products.
- Media and entertainment companies should continue to incorporate health and nutrition messages into programming and editorial content, and to create public education campaigns aimed at the problem of childhood obesity.

- Media and entertainment companies should test the effectiveness of any health and nutrition messages and public education campaigns aimed at the problem of childhood obesity.
- Media and entertainment companies should consider the feasibility of instituting a self-regulatory initiative to facilitate implementation of the recommendations above. The companies should consider working with the CBBB in this endeavor.

C. Measuring the Success of Company Initiatives

As discussed above, food and beverage companies, media and entertainment companies, and others have made notable progress on implementing many of the recommendations from the 2006 Report. Going forward, the Commission will continue to monitor future developments in these areas.

One important – and challenging – component of assessing the impact of the various initiatives will be measuring their effect on actual *consumption* of better-for-you and more nutritious foods by children and adolescents. Individual companies may – and likely do – track sales of their various product lines. For example, this Report has discussed some data indicating that sales of certain products bearing “better for you” icons have outpaced sales of non-icon products, and that the use of popular licensed characters on some healthier products has increased sales of those items.¹⁸³ This type of information is not always readily or publicly available, however. Therefore, the Commission recommends that food and beverage companies consider how best to measure changes in consumption of more nutritious products that they market to children and teens.

V. Conclusion

The food and beverage companies surveyed for this Report spent more than \$1.6 billion marketing their products to children and adolescents in 2006. The companies employed myriad techniques, including traditional measured media, the Internet and other “new” media, as well as product packaging, in-store advertising, and event promotions, to name just a few. Integrated advertising campaigns that combined several of these techniques, often involving cross-promotions, were prevalent.

Whether there is a link between food marketing to children and childhood obesity is a question not addressed by this Report. Regardless, the Commission believes the food and entertainment and media industries can take action to market healthier foods and encourage positive changes in children’s diet and health. Indeed, since 2006, many food and beverage companies, media and entertainment companies, and other entities, have taken steps to implement the recommendations from the 2006 Report. The Commission is pleased to recognize these significant efforts, and encourages their continuation and expansion, as set forth in the recommendations in Section IV of this Report.

In addition, based on the findings in Sections II and III regarding expenditures and activities in marketing food to children and adolescents, the Commission makes the following additional general recommendations:

- All companies that market food or beverage products to children should 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.
- Companies should broadly construe “marketing” to include all forms of advertising and promotional techniques.
- In cases where a product line contains some product varieties that meet the nutrition-based standard and others that do not, companies should strictly limit all components of a promotion or advertising campaign directed to children under 12 to those varieties that meet the standard. Thus, for example, television or print advertisements promoting a sweepstakes would feature only the “better for you” varieties of the product, and licensed characters would appear only on packages of the “better for you” varieties.
- Companies should consider limiting branded merchandise intended for children to products or brand lines meeting meaningful nutrition-based standards.

The Commission is hopeful that continued efforts by all relevant entities will yield more progress in addressing the issue of childhood obesity. Going forward, the Commission will continue to monitor future developments in this area and, after allowing a reasonable time for

response to the recommendations contained in this Report, will issue a follow-up report assessing the extent to which the recommendations have been implemented and identifying what, if any, additional measures may be warranted.

Endnotes

1. 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 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).
2. The research methodology is explained in Appendix A.
3. Institute of Medicine of the National Academies, *Food Marketing to Children and Youth: Threat or Opportunity?* (2006) (IOM Study). The IOM Study stated, at ES-5 to ES-6, that "food and beverage marketing extends far beyond television and is changing rapidly to include integrated marketing campaigns that extend to new media platforms that target multiple venues simultaneously. Virtually no scientific studies are available on these other tools." A study by the Kaiser Family Foundation of online food marketing to children likewise noted the dearth of information about marketing activities on the Internet and in other emerging media. Elizabeth S. Moore, The Henry J. Kaiser Family Foundation, *It's Child's Play: Advergaming and the Online Marketing of Food to Children 1* (2006), available at www.kff.org/entmedia/7536.cfm.
4. Centers for Disease Control and Prevention, *Overweight and Obesity: Childhood Overweight* (2007), available at www.cdc.gov/nccdphp/dnpa/obesity/childhood/index.htm.
5. IOM Study at ES-1 and 1-1 to 1-2.
6. See Section IV of this Report.
7. The agenda and transcript of proceedings from the 2005 Workshop are available at www.ftc.gov/bcp/workshops/foodmarketingtokids/index.shtm.
8. Federal Trade Commission & Department of Health and Human Services, *Perspectives on Marketing, Self-Regulation & Childhood Obesity* (2006) (2006 Report), available at www.ftc.gov/os/2006/05/PerspectivesOnMarketingSelf-Regulation&ChildhoodObesityFTCandHHSReportonJointWorkshop.pdf. Recommendations that came out of the Workshop are listed at pages 48-54. See also Section IV of this Report.
9. This Report, in addition to providing the research requested by Congress, also serves as a report on the recommendations that resulted from the 2005 Workshop.
10. Press Release, Council of Better Business Bureaus, New Food, Beverage Initiative to Focus Kids' Ads on Healthy Choices; Revised Guidelines Strengthen CARU's Guidance to Food Advertisers (Nov. 14, 2006), available at www.bbb.org/alerts/article.asp?ID=728. The estimate that the participating companies represent more than two-thirds of children's food and beverage television advertising expenditures was made with reference to the initial ten program members. Three additional major companies subsequently subscribed to the Initiative.
11. IOM Study at 5-69 to 5-70.
12. Federal Trade Commission, Bureau of Economics Staff Report, *Children's Exposure to TV Advertising in 1977 and 2004: Information for the Obesity Debate* ES-3-7 (2007) (FTC BE TV Study), available at www.ftc.gov/os/2007/06/cabecolor.pdf.

13. Request for Information and Comment: Food Industry Marketing Practices to Children and Adolescents, 71 Fed. Reg. 10,535 (Mar. 1, 2006).
14. A copy of the FTC Special Order is attached as Appendix B.
15. As explained in Appendix A, in certain instances, the data obtained from the companies have been supplemented by data purchased from third-party sources.
16. Prepared foods and meals were defined in Attachment A to the Special Order to include frozen and chilled entrees, frozen pizzas, canned soups and pasta, lunch kits, and non-frozen packaged entrees (such as macaroni and cheese).
17. Section 6(f) of the FTC Act, 15 U.S.C. § 46(f), constrains the FTC from disclosing publicly materials that contain or constitute trade secrets or privileged or confidential commercial or financial information. *See also* 16 C.F.R. § 4.10(2).
18. As with the expenditure data, care has been taken to protect the confidentiality of this proprietary information.
19. *See* Appendix A for a detailed discussion.
20. For example, a significant number of QSRs in the U.S. are independent franchisee-owned establishments, rather than corporate-owned establishments. For most of the QSR companies that received the Special Order, franchisee- and affiliate-owned restaurants far outnumbered company-owned restaurants in the U.S., with franchisees and affiliates representing approximately 70-85% of the establishments in the QSR systems. In addition, QSRs vary in their management of advertising funds, in some cases participating in national and local cooperatives or programs to which corporate-owned and franchisee-owned establishments contribute funds. Franchisees also may contribute to separate advertising funds in individual local markets. Consequently, the reported expenditures generally do not account for local advertising expenditures by independently owned franchisees. The Commission is confident, however, that the reported expenditures for QSRs provide an accurate estimation of advertising costs by corporate-owned restaurants and advertising expenditures by national cooperatives to which franchisees contribute funds.
21. 2006 Report at 10.
22. For several reasons, the total cost of marketing to youth reported here for 2006 is significantly lower than some estimated numbers cited elsewhere, such as in the 2006 IOM Study on food marketing to children and youth. *See* IOM Study, *supra* note 3, at 4-32 to 4-33. The IOM Study estimated that more than \$10 billion is spent per year “to market food, beverage, and restaurant products to children and youth,” including about \$1 billion to advertise directly to young consumers, primarily via television. *Id.* at 4-33. One source cited for this estimate is James U. McNeal, *The Kid’s Market: Myths and Realities* 14-15, 141-44 (1999) (the other source relied upon in the IOM study for this total – Kelly D. Brownell & Katherine B. Horgen, *Food Fight: The Inside Story of the Food Industry, America’s Obesity Crisis, and What We Can Do About It* 100 (2004) – did not provide a citation for its estimate of \$10 billion for food advertising to children). McNeal’s estimates for the \$10 billion figure encompass “annual marketing communications expenditures related to kids as a market,” rather than marketing directed to youth specifically by members of the food and beverage industry. McNeal at 14-15. For example, McNeal’s estimate of \$4.5 billion spent on promotions, relied upon by IOM, includes promotions for motels, airlines, and banks, as well as restaurants. *See* McNeal at 15, 156-57. Moreover, McNeal’s promotions estimate includes couponing, price packs, cash refunds, and patronage rewards, whereas the Commission’s criteria for youth-directed food advertising excluded such promotions (*e.g.*, children stay or eat free) because they are directed to adults. In another example, IOM cited McNeal’s \$3 billion estimate for product packaging designed for children and youth. This figure, however, likely covered all packaging costs, including packaging materials such as cardboard and plastic. By contrast, the Commission’s Special Order requested only the costs of design and development of change-overs in youth-directed packaging, not baseline costs of manufacturing or packaging materials that would have existed regardless of whether the packaging featured youth-directed promotions. Notably, McNeal estimated that “media spending” (including television, print, radio, and Internet advertising; direct mail; product placements; movie theater advertising; and in-school advertising) for “advertising targeted at kids” totaled approx-

- imately \$1.3 billion annually – a number that is close to the Commission’s total of \$1.6 billion. *See* McNeal at 142-44.
23. As discussed in Appendix A, some of the companies’ reportable expenditures could not readily be divided as directed only to children (ages 2-11) or to adolescents (ages 12-17). For example, some expenditures were targeted to a “tween” audience that included older children and younger teens (a group generally between the ages of 8 or 9 and 13 or 14). As a result, for each promotional activity category, companies were asked to state any amount that was duplicated in the reported child and teen expenditure amounts. In most cases, the total amount directed to “youth” (ages 2-17) is less than the sum of the child and teen totals because of overlap in the reported child and teen expenditures.
 24. The Special Order defined digital advertising to include promotional content transmitted to personal computers and other digital devices, including PDAs (personal digital assistants), mobile phones, and other portable devices, whether or not Internet-enabled. The category included email messages, SMS or text messages, instant messaging, mobile broadcasts, downloads, and podcasts.
 25. Youth-directed marketing expenditures for particular brands within several food categories well exceeded 40.8%.
 26. When a company had reportable child- or teen-directed marketing expenditures in a given promotional category for a particular brand, the company also reported expenditures directed to all audiences in the promotional category for that brand. For example, if a company reported spending \$10 million on child-directed television ads for a brand, it also reported the total amount spent on all television ads for that brand (*e.g.*, \$25 million). The companies were not required, however, to report general audience expenditures for any promotional activity category in which they had no child- or teen-directed expenditures for a particular brand. As a result, the percentages of youth-directed marketing expenditures within the promotional activity categories are based only on the brands for which the companies reported youth-directed advertising in those particular promotional categories. In a few instances, reporting companies stated they were unable to calculate all-audience expenditures. In those instances, the totals were under-reported and therefore the percentage of expenditures directed to youth may be slightly too high.
 27. When reporting television, radio, and print advertising expenditures, the Special Order instructed companies to report the creative costs associated with production of the advertising, as well as all ad placement costs.
 28. The companies reported about \$89 million in overlapping expenditures for child- and teen-directed television advertising.
 29. In 2006, no broadcast television programs met the 20% teen audience share threshold for advertising directed to adolescents. Source: The Nielsen Company.
 30. Source: The Nielsen Company. These figures are based on audience data for airings that occurred on the Nickelodeon cable channel only.
 31. Market research submitted by a few companies examined the appeal of some of these shows to youth audiences.
 32. In 2007 and 2008, McDonald’s ran *American Idol* cross-promotions. Children who purchased a Happy Meal or a Mighty Kids Meal could collect a variety of toys inspired by *American Idol* and, in 2007, enter a sweepstakes to attend the season finale of *American Idol*. Press Release, McDonald’s USA, McDonald’s Debuts *American Idol*-Inspired Toys in Happy Meals and Mighty Kids Meals (Apr. 18, 2007), *available at* www.mcdonalds.com/usa/news/current/conpr_04182007.html.
 33. Kellogg’s sponsors the Pop-Tarts *American Idol* Live! tour as a way to reach tweens and teens. Tim Parry, *American Pop Idol*, *PROMO Mag.*, May 1, 2004, *available at* http://promomagazine.com/awards/emmas/marketing_american_pop_idol/ (quoting official from the brand communication firm that facilitated Pop-Tarts’ sponsorship of the *American Idol* tour as “resulting in the partnering of two brands that are relevant to teens and tweens heightening the connectivity of their collective message”; noting that, through the tour,

- the product reached more than 30 million teens, sales of Pop-Tarts increased 26.2%, and 60% of teens and tweens who were aware of the brand tie-in with *American Idol* said they felt better about Pop-Tarts).
34. Radio Disney appears to be the only commercial radio station directed at children. Of course, another criterion in the Special Order for reporting child-directed radio expenditures was whether a marketing plan specifically indicated that the radio advertising was intended to reach children under age 12.
 35. Word-of-mouth marketing occurs when companies provide financial or product incentives to non-employees to encourage them to promote a food product or brand to other consumers.
 36. Company-sponsored digital promotional messages that consumers can interact with and pass along to others is considered viral marketing. This includes content developed for video, audio, or image file-sharing websites, company-sponsored blogs or social networking profiles, and other content posted on the Internet that is intended to be sent from one consumer to another, such as “send-to-a-friend” emails.
 37. The word-of-mouth and viral expenditures are under-reported because many companies stated that they were unable to segregate viral marketing activities from their website expenditures. An example is the common and popular “send-to-a-friend” feature used on child- and teen-directed websites. Companies reported the costs associated with “send-to-a-friend” features as part of their website expenditures.
 38. When reporting website expenditures, many companies noted that the company-sponsored websites existed prior to 2006 and, thus, the only costs consisted of the design and development changes to the website, if any, in 2006.
 39. Advergaming are interactive online games on food company websites that incorporate a food or beverage product into the game content.
 40. As noted above, the companies reported most viral marketing expenditures (such as their “send-to-a-friend” features) as expenditures for their company-sponsored websites. As a result, the majority of the expenditures reported in this category represents word-of-mouth marketing. Interestingly, 100% of the viral marketing reported was directed to youth.
 41. The carbonated and non-carbonated beverage categories reported a total of \$96,000 in child-directed word-of-mouth expenditures, but this amount was almost 100% duplicative of the larger amounts that these categories reported as teen-directed expenditures.
 42. When reporting packaging expenditures, companies were required to report only those costs associated with the design and development of changes in product packaging, but were not required to report manufacturing costs or the cost of packaging materials. For in-store advertising and promotions, companies were told to report the costs associated with all displays and promotions at the retail site, including the offering of free samples and allowances paid to facilitate shelf placement or merchandise displays. Many companies explained that their promotional funds paid to retailers are not targeted to a specific age group. Some companies, however, did report expenditures for specific promotional displays, in locations such as the end of a supermarket aisle, that used thematic content appealing to children or adolescents.
 43. Child-directed packaging and in-store expenditures for snacks equaled 21% of the companies’ total expenditures on packaging and in-store marketing for the reported snack brands; the proportion for restaurant food was 24%, for candy/frozen desserts was 30%, for prepared foods was 40%, and for breakfast cereals was 65% of the total packaging and in-store expenditures for the reported brands.
 44. See Section III.C for a discussion of the market research submitted by the companies regarding the importance of premiums in youth-directed marketing.
 45. These chains were: McDonald’s, Burger King, Wendy’s, Chuck E. Cheese (a dine-in restaurant), Pizza Hut, KFC, Taco Bell, Long John Silver, Wingstreet, and A&W Restaurants. The Select QSRs accounted for nearly three-quarters (73.6%) of all kids’ meals with toys sold to children ages 12 and under during 2006. Source: The NPD Group/CREST.

46. See Julian E. Barnes, *Fast-Food Giveaway Toys Face Rising Recalls*, N.Y. Times, Aug. 16, 2001, at A1 (“Estimates vary as to how much the fast-food companies spend to manufacture the toys ... but food and toy executives estimate the toys cost 30 to 50 cents each.”); *McDonald’s Rests. of Mass., Inc. v. Comm’r of Revenue*, No. C262528, 2005 WL941510, at *2 (Mass. App. Tax. Bd. 2005) (each Happy Meal toy distributed by Massachusetts franchisees in December 1997 and November 1999 had a cost of 43 cents); *In re E-M Food Corp T/A McDonald’s Rest.*, Nos. 809808, 809809, 809810, and 809811, 1993 WL 98470, at ¶ 10 (NY Div. Tax. App. 1993) (noting that cost of Happy Meal toys to Long Island franchisees ranged between 40 and 49 cents per unit).
47. The amount reported by carbonated beverages for movie theater, video, and video game advertising, however, is likely under-reported. Movie theater chains often have discretion in selecting the films before which they place food advertising. As a result, some companies reported that they did not have data on the ratings of movies preceded by ads for their products; thus, they could not accurately allocate expenditures for ads in movie theaters that might have met the Special Order criteria for child- or teen-directed advertising.
48. This category included sponsorship of amateur and professional athletes, teams, and leagues, including youth teams or leagues.
49. The two categories of athletic sponsorships and celebrity endorsements were combined for purposes of analysis because a few companies reported fees paid to an athlete endorser as an athletic sponsorship rather than as a celebrity fee.
50. Events included sporting events, concerts, activities at theme parks and shopping malls, and company promotional tours. Some companies purchased billboard and scoreboard advertising and naming rights in arenas and other large venues that hosted both adult and youth-directed events; in those cases, companies calculated the percentage of the advertising costs that could be attributed to the child and teen events.
51. Some beverage bottlers objected to the criteria for in-school marketing, which included advertising on or around vending machines, as well as payments – whether in the form of vending commissions, sponsorship fees, or equipment donations – made pursuant to food and beverage contracts with schools or school systems. Companies asserted that vending machines are not a device for advertising, but simply a means of delivering and dispensing products. In addition, they stated that payments to schools often are used for the schools’ own internal purposes, for which the company may receive no true advertising value. Given the broad focus of advertising and marketing activities addressed in this study, however, as well as the fact that vending in schools is clearly directed to children and adolescents, the Commission determined that, for purposes of this report, it was appropriate to include advertising on or around school vending machines as a marketing activity.
52. In general, QSR expenditure data covered national advertising expenditures by company-owned and franchisee-owned establishments, and local expenditures by company-owned establishments. In addition, two of the reporting companies estimated local advertising expenditures by company-owned and franchisee-owned restaurants.
53. See *supra* Section II.C.4.B.
54. Some companies claimed difficulty in compiling expenditure data for the implementation of the celebrity endorsement (e.g., data on television advertising, packaging, and sweepstakes featuring the endorser). Thus, it is likely that the costs associated with celebrity endorsements were under-reported. For example, carbonated and non-carbonated beverage companies reported \$3.7 million in endorsement fees, but did not report the costs associated with implementation of the endorsements. As a result, the \$3.7 million in endorsement fees under-reports use of celebrity endorsements in these food categories.
55. Many companies reported that their advertising directed to children under 12 adheres to self-regulatory guidelines administered by the Children’s Advertising Review Unit (CARU), a division of the Council of Better Business Bureaus. These standards aim to ensure that children’s advertising is not deceptive, unfair, or inappropriate for its intended audience, and take into account children’s particular vulnerabilities, such as their inexperience, immaturity, susceptibility to being misled or unduly influenced, and their lack of cognitive skills needed to evaluate the credibility of advertising. Children’s Advertising Review Unit, *Self-Regulatory*

- Program for Children's Advertising* (amended 2006), available at www.caru.org/guidelines/guidelines.pdf. The program requires, among other things, that advertising to children include no misleading claims; not disparage healthy lifestyles or depict excessive consumption; provide a clear distinction between advertising and editorial content; and contain no sales pressure, including urging children to ask parents to buy a product. *Id.*
56. Examples of toys subject to cross-promotional arrangements with food products include: Bratz and G.I. Joe dolls (advertised and distributed with QSR children's meals); Hot Wheels toy cars (advertised with cereal, fruit snacks, and QSR children's meals); Tonka toy trucks (advertised with fruit snacks); Bionicle building toys (advertised with QSR children's meals); the Build-a-Bear Workshop (advertised with QSR children's meals); Ty Beanie Baby dolls (advertised with candy); and Barbie doll merchandise and DVDs (advertised with toaster pastries and QSR children's meals).
 57. One company developed a Neopets-branded breakfast cereal, sold with Neopets trading cards, which promoted an interactive, virtual pet website popular with children. Another product's packaging directed children to Wal-Mart's Toyland website for the "hottest toys."
 58. For example, packaging for QSR children's meals, candy, carbonated beverages, and breakfast cereal promoted the Six Flags Amusement Parks, Wannado City theme park, SeaWorld, and Busch Gardens, while packaging for candy, non-carbonated beverages, and macaroni and cheese promoted Chuck E. Cheese. Sometimes, these messages appeared to be directed to adults with children, or to an audience that included both adolescents and adults in their 20s.
 59. Companies promoted Nintendo Wii and Xbox game consoles on product packaging for breakfast cereals, snack chips, toaster pastries, and fruit snacks, in some cases advertising a sweepstakes to win a new console. Other promotions featured individual video games, such as a QSR promotion for *Dance Dance Revolution*, which was featured on the company website, in-store displays, and toy premiums sold with the food.
 60. Various food products promoted Major League Soccer, the National Football League, the U.S. Figure Skating Association, the Harlem Globetrotters, U.S. Youth Soccer, Little League Baseball, the American Youth Soccer Organization, and Youth Basketball of America on their packaging.
 61. Company websites often featured details and rules of entry for promotion-related sweepstakes and contests.
 62. Although the target companies were required to report only cross-promotions with films rated G as targeted to children, and with films rated PG as targeted to adolescents, a number of companies reported that their cross-promotions with *Pirates of the Caribbean: Dead Man's Chest* met the Special Order's other criteria for child and teen-directed marketing.
 63. Companies that reported selling branded merchandise or licensing branded merchandise in 2006 included marketers of candy, cereals, snack cakes, snack meats, QSR children's meals, and carbonated beverages.
 64. Other branded merchandise intended for use by children and adolescents includes: T-shirts, hats, bags, belts, watches, wallets, flip flops, plush toys, backpacks, lunch boxes, stickers, journals, stationery, pencils and pens, jewelry, key rings, snow globes, iPod covers, cell phone charms, lip balm, sippy cups, candy dispensers, pillows, blankets, nightlights, alarm clocks, toy bake sets and grocery food sets, and Christmas stockings.
 65. On the website of one dairy organization, a game allowed players to help a baby search for milk in a room and then drink it. The website for a canned soup brand had a game that required players to "keep the slurp factory running by slurping up bowls" of the canned soup product.
 66. While open to all ages, the contest was open to children under 13 only with parental consent and the game featured images of players who appeared to be teens.
 67. In 2006, one candy company sent to its opted-in database of children and teens a series of email newsletters, which advertised new product varieties, sweepstakes, events and games, a summer tour of its branded candy van, and quizzed children on their favorite activities. On Valentine's Day, the newsletter featured e-cards and text messages children could send to friends.

68. One of the companies had a policy of not asking children under age 12 to watch online webisodes in order to collect points or rewards.
69. One canned soup company allowed its website visitors to create a personality profile based on their favorite soup flavor and send the profile to others via AOL or Yahoo instant messenger. A snack cracker website offered a chance to find out your dinosaur name and send it to a friend.
70. For example, *The Guardian* reported in July 2007 that a candy company paid a six-figure sum to set up a profile on social networking site Bebo; in the course of one month, the profile had been viewed more than 50,000 times and had collected more than 3,500 “friends,” whom a Bebo representative described as “brand ambassadors.” Helen Pidd, *Food Manufacturers Target Children on Internet After Regulator’s TV Advertising Clampdown*, *The Guardian*, July 31, 2007, at 5.
71. The contest was open only to persons between the ages of 6 and 15.
72. A few contests required a creative submission, such as a drawing, decoration, story, song, or video about why entrants like the product, or an essay about an historical topic. One fruit and vegetable company ran a sweepstakes for bikes, scholarships, and computers that required completion of an online learning module about nutrition and health.
73. These television programs did not necessarily meet the Special Order’s criteria with respect to the percentage of adolescent audience share, but met other criteria specified in the Special Order for advertising directed to adolescents.
74. The Commission is distinguishing advertising in third-party video games from use of “advergames,” which the Commission has defined as interactive games on food company websites that incorporate food or beverage products into the game content. *See supra* note 39.
75. *See* Ross Fadner, *Marketers Step Up Their Game*, *OMMA Mag.*, June 2006; Ryan Kim, *Video Game Ads No Longer Child’s Play: Product Placement Expected to Be Crucial as Online Competition Has More Timeliness*, *S.F. Chron.*, June 12, 2006, at C-1; Beth Snyder Bulik, *Ad Dollars Flow Into Online Games*, *Advertising Age*, Mar. 26, 2007, at 10.
76. Kaboom! is a national non-profit organization that builds playgrounds across the U.S. and envisions each child in America having a great place to play within walking distance.
77. One packaged food company’s policy prohibited marketing directly to students in grades K through 12 in schools or to school groups, but permitted products to be sold in schools. Another packaged food company had a policy not to engage in any in-school advertising (such as print or broadcast ads, contests, posters, or book covers), but allowed product sales in schools. One snack chip maker had a policy of avoiding directly marketing or selling in schools. A candy company that licensed and sold non-food promotional merchandise had a policy that such items would not encourage food or drink consumption and would not be specifically designed for use in schools; the company’s policy also prohibited branded educational materials for use in schools by children under 12, all sales of products in primary schools, and sponsorship of sports in primary schools. Another candy company’s policy prohibited the licensing of its brands for use on educational materials or material intended for use primarily in elementary or secondary schools.
78. The majority of the beverage company activities took place in middle, junior high, and high schools, with the expenditures reported as targeted to adolescents. (Middle and junior high schools may include children under 12, as well as 12 and older. Because such expenditures could not easily be divided between the two groups, companies were instructed to include all of them in the adolescent category.)
79. *See supra* note 51.
80. During the summer months, one QSR offered the reading program through public libraries. Other QSRs reported that their local co-ops might have participated in such programs, although the company did not do so at the national level. (Such expenditures and activities by local franchisees are not covered in this report.)

81. The information described in this section was derived from market research related to children and adolescents that was submitted by the 44 companies. The results are described in a general way because they show the parameters of this kind of research and illustrate some important findings. The Commission has made no effort to assess the competence and reliability of this research.
82. According to one company's research, television is still the strongest source of ad awareness for all brands.
83. Typically, such research focused on teenagers and young adults in their early twenties, and audience reactions were measured separately by gender and race or ethnic identity.
84. Research submitted by one company found that licensed characters are particularly appealing to children from pre-school age to eight or nine years-old, at which point children will request fewer foods based solely on the licensed character.
85. The frequency of exposure to the promotional message connecting the brand to the contest is paramount in increasing brand awareness.
86. One company's survey indicated that boys tend to prefer electronic devices, while girls tend to prefer trips. Some research showed that children prefer cash to merchandise. Older children are aware of the low probability of winning a sweepstakes, but are nonetheless intrigued by grand prizes.
87. A few companies noted, however, their participation in programs that serve low-income populations, such as state WIC programs that provide supplemental food and nutrition education to low-income pregnant and postpartum women, infants, and young children.
88. 2006 Report at 54.
89. *See generally id.* at 11-20, 22-23.
90. *Id.* at 20-21. Prior to 2006, fewer than half of the companies that responded to the Special Order for this Report had any policies in place pertaining to food advertising and promotional activities targeted to children or adolescents. In some cases, this appears to be because the companies did not, as a general practice, direct their marketing activities toward children and teens.

The policies that were in place ranged from specific guidelines regarding ad placement and content – such as prohibiting advertising directed to children under 6 or 8, or limiting the types of products that could be advertised to children to products meeting certain nutrient criteria – to general commitments to follow self-regulatory advertising principles. For example, a number of companies indicated that they participated in the self-regulatory program administered by the CARU and adhered to CARU's guidelines for advertising to children. A few companies also stated that they “pre-screened” some of their advertisements – including television and website ads – through CARU prior to disseminating them.

Some companies also had their own guidelines for the content of child-directed ads, which required, for example, that such ads accurately portray serving sizes, not encourage the “nag” or “pester” factor, always portray children under 12 in the presence of a caregiver, and not undermine parental authority, among other things.

91. These recommendations are set forth on pages 48-54 of the 2006 Report. *See supra* note 8.
92. 2006 Report at 53.
93. Many of these developments were discussed at the July 18, 2007 Forum on Marketing, Self-Regulation & Childhood Obesity, hosted by the FTC and HHS (2007 Forum). The agenda and transcript of proceedings (2007 Forum Transcript) are available at www.ftc.gov/bcp/workshops/childobesity/index.shtml.
94. *See* Council of Better Business Bureaus, About the Initiative, <http://us.bbb.org/WWWRoot/SitePage.aspx?site=113&id=b712b7a7-fcd5-479c-af49-8649107a4b02> (last visited July 10, 2008).

95. See Council of Better Business Bureaus, Children's Food and Beverage Advertising Initiative, <http://us.bbb.org/WWRoot/SitePage.aspx?site=113&id=dba51fbb-9317-4f88-9bcb-3942d7336e87> (last visited July 14, 2008).
96. The FTC did not survey Cadbury Adams because gum was excluded from the food product varieties covered by the Report.
97. Individual company pledges are available at Council of Better Business Bureaus, Company Pledges, <http://us.bbb.org/WWRoot/SitePage.aspx?site=113&id=9a35a6f9-6768-4ad6-8b1d-9bb1039da8cd> (last visited July 10, 2008). Approval of the first 11 pledges was announced in July 2007. See Press Release, Council of Better Business Bureaus, Better Business Bureau Announces Food and Beverage Advertising Commitments from 11 Industry Leaders, July 18, 2007, available at <http://bbb.org/alerts/article.asp?ID=779>.
98. Even before joining the Initiative, Kraft had announced, in 2005, that it would only advertise products meeting its *Sensible Solutions* criteria to children aged 6-11, and it already had a policy of not directing advertising to children under 6. See 2007 Forum Transcript at 50-51.
99. Advertisements containing healthy lifestyle messages are approved by Initiative staff.
100. See Children's Food and Beverage Advertising Initiative: Initiative Program Document 1 (Initiative Program Document), <http://us.bbb.org/WWRoot/storage/16/documents/InitiativeProgramDocument.pdf> (last visited July 9, 2008).
101. The Commission notes that although the Initiative requires participants to "reduce" their use of licensed characters in advertising directed to children, most participants have pledged to use such characters only in child-directed advertising that promotes healthy dietary choices. See Appendix E.
102. The product packaging exception applies so long as the packaging does not appear in advertising directed to children. See *id.* at 2 n.3.
103. See *id.* at 2. Some companies have voluntarily extended their commitments, such as by pledging not to "approve" such placements unless the product meets nutrition criteria, or not to actively seek unpaid placement.
104. The Initiative's core principles require that the standards be "consistent with established scientific and/or governmental standards." *Id.* at 1. The companies' pledges indicate that their criteria are derived from various sources, including Food and Drug Administration (FDA) standards for "healthy," "low," and "reduced," HHS/USDA 2005 dietary guidelines for overall limits on fats, sodium, and sugar, and input from nutritional consultants engaged by the individual companies, among others. See generally company pledges, *supra* note 97.
105. One CBBB Initiative participant has voluntarily extended its third-party licensed character commitment to cover the use of "front panels" on product packaging in child-directed marketing.
106. See, e.g., Mike Hughlett, *Food-for-Grades Prize Criticized; Complaint Prompts McDonald's Inquiry*, Chi. Trib., Dec. 7, 2007, at C-3 (local McDonald's franchisees in Florida offered free Happy Meal to students who achieved certain grades; offer was promoted on report card envelopes). These activities are not necessarily controlled by the corporate entity, and, indeed, at least one pledge specifically notes that it does not apply to local activities undertaken by independent franchises.
107. Some companies have offered "better for you" products for years. One company noted that it has marketed a line of such products for 20 years (including frozen entrees, soups, and others), and that the products meet applicable FDA and USDA standards for "healthy" claims. Similarly, cereal manufacturers have long fortified some of their products with certain vitamins and minerals (either voluntarily or pursuant to regulatory requirements) and more recently have developed whole grain versions of these products.
108. This is particularly important considering the apparent appeal that "better for you" foods have for consumers. Recent press articles indicate that major food companies have seen significantly more growth in sales of their

- “better for you” products, as compared to their “traditional” products. *See, e.g.,* David Jones, *Food Makers Look to Health as Downturn Defense*, Reuters, Mar. 20, 2008.
109. This labeling is different from the FDA-mandated “Nutrition Facts” panel, which appears on most food and beverage product labels and which provides consumers with specific nutritional information per serving of the product, such as total calories, fat, cholesterol, and sodium, as well as certain vitamins, minerals, and other nutrients. FDA currently is considering whether to amend some regulations relating to the Nutrition Facts panel to give more prominence to the disclosure of calories; to revise its approach to serving size; to add or delete certain nutrients from the panel; and to modify its calculation of the percent daily value. *See* Food Labeling; Prominence of Calories, 70 Fed. Reg. 17,008 (proposed Apr. 4, 2005) (to be codified at 21 C.F.R. pt. 101); Food Labeling: Serving Sizes of Products That Can Reasonably Be Consumed At One Eating Occasion; Updating of Reference Amounts Customarily Consumed; Approaches for Recommending Smaller Portion Sizes, 70 Fed. Reg. 17,010 (proposed Apr. 4, 2005) (to be codified at 21 C.F.R. pt. 101); Food Labeling: Revision of Reference Values and Mandatory Nutrients, 72 Fed. Reg. 62,149 (proposed Nov. 2, 2007) (to be codified at 21 C.F.R. pt. 101).
 110. One other company uses a “Pediatrician Recommended” logo on a juice product. The product contains 100% juice, diluted with water, which contains less sugar than undiluted juice, plus 100% vitamin C and no artificial sweeteners. The logo apparently is not used on any other products the company markets.
 111. PepsiCo launched its Smart Spot program in 2004, Kraft introduced the Sensible Solutions labeling program in early 2005, and McKee introduced its Snack Smart icon in July 2005. Unilever’s Eat Smart / Drink Smart logo system appears to have been in place at least as of 2006.
 112. For example, PepsiCo claims that its icon is “the symbol of smart choices made easy,” providing “a quick way to be sure that the products you’re choosing are contributing to a healthier lifestyle.” *See* PepsiCo, The Smart Spot, www.smartspot.com/about (last visited July 10, 2008).
 113. *See id.*
 114. For example, the product may contain 10% or more of the Daily Value of Vitamin A, C, or E, calcium, magnesium, potassium, iron, protein or fiber, or may comprise at least a half-serving of fruit or vegetable. A “functional benefit” may include heart health. *See* Kraft Foods, Sensible Solution Nutrition Criteria, <http://kraftfoods.com/kf/HealthyLiving/SensibleSolution/NutritionCriteria.htm#generalcriteria> (last visited July 10, 2008).
 115. *See id.*
 116. Specific nutrient limits and other requirements vary by food products category, such as beverage, food, or snack. These specifics are set forth at PepsiCo, The Smart Spot, www.smartspot.com/about (last visited July 10, 2008).
 117. *See* 2007 Forum Transcript at 50-51 (presentation by Lance Friedmann, Kraft Foods).
 118. *See also* Jones, *supra* note 108 (reporting growth in sales of “better for you” products among several major companies).
 119. *See* American Heart Association, What Certification Means, www.americanheart.org/presenter.jhtml?identifier=4973 (last visited July 10, 2008). In addition, effective January 1, 2008, new products must contain less than 0.5 grams trans fat per serving. *Id.*
 120. This logo was developed in connection with the Fruit & Veggies – More Matters health initiative administered by the Produce for Better Health Foundation. All fresh fruits and vegetables qualify for this seal, as do canned fruits in water and certain processed fruits and vegetables meeting specified criteria. *See* Produce for Better Health Foundation, Products Promotable, www.pbhfoundation.org/retail/nutritionmktg/prodpromo.php for details (last visited July 10, 2008).
 121. *See* The Whole Grains Council, Whole Grain Stamp, www.wholegrainscouncil.org/whole-grain-stamp (last visited July 10, 2008).

122. This labeling currently appears on all packages of Big G ready-to-eat cereals, and will appear on all cereals by December 2008. *See* 2007 Forum Transcript at 70. Previously, the company used a different labeling system called the “Goodness Corner.”
123. Kellogg’s previously has used a “Best to You” banner in the top right corner of its cereals to convey nutrition information such as “good source of fiber” or “low fat” but is replacing that banner with “Nutrition at a Glance” on ready-to-eat cereals.
124. For example, an icon might indicate “25% of daily grains” or “30% of daily vegetables.” The labeling will appear only on products containing a meaningful amount of at least one key food group. *See* Chris Jones, *ConAgra Launches ‘Easier’ Version of MyPyramid Nutrition Labeling Scheme*, Food Navigator.com USA, Feb. 21, 2008, www.foodnavigator-usa.com/news/ng.asp?id=83446 (last visited July 10, 2008). ConAgra has stated that the labels will appear on more than 700 different products. *See id.*
125. One company that uses nutrition information labeling has expressed the concern that consumers may interpret “better for you” icons as license to eat all they want of that product, and that some of the products bearing such icons may, in fact, have little nutritional benefit. *See* 2007 Forum Transcript at 69-70 (presentation by Christina L. Shea, General Mills).
126. The company does make nutrition information about its products available in others ways that consumers can access before purchase, including in stores, and online in the form of icons and bar charts, although not on its menu boards.
127. Five categories are excepted: bottled water, alcoholic beverages, coffee, tea, and spices. *See* Hannaford, *What is Guiding Stars?*, www.hannaford.com/Contents/Healthy_Living/Guiding_Stars/index.shtml (last visited July 10, 2008). The stars earned by a product (if any) are displayed on the shelves with the product’s price information. *See* Anne Underwood, *Three-Star Snacks in Aisle Five*, *Newsweek*, Nov. 12, 2007, at 20.
128. The specific criteria are not publicly available but are based on USDA’s nutrient database and guidelines. *See* Hannaford, *FAQs*, www.hannaford.com/Contents/Healthy_Living/Guiding_Stars/faqs.shtml (last visited July 10, 2008); *Chain Uses Stars to Rate Food for Nutrition*, Associated Press, Sept. 7, 2006, available at www.msnbc.msn.com/id/14715344/.
129. *See* Matthew Shulman, *Nutritional Labeling Gets More Sophisticated; Supermarkets Are Deploying New Nutrition-Rating Systems to Help Shoppers Decide What Goes in the Cart*, *U.S. News & World Rep.*, Mar. 14, 2008, available at <http://health.usnews.com/articles/health/living-well-usn/2008/03/14/nutritional-labeling-gets-more-sophisticated.html>.
130. *See id.*
131. Research conducted by some companies suggests that package claims highlighting the nutritional attributes of the product – such as “100 calories,” “whole grain cereals,” and “zero grams trans fats” – are more effective with adults than teenagers. In a similar vein, research by one beverage company suggested that diet soft drinks are not popular with teenagers, in part because diet sodas are associated with dieting.
132. Competitive foods are items offered for sale in schools outside of the School (Reimbursable) Meal Program or entrees sold as part of the a la carte program. Examples include snacks, desserts, and side items available in vending machines, a la carte lines, school stores, and through fundraisers. *See* Alliance for a Healthier Generation, *School Snack Foods*, www.healthiergeneration.org/companies.aspx?id=1546&ekmense=1ef02451_40_118_btnlink (last visited July 10, 2008).
133. The Committee recommended generally that any foods made available “should consist of nutritious fruits, vegetables, whole grains, and nonfat or low-fat milk and dairy products, consistent with the 2005 Dietary Guidelines for Americans. . . .” Institute of Medicine of the National Academies, *Report Brief: Nutrition Standards for Foods in Schools: Leading the Way Toward Healthier Youth 1-2* (2007). The standards for foods include limitations on total calories, calories from fat, calories from saturated fat, trans fat, calories from sugar, and sodium. Beverages would be limited to plain water (without flavoring, additives, or carbon-

- ation), low-fat and nonfat milk (including soy beverages) and 100% fruit-juice, with some non-caffeinated, low-calorie beverages available to high school students after school. *See id.*
134. Several of these companies – The Coca-Cola Company, PepsiCo, Inc., Campbell Soup Company, Kraft Foods Global, Inc., and Mars, Inc. – later joined the CBBB’s Children’s Food and Beverage Advertising Initiative, pledging, among other things, not to advertise their food and beverage products in elementary schools.
135. The Alliance is a partnership of the American Heart Association and William J. Clinton Foundation. Its goal is to stop the increase of prevalence of childhood obesity by 2010, and reverse the trend by 2015. *See* Alliance for a Healthier Generation, About the Alliance, www.healthiergeneration.org/about.aspx (last visited July 10, 2008).
136. *See* Alliance for a Healthier Generation, School Beverage Guidelines, www.healthiergeneration.org/beverages/ (last visited July 9, 2008).
137. *See id.* In high schools, at least 50% of the non-milk beverage options must be water and no- or low-calorie options. *See id.*
138. *See* Alliance for a Healthier Generation, Competitive Foods Guidelines for K-12 Schools, www.healthiergeneration.org/uploadedFiles/For_Schools/snack-food-guidelines-chart-K-12.pdf (last visited July 10, 2008); *see also* Appendix F.
- One food company surveyed for this Report has also established its own nutrition guidelines for products appropriate for sale in school vending machines, which go slightly beyond the Alliance Guidelines to require the inclusion, where practical, of fiber, whole grains, fruits, dairy, and vegetables.
139. *See* Alliance for a Healthier Generation, Competitive Foods Guidelines for K-12 Schools, *supra* note 138.
140. *See* Alliance for a Healthier Generation, Memorandum of Understanding Regarding a New School Beverage Policy (Beverage MOU), May 3, 2006, *available at* www.healthiergeneration.org/uploadedFiles/For_Schools/School_Beverage_Guidelines/Beverage%20MOU.pdf; Alliance for a Healthier Generation, Dairy Associations Memorandum of Understanding, 2007, *available at* www.healthiergeneration.org/uploadedFiles/For_Schools/School_Beverage_Guidelines/FINAL%20milk%20MOU%20-%20associations.pdf; Alliance for a Healthier Generation, Dairy Processors Memorandum of Understanding, 2007, *available at* www.healthiergeneration.org/uploadedFiles/For_Schools/School_Beverage_Guidelines/FINAL%20milk%20MOU%20-%20associations.pdf.
141. *See* Alliance for a Healthier Generation, Memorandum of Understanding Regarding New Guidelines for Competitive Foods Sold in Schools to Students (Snack Foods MOU), Oct. 6, 2006, *available at* www.healthiergeneration.org/uploadedFiles/For_Schools/MOU-snack-food.pdf. Other signatories include: The Bachman Company, Barrel O’Fun, Blue Bunny, Bouquet of Fruits, Dale & Thomas Popcorn, Have your cake and eat it too!, Kind Cakes, McCain Foods USA, and Nadja Foods.
142. These companies are: Coca-Cola, PepsiCo, Campbell, Dole, Kraft, Masterfoods/Mars, The Milk Processor Education Program, and Stemilt Growers.
143. The CBBB Initiative participants are: Campbell, Coca-Cola, Kraft, Masterfoods/Mars, and PepsiCo. As part of their CBBB pledges, all of these companies have agreed not to advertise in elementary schools. Three of these companies – Campbell, Kraft, and Masterfoods/Mars – have adopted nutritional standards for advertising to children under 12 that are fairly comparable to the Alliance standards applicable to beverages and snacks that may be sold in elementary schools. (Masterfoods/Mars does not currently direct advertising for its products to children.) PepsiCo’s CBBB pledge appears to allow the company to advertise a wider range of beverages and snacks to children than the company can sell in schools. Indeed, PepsiCo’s CBBB pledge specifically states that it advertises Gatorade Thirst Quencher – a “Smart Spot” product – to children, although this product cannot be sold in elementary schools under the Alliance Guidelines. Coca-Cola has no nutritional standards for advertising to children under 12 because it has pledged not to advertise its products in media primarily directed to, and having an audience of 50% or more, children under 12.

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144. See Beverage MOU, *supra* note 140, at 2; Snack Foods MOU, *supra* note 141, at 2.
145. American Beverage Association, *School Beverage Guidelines Progress Report 2006-2007* 2-3 (2007), available at www.schoolbeverages.com/download.aspx?id=97. As part of their commitment, the beverage companies pledged “to make diligent efforts” to work with their bottlers to ensure that contracts executed after May 2006 include only Guidelines-compliant beverages. See Beverage MOU, *supra* note 140, at 2; Alliance for a Healthier Generation, Working with the Beverage Industry, www.healthiergeneration.org/companies.aspx?id=1544&ekmensef=1ef02451_40_116_1544_2 (last visited July 10, 2008).
146. See Am. Beverage Ass’n, *supra* note 145, at ii, iv.
147. See *id.* at 1; Tim Smith, *Bill to Ban Junk Food in Schools Trashed*, Greenville News, Apr. 9, 2008, at 1A; Kendra Marr, *Smarts About Snacks: Pitch for More Healthful Fare Proves a Tough Sell to Schools*, Wash. Post, May 19, 2008, at D1.
148. See Am. Beverage Ass’n, *supra* note 145, at iv. Included in this figure are school contracts that predated the Alliance Guidelines but which bottlers and schools worked to bring into compliance prior to the contracts’ expiration. *Id.*
149. See *id.* at i. During that same time period, the amount of full-calorie drinks shipped to schools decreased 45%, and shipments of water increased 23%. See *id.*
150. See Alliance for a Healthier Generation, Statement of Support for American Beverage Association School Beverage Guidelines Progress Report (Sept. 17, 2007), available at www.healthiergeneration.org/uploaded-Files/For_Media/Alliance%20Statement-ABA.pdf.
151. The “35-10-35” standard requires that the food have no more than 35% total calories from fat, 10% calories from saturated fat, and 35% sugar by weight. See, e.g., Alliance for a Healthier Generation, Competitive Foods Guidelines for K-12 Schools, *supra* note 138.
152. 2006 Report at 52.
153. *Id.* at 53.
154. *Id.* at 53-54.
155. See Fruits & Veggies More Matters, www.fruitsandveggiesmorematters.org/ (last visited July 10, 2008) (formerly “5-A-Day” Program, www.5aday.org).
156. See 3-A-Day, www.3aday.org (last visited July 10, 2008).
157. See Sesame Workshop, Healthy Habits for Life, www.sesameworkshop.org/healthyhabits (last visited July 10, 2008).
158. See YMCA, Activate America, www.ymca.net/activateamerica (last visited July 10, 2008).
159. See Boys & Girls Clubs of America, Triple Play: A Game Plan for the Mind, Body and Soul, www.bgca.org/programs/tripleplay.asp (last visited July 10, 2008).
160. See Kidnetic.com, www.kidnetic.com (last visited July 10, 2008).
161. See America on the Move: Steps to a Healthier Way of Life, www.americaonthemove.org (last visited July 10, 2008).
162. See Shaping America’s Youth, www.shapingamericasyouth.org (last visited July 10, 2008).
163. See News Release, Center for Nutrition Policy and Promotion, USDA Recognizes Corporations to Promote Nutrition and Fight Obesity (June 10, 2008), available at www.mypyramid.gov/challenge/downloads/Press%20Release.pdf.
164. See The President’s Challenge, www.presidentschallenge.com (last visited July 14, 2008).

165. 2007 Forum Transcript at 56 (noting Kraft's Salsa, Sabor y Salud initiative).
166. *Id.* at 67, 158-163 (describing Healthy BET initiative, a partnership between General Mills and the BET Foundation).
167. *Id.* at 68 (describing General Mills's grant program).
168. 2006 Report at 52.
169. *See* 2007 Forum Transcript at 8-9, 74-75. Disney's policy contains an exception for "special occasion sweets" that allows it, for example, to license characters for use on children's birthday cakes. *Id.* at 77.

Disney also has taken steps to improve the health profile of foods it offers in its theme parks, including by eliminating the use of trans fats and by offering fruits and vegetables, and milk, water, and 100% juice, as "default" items in its kids' meals rather than French fries and soft drinks, which remain available upon request. Disney has stated that "the overwhelming majority" of park guests are selecting the "healthy" options. *Id.* at 77-78.
170. *See id.* at 91-93; *see also* Dr. Jennifer Kotler, Assistant Vice President of Domestic Research, Sesame Workshop, Healthy Habits for Life Presentation at the 2007 Forum (July 18, 2007), at 3-5, *available at* www.ftc.gov/bcp/workshops/childobesity/presentations/kotler.pdf; Press Release, Sesame Workshop, Del Monte Foods Announces Partnership with Sesame Workshop; What is Red and Blue and Encourages Children to Eat Their Greens? *Sesame Street's* Elmo, Grover and Cookie Monster Join Del Monte Foods to Promote Healthy Eating Habits Among Children (June 21, 2006), *available at* www.sesameworkshop.org/aboutus/inside_press.php?contentId=16467280.
171. *See* Press Release, Cartoon Network, Cartoon Network to Adopt New Food & Beverage-Related Guidelines and New Healthy Lifestyle Programming Pledge for Kids (Aug. 17, 2007), *available at* <http://news.toonzone.net/article.php?ID=18509>; Jon Lafayette, *Discovery Lends Kids Label to Healthy Foods*, TVWeek, Aug. 13, 2007, *available at* www.tvweek.com/news/2007/08/discovery_lends_kids_label_to.php.
172. These characters have appeared on packages of spinach, baby carrots, frozen edamame, apples, pears, and clementines. *See* Press Release, Seapoint Farms, Seapoint Farms Meets Dora the Explorer & SpongeBob (July 19, 2006), *available at* www.seapointfarms.com/shownews.asp?newsid=40. At the same time, however, Nickelodeon continued to license its characters for use on non-better-for-you products, including SpongeBob on PopTarts, as well as for a promotional tie-in with Burger King in connection with the *SpongePantis Atlantis* movie. *See, e.g., The Biz: Nick Rethinks Partnerships to Promote SpongeBob to Kids*, Brandweek, Oct. 29, 2007.
173. *See* Andrew Martin, *Nickelodeon to Limit Use of Characters on Junk Food*, N.Y. Times, Aug. 16, 2007, at C3. Special occasions such as Halloween are excepted. *Id.*
174. *See* Marc Graser, *WB, Safeway Support Healthy Eating; Looney Tunes to Promote Eating Right Kids Line*, Variety, June 3, 2008. Certain ice cream products and birthday cakes are exempt from this commitment.
175. *See* Seapoint Farms, *supra* note 172. Similarly, a representative of Sesame Workshop reported at the 2007 Forum that parents say its strategy of licensing characters to promote fruits and vegetables is working. 2007 Forum Transcript at 93.
176. *See* 2007 Forum Transcript at 94-100; *see also* Kotler, *supra* note 170, at 6-13. The research showed that, on average, children were more likely to indicate that they would eat foods with Sesame Street characters on them, as compared to foods without characters at all or with unknown characters, and also that children were more likely to taste more pieces of a nutritious food when a Sesame Street character was associated with the food. 2007 Forum Transcript at 100.
177. *See* *McD's 'Active' Ingredient: Shrek*, Brandweek, Apr. 14, 2008, at S12. The report also indicated that sales of "Happy Meal" units increased by 16%. A related website encouraged children to engage in physical activities for which they earned points to redeem online for rewards.
178. *See* 2007 Forum Transcript at 83.

179. *See id.* at 84-85.
180. *See* Press Release, ION Media Networks, ION Media Networks Pledges to Combat Childhood Obesity, Aug. 27, 2007, *available at* www.businesswire.com.
181. *See* Press Release, American Heart Association, Nickelodeon, Clinton Foundation and American Heart Association Announce Partnership to Fight Childhood Obesity, Oct. 20, 2005, *available at* www.american-heart.org/presenter.jhtml?identifier=3034761; *see also* Seapoint Farms, *supra* note 172.
182. *See* 2007 Forum Transcript at 39-40; American Heart Association, *supra* note 181.
183. *See* Sections IV.B.4.A.i (icons), IV.B.7, and note 161 (licensed characters and theme park food).

