

Marketing in Schools: Little Educational or Nutritional Content

Supplementary Notes to Alex Molnar's Presentation at
the Frontiers Meeting of the Wellcome Trust
Cambridge, England, May 29, 2009

Marketers Are Interested in Schools

1. **Why Marketers Want to Reach Children:** Children have buying power.
2. **Marketing Problem:** Children are hard to reach outside of school. Children are a **fragmented market**. Advertising environments outside of school are **cluttered**.
3. **Marketing Solution:** Schools provide a relatively **uncluttered ad environment**, where children of all ages are a **captive audience**.

What is children's buying power?

This is an interesting question, because the answers vary widely. Because the estimates come from proprietary research, we can't evaluate the methods. However, all the estimates are high, and based on the amount of money spent on advertising to children, we can assume that corporations believe that children hold substantial buying power, regardless of the actual numbers of dollars involved.

Most of the estimates cited below are based in analyses of 2005 spending. As can be seen below, the very lowest estimate, reported by market research publisher Packaged Facts, was \$18 billion in "purchasing power" for children under 12. The highest estimate, \$700 billion, from the widely cited academic James McNeal, explicitly includes children's influence on parental spending.

The estimates most relevant to the issue of childhood obesity come from an *Advertising Age* article that mentions food specifically: In this 2009 article, *Advertising Age* reported a study done by Piper Jaffray Investment Research, which found that teens spend \$125 billion annually, and that 14-15% of their spending (i.e., at least \$17.5 billion) is on food.

More details:

(1) In May 2006, the company Packaged Facts reported the results of their study that found that children 3-11 had a collective \$18 billion in purchasing power in 2005. (Cited in *PromoMagazine.com*, <http://promomagazine.com/research/kidsspending/>, May 2006)

(2) James McNeal, cited in *The Economist in 2006*, estimated that children under 14 influenced as much as 47% of American household spending in 2005, amounting to more than \$700 billion. This overall number is based on estimates of \$40 billion in children's own spending power, \$340 billion in direct influence ("I want a Dell") and \$340 billion in indirect influence ("I know little Timmy would prefer us to buy the Lexus").

(James McNeal, cited in *The Economist*, November 30, 2006)

(3) *Television Week* reported in 2007 reported authoritatively, but with no attribution, that “Kids' spending power was estimated in 2005 at \$78.5 billion annually.”

(cited in *TelevisionWeek*, Feb 12, 2007; retrieved May 15, 2009 from http://goliath.ecnext.com/coms2/gi_0199-6282126/Kids-Spending-Big-and-Getting.html#readmore)

(4) *Advertising Age* reports a 2009 study done by Piper Jaffray Investment Research that found that teens spend \$125 billion annually, and that 14-15% of their spending is on food.

(*Advertising Age*, April 2009, http://adage.com/article?article_id=136253)

Types of Marketing in Schools

- 1. Sponsorship of Programs and Activities**
- 2. Exclusive Agreements**
- 3. Incentive Programs**
- 4. Appropriation of Space**
- 5. Sponsored Educational Materials**
- 6. Electronic Marketing**
- 7. Fundraising**

Source:

Molnar, A. & Boninger F. (2007). Adrift: Schools in a total marketing environment. Tempe, AZ: Commercialism in Education Research Unit, Education Policy Studies Laboratory, Arizona State University. Retrieved February 14, 2008 from http://epsl.asu.edu/ceru/CERU_2007_Annual_Report.htm

Products Most Heavily Marketed to Children

1. **Food:**
 - a. **Soft drinks and other beverages (\$639,226,000)**
 - b. **Restaurant foods (\$293,645,000)**
 - c. **Snack foods, candy and frozen desserts (\$256,407,000)**
 - d. **Breakfast cereal (\$236,553,000)**
2. **Entertainment**
3. **Toys**
4. **Popular books**

Source:

Federal Trade Commission (2008, July). *Marketing food to children and adolescents: A review of industry expenditures, activities, and self-regulation*. Washington, DC: Author. Retrieved August 26, 2008, from <http://www.ftc.gov/os/2008/07/P064504foodmktgreport.pdf>

The FTC studied 44 food and beverage companies, and found the following:

(I) Regarding the amount of money spent on marketing various products to youth, specifically in school:

(A) The total expenditure on marketing food and beverages to youth was \$1.6 billion. Of this total, \$870 million was spent on marketing to children aged 2-11 and \$1 billion was spent on marketing to teens aged 12-17 (i.e., \$300,000 overlapped)

(B) \$1.02 billion (i.e., 63% of the total \$1.6 billion) was spent on marketing for carbonated beverages, restaurant food and breakfast cereal

(1) \$492 million of the \$1.02 billion (i.e., 48% of it) was spent on marketing of carbonated beverages

(a) \$116 million of the \$492 million (i.e., nearly 24% of it) was for in-school marketing by beverage companies, most of which was for vending machine commission.

(C) \$186 million was for in-school marketing (i.e., 11% of the total \$1.6 billion spent on marketing to youth; 90% of these expenditures were for beverages)

(II) Dollars spent on marketing, by category of food:

| | |
|---|---------------|
| Carbonated beverages..... | \$492,495,000 |
| Restaurant foods..... | \$293,645,000 |
| Breakfast cereal..... | \$236,553,000 |
| Juice and non-carbonated beverages..... | \$146,731,000 |
| Snack foods..... | \$138,713,000 |
| Candy/Frozen Desserts..... | \$117,694,000 |

In the slide above, we combined some of the above categories as follows:

(A) “Soft drinks and other beverages” = carbonated beverages (\$492,495,000) + juice and non-carbonated beverages (\$146,731,000) = \$639,226,000

(B) “Snack foods, candy, and frozen desserts” = snack foods (\$138,713,000) + candy and frozen desserts (\$117,694,000) = \$256,407,000

A comment about the FTC study:

Other, prior, estimates of food marketing directed to children and adolescents by other researchers have been significantly higher than \$1.6 billion. There are several possible reasons for the disparity between their estimates and those of the FTC:

- Other researchers have not had access to the confidential company financial data obtained by the FTC.
- Other estimates appear to have included advertising directed to children for products other than food.
- Other estimates have included price promotions, such as coupons or discounts for children at hotels and restaurants, which generally are targeted to adults.

Remedies to Address Food Marketing in Schools

- 1. Statutory or regulatory prohibition**
- 2. Balancing tests (benefits vs. harm)**
- 3. Mandatory adoption review process**

Source:

Koski, W.S., Molnar, A., & Boninger, F., with Hodge, S., Jansma, E., Palitz, Z. & Rangel, L. (2009). *Commercialism in the classroom: What it is, what it does, and what to do about it*. Manuscript in preparation.

1. Statutory or regulatory prohibition. These reform proposals limit the conditions in which the activity may be engaged, partially ban the activity, or outright ban the activity. This type of reform proposal is best suited to those commercial activities that cause any amount of harm to students and have *de minimis* or no redeeming value, or those activities that are so harmful that almost no amount of benefit is worth the cost.
2. Balancing tests (benefits vs. harm). These reform proposals would first require school officials to balance certain stated benefits of the commercial activity against the identified harms or costs to students and the educational mission of the school. Here the specific criteria to be weighed against each other are identified for policy-makers and decision-makers at the school or school district level, and an analysis of those criteria must be undertaken. These proposals may also put limitations on the commercial activity to ensure that any risk to children is reduced to the extent possible.
3. Mandatory adoption review process. These reform proposals require relevant constituencies or stakeholders to be involved in the decision-making over whether to permit a commercial activity. Such stakeholders may include school board members, teachers, administrators, students, and parents. While the focus here is on the process, these policies could be employed in conjunction with the analytic framework provided by the balancing tests. Other process-based reforms could require informed consent of parents, giving sole discretion to parents on the decision of whether their children may participate in activities with a commercial component.

Additional Notes

How much are children exposed to food and beverage advertising, in general?

Source:

Harris Interactive YouthQuery™, April 19-24, 2006. n=681 8-12-year-olds and n=878 13-18-year-olds

Findings:

(1) 85% of 8-12-year-olds and 77% of 13-18-year olds reported viewing an advertisement for foods or restaurants in the past 30 days.

(2) 26% of 8-12-year-olds and 13% of 13-18-year-olds reported asking someone to buy foods or drinks they saw advertised on TV.

(3) 34% of 8-18-year-olds have a favorite food/beverage ad (62% of those were for quick-serve restaurants)

(4) Materialism:

65% of 8-18-year-olds wish they could buy more things

65% of 8-18-year-olds agree with the statement that “I would be happier if I had more money to buy things for myself.”

62% 8-12-year-olds and 32% of 13-18-year-olds agree with the statement “I like to buy things my friends have.”

What forms does food marketing take through the internet and cell phones?

Source:

Chester, J & Montgomery, K. (2007). *Interactive food and beverage marketing: Targeting children and youth in the digital age*. Berkeley, CA: Berkeley Media Studies Group. Retrieved May 15, 2009 from www.digitalads.org.

Behavioral profiling: Marketers “compile a detailed profile of each customer, including demographic data, purchasing behavior, responses to advertising messages, and even the extent and nature of social networks. Marketers use the information to create messages tailored to the psychographic and behavioral patterns of the individual.”

Mobile marketing: users are sent “personally tailored electronic advertisements designed to trigger immediate purchase and timed to reach them when they are near particular stores and restaurants.”

Digital “360” buzz campaigns: Market researchers target key influential young people who promote products to their peers through instant messaging, social networking sites, and blogs. “Companies... lure youth into a series of games and other activities across different media, generating buzz within the online youth subculture.”

Infiltrating IM: The major instant messaging formats (AOL’s AIM, Yahoo’s Messenger, and MSN Messenger) “offer advertisers a variety of strategies, including ‘roadblocks’ and ‘takeover ads’ that flood a sites homepage with interactive commercials...branded ‘bots’ and ‘buddy icons’... and interactive advertising environments in the IM space.

Commercializing online communities: Companies create their own profiles on social networks, and “draw users to interact with the brand as if they were e-mailing friends.”

Brand-saturated environments: Food and beverage companies create their own branded entertainment sites that are designed to encourage users to engage playfully with their brands by way of free content, games, merchandise, and replays of television commercials. They also create a presence on youth-oriented sites, where users are encouraged to interact with the brands in forms such as games, surveys, and sweepstakes.

Viral video: Marketers create their own “viral videos to promote their brands through peer-to-peer networks and video sharing services like YouTube.”

Recruiting brand advocates: Marketers encourage users to create and promote commercials for their favorite brands.

Game-vertising: This strategy “combines product placement, behavioral targeting, and viral marketing to forge ongoing relationships between brands and users.” Marketers can

“incorporate their brands into the storylines of popular games...[and can] use software that enables them to respond to a player’s actions in real time, changing, adding, or updating advertising messages to tailor their appeal to that particular individual.”

Advertising through avatars: Users create online identities through “avatars.” The avatars then spend time in branded virtual worlds.