

CEO Spotlight **David Kirchoff**

Fighting Fat and Winning

by **Dyan Machan**Photograph by: *Matthew Furman for Barron's*

Kirchoff has modernized Weight Watchers' image.

ALONE IN THE BASEMENT WITH A SPOON, THE ANTICIPATION made his pulse race and his thoughts jumble. And that was before he even lifted the lid of the cookie-dough ice cream.

Yes, David Kirchoff, the CEO of **Weight Watchers International**, once suffered from the same food lust as other clients of the weight-loss concern, with ice cream, in particular, driving him crazy—so crazy that his wife and two daughters are instructed to keep it out of his sight.

A dozen years back, Kirchoff, 46, weighed 245 pounds. In today's obesogenic lingo, he had a body-mass index—a common measurement of body fat—of 30, placing him squarely in the red zone of the "globesity" epidemic. When he joined WeightWatchers.com in 2000 as senior vice president, he quickly enrolled in weight-management classes and followed a Weight Watchers-approved behavior-modification program. Off came 40 pounds; his BMI fell to 25, his cholesterol to 170 from 260, and a true believer was born. "I'm a weight-loss exhibitionist," Kirchoff says.

Except for the occasional stumble into, say, a vat of guacamole, Kirchoff is a changed man, with a slim, trim physique befitting the head of the world's leading weight-management brand. Weight Watchers (ticker: WTW) was founded in 1961 by a Queens housewife, and sold to **H.J. Heinz** (HNZ) in 1978. Artal Group, a private-equity concern, bought it from Heinz in 1999, and took it public in 2001.

Today the Manhattan-based company boasts a market capitalization of \$2.7 billion, and is expected to generate \$1.8 billion in revenue this year. That's about \$1 billion more than competitors Jenny Craig and **Nutrisystem** (NTRI) combined. Weight Watchers stresses attendance at support-group meetings and tracks food consumption with a point system; Jenny Craig and Nutrisystem make most of their money selling food.

Striding into a downtown lunch spot near Weight Watchers headquarters, Kirchoff has a tight-skinned, athletic look. His neurotic relationship with food is well-chronicled in his blog, *Man Meets Scale*, and book, *Weight Loss Boss* (Rodale), published this year, and also is evident in the speed with which he scans the menu, spending under 20 seconds to zero in on the branzino. It is a known Weight Watchers' tip: Avoid lingering on menus. The roasted white fish that arrives surrounded by cockles and greens is worth 10 to 12 points of his daily weight-maintenance allowance of 41 points. Later, he will log it into the WeightWatchers.com app or enter it on the company's

Website. "Obesity is a chronic disease," says Kirchoff, a forkful of fish in his hand. "I will always have to watch it."

Kirchoff's transformation has been far more than physical. Unfocused and a behind-the-scenes type in college, he has evolved into a highly visible, charismatic leader. "No, I couldn't picture him as CEO of Weight Watchers," says Dan Abrams, head of the New York social-media agency Abrams Research, and Kirchoff's Duke University fraternity brother. "He was a wingman, a supporter of others."

Weight Watchers, too, has evolved since Kirchoff became boss in 2007. At that time, the company had a fusty, unhip image, and attendance at meetings was flat or falling. Not any more; the point system has been overhauled, and spokespeople, such as Jennifer Hudson and Charles Barkley, have dialed up the coolness in ads. WeightWatchers.com also has become a powerhouse, generating \$400 million in revenue last year, and a 30% increase in sales in the first half of 2012.

Weight Watchers' CEO has food issues, too. He sees the company as a provider of health-care solutions.

declarations like these, it's little wonder Kirchoff's efforts to reposition Weight Watchers as a provider of health-care solutions are bearing fruit (zero points, if fresh). The company earned \$305 million, or \$4.11 per diluted share last year, and analysts are estimating per-share profits of \$4.08 this year and \$4.78 in 2013.

Even so, the shares have been on a yo-yo diet in the past two years, more than doubling in 2011 to the mid-\$80s, before retreating in fits and starts to a recent \$48. Early last year investors piled into the stock as attendance at meetings climbed. But Weight Watchers encountered glitches converting small corporate customers to a new payment system, which tied its hands at a time when it should have been winning more large corporate accounts. Shares currently trade at a relatively modest 10 times next year's expected earnings, and yield 1.4%.

Kirchoff says he was a skinny kid growing up in a family of four in Rockville, Md., a suburb of Washington. His father was a scientist who worked for the Department of En-

Obesity has passed malnutrition as a global threat, says Bank of America Merrill Lynch. Two out of three Americans are overweight, according to the Centers for Disease Control. Companies spend 52% more on health care for obese employees, notes Credit Suisse. With

ergy in thermodynamics, which some would consider another form of calorie counting. His mother, also a college grad, worked as a typist, and had the job of making a government salary stretch.

The walls at home were decorated with National Geographic maps, but most of the family's economizing involved food. Day-old bread was bought at a discount and stored in the freezer, and Kirchoff carried his lunch to school in re-purposed grocery-store bags. He recalls feeling humiliated and deprived, and to make matters worse, was dyslexic and considered "slow" by teachers. "I wasn't one of those people who thought they were destined for greatness," says Kirchoff.

"I wasn't the prom king, not the kid with straight A's. I never felt I had special anything."

More than six feet tall, Kirchoff weighed 170 pounds in high school and says he could count his ribs. But when he entered Duke, he met the all-you-can-eat buffet. Popular on campus, he befriended both the nerds and the lacrosse players but was unmotivated and distracted. "Yeah, I drank beer," he says.

After graduating with a degree in engineering but little confidence, Kirchoff took a research job at a small Washington, D.C., consulting firm. Next, he followed a colleague to Chicago, where both attended night school at the University of Chicago's graduate business school, and it was there his brain lit up. Surrounded by competitive students, Kirchoff worked hard, graduated at the top of his class, and was hired by Boston Consulting Group. "He asked the tough questions and pushed himself and his teams hard," says Sharon Marcil, a BCG managing director and head of the firm's consumer practice.

Weight Watchers is a BCG client, with Marcil leading the BCG team.

A recurrent theme in Kirchoff's career is the importance of friends and mentors who nudged him along, even when he lacked vision for himself. At BCG, he asked to work for the hardest partners on important accounts such as Tropicana, and found he had a mind for diagnosing problems and finding answers. "The currency [at BCG] was being smart," he says.

From BCG, Kirchoff went on to **PepsiCo** (PEP) to work in its Tropicana strategy group—his first job on the inside of a company. When he later joined WeightWatchers.com at the suggestion of a former BCG colleague, he had only a sketchy notion of what the company did.

■ IN THE SPOTLIGHT

Age: 46**Education:** Duke University, B.S., Biomedical and Electrical Engineering, 1988; University of Chicago, MBA, 1994**CEO since:** 2007**Affiliations:** City Harvest, University of Pennsylvania's Center for Health Incentives and Behavioral Economics, Share Our Strength**Corporate Governance:** "The roles of CEO and chairman should be separate. A professional manager should work for the board and have a boss. The exception is someone like Amazon.com's Jeff Bezos, who owns a huge amount of stock."**Public Speaking:** "Put me in front of a crowd and I'm happy. I only

Price	\$48.62
52-Week Range	\$40.60 - \$82.91
Market Value	\$2.7 billion
Revenue 2012E	\$1.8 billion
Net Inc 2012E	\$249 million
EPS 2012E	\$4.08
EPS 2013E	\$4.78
P/E 2013E	10.2
Dividend Yield	1.4%
Headquarters	New York

E=Estimate. Source: Thomson Reuters

have a general idea of what I'm going to say. Something happens and I start talking."

From Man Meets Scale (Kirchoff's blog): "Having spent a glorious two weeks away, it is clear to me why people gain weight on vacation. Our time is completely unstructured and full of quiet, unoccupied moments. In other words, lots of that idle time which is apparently favored by the (food) devil. It did not go too badly for me. My saving grace was that I exercised like a nut, particularly on the bike trails."

Playlists: A popular-music enthusiast, Kirchoff has many personal music compilations. Here's a sampling. **Giant Bowl of Cheese Mix** (Journey, Boston, Neil Diamond); **Disco Techno Mix** (LCD Soundsystem, Passion Pit, Hot Chip)

Launched in 2000 with a \$34 million loan from Weight Watchers, the Website spent \$28 million before going live in 2001. "I was worried Harvard would do a case study on how to blow a start-up," Kirchoff says.

Kirchoff left WeightWatchers.com in 2003, lured away by yet another BCG alum to become chief financial officer of a print and digital-media division of Primedia. His responsibilities included running a 180-member finance department, an experience he had sought in order to round out his skills. But WeightWatchers.com called him back in 2004 to become its chief executive, and three years later, after Weight Watchers International had purchased the online business, he was anointed chief fat fighter of the whole shebang.

Was there much chest-thumping at the Kirchoff home? His wife, Sandee Kirchoff, recounts that the new CEO often remarked, "We'll see how long I last."

If career books say keep insecurities to yourself, Kirchoff skipped those pages. But his self-immolating sense of humor works to put people at ease and also keep himself grounded. "When I share a vulnerability, and don't create a false façade, people respond," he says.

The restaurant's bread plate looks inviting, but Kirchoff gives it nary a glance. Apparently, the world is not following suit. He finds obesity statistics alarming, particularly the forecast from the Centers for Disease Control that one in three people in the U.S. is likely to become diabetic. American Express, NYSE Euronext, and NBC Uni-

versal are among the companies subsidizing Weight Watchers classes for employees, but why aren't there more?

Kirchoff likens weight loss to smoking-cessation programs that started decades ago and continue. Human-resources people "are still working on their playbook," he says.

Meanwhile, hospitals in the South are building bigger stretchers and toilets. Mission: Readiness, a nonprofit made up of retired military leaders, calls obesity a national-security threat. Lawyers have a bead on snack-food companies, following their success against Tobacco Inc. Mayor Michael Bloomberg has proposed a ban in New York City on sugared drinks of more than

16 ounces, and El Monte, Calif., wants to impose extra taxes on the same.

What happened to personal responsibility? The health-care entitlement programs sat on it, Kirchoff says. According to researchers at Lehigh University, obesity adds \$190 million a year to U.S. medical costs, and that figure is growing. "Unless government can make Medicare go away, it is knee-deep in obesity," Kirchoff says.

It's a question of whether you use regulation or create incentives for individuals, he adds. Any fix will take a collective approach, involving government, insurers, doctors, parents, schools, and business.

Kirchoff applauds Bloomberg for taking a stand, even though he doubts it will have the desired effect. He also thinks all restaurants should list calories, not just the restaurant chains that currently do so. "Everyone pays for obesity," he says.

Kirchoff argues that companies should be pressured, but not forced, to reformulate unhealthy food. Any effort to tax what is deemed unhealthy is impractical, he adds, because no regulators could ever decide where to draw the line. But Kirchoff draws one line: Junk food and soda should be banned from schools, he maintains, as children can't control their environment and don't have the judgment to avoid snack-related risky behavior. If that's a "nanny state," he adds, he's all for it.

Plates cleared, Kirchoff is talking about how recidivism is part of the obesity challenge. There goes dessert. Just back from a Nantucket vacation, he says he's nervous about getting on the scale. Yet, he exercised daily. Does he really think he gained weight? "No, but I'm crazy," he says, smiling. ■