

**Addendum to Supporting Statement for a Paperwork Reduction Act  
Submission to OMB  
FTC Study of Food Marketing to Children and Adolescents**

In response to the Federal Trade Commission's ("FTC" or "Commission") April 18, 2007, Federal Register Notice, 72 Fed. Reg. 19505, the Commission received 18 comments regarding the proposed information collection.<sup>1</sup> Most comments expressed general support for the proposed study. Some comments proposed that additional information be sought in the data collection. As noted below, two changes to the proposed Section 6(b) order were made based on these suggestions. In other cases, Commission staff concluded either that the suggested information already was included within the scope of the existing order<sup>2</sup> or that the information was beyond the scope of this study.<sup>3</sup>

The Grocery Manufacturers Association/Food Products Association ("GMA/FPA") comment expressed concern that the proposed Section 6(b) order would be too burdensome for the targeted companies. In addition, the GMA/FPA comment suggested that the proposed order may have lacked clarity in certain respects. Finally, the GMA/FPA comment indicated that the Commission underestimated the hour and labor cost burdens.

The following modifications were made to the proposed Section 6(b) order based upon the comments received from various parties, as well as upon the Commission staff's determination that certain aspects of the order would benefit from clarification or re-organization.

1. Revisions to the Proposed 6(b) Order

a. Effort to Reduce the Information Collection Burden

The proposed 6(b) order has been revised in several ways to reduce the burden of the proposed information collection. These include the following: (1) the level for rounding off reported expenditures has been raised from \$1,000 to \$10,000; (2) expenditures for some unmeasured media categories may be estimated within ranges; (3) for certain food products, the obligation to search for and report expenditures and activities for unmeasured media categories

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<sup>1</sup> The comments are available on the FTC's website at <http://www.ftc.gov/os/comments/foodmktgtokidspra-3/index.shtm>.

<sup>2</sup> For example, suggestions were made to include data on the marketing of fruits and vegetables, marketing in schools, the use of interactive advertising campaigns, and marketing that targets specific racial or ethnic groups. These topics are covered by the proposed information request.

<sup>3</sup> For example, a suggestion to seek information about marketing efforts directed toward parents is beyond the scope of the report requested by Congress.

has been limited to situations where other factors indicate that the product was marketed to children or adolescents;<sup>4</sup> (4) for reporting television expenditures, the definition of audience share has been changed to an annual rather than a weekly basis;<sup>5</sup> and (5) the response time has been lengthened from 45 to 90 days.

b. Clarification of Instructions and Definitions

The attachments to the proposed order have been revised to merge the media or promotional activity definitions with the criteria for advertising directed to children or adolescents. Attachment B provides the instructions and definitions for reporting media expenditures and activities directed to children under 12; Attachment C does the same for adolescents; and Attachment D provides the instructions and definitions for reporting total media expenditures (directed to all audiences) in each media category. These revisions should serve to further clarify the companies' reporting obligations under the 6(b) order.

The comment filed by the Campaign for a Commercial-Free Childhood pointed out the increased prevalence of toy co-branding by the food, beverage, and quick-serve restaurant industries. While this practice was previously captured under "character licensing and cross-promotions," the definition has been further clarified. In addition, the definition of "in-school marketing" has been modified to clarify that adult events taking place at a school are excluded from the reporting requirements. The definition of "packaging and labeling" has been revised to exclude the costs of fulfilling the labeling requirements imposed by the Food and Drug Administration.

Finally, the text and format of the proposed order have been simplified by the use of headings, moving footnotes into the text, and placing detailed reporting instructions in the attachments.

c. Additions to the Proposed Order

The requirement for reporting total advertising expenditures (for all audiences) has been broken into two parts. For each media category for which expenditures to children or adolescents are reported, the company will report advertising expenditures for all audiences for that media category. In addition, the company will report total advertising and promotional expenditures for any product for which it reported any advertising expenditures for children or adolescents. This

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<sup>4</sup> These factors include advertising of the product to children or adolescents through measured media (TV, radio, print, or Internet) or on product packaging or the existence of a marketing plan indicating the product was targeted to children or adolescents.

<sup>5</sup> This change will alleviate the concern that advertisements on an adult program could be deemed targeted to children or adolescents due to an anomalous one-time surge in that audience based on a particular event or celebrity appearance.

revision is intended to clarify that a company need not report expenditures to all audiences for any individual media category for which the company had no reportable expenditures to either children or adolescents.

At the suggestion of the California Department of Health Services, Question 7 of the proposed 6(b) order has been modified to ask for advertising expenditures and activities targeted to children or adolescents by income level, in addition to gender, race, or ethnicity.

These additions to the proposed order will provide useful information for the ultimate report without significantly increasing the reporting burden.

2. Revised Hours and Labor Cost Burden

Hours Burden: 11,000 hours (rounded to the nearest thousand)<sup>6</sup>

Cost Burden: \$2,688,000 (rounded to the nearest thousand)<sup>7</sup>

FTC staff's estimate of the burden hours is based on the time required to respond to each information request. The Commission intends to issue the information requests to 44 parent companies of food and beverage and quick-service restaurant advertisers. Because these companies vary in size, in the number of products they market to children and adolescents, and in the extent and variety of their marketing and advertising, the FTC staff has provided a range of the estimated hours.

Based upon its knowledge of the industries, the staff estimates, on average, that the time required to gather, organize, format, and produce such responses will range between 125-230 hours per information request for companies that market a single category of products to children and adolescents. The FTC staff estimates that companies that market multiple categories of products to children and adolescents would spend between 270-480 hours to respond to an information request. The total estimated burden per company is based on the following assumptions:

Identify, obtain, and organize product information,  
prepare response: 25-70 hours

Identify, obtain, and organize information on marketing

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<sup>6</sup> This is a 5,000 increase in burden hours from staff's previous rounded estimate. See 72 Fed. Reg. 19505, 19511 (April 18, 2007).

<sup>7</sup> This is a \$1,120,000 increase in labor costs from staff's previous rounded estimate. See *id.*

expenditures, prepare response:	40-200 hours <sup>8</sup>
Single category companies utilizing little unmeasured media:	40-50 hours
Single category companies utilizing substantial unmeasured media:	75-100 hours
Multi-category companies utilizing little unmeasured media:	80-100 hours
Multi-category companies utilizing substantial unmeasured media:	150-200 hours
Identify, obtain, and organize information on and samples of marketing activities, prepare response:	30-150 hours
Single category companies utilizing little unmeasured media:	30-40 hours
Single category companies utilizing substantial unmeasured media:	60-75 hours
Multi-category companies utilizing little unmeasured media:	60-80 hours
Multi-category companies utilizing substantial unmeasured media:	120-150 hours
Identify, obtain, and organize information regarding marketing policies and research, prepare response:	30-60 hours
Total	125-480 hours

The Commission intends to send 27 information requests to parent companies that market a single category of products to children and adolescents. Staff estimates that 14 of these companies use only small amounts of unmeasured media and that 13 of these companies use substantial amounts of unmeasured media. For these single category companies, staff estimates a total burden of approximately 4620 hours ((14 companies x 135 average burden hours per company that utilizes a small amount of unmeasured media) + (13 companies x 210 average burden hours per company that utilizes a substantial amount of unmeasured media)).<sup>9</sup>

The Commission intends to send 17 information requests to parent companies that market multiple categories of products to children and adolescents. Staff estimates that 9 of these companies use only small amounts of unmeasured media and that 8 of these companies use

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<sup>8</sup> For companies that use substantial amounts of unmeasured media for advertising and promotional activities, the hours required to respond will be greater than for companies that utilize only small amounts of unmeasured media.

<sup>9</sup> The average burden hours (135) per single category company that utilizes little unmeasured media is calculated as follows: 25 hours for product information + 45 hours for marketing expenditures + 35 hours for marketing activities + 30 hours for marketing policies and research. The average burden hours (210) per single category company that utilizes substantial unmeasured media is calculated as follows: 25 hours for product information + 87.5 hours for marketing expenditures + 67.5 hours for marketing activities + 30 hours for marketing policies and research.

substantial amounts of unmeasured media. Staff estimates a total burden for these companies of approximately 6,130 hours ((9 companies x 290 average burden hours per company that utilizes a small amount of unmeasured media) + (8 companies x 440 average burden hours per company that utilizes a substantial amount of unmeasured media)).<sup>10</sup> Thus, the staff's estimate of the total burden is 10,750 hours, or 11,000 hours rounded to the nearest thousand (4,620 total burden hours for single category companies + 6,130 total burden hours for multi-category companies). These estimates include any time spent by separately incorporated subsidiaries and other entities affiliated with the ultimate parent company that has received the information request.

It is difficult to calculate with precision the labor costs associated with this data production, as they entail varying compensation levels of management and/or support staff among companies of different sizes. Financial, legal, marketing, and clerical personnel may be involved in the information collection process. The FTC staff has assumed that professional personnel and outside legal counsel will handle most of the tasks involved in gathering and producing responsive information, and has applied an average hourly wage of \$250/hour for their labor. Thus, the staff estimates that the total labor costs for the information requests will be \$2,687,500 (\$250 x 10,750 total burden hours for all companies), or \$2,688,000 rounded to the nearest thousand.

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<sup>10</sup> The average burden hours (290) per multi-category company that utilizes little unmeasured media is calculated as follows: 70 hours for product information + 90 hours for marketing expenditures + 70 hours for marketing activities + 60 hours for marketing policies and research. The average burden hours (440) per multi-category company that utilizes substantial unmeasured media is calculated as follows: 70 hours for product information + 175 hours for marketing expenditures + 135 hours for marketing activities + 60 hours for marketing policies and research.