European Commission Consultation

Labelling: Competitiveness, Consumer Information and Better Regulation for the EU

Introduction

Our customers and the public more widely have told us that healthy living is an increasingly important priority for them, and that they want more help to eat healthily. We are responding strongly to this challenge, and welcome the work that the Commission, Member State governments, consumer organisations, nutritionists and others are also doing to help consumers lead healthy lives.

Labelling policy at European, Member State and individual company level has an important role to play as a facilitator in helping customers make choices that are right for them. Conversely getting labelling policy wrong risks stunting choice and innovation and imposing disproportionate costs on suppliers and retailers.

Our main contribution can be summarised as:

- **Nutritional signposting**: Over 3000 Tesco own-brand lines now carry our GDA based signposts, which set out clearly the amounts of calories, fat, saturated fat, sugar and salt that a portion provides plus the percentage of a typical adults guideline daily amounts. We are on track to roll this out to all 7,000 food lines by early 2007. We already have evidence this signposting is leading to change in customer buying decisions.

- **Information and guidance**: The introduction of our nutritional signposting scheme has been accompanied by a significant off-label customer information and education programme involving activities in-store and
beyond. This has further strengthened the work we do via our Healthy Living Club, the Tesco Health website and a wide range of customer information leaflets.

- **Product reformulation**: Over the last year we improved our products by stripping out the unnecessary salt from over 500 of our most popular products, including a 30% reduction across canned soups, a 10% reduction in bread, and a 25% reduction for baked beans. As a result we have taken out over 500 million teaspoonfuls of salt from our customers diets. We have also cut fat levels in 125 products, saturated fats in 143 and sugar levels in 53. This year we will be reviewing a further 2000 products to see whether we can make their healthier, without reducing their palatability.

- **Making healthy products more accessible**: Our fresh fruit and vegetable lines received over 230 separate promotions last year, and our Value range was extended to include over 30 fresh fruit and produce lines. This has led to sales of fruit and vegetables growing faster than overall grocery sales.

- **Exercise**: We are in our fifth year as sponsor of Race for Life. This year, we hope to have 750,000 women running, jogging and walking the 5 kilometre course at events across the UK including 26,000 Tesco staff, and we are aiming for a fundraising target of £46 million. We hope to build on this in the run-up to the London Olympic Games, and have said that we are going to help get 2 million people running, cycling or walking in events that we will organise and sponsor

- **Sharing research** - In addition we will publish all of our customer research into the impact of our labelling on our website.
Labelling Legislation

The fundamentals of the current EU labelling regulatory regime date back to the 1970’s. Since then lifestyles have changed; customer interest in health and nutrition has increased; innovation has widened choice; and the internet and the media help customers make more informed buying decisions than ever before.

Although EU food labelling legislation has evolved, it has become more complex as it has done so, adding elements rather than reviewing the need for existing ones. With the pace of change it seems appropriate for the Commission to review the current regulation to [a] identify opportunities to simplify food labelling legislation and [b] to maximise the ability of economic operators to respond to customer demand. The result should be simple, transparent labelling that customers can trust and that can actually help customers make buying decisions.

To our knowledge over 40 pieces of European legislation currently regulate food labelling:

- EU Directive 2000/13/EC establishes the general requirements for the labelling of all packaged food sold in the EU including a list of compulsory information for food labels

- Vertical legislation applies to specific foods, such as cocoa, olive oil, jams and jellies

- Other directives cover labelling requirements in relation to additives, colourings, sweeteners and health claims
- The Unfair Commercial Practices Directive (UCPD) ensures that all information, both on labels and elsewhere, is provided in a manner that is not misleading.

**The risk of complex labelling regulation**

Overly complex labelling requirements are difficult to comply with and difficult to enforce even for well-resourced companies. Knowing exactly what to put on to a label is a particular challenge for smaller and medium sized suppliers, who make up a significant part of the food supply chain.

Complexity imposes cost burdens and increases the risk of non-compliance – through lack of knowledge, confusion or error - and therefore leads to a loss of the desired protection for the consumer as a result.

A good example of the current complexity is provided by the labels attached at Annex 1.

At the same time, the complexity created by the current plethora of vertical and horizontal labelling Directives adds little in terms of consumer protection and goes against the mass of evidence to demonstrate customer desire for simple, food labelling that they can trust.

We would be happy to work with the Commission and other stakeholders to identify a full list of regulations for review with the aim of simplifying compliance requirements without watering down the current level of consumer protection.

**Level of prescription**

Labelling legislation has an important and legitimate role to play establishing minimum standards and ensuring that consumers are not misled.
We believe that the existing legal framework, in the shape of the UCPD, provides sufficient protection, and that the regulatory authorities should vigorously pursue any non-compliance. At the same time, we acknowledge that European legislation has a role to play identifying priority issues of health concern for inclusion on labels.

However, overly prescriptive, complex labelling legislation also means that consumers are faced with a lot of detailed information, some of it they simply disregard and possibly other information present that they should be using. A good example is the way the current ingredients list is laid out making it difficult for customers to find key information, legislation has therefore been developed to add warnings and additional statements even though the information is present in the ingredients list.

Our research has shown that consumers are increasingly looking for "at a glance" information which addresses two issues:

a] Is an individual product good for them?

b] Is the product safe?

We would urge the use of this as a framework with which to identify mandatory labelling priorities. Over-prescription runs the risk of capping innovation and competition to the benefit of the consumer. A good example is provided by the UK debate on nutritional labelling. Rather than taking a mandatory approach, powerful consumer demand has led to unprecedented levels of innovation, all of which has increased interest in the issue of health and labelling and is benefiting customers through the increasingly widespread provision of nutritional labelling.
The consumer angle

We would argue that consumer wants and needs are put at the core of any labelling legislation. Too often enforcement and market protection issues are put ahead of simplicity and clarity. If consumer see labelling elements they don’t understand it is harder for them to make their way through to the elements they do. A good example is the health mark and “e” symbol, neither of which benefits the consumer. The volume of information put on labels and the role mandatory requirements have to play is also important. Time pressure, information overload, differing levels of interest and knowledge all need to factored into decisions on mandatory labelling requirements.

We believe that an average consumer test provides a potential vehicle for helping keeping labels simple and should therefore be put in place before any changes are made to the regulatory regime.

Our research shows a range of attitudes towards food consumption, health and intervention in the field of health, including labelling schemes designed to help consumers make healthier choices. Some customers are willing to take advice from a variety of sources. Others welcome help, but only if it is simple and support is provided. Yet others reject virtually all advice and almost take a please in rebelling against being old what to do.

We believe that the focus in the first instance should be on the mainstream i.e. the average consumer and on helping them through choice, information and simplicity to eat more healthily. At the same time more detailed work needs to be carried out to understand what can be done to influence the attitudes of those most resistant to change. However this should focus on providing information not education on the label.

Due consideration also needs to be given to the realistic amount of information that consumers can absorb in the time it takes to make buying
decisions in a supermarket and the limited amount of space available. We believe that the Internet provides consumers with a powerful new tool which when combined with leaflets, guides and media work represent useful alternative sources for detailed information.

A clear trade-off exists between the space available and the amount of mandatory information to be given on-pack. It is therefore important that labelling legislation strikes a sensible balance between mandatory core labelling requirements and allowance for use of voluntary information.

Tesco research into the ability for elderly, price sensitive and ethnic minority customers to understand our nutritional signposting (see below) demonstrated that the biggest problem for those customer that were not able to use the labels to make healthier choices (6%) was not a failure to understand the system, but the size of the numbering.

**Simplifying labelling regulation**

Tesco would welcome the consolidation of existing pieces of legislation through both codification and simplification and we are keen to continue to engage with the Commission on the detail of this work. The aim should be to produce a simpler, more transparent and coherent legal basis which helps businesses innovate in an attempt to assist customers take the right buying decisions for them and to maintain current levels of consumer protection.

Given our concerns relating to over-complexity, we would not recommend an attempt to deal with both food and non-food labelling in a single piece of legislation.

In order to overcome the restrictions of space on a label, we would support an approach, which prioritises and provides on pack the information that supports customers to make the right buying decision for them at the point of purchase.
More detailed information can be provided in a more comprehensive manner off pack.

We have concerns about overly prescriptive labelling legislation. We firmly believe that a bottom-up market-driven approach offers an alternative with greater potential to help customers make the right decision for them. The experience of the nutritional labelling debate UK would seem to support this view - the combination of rising customer demand and a nudge from the regulator has resulted in competition and innovation to the benefit of consumers.

We also believe that in an increasingly international competitive environment Commission work to identify and communicate good practice to all stakeholders would be a valuable exercise. Providing on-line resource to enable all food businesses, particularly SME’s to identify what legislation applies to their products would improve compliance and provide an effective communication route for enforcement agencies. We believe that a one-size-fits-all approach would not necessarily produce the most favourable results. There is significant variance across Member States in a) supply chain capability, b) enforcement capability, c) laboratory testing facilities and d) customers who are at different stages in terms of both interest and understanding of food labelling issues.

We also support concerns that have been raised about the risks of different Directorate-Generals within the Commission taking differing approaches. One way of addressing this challenge would be to bring labelling issues under the auspices of one Directorate-General, such as DG Sanco. Whilst ideally all legislation that impacts labelling should be incorporated into one document, we accept that this would be unworkable. However vertical legislation should have a timetable if review to ensure that any labelling elements are checked against the common principles set out in the framework legislation.
Nutrition Labelling

Tesco has long been a supporter of attempts to use labelling and branding to help customers make healthier choices. We became the first retailer to introduce a healthy living brand and to put nutrition labelling on products back in 1985. We were also the first UK retailer to use front-of-pack nutritional labelling. We have introduced Glycemic Index labelling for diabetic and mainstream customers and launched Free From, Kids and Wholefoods ranges. We have recently reviewed our back of pack information to provide greater consistency and transparency; and we have been providing Guideline Daily Amount information on the back of pack for some time.

As customer interest in health and nutrition increased throughout the late 1990's, so too did our interest in what we could do to help make healthy choices simpler. Increasingly, customers told us that they found food labelling confusing; that they didn’t have the time to study the back of packs in detail when shopping; and that they wanted an easy, honest way of labelling, so they can make an informed choice.

To help, Tesco carried out extensive research in the development a labelling scheme which sets out simply and clearly on the front of pack the percentage of the guideline daily amount (or GDA) of calories, sugar, fat, saturates and salt that a serving of a product provides.
We chose these five nutrients on the basis of work carried out by the Institute of Grocery Distribution in the UK and we work with GDAs based on UK Government COMA scientific advice.

Our first GDA sign-posted products went on sale in the UK in April 2005. Today the labels appear on the front of over 3,000 Tesco lines. By spring 2007, we aim to have GDA labelling on all 7,000 of our products – further and faster than any other supermarket or manufacturer in the world. The results so far have been encouraging, suggesting that our labels are helping customers make healthier buying decisions (see below)\(^1\).

Our experience developing our current nutritional signposting scheme in the UK highlights potential problems associated with an overly prescriptive approach and the power of working with the grain of consumer demand.

**Developing our system**

Tesco and many other stakeholders have a shared objective of providing better nutritional information to consumers to help them make healthier choices. How to provide additional information to consumers, in a format they can actually use, remains a difficult challenge to which there are no simple answers.

In early 2004 Tesco announced that we would trial a multiple traffic light labelling system. Our initial customer research, very similar in nature to that conducted by the UK Food Standards Agency, proved positive – with customers welcoming a colourful at-a-glance solution. But the further our research progressed, the more customer concerns about a traffic light system emerged.

\(^1\) Examples of current front of pack and back of pack labelling across our range of products can be found in Annex 2
Consumers did want a simple solution; but one which empowered them to make healthy choices – by providing sufficient information in a form they could understand and trust. It became apparent that traffic light labelling did not pass this test.

The key failings that our customers identified with a traffic light system were:

- Customers said they didn’t want coding, they wanted the straight facts about nutrition. They were sceptical of a coded system, and the simplistic judgements about food to which it gave rise. Some customers ignored the actual nutrient levels and their individual needs and navigated using the colours only. Other customers, particularly those on lower incomes, reacted negatively to the directional nature of traffic lights. These customers responded far more positively to being informed and empowered through GDA Signposts.

- The system failed to provide all the information that customers wanted. Many customers wanted more detailed information than simple colour-coding could provide. For example, they wanted to know how particular foods would fit into their daily food intake.

- Simplistic colour-coding was confusing, and customers did not know how to use the information to guide their food shopping. When looking at the colours they interpreted red to mean, “stop, danger” and even one red negatively impacted their perception of a product, even though products which form a perfectly legitimate part of the healthy diet would be coded with red lights for certain nutrients e.g. certain cheeses (fat) and fruit salads (sugar)

- Consumers didn’t know how to respond to amber colour coding, with some thinking it meant they could eat as much as they wanted, and others thinking it meant the product should be generally avoided.
• The broad banding for the colours gave rise to unfortunate and perverse effects on some products. For example both cola and apple juice would be colour coded amber for sugar – confusing customers, and ensuring they disregarded the information provided on the label.

• Customers were unable easily to compare the nutritional content of foods across the same category. When customers were faced with products with the same traffic light colours, but with different nutrient levels, they were frustrated at not being able to make an informed choice. This frustration led in many cases to the labelling being ignored – or customers moving out of the product category entirely.

• Traffic lights cannot be simply applied to all food products or combinations of foods. Our research found that customers wanted to be able to compare processed foods to those they could prepare at home. So, for example, comparing a prepared cheese sandwich to a home-made variety so that they can make an informed choice about which would be healthier.

These customer research findings, and others, eventually led us to move away from traffic lights towards our GDA Signpost system.

Since the launch of our GDA based scheme we have continued to commission extensive customer research to understand how customers are using the new labels, and how they rated them compared to a traffic light system. This research shows that

• Customers preferred GDA Signposts overall, with a clear view that GDA based schemes provide everything they need on one label

• 52% of customers said that GDA Signposts told them all they needed to know (compared to 32% for traffic lights)
• 30% of customers switched to a healthier product when presented with GDA signposts (compared to 26% for traffic lights)

• 34% said that GDA signposts would make them think more about the products they bought (compared to 26% for traffic lights)

Initial results following the introduction of our nutritional labels onto packs demonstrate how our scheme is helping customers make healthier choices

Figures 1, 2, 3.

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<thead>
<tr>
<th>Less healthy option</th>
<th>Sales performance*</th>
<th>Healthier alternative</th>
<th>Sales performance*</th>
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</thead>
<tbody>
<tr>
<td>Standard Salmon &amp; Cucumber sandwich</td>
<td>-30%</td>
<td>Healthy Living Salmon &amp; Cucumber sandwich</td>
<td>+46%</td>
</tr>
<tr>
<td>22% saturated fat GDA 29% salt GDA</td>
<td></td>
<td>8% saturated fat GDA 18% salt GDA</td>
<td></td>
</tr>
<tr>
<td>Standard prawn mayonnaise sandwich</td>
<td>-37%</td>
<td>Healthy Living prawn mayonnaise sandwich</td>
<td>+46%</td>
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<tr>
<td>28% saturated fat GDA 58% salt GDA</td>
<td></td>
<td>2% saturated fat GDA 34% salt GDA</td>
<td></td>
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<tr>
<td>Standard Egg and Cress sandwich</td>
<td>+37%</td>
<td>Healthy Living Standard Egg and Cress sandwich</td>
<td>+97%</td>
</tr>
<tr>
<td>25% saturated fat GDA 31% salt GDA</td>
<td></td>
<td>8% saturated fat GDA 15% salt GDA</td>
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Off Pack Support

We know that the labelling alone will not empower customers to make healthier choices, so we are also delivering a major programme of customer education and information\textsuperscript{2}.

This will help all of our customers understand the new system, and benefit from the nutritional information it provides. In store, we have invested in a major programme of education and information to support the launch and subsequently.
We've handed out over 1 million leaflets and distributed hundreds of thousands of handy credit-card sized guides. Just last month, our new labelling scheme once again formed the focus of our in-store customer message with shelf-edge labels, banners, posters and hanging boards all helping get the message across.

We have complimented our in-store activity with an extensive media and advertising campaign. Between January and May alone 90% of those responsible for food shopping in the UK - that’s 27 million people - saw our TV adverts more than 7 times. Likewise our press advertising reached over 20 million readers.

We are also leveraging the opportunity of our own publications, such as our Tesco Magazine and the Tesco Healthy Living Club magazine - which goes out to over 550,000 customers every month - and now include the use of our GDA signposting for recipes in these publications, illustrating the clear benefit of a system which allows customers to simply work out the values for combinations of food.

For those looking for more detailed guidance, there is the Tesco on-line health hub - at www.tesco.com/health - which provides customers with detailed background information.

**GDA nutritional signposts: helping all our customers**

We serve customers across the entire social and economic range, and want to ensure everyone – no matter what their income or education level – can enjoy our products, and eat healthily at Tesco.

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2 Examples of our information and education campaign can be found in annex 1.
Research projects from Southampton University have shown how new Tesco stores help lower-income consumers access fresh fruit and vegetables – with fruit and veg consumption increasing by one-third following the opening of our store in Seacroft, Leeds (one of the UK’s most deprived communities).

The results of new customer research into whether ethnic minorities, social classes D and E, and the over 55s benefit from our system, show clearly that they do:

- Over 94% of these customers are able to use our signposting system to make healthier choices. The largest problem for the remaining 6% was the size of the numbering on some packaging, not a failure to understand the system.

- Tesco customers, who have been recipients of our educational campaigns, are showing higher levels of understanding – and these have grown since October as our campaigns have rolled out

- GDA Signposts made people think more about what they were buying, and encouraged many people to switch to healthier products. Ethnic minorities reacted most positively to the Signposts, with 45% switching to at least one healthier product.

- Ethnic minorities also preferred GDAs over Traffic Lights by 57% to 41%.

**Mandatory nutrition labelling?**

Whilst we are great believers in the power of nutritional signposting, we would not advocate the introduction of mandatory nutritional signposting at this stage.
Current legislative requirements mean that nutritional labelling is optional and only becomes compulsory when a nutrition claim is made. We believe this helps maintain a balance between legitimate consumer protection requirements and compliance costs. We fear that mandatory nutrition labelling on all food and drink products would impose significant costs that would be felt most acutely by smaller businesses making it more difficult for them to introduce new products in. This approach also allows a proportionate response based on customer demand and awareness - which varies considerably across the member states. Customer interest in healthy eating is an essential precondition for the development of labelling schemes with the potential to deliver change.

The example of the UK has demonstrated the benefit of a customer driven approach. In response to strong customer demand and a nudge from the regulator, a great deal of energy in the industry is being devoted to meeting consumer demand for simple, accurate, accessible and empowering nutritional information on which customers can make informed and healthy choices. This has given the UK its unique position in the nutrition labelling debate, as healthy competition has stimulated retailers and manufacturers to adapt to consumer demand. The increasing importance customers attach to the issue has motivated voluntary change. We believe that the Commission should aim to foster this process where applicable and that an overly prescriptive or mandatory approach would risk capping the level of energy and innovation that has come to the fore in the UK on this issue.

A single scheme?

We understand concerns that a plethora of schemes might cause some confusion among customers. However, there is no evidence based on the UK experience that any such confusion is emerging. On the contrary, our scheme shows that the public welcomes and is embracing the scheme we have launched. Moreover, we do not believe the objective evidence to justify
prescribing a single scheme yet exists. We also welcome the decision of several leading manufacturers to adopt a GDA scheme similar to the Tesco model.

We believe it would be inappropriate to seek to prescribe a single nutritional labelling scheme at European level and that the most effective way forward is to support and encourage those initiatives - like the Tesco nutritional signposting scheme - that are achieving results with customers.
Alcoholic Drinks

We recognise the Commission’s rationale for exploring the feasibility of using warning labels on alcoholic beverages to raise awareness of the negative impacts of alcohol on health. We await with interest the Commission’s publication of the EU Alcohol Strategy. Pending the report’s findings Governments may need to explore a concerted effort to alcohol labelling in order to avoid conflicting provisions, which may act as barriers to trade.

Our alcoholic beverages carry labels, which list ingredients such as water, alcohol and natural flavourings. Those raw materials that due to the fermentation process are no longer found in the final product should not be labelled on alcoholic drinks.

Our sensible drinking labels list the number of units of alcohol per 25ml serving, and provide additional information on guideline daily amounts for average adults. The sensible drinking guidelines are further broken down to official government figures for men and women on daily and weekly basis.

Under the current legislation it is mandatory to include in the labelling all ingredients with allergenic effect present in alcoholic beverages. We continue to support this approach.

We support sensible drinking consumer messages, in line with Government and medical advice. We promote these messages through in-store leaflets, our website and company magazines. Our own-brand beers, wines and spirits have information on alcohol units. All retail staff involved with the sale of alcohol are trained on the legal implications of selling alcohol to underage customers. Our approach to labelling products has always been followed by
educational campaigns aimed at disseminating additional information, which the customer would find helpful.

We are committed to making our customer research on health and nutrition publicly available. We are also keen to help the Commission through an exchange of information, participation in events and Tesco store visits.

We trust you find these comments useful. If there is anything in this consultation response that you would like to discuss or clarify, please do not hesitate to get in touch with me.

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