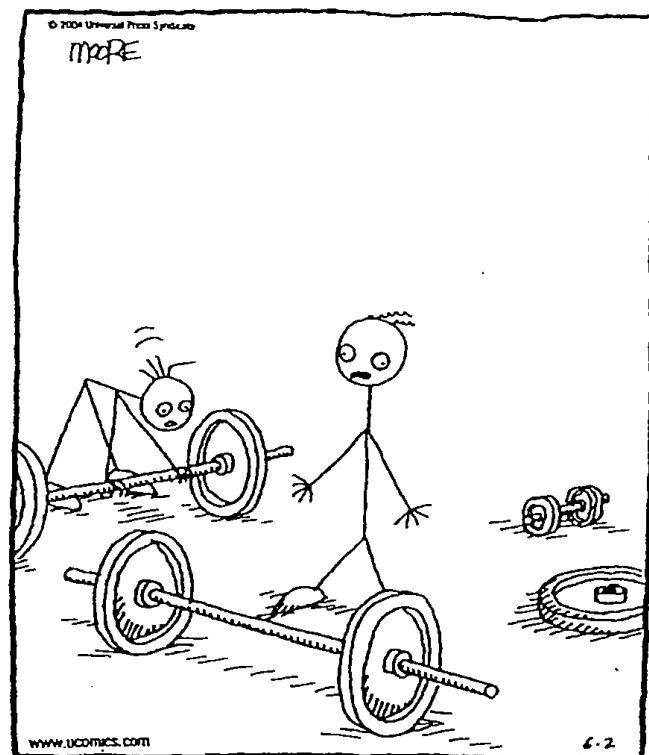




Consumer/Health/Food

# IMPROVING HEALTH TO TAKE ON AN UNCERTAIN FUTURE

**American society seems** to be getting more interested in healthy life habits. Our observations suggest a rising focus on fresh foods and balanced diets, government policy changes to restrict access to fattening foods (particularly for the young) and the rising popularity of exercise regimens, some rather extreme.



"Why do we even bother?"

## INFERENCES

- With an uncertain economy and an unstable job market, individuals are focusing on personal health as one area they can control.
- With future healthcare costs and healthcare safety nets all subject to political whim, individuals are trying to limit their healthcare risks by eating healthier and exercising more.
- Governments at all levels are worrying about the increased costs of obesity-related healthcare and have ramped up public-policy efforts to encourage healthier living.

## IMPLICATIONS

- Organic and specialty farms benefit.
- Consumer choices that promote healthier lifestyles, such as gym memberships and sales of local produce and other health foods continue to grow in size and revenue.
- Policy makers pass more laws taxing or limiting junk-food choices.
- The obesity rate in the United States peaks.

## COMPANIES

- Healthy Eating**
- Brightfarms (Private)
  - Earthbound Farms (Private)
  - Whole Foods Mart (WFM)
  - Fresh Market (TFM)
  - Schiff Nutrition (SHF)
  - USANA Health Sciences (USANA)
- Exercise**
- Shimano (JP: 7309)
  - Trek (Private)
  - Town Sports Int'l (CLUB)
  - Life Time Fitness (LTM)
  - Lululemon (LULU)
  - Hibbit Sports (HIBB)
  - Dicks Sporting Goods (DKS)

## A Turning Point for Healthy Living?

Mayor Michael Bloomberg (NYC) does not shy away from controversy. In two weeks, the New York City Board of Health will vote on his proposal to ban the sale of certain sugared soft drinks larger than 16 ounces. The proposal has sparked a national conversation, whilst also earning the mayor the ire of 60 percent of the city's residents, who oppose the ban, according to one survey. Contrary to the polling data was the following surprise: as of July 20, the Board of Health received just 600 letters opposing the size limit compared with over 15,000 letters written in support of it. Whether the ban passes or fails next month, the mayor's push and the heavily tilted support among the "letter writing class" are representative of a broader movement in society – driven both by government action and individual desire – to develop healthier lifestyles. (*New York Times*, 8/22/12)

## Eating Healthier

While people may not want to be told what to eat (sorry, Mayor Mike), consumers are increasingly choosing to allocate food budgets toward fresh produce and locally sourced foods, and farmers and companies are responding to those demands. Online searches for the term "fresh fruit" increased about 20 percent this year versus last. Concurrently, the number of farmers' markets operating in the U.S. increased 20 percent in 2011 and now number over 7,100. In response to these consumer desires, Sysco, which until 2010 had only been structured to buy food from large agribusinesses, shifted over the past two years to a new inventory system that enables distribution of food from small, local growers. Meanwhile, Walmart and Target have added fresh produce to their stores, and Safeway recently launched a line of packaged fresh produce and mixed salads. (*Adweek*, 6/25/12)

## Governments Get Involved

Policy makers across the country are also trying to push healthier eating to combat obesity as a means to contain rising healthcare costs. We were startled last year when

the national Baptist Convention announced plans to tackle obesity among its congregants, including offering obesity counseling at each of its parishes. That idea has now become both national and systemic: a federal panel now advises that doctors provide counseling services or referrals to weight-loss programs to anyone who is clinically obese – currently 1 in 3 Americans. Under the rules of the Affordable Care Act ("Obamacare"), Medicare and most private insurers must pay for those services delineated by the panel. Now that doctors and other weight-loss programs will be able to bill for obesity-related care, we expect a rising use of such services. Obesity and obesity-related diseases are responsible for an estimated \$200 billion in annual healthcare spending. These costs, a significant part of which ultimately fall on state or federal governments, will continue to drive interest in changing weight-related habits. (*Spiegel*, 8/10/12, *Los Angeles Times*, 6/25/12)

Governments have also focused on changing school food programs as a way to have a large and long-lasting effect on the nation's eating habits, and in turn its obesity rate. Under new federal standards that went into effect this summer, schools are required to establish calorie and sodium limits for meals, provide larger portions of fruits and vegetables and serve only low-fat or nonfat milk. Schools also must decrease the availability of sugary drinks and junk food in vending machines. (*New York Times*, 6/18/12; *Crain's New York Business*, 7/29/12; *Christian Science Monitor*, 7/2/12; *The Boston Globe*, 6/19/12)

## Emphasizing Exercise

While individuals and institutions look at ways to eat healthier and turn back the wave of obesity, Americans are also increasingly interested in leading more active lifestyles. Since the recession started in 2007, American health clubs have added about 10 million members, and from 2001 to 2011, the number of personal trainers in the U.S. increased 44 percent, to 231,500. Americans are even walking more as part of everyday routines. In 2005, only 55 percent of Americans walked at least 10 minutes, non-stop over the course of a week; as of 2010, 62 percent do. Meanwhile, evidence of increased interest in bike riding, both recreationally and as a means of commuting, continue to pile up everywhere from New York, Los Angeles, Chicago and Boston to Denver,

Houston, Kansas City, San Antonio, and Minneapolis. For many of these cities, local interest has driven them to add bike lanes or bike-sharing programs in recent years. (*International Herald Tribune*, 7/2/12; *The Boston Globe*, 4/16/12; *The Atlantic* [Cities edition], 8/15/12)

At one extreme end of the activity spectrum, ultra-challenging workouts have seen torrid popularity since the Great Recession. These regimes often have a group nature and are oriented around classes and events that push the boundaries of one's physical capabilities. The P90X routine has been popular with adherents citing intensity as its main appeal. Even attendees of yoga classes have begun to ask for more intensity, and Pure Yoga, a Manhattan yoga studio, has created "boot camp yoga" which blends vinyasa-style stretching with strength work in a 100-degree environment. This particular hybrid is influenced by CrossFit, which combines elements of Olympic weight lifting, calisthenics and gymnastics. In 2005, there were no CrossFit gyms in New York, and now there are more than 20. Also growing in recent years is Tough Mudder, where participants pay as much as \$200 per event to compete in obstacle courses, the composition of which is not revealed beforehand and which can include crawling through a greased pipe or under barbed wire, soaking in an ice bath, climbing vertical walls, slogging over mud bogs and running through strands of electrified

wires. (*New York Times*, 6/1/12; *Bloomberg*, 6/20/12; *NPR*, 8/13/12)

In light of the Consumer Reset most households have been experiencing, we take note of any arenas in which consumers are actively choosing to increase spending, not just time. Rising gym enrollment, tougher workout regimes and more personal trainers, combined with increased spending on what consumers perceive to be healthier meals, suggest a real and growing desire among some consumers to take control of their health. These consumers' desires could create an environment in which the public will be more receptive to government efforts to improve healthy behaviors, even if not going as far as banning sodas. The enormous pending healthcare costs related to obesity and the financial realities of governments suggest politicians will increasingly look for ways to incentivize such behaviors.

These efforts indicate an inflection point in which the choices of individuals and institutions will promote improved health in the U.S. populace (slowly). Meanwhile, for individuals, these healthy choices offer an aspect of life they can actually control, as opposed to the various exogenous facets of life (American politics, the economy, the environment, geopolitics) that at times seem well out of their hands. (*Washington Post*, 6/11/12)

