
A Two-Pronged Approach: Food Safety and Nutritional Quality

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Schwan's is a \$3.3 billion privately owned business that focuses on frozen food sold via home delivery, retail, and food service. We do not purposely market our products as nutraceutical or functional foods because we recognize that, even if consumers might know what is good for them, that knowledge is not necessarily reflected in their purchases or eating behavior. That is not to say that Schwan's is not interested in providing consumers with healthy foods, because in fact, we are. We take a two-pronged approach in delivering healthy foods to consumers. The first, food safety, is obvious. The second is incorporating enhanced nutrition into the products that consumers want to eat.

NUTRITIONALLY ENHANCED PRODUCTS

Nutritionally enhanced products must meet two requirements. They must be foods that consumers want to eat and be products they feel safe in eating. Enhanced nutrition is an added benefit to our products. It is not a primary driver to sell the food, but secondary to what motivates the consumer to make the purchase. We know that we cannot change the consumer's eating behavior significantly. All of us find it difficult at best to modify our eating habits. It is even more difficult to convince others to change their eating behavior. Therefore, our approach is to explore opportunities to enhance the nutritional quality (or characteristics) of our products without affecting consumer demand.

Thus, when we design and develop a new product, we consider three primary criteria:

- Safety
- Consumer Acceptance
- Nutritional Enhancement

For Schwan's, as well as the food industry as a whole, safety is an imperative. There is no other option. Food related illness continues to be a serious problem in the United States. Despite the fact that we know more about food-borne pathogens today, and despite the fact that we have developed multiple technologies to address the issue, the problem has not abated. It has not leveled off, but continues to increase.

Consumer acceptance results from the right combination of taste, value, and convenience. If we fail to meet these criteria, consumers will not buy our products and we cannot help them become healthier. We understand that expressed purchase intent and consumption behavior are not always consistent with each other. Therefore, we listen less to what consumers tell us they want and pay closer attention to what they do. In that process, we have learned that taste is the most important criterion of repeat purchase. Rarely will consumers continue to purchase a product that they do not enjoy eating.

A product's value relates to the price that one is willing to pay for its perceived convenience and taste. For the most part, consumers are going to eat what they are going to eat, regardless of how good or bad the food is for them.

Nutritional enhancement is not an imperative; however, we use it not only to our advantage but also to that of the consumer. We view nutritional content as an added benefit, keeping in mind the three primary drivers for purchase and consumption (taste, value and convenience). This approach recognizes that eating behavior is not easily changed and that nutritional messages can be confusing. Consumers are bombarded with nutritional information from a variety of sources.

Our experience with food supplements indicates that consumers look for rapid effects. If they do not experience beneficial results in a short time, they lose interest. In addition, benefit from a nutraceutical or functional food requires consumption compliance; the product must be consumed on a regular basis (most often, daily) and at a sufficient level. Our approach is to provide consumers with their favorite foods, but to make them better for them than the alternatives in the marketplace. We focus on nutritional needs that are easily understood by consumers and are related to endemic problems within the United States. Consequently, we focus our efforts on obesity, which is related to type-2 diabetes and to heart disease.

FOOD SAFETY—ELECTRON-BEAM PASTEURIZATION

In 1999, sales of raw beef patties from our home delivery trucks were booming. Schwan's did not manufacture the patties, and, to meet demand, needed to extend the supply base to multiple suppliers. Because managing multiple suppliers of a high safety-risk food product was unacceptable, we were faced with the decision of either getting out of the business of selling raw ground beef

altogether, or finding an acceptable means to reduce the risk. To that end, we evaluated various technologies and settled on electron-beam pasteurization, an effective means of reducing harmful pathogens that is approved and endorsed by a wide variety of public-health organizations and has a history of beneficial use with other food products. In addition, it has benefits for manufacturing and is environmentally friendly.

At that time, there was little information on how consumers would accept electron-beam technology. We recognized that in home delivery we have a unique business model, *i.e.* regular one-to-one contact with our consumers through our route drivers. Part of what makes our home-delivery business successful is the trust a consumer develops in the route driver. Therefore, another risk was the erosion of that trust if we were to proceed without careful consideration of the effect on the element of trust.

We took the approach of complete and proactive disclosure, and were prepared to pull the product off the market if our consumers indicated dislike of the new technology. Specifically, we labeled our product, not only because it is a requirement, and made it clearly evident on the package. The route drivers explained what we had done and why, and were prepared to answer questions.

We moved quickly and were the first company to launch electron-beam irradiated frozen raw ground beef products nationally soon after the technology was approved for this type of food. Much to our pleasant surprise, consumer acceptance was huge, a response we attribute to our direct and honest approach, and the earned trust of our home-service route consumers.

NUTRITIONALLY ENHANCED PRODUCTS:

A MORE HEALTHFUL PIZZA FOR SCHOOLS

Our food-service business includes provision of school food, products for which specific nutritional requirements apply. There are clear and rigorous standards, which must be met by companies that make products for school breakfasts and lunches. Because we take our school food-service seriously, our goal is to exceed requirements. We were the first company to go into school food-service with pizza 27 years ago and have 70% of the pizza volume. Because pizza is always rated as children's favorite food, it is featured more frequently than any other menu item. Consequently, we have good reason to believe that we can improve school food nutrition in general because we have a huge presence in this market.

One of the unusual luxuries of working for a privately owned business is that many decisions are based not only on classic financial considerations but also on company values. This portion of our business is very competitive and the profit margins are very lean. But the primary reason that we compete, the reason that we spend significant amounts of time studying our products and enhancing their nutritional value, is because of the commitment that the owner Alfred Schwan has made to ensuring that children eat nutritious food at school.

One of our most recent challenges, because we have such dominance in that area, was to take our pizza line and increase its nutritional component. Many modifications could contribute to a “healthier” pizza. However, because of the increasing problem of childhood obesity and its health-related issues, we decided to focus on improving the nutritional profile as it pertains to obesity. Although our existing pizza was lean in the first place, we decided to make it more so, with less total fat, less saturated fat, and fewer calories, while maintaining acceptability by the children. We certainly did not want to alienate them and if we gave them a lesser-quality pizza, they would eat less of it and we would miss our goal. An additional requirement was to maintain the standard identity of pizza, while functioning within the constraints of the nutritional profiles required by schools. Consequently, we took a holistic approach and recreated the product from scratch.

Because of their high nutritional value, soy-based ingredients were included in the crust and other components of the pizza. We also reformulated the pepperoni and cheeses to make them more healthful, and enhanced the sauce to meet specific taste requirements to ensure that kids would like it. With this holistic approach we reached our goal, creating a pizza that is 20% lower in fat, has 10% less saturated fat, fewer calories and less sodium, and is higher in fiber. To boot, we found that the kids actually preferred the new pizza to the old one. It was a great success. The beauty of this is that the children don’t even know that their pizza is healthier, which is probably a good thing.

This has been marketed towards the school not to the pupils, who are happy that their pizza tastes better. This has been such a success for Schwan’s that we have taken the same approach with our Smart™ Pizza, and we are working on a broader platform of Smart™ products for schools. Again, we are focusing on foods that children like, thereby making them healthier in the long term.