

The Grocer

Focus On: butters & spreads by Beth Gault (beth.gault@thegrocer.co.uk)

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The Story

Butters & spreads sales are still sliding, but their decline has slowed over the past year. Butter has benefitted from the consumer perception that it's a healthier and more natural option plus a cut in promotions and an end to the price deflation that's characterised the market in recent years also benefitted butter. So what can spreads and marge learn from butter? What will it take to turn the market's fortunes around? What's in store for 2017?

Key themes:

Price: This will be a key focus of the feature, with particular attention being paid to how changes in promotional strategy, the weakness of sterling following the Brexit vote and the shift to butter is impacting the price paid in this sector.

Range rationalisation: This will be a key focus of this feature, which will investigate how different retailers have adjusted their ranges in the past year to cut duplication and maximise the profitability of their butters & spread chillers.

Spreadable butter: This feature will investigate why spreadable butter continues to grow in an increasingly difficult market. Given that Brits are eating less bread, what are we spreading it on? How significant a factor has NPD been in the past year? Is the growth at the expense of other sectors in this category?

Dairy spreads: Sales in this sector are plummeting. Is spreadable butter stealing share from this sector? This feature will explore in detail the factors that have led to dairy spreads' decline and what's being done to turn things around.

Margarines and other spreads: This feature will be looking at margarine, sunflower spreads, white fats and a host of other propositions in this market. How are these sectors evolving? With butter continuing to outperform, are we likely to see more products being mixed with butter, as we have over the past year?

Block butter: Value is growing ahead of volume for block butter. This feature will explore in detail the factors that are driving the performance of this sector and what the coming year has in store.

Own label v brands: Own label is in strong value growth in this category. Why? What are brands doing to fight back? Are they lowering prices? How have retailers developed their own label ranges in the past year?

Olive spreads: Volumes are in decline. What's driving this? And how will the impact of rising commodity prices as a result of sterling's weakness and supply issues affect prices in the coming year?

Foodies: This feature will pay close attention to how butter players have sought to capitalise on the home baking trends and the rise of so-called 'foodie' culture through NPD, advertising, marketing and in-store merchandising. Is this trend to thank for the strong growth we're seeing in flavoured and alcoholic butters?

Health: A key focus of this feature will be how the market's key players are looking to use healthy eating messages in their marketing. Is part of butter's success in recent years down to the perception that butter is somehow a more 'natural', less processed product than other spreads? And can other spreads use their lower sat fat content to their advantage in their marketing?

Prices: This will be central to this feature. Particular attention will be paid to how much butter's growth has been driven by lower prices and fiercer promotions. The impact of surplus milk stocks on the future price of butter will also be a key focus. Are butter prices likely to fall and how will this affect other spreads' efforts to claw back market share?

Advertising and marketing: This feature will also investigate how the marketing and advertising strategies of the category's biggest brands have evolved over the past year and how they will develop in the coming year to sustain growth or return brands to growth. We will look at the ad spend of the biggest players in a separate box out.

Innovation: This will be key to this feature. We will be investigating how new product development has shaped the category over the past year and what is in store for shoppers in 2017. We will be profiling four of the most interesting launches in a separate innovation panel.

Promotions: This feature will explore how the promotional strategies of retailers and brands have changed over the past year. Attention will be paid to the promotional strategies of retailers and how this has affected average prices over the past year.

Key questions the feature is likely to address:

- What consumer trends have impacted the category over the past year?
- How have promotional strategies (both in terms of price and marketing) evolved?
- How have individual retailers' strategies impacted the market?
- How has merchandising changed in the market?
- What impact has own-label had on branded players?
- What's next for the category?