HOW TO RE-INVIGORATE A STAGNANT CATEGORY

LESSONS FROM MARGARINE
We often think of innovation as a battle that is fought by one brand against another. For example, Brand A introduces a new offering to steal market share from Brand B. Then Brand B counters by copying that innovation and adding something new as well. But there are often cases where consumers fall out of love – not with a single brand – but with an entire category of products. At this point, innovation becomes critical to the survival of all brands.

**CATEGORIES – LIKE RELATIONSHIPS – CAN GROW STALE**

Many factors can cause consumers to fall out of love with a category, including demographic shifts, health trends and changes in consumer taste. The question facing marketers is how to respond.

- Can a category that’s losing mass appeal be revived?
- Are there innovations that can win consumers back?
- Are there improvements in messaging and positioning that can help? (The “Got Milk” campaign changed the fortune of the US milk industry overnight.)

Using the example of margarine (a category in “free fall”), Nielsen wanted to explore ways marketers could “rekindle the fire” and make a declining, stale category interesting, relevant and valuable again. Nielsen’s evolutionary optimization approach is uniquely able to help marketers “reinvent” categories by exploring large innovation spaces and leveraging consumer feedback to help converge on the ideas with the highest market potential.

**RECENT EXAMPLES ABOUND:**

- **Orange juice** – As of August 2014, orange juice sales had fallen to their lowest levels in the past twelve years as consumers are increasingly drawn to new fruit juice and alternative breakfast beverages (like energy drinks).1

- **Fruit spreads** – Once the staple of every UK home, marmalades and jams are increasingly losing favor to peanut butter and chocolate spreads.2

- **Beer** – Despite the surging craft beer movement, per capita beer consumption is down 20 percent over the past 20 years, a drop that has to concern every beer manufacturer.3

- **Gum** – U.S. sales of gum have fallen 11 percent over the past four years even though sales of the candy category as a whole have gone up.4

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Americans once consumed almost three times as much margarine as butter. Since 1976, however, margarine use has declined while butter consumption has been on a slow but steady rise.

In fact, butter consumption is at its highest level in about 40 years while margarine has hit a 70 year low—despite the fact that margarine is often much more affordable.

What’s causing margarine’s meltdown?

Like diet soda, margarine has suffered from negative publicity and a food culture that’s largely switching away from “processed” to “natural.” Changing consumer perceptions will be difficult, but margarine can fight back through effective innovation and communication.5

Through the process of evolutionary optimization and testing a large space of messages, claims and new positioning statements, Nielsen identified 3 potential “reinvention” strategies:

1. **Reinvent the messaging:** The debate over which is healthier – butter or margarine – has been raging for years and a quick Google search reveals that no one really knows the answer. Margarine needs to amp up the communication of its health properties, focusing on the benefit and claim combinations that matter most.

2. **Reinvent the value:** Don’t try to compete with butter on who is most natural; instead, position margarine as the super food that helps consumers get more nutrients into their diet. It’s worked for vitamin water and protein-enriched pasta.

3. **Reinvent the varieties:** Keep perfecting butter flavor for the masses but explore interesting flavors that can appeal to the growing “foodies” culture.

5“There has been a complete resurgence of butter since at least 2008, and it really has everything to do with ‘real food’; there’s been a backlash against margarine and other processed spreads.” —Melissa Abbott, culinary insights director at the Hartman Group
“Heart health” is the benefit consumers seek most from a “reimagined” margarine, optimizing in three of the four top-performing innovation ideas and beating out other health claims (such as strong bones) and claims related to baking, easy spreading and taste. While many brands already emphasize the benefits of margarine for heart health, the category as a whole needs to do a better job communicating and elevating the ingredients and claims that matter most to consumers.

Almost got it but not quite:
Smart Balance almost hits the nail on the head with its offering of an Omega 3 enriched spread. Based on consumer optimization results, they’d be better served by replacing or supplementing the 0 Trans Fat claim with a claim including vitamins. Scoring high with consumers, Omega 6 might be an additional line consideration or additional claim to add to the pack.

STRATEGY #1
REINVENT THE MESSAGING

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<thead>
<tr>
<th>Benefit Ranked by Popularity</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<tr>
<td>For heart-health goodness</td>
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<td>To maintain healthy blood pressure</td>
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<td>To protect your cardiovascular system</td>
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<td>To help you feel good inside and look great outside</td>
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<td>For healthy eating</td>
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<td>For a nutritious meal every time</td>
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*The above chart shows the benefits (highlighted in blue) that appeared in the top-performing margarine innovation ideas*

- **Prove It:** Promising heart health is not enough; consumers want proof. In fact, almost half of butter users surveyed indicated they would be more likely to switch if the product were scientifically proven to be healthier than butter. For consumers, the most credible form of scientific support is an endorsement from a heart health association (such as the American Heart Association): concepts featuring this claim were preferred by half of all butter consumers.

- **Focus on Omegas and Vitamins, Not Fat:** 73 percent of consumers preferred top margarine innovations that featured Omega 3 fatty acids as a claim, revealing “Omega’s” successful transition from a “cult” to “mainstream” health claim. Claims of offering Vitamin A and Vitamin E also performed well. Interestingly, claims of less fat and trans fat than butter did not optimize, despite its use on many margarine packages.

- **Skip the Calcium:** Many margarines brands (such as Country Crock) now offer “Calcium” enriched products, but added calcium claims performed among the lowest with butter consumers, suggesting it’s really a niche benefit.
There’s been a surge in consumer demand for food products positioned around the benefits of increasing immunity. In fact, 60 percent of consumers claim to want more immunity boosting foods and drinks.

As of right now, however, there is no margarine positioned to help consumers fight off the flu. This may be a missed opportunity. About a third of butter consumers preferred a margarine innovation idea promising immunity-boosting antioxidants, making it the most preferred concept in the study. The concept performed best with younger consumers (ages 25-44).

The finding reveals an interesting conflict at the heart of the butter vs. margarine debate. While 44 percent of butter users say that they would switch to margarine if it was made with more natural ingredients, 39 percent also say they would consider a margarine specially formulated (hence not natural) with additional nutrients and health benefits not found in butter. This suggests that some consumers are willing to make a trade-off and accept that margarine is not natural, provided it offers enough of the right enhanced benefits.

“I LIKE THE ABILITY TO USE THIS PRODUCT IN MY MAC AND CHEESE AND MAINTAIN HEALTHY BLOOD PRESSURE. BOOSTING MY FAMILY’S IMMUNE SYSTEM IS A PLUS.”

“I ENJOY THAT THIS MARGARINE IS MADE WITH IMMUNITY BOOSTING ANTIOXIDANTS AND IS RICH WITH OMEGA 3.”

“MARGARINE IS USUALLY CHEAPER THAN BUTTER AND I ALWAYS THOUGHT THAT IT WAS WORSE FOR YOUR BODY THAN BUTTER, BUT THIS MAKES ME RETHINK THAT AND IT SEEMS TO BE BETTER.”

ENHANCEMENTS CONSUMERS WOULD LIKE TO SEE:
- Added Fiber
- Omega 6
- Probiotics
- Immunity Boosting Antioxidants

ENHANCEMENTS CONSUMERS DON’T WANT TO SEE:
- Energy Boosting Vitamins
- Greek Yogurt
- Gingko Biloba
While health benefits and claims drove a considerable amount of interest among butter consumers, flavor was the most important factor driving them to possibly switch to margarine. Not surprisingly, most consumers want their margarine to taste just like butter, but a sub-segment of consumers are interested in extra flavors which butter does not currently deliver.

More than 50 percent of butter users surveyed identify with the foodie culture that has taken hold in the U.S. Compared to most butter users, this foodie group is likely to be more interested in margarine varieties formulated with special flavors. Similar to margarines that offer enhanced health benefits, brands may be able to get consumers to look past a perfectly-matched buttery flavor by enhancing margarine with flavors.

In particular, this flavor-conscious group of consumers are interested in herb additions to their margarine product. Secondarily, a more general “variety of flavors” is appealing. Of note, however, is that fruit flavors fail to resonate with consumers.

OTHER WAYS TO APPEAL TO “FOODIES”

- Broaden the message to focus on margarine’s ability to make delicious food healthier versus the current narrower focus on margarine as a healthy alternative to butter.
- Emphasize the absence of artificial flavors or preservatives.
- Communicate margarine’s ability to substitute for butter in all situations – including cooking.

Flavored varieties are a great way to appeal to foodies, who are increasingly looking to add something special to a meal. While these Country Crock offerings certainly complement toast or bread, brands might consider variations like herbs, rosemary and basil that enhance a more elaborate meal or can be used in cooking. Consumers who prefer flavored margarines cook more often during the week (4-5 times) than most other butter users.
CONCLUSION

Without a doubt, consumers are changing the way they think about food – and consumer taste will continue to shift toward natural products.

However, consumers also appreciate convenience. If margarine can more effectively and easily help consumers get the nutrients they seek while providing innovative flavors, there’s evidence that butter consumers may be willing to consider margarine once again.

Margarine manufacturers should continue to explore trends and opportunities more fully to capitalize on consumer needs. Nielsen’s optimization technology can help take the findings of this research a step further by:

• Exploring and evaluating even more options for ingredients and benefits to identify combinations with the highest appeal.
• Developing a global understanding of consumer preferences and determining consistency across countries.
• Understanding how learnings from this report apply to a specific brand and its current buyers.
• Benchmarking optimized concepts against current or competitor offerings to predict in-market success.
• Gathering detailed qualitative feedback on consumer likes and dislikes for each concept.

Manufacturers of other consumer products can learn from the margarine example and use optimization to explore new innovations and messaging platforms to “reinvent” their brands and categories.

SEE A BRIEF VIDEO OF OPTIMIZATION IN ACTION

For more information, contact your Nielsen Innovation Practice Representative.
APPENDIX

Sample Content Used in Optimization (The actual test space included 24+ million individual variations.)

ATTITUDES
• “I want to eat delicious food, but I also want to be healthy.”
• “I am trying to incorporate more cholesterol-free alternatives into my diet.”
• “I love the rich creamy taste of butter in my food, but eating too much fat makes me feel heavy.”

TASTE
• Buttery
• Natural
• Smooth

BENEFIT
• Heart healthy goodness
• Delicious
• Easier spreading

REASONS TO BELIEVE
• 100% vegetables
• Rich in essential fats
• Zero cholesterol

CLAIMS
• Non-GMO
• Made with Greek Yogurt
• Made with Milk Proteins

METHODOLOGY

• Nielsen asked 630 butter buyers (age 18+) in the U.S. to help create a margarine product that would be more appealing to them.

• Using Nielsen’s optimization technology, consumers evaluated more than 24 million unique margarine ideas consisting of different attitudes, taste profiles, benefits, reasons to believe and special claims.

• Their selections and preferences helped identify “margarine” innovations with the highest potential.

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