Franco Sassi, Professor of International Health Policy and Economics at Imperial College Business School sets out the dilemma businesses face in the conflicting pressures to fuel and contain the rise of unhealthy lifestyles.

A special high-level meeting of the United Nations’ General Assembly in 2011 identified the epidemic of chronic diseases as a major global challenge, fuelled by unhealthy lifestyles that are progressively spreading within and across countries worldwide.

Tobacco smoking is still on the rise, the harmful use of alcohol and other addictive substances has been on the increase and the quality of many people’s diets remains poor, even worsening, despite falling food prices and increased availability. Technology and new forms of economic production have made us increasingly sedentary, and weight gain has been so rapid and widespread that obesity has become an epidemic, among both children and adults.

Businesses in several industries – e.g. food and beverage manufacturers – and their market strategies, have been blamed for the lifestyle changes described here, and in many cases they have indeed played an active role in changing people’s behaviours for the worse, but some businesses are increasingly committed to finding solutions for today’s major public health challenges.

Regulation can thus generate new market opportunities, which firms are eager to seize by reformulating their products in ways that may justify health claims.

An increased availability and awareness of health-related information, and an increased attention to lifestyles and their health consequences by the mass media, have contributed to changing consumer preferences. As a result, a thriving health and well-being industry has developed in recent years, driven by a growing consumer demand. This has provided, for instance, greater opportunities for leisure-time physical activity and healthy nutrition, which may have an impact on chronic health conditions such as obesity.

Government action, or simply the expectation of government action, can also stimulate businesses to engage in the promotion of healthy consumption and lifestyles. Government regulation may produce both direct and indirect effects on markets for health-related commodities, but governments are often reluctant to use regulation because of the complexity of the regulatory process, the enforcement costs involved, and the risk of confrontation with industries.

Where the expectation exists for government regulatory action, businesses may seek to pre-empt this through self-regulation and by co-operating with the government. This has happened, for instance, with food advertising to children and with food labelling. In these areas, businesses have taken initiatives before most governments could implement formal regulatory measures. Industry self-regulation has the advantage of reducing enforcement costs but its effectiveness is a function of the buy-in of businesses and requires independent monitoring and evaluation to ensure it provides a valid alternative to government regulation. Governments remain responsible for setting the goals and targets of self-regulation, in the public interest.

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An area of special complexity is product reformulation, especially in the food and beverage industry. In this case, businesses have to balance consumer demands – for taste and convenience for example – with the threats and opportunities involved in different types of government regulation. Consumer demands may lead to a larger-than-desirable use of ingredients that may have negative health consequences in food manufacturing, such as salt, sugar and trans fats. Governments may ban, or limit, the use of such ingredients, or simply threaten to do this in order to elicit an appropriate response from the relevant industries.

However, this form of regulation is not widely applicable in food manufacturing, and governments often prefer to use incentives to encourage businesses to reformulate less healthy products. An example is the sugar tax introduced with the latest UK Budget, which is deliberately meant to incentivise beverage manufacturers to reduce the sugar content of their products.

An increasing number of governments have been using taxes and price regulation to give markets strong signals about the need for healthier production and consumption. The most forward-looking businesses are ready to take up the challenge and respond to the incentive. After the introduction of a tax on potentially unhealthy foods and beverages in Hungary, a study estimated that 40 per cent of manufacturers reformulated their products.
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A further example is allowing the use of nutritional or health claims, which can be used by businesses to advertise their reformulation efforts, within an appropriate regulatory framework. The decline in fat consumption accelerated in the United States, and fibre consumption increased, after the US Food and Drug Administration allowed food manufacturers to make claims about the health benefits of their products. Regulation can thus generate new market opportunities, which firms are eager to seize by reformulating their products in ways that may justify health claims.

The challenge today is getting businesses increasingly engaged in health promotion, while ensuring governments remain in the driving seat in setting goals and targets, and that the outcomes of any initiatives are independently evaluated. Imperial College Business School is actively engaged in evaluating the health impacts of changing lifestyles, as well as the impacts of business and government policies designed to make people’s consumption healthier. The Business School exploits the power of big data on health and lifestyles and computer simulation models to analyse emerging trends and assess alternative policy scenarios.