

UNESDA – Taking the lead in Responsible Marketing

Summary report of independent, third party monitoring of UNESDA commitments in 2010 by PriceWaterhouseCoopers and Xtreme Information

The European Soft Drinks Industry continues to take a leading role making new commitments while also upholding those it made five years ago to not advertise to children under 12 years of age and to not offer its products for sale in primary schools

Summer 2011



Upholding our commitments five years on

This report summarises the independent external monitoring undertaken by consultants PriceWaterhouseCoopers and Xtreme Information to audit UNESDA compliance with its commitments taken in 2006 in relation to schools and advertising. The two studies, which between them cover 11 EU Member States – Belgium, Czech Republic, France, Germany, Greece, Italy, Poland, Romania, Spain and UK – measured compliance against key performance indicators established and agreed with the EU Platform for Action on Diet, Physical Activity and Health. The results demonstrate that UNESDA members continue to abide by their commitments and to act as a responsible industry. The research also reviews compliance with the sector's most recent, 2010 commitment to behave responsibly in the digisphere. UNESDA shared the challenges of monitoring this evolving communication channel with the Commission and its peers on the EU Platform and promised to report back on the experience and the best-practice learnings. The research fieldwork was undertaken during Q4 of 2010 and has been reported to the European Commission in line with its annual monitoring requirements.

A responsible industry – recognising its obligations in the marketplace

UNESDA is a founding member of the EU Platform for Action on Diet, Physical Activity and Health set up in 2005. The soft drinks industry is committed to working as part of a multi-stakeholder partnership to promote healthy lifestyles and we welcome the self-regulatory approach that the European Commission has encouraged. It has enabled us to take swift action to behave responsibly in the marketplace and to take far-reaching commitments on where we offer our products for sale and how we market them.

Five years ago, in 2006, UNESDA made a series of Commitment to the EU Platform on behalf of the European soft drinks industry*. Our commitments acknowledged the concerns of society, and particularly parents, on the issue of marketing to children and are based on our belief that parents and other adult caregivers should not be undermined in their role as gatekeepers, educators and ultimate decision-makers on the dietary habits of children. We made commitments in the area of advertising and commercial communication, consumer information and promotions and choice. In particular we committed to:

- Not advertise to children under 12 on TV, in print or online
- Not offer our products for sale in primary schools across the EU

- In secondary schools, where we do offer our products for sale, we committed to offer a range of drinks options - including no- and low-sugar, waters and juices - and to ensure that vending machines were unbranded.

Our other commitments include:

- Offer a full range and choice of products and packaging sizes in the marketplace to meet all consumer needs and drinking occasions
- Provide Guideline Daily Amount (GDA) Labelling across all of our products (the first complete sector to do so)
- Behave responsibly in the digisphere and not target Children under the age of 12 in social media or on company-owned websites.

Nine pan-European beverage companies are signatory to the UNESDA commitments - Coca-Cola Enterprises, The Coca-Cola Company, Coca-Cola Hellenic, Gerber Emig Group Ltd, GlaxoSmithKline, Orangina Schweppes Group, PepsiCo International, Refresco and Unilever – as well as over 100 national drinks manufacturers.

Implementing and upholding the commitments

The implementation of the UNESDA commitments is a significant undertaking that requires ongoing attention and verification. The signatory corporations continue to invest time, people and resources in ensuring that the commitments are both understood and complied with. Initiatives include staff training programmes in each market and the briefing of all marketing agencies as to how both the letter and spirit of the commitments should be adhered to in advertising and promotional activities. As we extend our commitments into new realms such as digital, the signatory companies have renewed their communications actions so that all partners and suppliers are informed and on board.

In 2011 we will be looking to tighten our commitment to not advertise to children under 12 by moving from an audience threshold of 50%, to a cut-off point if 35% of the audience is under 12 years of age.

* UNESDA represents the non-alcoholic beverages sector in Europe, excluding water and fruit juice.

Findings of the Independent Audit

The audit results are detailed below and comparisons made with the 2006 data. They demonstrate ongoing high levels of compliance, with pleasing improvements in some areas. They also prove that self regulation is a highly effective tool able to deliver results quickly and consistently.

Schools

PriceWaterhouseCoopers(PWC) monitored compliance with the UNESDA schools commitments in three EU markets – Germany, Spain and the Czech Republic. It should be noted that some countries, including France and the UK, have in place legislation that is in line with our commitment, and does not allow the sale of soft drinks products in primary schools.

Letters and questionnaires were sent electronically to headmasters in schools in each of the three markets, with follow up by email and phone as necessary. Almost 5,000 schools were contacted with a response rate across primary and secondary schools that delivers a weighted average sample with an accuracy rate of 90%.

We experienced a number of challenges in monitoring schools in the Czech Republic due to the specific education system with many schools actually mixed primary and secondary. Many of the secondary schools for pupils of 15-19 years of age are regarded as further education establishments, and so more liberal in the choice they provide.

i) No direct sales of soft drinks products in primary schools

In the three countries audited there are a total of 33,873 primary schools. The sample of schools monitored provided a confidence level of 95% if extrapolated across all schools. The total compliance rate was 95% which reflects a weighted average of the national compliance rates. This compares with an average of 93.9% in 2006.

- In Germany, 99% of schools were compliant
- In Spain 99% of schools were compliant
- In Czech Republic 88% of schools were compliant. In fact 91% of the primary schools which we audited were actually mixed primary and secondary schools.



ii) A full range of drinks is offered

UNESDA members commit to offering a full range of drinks – including no-sugar, low-sugar, juices and waters. The total compliance rate was 84% which reflects a weighted average of the national compliance rates. This demonstrates progress against the 2006 average compliance of 66.9% for this commitment.

In the three countries monitored the results were:

- In Germany, 79% of schools were compliant
- In Spain 95% of schools were compliant
- In Czech Republic 63% of schools were compliant.

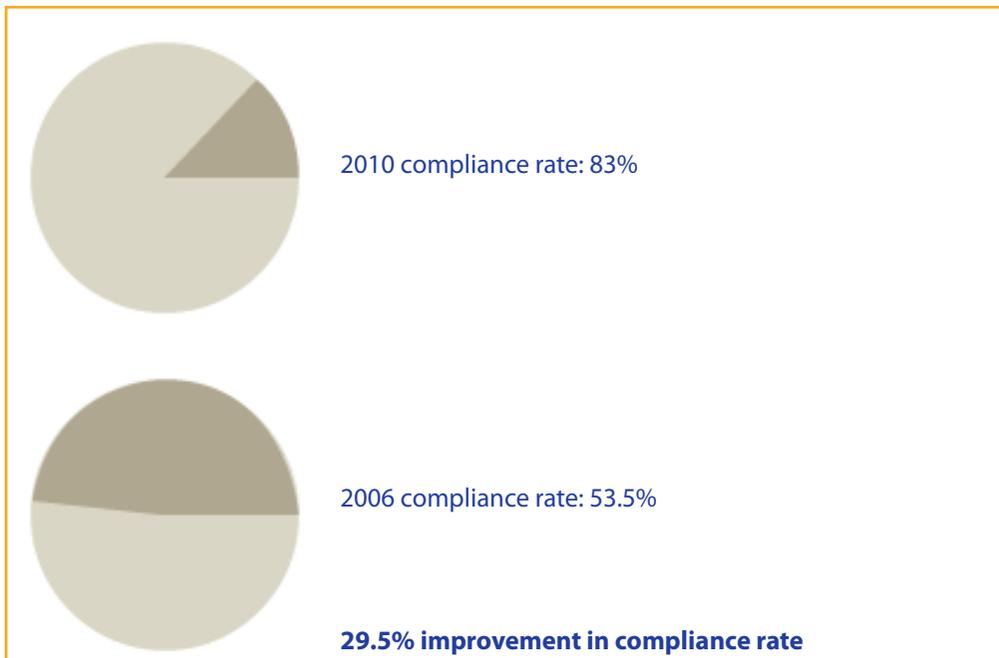


iii) Ensuring that parents and teachers are involved in the decision as to what beverages to sell in schools

We have to raise our hands here and admit that this is a difficult commitment for the industry to uphold, as clearly we have no influence over how schools consult on the food and drink they sell. However, we have been pleased that having raised the issue of consultation there has been a significant uplift compared with 2006 in the percentage of schools choosing to consult more widely and involve parents and teachers in the important decisions about what pupils should be offered to drink in schools. As a stakeholder in the debate we believe it is really important that these decisions are taken after due consideration.

We found a weighted average compliance rate of 83% compared with 53.5% in 2006. Individual country rates for 2010 are:

- In Germany, 87% of schools were compliant
- In Spain, 80% of schools were compliant
- In Czech Republic, 60% of schools were compliant.



iv) Vending machines are unbranded, or display neutral health messages

This commitment has involved a great deal of work in changing panels on machines and systematically contacting schools to ensure that the vending in their schools was compliant. UNESDA members have changed literally thousands of panels on the fronts and sides of vending machines to ensure that they carry no commercial branding other than neutral, lifestyle pictures. Weighted average compliance rate across Europe of 88%. The average compliance in 2006 was 69%.

- In Germany, 90% of schools were compliant
- In Spain, 93% of schools were compliant
- In Czech Republic, 36%* of schools were compliant.

**Note that the vast majority of non-compliance instances have been found in schools that cater for 15-19 year olds and are regarded as further education establishments, with a more liberal approach to the choice they provide for pupils. Corrective action will be taken.*



Advertising and Commercial communications

During the fourth quarter of 2010, compliance with the commitment to not advertise in programmes, publications or websites targeted at children under 12 (where children make up more than 50% of viewers) was monitored by broadcast experts Xtreme Information in seven territories: Belgium, France, Germany, Italy, Poland, Spain, UK.

TV still represents between 85-95% of food and drink marketing budgets in Europe. Print is between 5-15% of the total and is in decline. Online advertising spend, while growing, is currently just 2%.*

TV

TV advertising appearances were tracked for two single weeks randomly selected in each country. In the seven territories monitored – Belgium, France, Germany, Italy, Poland, Spain UK - there were:

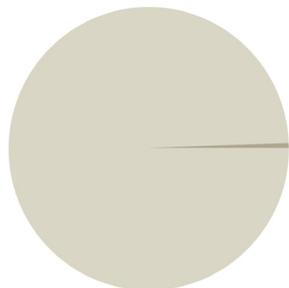
- 46 soft drinks advertisements with 1,290 spot appearances. 101 of these appearances were judged by the independent auditors to potentially have a significant percentage of children in the audience (due to the time of day and nature of the programme) and were therefore queried. Following further investigation of audience demographics, 83 were found to be compliant with the commitment. Of the 1,290 advertising spot appearances, 1,269 were compliant. Six of those appearances found to be non-compliant were from companies who are not signatory to the UNESDA commitments. Fifteen of the infractions were by UNESDA member companies and corrective action has since been taken to ensure greater vigilance both internally and with their media buying agencies.
- As a result, UNESDA signatories were found to be 99% compliant with their commitment to not advertise on TV in programming where 50%+ of the audiences comprises children under 12. This upholds the compliance level of 99.79% achieved in 2006.

Print

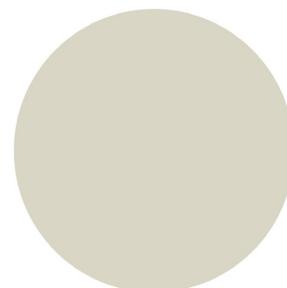
Print advertising appearances were also tracked for two single weeks, randomly selected, in seven territories - Belgium, France, Germany, Italy, Poland, Spain, UK. The auditors found:

- 62 soft drinks advertisements with 145 appearances. None of these appearances were judged by the independent auditors to have a significant child audience, so no infractions were deemed to have taken place.
- UNESDA members were found to be 100% compliant on their commitment to not advertise in print publications where 50%+ of the audiences comprise children under 12. This surpasses the compliance level of 99.72% achieved in 2006.

**2010 figures from the World Federation of Advertisers*



TV
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Print
 UNESDA members were found to be 100% compliant on their commitment to not advertise in print publications where 50%+ of the audiences comprise children under 12

Online

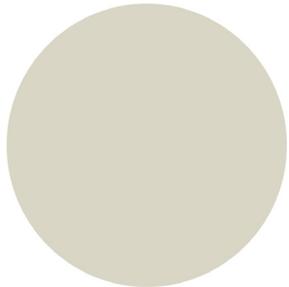
Internet display advertising was tracked across the same seven territories. In Germany, the Internet service does not report how many times an ad is picked up, but rather the proportion of automated visits to each site on which an ad is found. Hence the findings for the German audit have been expressed separately.

Belgium, France, Italy, Poland, Spain, UK:

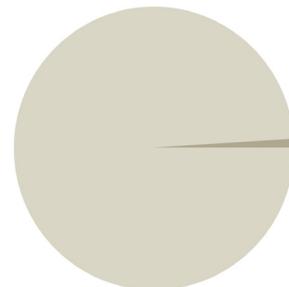
- 11 soft drinks advertisements with 118 spot appearances
- None of these appearances were judged by the independent auditors to have a significant child audience, so no infractions were deemed to have taken place
- UNESDA members were found to be 100% compliant on their commitment to not advertise in online publications where 50%+ of the audiences comprise children under 12.

Germany:

- 11 ads on 111 sites, generating a total of 43,499,670 impressions
- Two site choices were questioned by the independent auditors as they perceived them to potentially include a significant percentage of children in the site visitors
- UNESDA members were 98% compliant on their commitment not to advertise on websites where 50%+ of the visitors comprise children under 12
- These figures are in line with the 100% compliance level achieved in 2006.



In Belgium, France, Italy, Poland, Spain and UK, UNESDA members were found to be 100% compliant on their commitment to not advertise in online publications where 50%+ of the audiences comprise children under 12



In Germany UNESDA members were 98% compliant on their commitment not to advertise on websites where 50%+ of the visitors comprise children under 12

No targeting of children under 12 in the Digisphere

In 2006, when UNESDA corporate members committed to act responsibly in their digital marketing communications, the digital universe was a less complex place. Today, with the rise of digital media as a forum for virtual social interaction and chat the landscape is more diverse. For this reason, in 2010 the European soft drinks sector extended its commitments into the digital sphere. They agreed not to advertise on sites, chatrooms, SMS or games that were targeted at an audience of under 12 years of age.

The commitment applies to all digital marketing communications media purchasing in Europe as well as to all brand and corporate sites. Signatories pledged to ensure that internet sites, content and related technologies are designed for visitors over the age of 12, and to apply the minimum 50% over-12 audience threshold to all placements online.

Child focused sites aimed at under 12's

Sites in France, Germany, Italy, Spain, UK were audited

- 15 sites were selected for having high traffic from users under 12
- 633 pages were reviewed
- None of these pages were judged by the independent auditors to contain content that was aimed at children under 12 years of age
- UNESDA members were found to be 100% compliant on their commitment not to advertise on websites with high traffic from children under 12.

Company websites

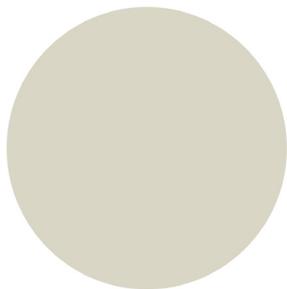
Xtreme Information reviewed brand-owned websites across the markets to assess whether content was considered to attract an audience of under 12 years old.

Three levels of each site were reviewed against the following 9 compliance checkpoints as laid down by the auditors:

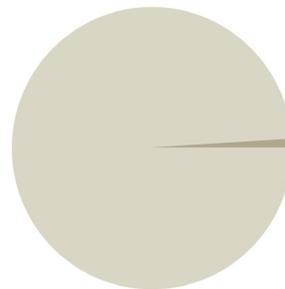
- Licensed characters and toys
- Games, entertainment and competitions
- Animation and graphics
- Language and colour
- Music and jingles
- Age screening mechanism
- Partnerships with others clearly targeting under 12's
- Celebrity endorsement
- External links to third party sites

Brand owned websites in seven EU markets were reviewed - France, Germany, Greece, Italy, Romania, Spain and UK

- 20 brand owned websites
- 285 pages were reviewed
- 12 pages of the 285 reviewed by the auditors were regarded as containing content that could potentially be regarded as appealing to children under 12 years of age, and hence were judged to be non-compliant with the commitment. UNESDA member companies have been informed and are sitting with their marketing and web design teams to provide more detailed guidelines to ensure compliance in the future.
- UNESDA members were found to be 96% compliant on their commitment not to create brand owned sites which are likely to attract an audience 50%+ made up of children under 12.



No targeting of children under 12 in the Digisphere:
 UNESDA members were found to be 100% compliant on their commitment not to advertise on websites with high traffic from children under 12



Company Websites:
 UNESDA members were found to be 96% compliant on their commitment not to create brand owned sites which are likely to attract an audience 50%+ made up of children under 12

Observations on digital monitoring that should be noted

In the course of the digital monitoring exercise UNESDA and the independent auditors made a number of observations. We will share these with the Commission and our peers on the EU Platform in the hope that this greater understanding will enable them to find solutions for the monitoring of their online commitments. We found these observations useful in increasing our understanding of online and digital media, thereby enabling us to monitor our UNESDA digital commitments with accuracy and confidence.

Identification of users is a key issue in monitoring digital marketing:

- Unlike TV advertising, ads run online can be set to serve only users with specific profile parameters. Typically data on gender, age, location and interests is saved through user profiles and used when serving ads
- Hence, two users on identically set up machines at the same geographical location could enter a page at the same time but be served with two completely different advertisements
- Challenges arise when PCs are used by multiple users – such as in a family context – when clearly users have very different ages, profiles and interest areas
- As with TV ads, online advertising can be served in specific time slots, so can be done at times when under 12's would typically be in bed and not online
- When purchasing ad space online, even though the primary focus may be on sites in one specific sector, delivery also happens through different non-relevant sectors
- It's important to clearly define parameters for ad delivery to make sure that a brand does not appear on sites that may harm its positioning or infringe regulation or commitments.

Conclusions

PriceWaterhouseCoopers and Xtreme Information found UNESDA members to be upholding high levels of compliance with the commitments they made back in 2006. The monitoring exercise provides a valuable opportunity for the industry to review its progress using independent third parties. It also gives us important insights into how the marketplace and societal opinion is evolving and where the industry needs to anticipate further action and commitments.

We are determined to demonstrate our credentials as a responsible industry sector, listening to the needs and concerns of society and responding swiftly and appropriately. Following this most recent monitoring exercise UNESDA intends to explore two new initiatives. The first is to revisit our schools commitments: to ensure that they continue to meet their original objective of ensuring that decisions continue to reside with parents and caregivers, and that a variety and choice are available. The second is to review the commitment to not place advertising in media where children under 12 years of age comprise more than 50% of the audience, and to raise this threshold to ensure that no advertising is placed in media where children comprise more than 35% of the audience.

UNESDA is proud to be a member of the EU Platform and to make commitments that demonstrate the responsible approach our industry takes in the sales and marketing of its products. We look forward to continuing to work with the European Commission, our peers in industry and with society in driving a multi-stakeholder approach to promote healthy and balanced lifestyles.



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