

Consumer Sovereignty or Mass Media Sovereignty?
The Oprah Influence on Consumer Choice in the
Food and Beverage Industry

Angela D. Thomas

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Introduction

You have just made your New Year's Resolution for 2007 – to eat healthy and lose weight. To support this resolution, you went to the supermarket and loaded your shopping cart only with products labeled “low calorie” or “low fat”. Feeling good about this step towards accomplishing your goal, you went home, put away your groceries, relaxed on the sofa, and watched the Oprah Winfrey Show. You turned on the show and the guest for the day was Dr. Mehmet Oz. He was discussing the best and worst foods for you to eat. You began to feel quite confident, as you had just filled your refrigerator with only the best foods – low calorie and low fat. Right? Wrong!

As you continued to watch the show, Dr. Oz explained that you should avoid foods containing high fructose corn syrup, trans-fatty acids, and white flour. You raced to your refrigerator and looked at the ingredient labels of each item you purchased, only to find out that nearly all of them included one or more of the ingredients to avoid. As you began to feel discouraged and confused about your apparent wrong choices, you hear Dr. Oz recommend buying organic foods, because they typically avoid the use of these ingredients. Excited about the solution to your new problem and about the potential to continue to keep your resolution, you ran back out of the house and headed to Whole Foods. You also made a mental note to stop by Barnes and Noble on your way home to pick up a copy of Dr. Oz's new book.

Whose power was being exercised? Did you, the consumer, act in a position of power by deciding to replace your food choices with organic foods? Did the mass media, namely the Oprah Winfrey Show and Dr. Oz, exercise power by influencing you to do so? Was your decision to immediately run out of the house to Whole Foods a rational one or one based in confusion? What changed for you when Dr. Oz gave the information that he did? How did that change affect your demand for certain types of foods? The purpose of this manuscript is to explore ONE concept of the free enterprise system – the concept of consumer sovereignty. This exploration will include a discussion of the rationality assumption, the law of demand, changes

in demand, and the influence of the mass media on each of these factors in the food and beverage industry. Together, this discussion will focus on how changes in tastes and preferences in the food and beverage industry affect demand in the free enterprise system and, ultimately, impact consumer sovereignty, assuming all other things remain constant. This manuscript will explore and answer the following questions: With such mass media influence over health and nutrition, is there consumer sovereignty in the food and beverage industry? Does the consumer have the power to have the final say? Does the consumer have the power to make his or her own decisions?

Free Enterprise System, Consumer Sovereignty, and the Rationality Assumption

Free Enterprise System

There are five important principles in the operation of the free enterprise system: freedom to choose our businesses, right to private property, profit motive, competition, and consumer sovereignty. While we can choose what business to go into and what fair fees to charge; while we can buy and sell private property as we see fit; while our main reason for going into business is to make money; and while we have the right to compete with other businesses, in the end, it is the consumers who will determine whether the business succeeds or fails. This concept is called consumer sovereignty (Wishloff, 2003).

Consumer Sovereignty

Consumer sovereignty is thought to be the most important principle in the free enterprise system because without the customer, many, if not all companies will be out of business. Consumers' choices ultimately determine the types of businesses that are worth beginning. Consumers have the right to choose which products they will consume and at what rate. They are free to spend their money on one product versus another, thus promoting competition. Consumers exercise this freedom by making rational choices and shopping around for products that give the best value. Under this premise, the idea is that businesses should always function with the consumer in mind, because the consumer rewards the businesses that develop quality

innovations at low prices and who better serve consumers (Sirgy, 2000). Companies should never forget that in the free enterprise system, the consumer is sovereign.

The Law of Demand

How do consumers' choices influence businesses? The principle of demand explains this influence. Demand is defined as quantities of specific goods or services that individuals, taken singly or as a group, will purchase at various possible prices, other things being constant. A product or service can experience a change in demand or a change in the quantity demanded. A change in the *quantity* demanded is simply, all other things remaining constant, at an increasing or decreasing price of a product or service, the quantity that consumers will buy at the new price will decrease or increase. It is a movement along a demand curve (Miller, 2006).

The statement of "all other things remaining constant" leads to the discussion of change in demand. A change in demand is the change in the overall demand for a product or service. A change in demand occurs when something other than price changes. Factors that can cause a change in demand are: Tastes and Preferences, Prices of Related Goods, Market Size and Income (Miller, 2006). This manuscript will focus on how changes in tastes and preferences in the food and beverage industry affect demand, assuming that all other things remain constant.

Rationality Assumption

Consumers' choices and subsequent demand are, in general, assumed to stem from rational decisions that the consumers make regarding their options. This is the rationality assumption. The rationality assumption simply assumes that individuals do not intentionally make decisions that would leave them worse off. Conversely, individuals are assumed to always have the intent of making decisions that will make them better off. Thus, their choices will enact their interests. If these choices do not enact their interests, then the choices will become irrational. Irrational choice behavior opens the door to exploitation by sellers in order to gain economic power from consumers.

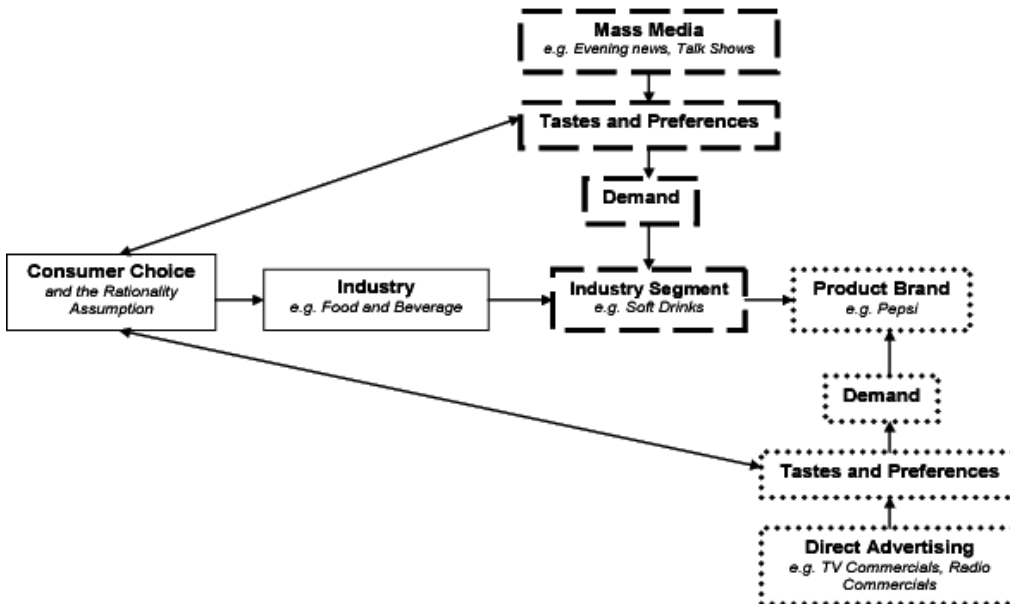
The rationality assumption has been tested in many settings, including the efficacy of consumption good choices for self, versus choices made by others. The value placed on goods consumed for self was given significantly more value than the same goods from others. This speaks toward an emphasis on self-interest and supports the rationality assumption (Waldfogel, 2005). In addition, many scholars have explored the effects of direct advertising in shaping tastes and preferences, and subsequently the consumers' ability to make rational choices, for particular brands and products (Redmond, 2000).

Advertisements to influence Consumer Sovereignty

Most businesses recognize the sovereignty of consumers; therefore, they spend billions of dollars on advertisements targeted at consumers. These advertisements can come in the form of newspaper ads, television ads, billboards, magazine ads, radio ads, and many other mechanisms. For example, companies pay top dollar to run advertising spots during the Super Bowl each year, because they realize they can reach a large number of consumers by running a thirty to sixty second advertisement. Advertising in these venues has been widely used among companies for years. These direct advertisements are usually aimed at convincing the consumer to choose one *brand* of a good or service over the other (e.g. Coke or Pepsi; State Farm or Allstate). In contrast, mass media, such as television news, newspapers, radio, and talk shows, can influence an *entire industry segment* (e.g. soft drinks; car insurance).

The model in Figure 1 on the following page (created by this manuscript's author) is a simplistic, graphic presentation of the factors that influence consumer choice for industries, industry segments, and product brands. Direct advertising impacts product brand (dotted boxes); however, this manuscript will focus on an impact that happens earlier in the choice process – the impact of the mass media on industry segment (dashed boxes).

Figure 1



What is the mass media influence and has it influenced consumer sovereignty in the food and beverage industry? Has the power of mass media influence become so strong that sovereignty no longer resides with the consumer?

The Mass Media Influence

Awareness

America is obese! During the past 20 years, the mass media has made consumers aware that the obesity rate for adults in the United States has increased significantly. In 1995, obesity prevalence in each of the fifty states was less than 20%. In 2000, twenty-eight states had obesity prevalence less than 20% and in 2005, only four states had obesity prevalence rates less than 20% (Center for Disease Control and Prevention, 2006). Childhood obesity is also rising. Approximately 16% of children ages 6-19 are overweight. This rate has tripled since the 1970s (Center for Disease Control and Prevention, 2006). Obesity increases the risk of developing many conditions including: hypertension, type 2 diabetes, coronary heart disease,

and stroke (Center for Disease Control and Prevention, 2006). This weight gain and increased health risks associated with it has caused an increased interest in healthy eating for weight loss and disease prevention. Americans are constantly seeking information about health and nutrition to lose weight, prevent illness, and prolong life.

Consumer Confusion

“Burn more calories than you consume and you will lose weight.” “Wait! That is not the key! Forget about the calories, the key is to eliminate fat from your diet. Then you will lose weight!” “No! Do not eliminate fat. It is the carbohydrates that make you fat. Eliminate those from your diet and you will lose weight!” “Do not get rid of all the fat, just the trans-fats!” “Do not get rid of all the carbohydrates, just the bad carbohydrates!” Which of these should the consumer choose? Which method is best? To add to the confusion, how does the consumer decide which of the different gadgets and pills that promise results in twenty-four hours they should purchase? What does a consumer who is trying to lose weight do? Does the consumer really feel powerful or sovereign, or in a position of authority when making a choice in this industry? Does the consumer feel confused?

The confusion may worsen for the consumer who does not necessarily want to lose weight, but just desires to be healthier. Is butter or margarine best? Sugar or Nutri-Sweet? Bottled water or tap? Diet soda or water? Juice or fresh fruit? Wine or no alcohol at all? Chocolate or no chocolate? Take vitamins or not? Aspirin or no aspirin? Olive oil or canola? Bread or no bread? Pasta or no pasta? Organic or not? Farm raised or not? Can they eat the chicken? Can they eat the fish? What kinds of fish can they eat? How much of it should they eat? Is the beef safe? How does the consumer resolve what is best? While physicians have traditionally been viewed as the most important source of nutritional information, this dynamic is changing. Currently, many consumers turn to the mass media, television in particular, for guidance (Chandra, 2005). They turn to a variety of mass media sources including the evening news, newspapers, magazines, the Internet, and even Oprah.

Tastes and Preferences

The food and beverage industry is heavily influenced by the mass media because, as illustrated in the model (Figure 1), consumer tastes and preferences are heavily influenced by the mass media. In late 2003, avian influenza received significant attention in the mass media when outbreaks began to occur in Asia. Several poultry infections were reported in 2003 and 2004, and one human infection (Center for Disease Control and Prevention, 2006). As a result, domestic consumption and international sales of poultry declined (“Industry Reports”, 2005).

In 2002, low carbohydrates became popular following books by Dr. Robert Atkins, as well as the Zone and South Beach diets. The mass media helped to promote these diets as it is estimated that the Atkins’ diet was mentioned over 2.5 million times over a three-year span in the media. Bread sales declined as a result (Anderson, 2003). The bread industry segment has since seen recovery as these diets have lost popularity and whole wheat and whole grain breads have now been recognized as acceptable to consume (“News Watch”, 2006).

Historically, in America, drinking water has been a free commodity. However, as the mass media informs consumers of the potential contamination of the community water supply, as perceptions of bottled water as pure increase, and as other beverage alternatives are considered unhealthy, consumers have turned to bottled water (Olson, 1999). Bottled water consumption and sales continue to increase. Consumption was 72 liters in 2001, 83 liters in 2003, and 98 liters in 2005. Sales were \$6.9 billion in 2001, \$8.5 billion in 2003, and \$10 billion in 2005 (“Industry Reports”, 2005).

The mass media also has given significant coverage to the levels of preservatives and hormones found in commercially processed foods and meat. Consumers are not only becoming increasingly concerned about the safety of products, but also the health and moral significance of the ways in which each product is being produced (Korthals, 2001). As consumers become more aware, organic food consumption continues to increase. In 2005, the organic food

industry accounted for 2.7% of the US food market and worth \$13.8 billion, up 16% from 2004 (\$11.9 billion), and up a staggering 126% from 2001 (\$6.1 billion) (“Industry Reports”, 2005).

Other segments of the food and beverage industry, such as dairy (butter v. margarine), alcohol (wine), fish (omega-3 fatty acid benefits; mercury risks), sugar and confectionery (high fructose corn syrup, sugar substitutes) have also seen increases and decreases in sales due to consumer taste and preference changes stemming from mass media information (“Industry Reports”, 2005). The evening news, newspapers, radio, magazines, and even the Internet are more likely to come to one’s mind when thinking of examples of mass media influence. However, as the introduction’s example illustrates, mass media influence can also come from talk shows.

The “O” Factor

The Oprah Winfrey Show, the longest running daytime talk show on television, is a great example of the influence of the talk show. Since it went on the air in 1984, Oprah Winfrey has proven to be not only a success on television, but also a means of success for many businesses. Her book club selections have become instant best sellers (“Oprah’s Book”, 2002), items on her “Favorite Things” list have revived businesses such as “We Take the Cake” bakery (Dickler, 2006), and simply being featured on her show has launched the careers of many popular names (e.g. Talk show host Dr. Phil McGraw, Psychologist Dr. Robin Smith, and Interior Designer Nate Berkus). Oprah’s influence does not stop there. While Oprah has jump-started the success of many individuals, authors, and brand names, Oprah has an enormous ability to influence an entire industry without ever mentioning a name or a name brand. This influence is quite prevalent in the food and beverage industry.

In 1996, when mad cow’s disease was a hot topic, Oprah made a statement on her show that she would not be eating beef: “It has just stopped me from eating another burger”. Following this comment, Paul Engler who ran a large cattle-feeding operation saw prices of cattle plunge the next day. He claimed to have lost \$6.7 million as a result of Oprah’s comment.

Other cattlemen also joined in the lawsuit, but Oprah was later found not guilty of all accusations (Jereski, 1997).

As Oprah's personal issues with weight, health and nutrition are very public, many consumers turn to her show for information to assist them with similar struggles. Bob Greene, Oprah's former personal trainer and her co-author of the book "Make the Connection", is a regular guest on her show. On a show in January 2007, Bob Greene featured his new Best Life diet, which has a list of six foods to avoid: soft drinks, foods containing trans-fats, fried foods, white bread, regular pasta, and high-fat dairy products (Greene, 2007). Dr. Mehmet Oz is also featured regularly on the show. He is a regular source of health and nutrition information including information about diseases and disease processes, as well as foods to avoid such as soft drinks, high fructose corn syrup, trans fatty acids, and enriched flour ("Paging Dr. Oz", 2006). While the verdict is still out regarding the impact that these guests' recommendations have had on food and beverage sales, the mad cow's disease example illustrates the power of the "O factor" in this industry. The cattlemen did not underestimate it and neither should any other segment of the food and beverage industry.

Conclusion and Recommendation for Food and Beverage Companies

With such mass media influence over health and nutrition, is the consumer sovereign in the food and beverage industry? Does the consumer have the power to have the final say? Does the consumer have the power to make his or her own decisions? This manuscript has illustrated that while the consumer does ultimately make the decision to consume butter instead of margarine or sugar instead of artificial sweetener, the mass media has an enormous magnitude of power to change those choices. Mass media changes the tastes and preferences of the consumer, which, in turn changes the demand of a good or service. The power of the mass media is so influential that it should not be underestimated by the food and beverage industry. In this industry, mass media sovereignty may indeed trump consumer sovereignty.

Food and beverage companies should focus more on mass media sovereignty when doing strategic planning. A sector with such great power and influence should never be overlooked. This manuscript therefore recommends that companies in the food and beverage industry include a more indirect approach at influencing consumer choice, by targeting changes in tastes and preferences through mass media. In addition to direct marketing to the consumer, via television and print advertisements for the promotion of their brand (e.g. Whole Foods versus Trader Joe's), food and beverage companies should team with competition to target the mass media for marketing industry segments (e.g. organic foods) in order to ensure that the tastes and preferences for that segment stay alive. Examples of such successful campaigns are the "Got Milk" campaign by the dairy segment and the campaign to promote the purity of bottled water by the bottled water segment ("Got Success", 2003; Olson, 1999).

Food and nutrition companies should also be aware of current mass media issues that they can capitalize on. For the past several years, food and beverage companies have been offering goods with less sugar, sodium and fat. Companies are continuing to revamp existing brands of foods to offer healthier versions. Big food retailers are now offering more organic products, and large food makers are making organic versions of their most popular foods (Graves, Mathis, & DeFoe, 2006). Many companies seem to be more reactive to mass media issues than proactive. In some cases (e.g. mad cow's disease and avian flu), it is more difficult to be proactive, however, the most likely companies to succeed when tastes and preferences change are those who either plan ahead for the changes or react fastest when they do change. One way to stay ahead of the game is for company managers to WATCH OPRAH!

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