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# Baby Food in Norway

Euromonitor International

# BABY FOOD IN NORWAY

## HEADLINES

- In 2015 baby food sales increase by 11% in current value terms, to reach NOK815 million
- The ongoing trend for organic, high-quality products continues to drive value growth, whilst flexible squeezable packaging rapidly becomes the norm
- Other baby food registers the most dynamic current value sales growth of 16% in 2015
- Stronger demand for organic, high-quality baby food results in rising unit prices across all categories in 2015
- Nestlé Norge remains the leader in baby food in Norway, on a retail value sales share of 49% in 2015
- Baby food sales are expected to grow at a CAGR of 5% at constant 2015 prices over the forecast period to reach NOK1,027 million in 2015

## TRENDS

- When Norwegians start a family, priorities often change and, for many, diets with minimum levels of artificial additives become the norm. High demand for natural products, transparency of the production process and high-quality ingredients resulted in surging demand for organic baby food throughout the review period. According to the Norwegian Agricultural Authority, baby food was the packaged food category which saw the highest retail value sales growth in actual terms in organic in Norway in 2014. Articles in the media, such as that seen in Handelsbladet FK, which stated “eat organic, avoid damaging the baby’s brain” and that seen in Dagligvarehandelen, stating “clear conscious is the best”, implying that organic alternatives should be the preferred choice for babies, increased in frequency over the review period.
- Social and demographic changes in the Norwegian population continued to have a marginal impact on the booming retail value sales performance of baby food in the country. The stable and marginally rising birth rate contributed to a rising number of children aged 0-12 months in 2015. Children aged 12-36 months did however decrease during the year. During the 2010-2015 review period, the population of children aged 0-36 months fluctuated but remained fairly stagnant. Naturally, population fluctuations did impact the performance of baby food, but did not define it. The premiumisation trend, led by organic alternatives, played a significantly more apparent role, whereby, to an increasing degree, parents opted for products that were as high-quality, natural and value-added as possible for their children and babies.
- Consumer attitudes and opinions towards breastfeeding in Norway remained highly positive over the review period. Norwegians perceived breastfeeding not only as an important activity to emotionally bond with the child, but also as a way of providing the right amount of nutrients. In line with the World Health Organisation’s recommendations, Norwegian health care officials encouraged mothers to breastfeed their babies exclusively until they were at least six months old. Furthermore, Norway ranked at the top in the non-profit and registered charity Save the Children’s yearly Breastfeeding Policy Scorecard for Developed Countries. Of the 36 countries listed, Norway, which was cited as having the most beneficial or generous parental leave policies in the developed world, quoted a 99% initial breastfeeding rate during the first week, while 70% continued to exclusively breastfeed at three months. The benefits of breastfeeding for both the mother and the baby were strongly highlighted both in the media and in hospitals. A boosted immune system, fewer infections, better heart health, improved cognitive development and lower rates of obesity were cited as benefits for children, whilst reduced risk of cancer and the promotion of emotional health were mentioned as benefits for the mother. Government initiatives aim to increase breastfeeding rates further over the forecast period, which will consequently have a limiting effect on sales of milk formula. Furthermore, baby food manufacturers predominantly marketed their milk formulas towards women who for some reason could not breastfeed and never claimed that their milk formulas were superior to breastfeeding, instead using phrases such as “almost as good as” or “provides similar nutrients to” breastfeeding.
- No major food scandals that impacted the performance of baby food in Norway occurred over the review period. Baby food remained a highly regulated category, with a particularly high demand on transparency in the production process and on high-quality raw materials. Consequently, there were limited possibilities for any major scandal occurring with the potential to impact the baby food environment in a significant way.
- The current value sales growth of 11% seen in 2015 represented a slowdown from the CAGR of 14% recorded over the 2010-2015 review period. Somewhat lower retail value sales growth was predominantly the result of

organic products accounting for an exceedingly higher share of the total retail value sales of baby food, which limited the possibility for more dynamic retail value sales growth, due to rising maturity.

- Other baby food registered the most dynamic performance in 2015, recording current value sales growth of 16%. This vibrant development was predominantly a consequence of the category emerging from a very low base, along with manufacturers' increasing emphasis on providing healthy and organic products for consumption in between meals, such as smoothies for children. Product innovation within the category was high towards the end of the review period. Most players looked to continuously introduce new smoothies variants, which accounted for the majority of sales within other baby food in 2015. Prepared baby food also performed well in 2015, with current value sales growth of 14%, mainly at the expense of dried baby food, which suffered a corresponding decline of 1%. Sales of prepared baby food were driven by organic alternatives, flexible pouch packaging, and an increasing desire amongst Norwegian parents to provide high-quality, natural and fresh food for their children.
- The average unit price of baby food in Norway continued to increase at a stable pace in 2015, with dried baby food, milk formula, and other baby food seeing an increase of 2% in current value terms, while prepared baby food saw an increase of 3%. Unit price growth was predominantly a consequence of continuous upgrading to organic alternatives, as well as opting for products in flexible squeezable pouch packaging, which tended to have a higher unit price than average. The highly polarised unit prices within baby food in Norway were frequently covered in the media, such as in food tests and evaluations. For example, a food test of different fruit purées for babies conducted in 2014 highlighted prices ranging from NOK38 per kg for the cheapest option to NOK188 per kg for the most expensive alternative, meaning the premium option was almost five times as expensive. Nevertheless, affluent Norwegian parents, on average, did not pay a notable amount of consideration to the high unit prices, as they were primarily concerned about providing the best alternative for their children. Furthermore, a higher unit price often signalled quality and, therefore, carried a competitive edge over cheaper options. Organic products, particularly from the dynamically growing Ella's Kitchen brand, were significantly more expensive than the average, whilst some options, such as Hipp, also a pure organic brand, was at the same price level as several non-organic options.
- Liquid milk formula developed at a faster pace compared to powder milk formula in 2015, similar to the trend observed during the review period. Liquid milk formula was developing from a much lower base, with powder milk formula accounting for an 83% share of overall milk formula retail value sales in 2015. Powder milk formula, led by Nestlé's Nan brand, had a long standing position in baby food in Norway. Liquid milk formula was preferred for its convenience, while the powder format was more durable and cheaper. Both variants experienced the development of organic variants over the review period, predominantly from the Hipp brand, distributed by Arvid Nordquist AS.
- Grocery retailers, led by discounters, supermarkets and hypermarkets, continued to dominate the retail value sales of baby food in Norway, accounting for a 96% share in 2015. Modern grocery retailers retained their position as the most important distribution channel, as traditional grocery retailers only accounted for a retail value sales share of 2%. Baby food was not viewed as impulse product, and was primarily purchased as part of large family shopping trips, which most often took place in larger modern grocery retailers, where cost savings were available by purchasing multi-packs or larger pack sizes.
- As previously mentioned, organic baby food drove the retail value sales growth of baby food throughout the 2010-2015 review period. Frequent media attention emphasising the benefits for children of consuming organic baby food resulted in a surge amongst parent providing their children with organic and natural alternatives. An article in Handelsbladet in 2014, quoting the highly regarded Økologisk Norge (Organic Norway) organisation, mentioned that pesticide residues can hurt babies' brain development more than previously believed, which was why Organic Norway urged pregnant and breastfeeding women to opt for organic food. Norwegian parents are by tradition very conscious of what their children eat, and the fact that organisations highlighted the benefits of organic baby food over standard alternatives, served to sway a great deal of consumers.

## COMPETITIVE LANDSCAPE

- Nestlé Norge, the subsidiary of the Swiss multinational Nestlé, continued to enjoy a strong position within baby food in Norway in 2015, accounting for a retail value sales share of 49%, one percentage point lower than in 2014. However, despite achieving retail value sales growth on an annual basis throughout the review period, Nestlé exhibited an ongoing steady decline in retail value sales share. The company predominantly lost share as a result of rising competition, especially from organic players. In 2012, Nestlé entered into the highly lucrative squeezable pouch segment with its Min Frukt (My Fruit) line, consisting of products for consumption between meals in the form of fruit pouches, which competed directly with Ella's Kitchen and Hipp. This contributed to sound retail value sales growth. Nevertheless, the company's retail value sales share decreased by 14 percentage points over the review period, from 63% in 2010 to 49% in 2015. Several articles in the trade press attributed Nestlé's decline to its comparatively non-existent organic offerings, a segment which drove most of the growth in the category, as it instead opted to focus on standard baby food. In an attempt to defend its leading position, Nestlé proclaimed that there was in fact no difference between organic and non-organic baby food, because of stringent regulations in Norway and the EU to ensure the safety and purity of baby food, irrespective of whether the ingredients were organically grown or not. The company sought to enhance the confidence of new parents in the safety of its baby food products by sourcing local ingredients and illustrating the production process on its website with the help of nutritional experts.
- The vast majority of players in baby food achieved positive retail value sales growth in 2015, as a result of the dynamic growth of baby food. The two pure organic players Jensen & Co, with its Ella's Kitchen brand, and Arvid Nordquist, with its Hipp brand, continued to register the largest gains in retail value sales share in 2015. The former brand, Ella's Kitchen, in particular revolutionised the baby food environment in Norway to a certain degree, with its completely organic range, colourful and eye-catching packaging, and most importantly its squeezable pouch format, which all other players introduced over the review period following the success of Ella's Kitchen. Jensen & Co saw a significant increase in retail value sales share over the review period, from just 3% in 2010 to 19% in 2015. This was all the more impressive considering that the company only started distributing Ella's Kitchen in 2009.
- The factors driving retail value sales within baby food in Norway over the review period were highly apparent. Parental desire to provide their children with high-quality and natural products resulted in a surge for organic alternatives. Additionally, the convenient nature of the squeezable pouch packaging format brought about a large variety of new product launches. A large proportion of new product developments from several leading manufacturers adopted the squeezable pouch format. Parents found this packaging type to be convenient for on-the-go consumption, in addition to making it easier for babies to eat by themselves, straight from the pack. Furthermore, the bright and colourful packaging design of such products also played a leading role in their success. These two factors are considered to be the main reasons for the emergence and success of the Ella's Kitchen brand, distributed by Jensen & Co AS.
- Brands from international manufacturers firmly dominated baby food in Norway in 2015. Nestlé Norge, a subsidiary of the Swiss multinational Nestlé, was the leading player in 2015, the Småfolk/Semper range was from the Swedish company Semper AB, while Arvid Nordquist distributed the Hipp brand for the German company Hipp GmbH & Co, and Jensen & Co distributed the Ella's Kitchen brand for the UK company Ella's Kitchen.
- In February 2015, Nestlé Norge introduced four new product launches in squeezable pouch format; Nestlé Yoghurt Banan, Nestlé Yoghurt Mango Banan, Nestlé Junior Banan Eple smoothie and Nestlé Junior 4 frukter smoothie.
- There is a strong belief amongst industry players that the snack segment of baby food, covered under other baby food in Euromonitor International's definitions, will display a vibrant growth from a low base in the coming years. Jensen & Co, which distributed the organic Ella's Kitchen brand, said that it is possible to double the turnover of snacks intended for children during the following year or two. The reasoning behind the anticipated development is the fact that, in general, healthy products intended for consumption in-between meals saw a surge in demand over recent years and the convenient packaging with zip lock for approximately NOK10 per bag in grocery stores will most likely appeal to parents. As a result, Jensen & Co introduced a range of organic snacks under its Ella's Kitchen brand in February 2015. The four new organic snacks include; flerkornshjul (multigrain wheels) cheddar + purreløk (leek), flerkornspinner (multigrain sticks) gulrøtter (carrots) + linser (lentils), kjeks (crackers) rosiner (raisins) + spelt, and kjeks (crackers), havre (oat) + spelt. Additionally, the company also introduced two organic prepared baby food products in squeezable pouch format: mango, päron (pear) + papaya and fruktris med bananer (bananas) + blåbär (blueberry). These variants were, according to the company, in the making for three years and were tailor-made for Norwegian taste preferences. This range represented the first time that Ella's Kitchen adapted its products to local tastes.

- Jensen & Co continued to emphasise the organic and natural nature of its Ella's Kitchen brand. All packages were clearly marked with "100% organic", in addition to being promoted as being free of palm oil, added sugar and added salt. The company continued to focus on adding value through focusing on in-between meal alternatives, covered under other baby food.
- In relation to the re-branding of the Småfolk brand to Semper in 2014, Semper AS invested heavily in advertising. The Småfolk brand was purchased by Semper AB from the dairy-giant Tine SA as far back as 2007. Between 2007 and 2014 all products carried the Småfolk brand, along with a Semper logo. In 2015, NOK8 million was invested by Semper AS in media, television, digital and print advertising. Following the re-branding, Semper announced that would introduce a wide range of products throughout 2015. In September 2014, the company expanded its porridge assortment by introducing two prepared variants in squeezable pouch format; Grøt med eple & fersken (porridge with apple and peaches) and Grøt med pære & aprikos (porridge with pear and apricot). Due to containing oat, fruit and rapeseed oil, these variants were claimed to be more fulfilling than squeezable fruit packs as in-between meals. Furthermore, in February 2015, Semper replaced the Småfolk morsmelkerstatning or tilskuddsblanding (milk formula) brands with the products Allomin 1 Morsmelkerstatning and Allomin 2 Tilskuddsblanding. Both variants were updated from their predecessors. Among others things, the vegetable fat content was replaced with natural milk fat, which better supports the child's development, according to the company. Furthermore, Allomin was the only milk formula containing MFGM (Milk Fat Globule Membrane), which, according to the company and scientific studies, was cited to improve children's cognitive development on the same levels as breast milk. The study furthermore encountered fewer cases of otitis among children consuming Allomin than children given regular milk formula, but on par with the children who were breastfeed. The study cited by Semper was rewarded with an innovation award during the annual conference for the European Society for Paediatric Gastroenterology, Hepatology and Nutrition. Additionally, Semper also introduced a range of premium prepared baby food in glass jars at the beginning of 2015. This range of prepared baby food was starch-free, featured increased bit size, in order to develop motor skills in regards to chewing, and only used well-known ingredients.
- In 2015, Nestlé continued with its Health Kids project, a global initiative involving more than 68 countries. The purpose of the project was to promote healthy eating habits and increased levels of physical activity among school children. Norway was scheduled to be involved in the project for the first time during the autumn of 2015. The Healthy Kids campaign begins after the summer vacation with a school-based teaching material, developed in collaboration with well-known profiles within nutrition. The project revolves around a digital campaign among school children to teach them about nutrition and take responsibility for their eating habits and exercise. Nestlé emphasises that there is no promotion of products in connection with the project and that all recommendations are always in accordance with national recommendations and regulations. However, naturally, a positive image for the company generated from the campaign will in all likelihood result in awareness surrounding its baby food products, as the project involves the participation of parents as well.
- Squeezable pouches with screw caps continued to enjoy a greater presence within baby food in Norway. The packaging format rapidly gained in popularity over the 2010-2015 review period. A large portion of new product developments introduced in 2015 utilised squeezable packaging. For example, the leading player Nestlé introduced several new products in 2015, including Nestlé Yoghurt and Nestlé Junior smoothie, which came in squeezable pouches. Furthermore, the packaging format was a main contributing factor behind the dynamic advancement of the Ella's Kitchen brand over the review period. In addition, glass jars also continued to gain popularity and share, in accordance with rising demand for high-quality prepared baby food.
- Economy and private label baby food was virtually non-existent in Norway in 2015. Norwegian parents remained highly conscious about their children's diets, and almost exclusively opted for the highest quality possible, meaning that few value-priced products were available. Instead, parents frequently purchased larger pack sizes or shopped for discounted offers on standard or mid-priced brands in larger grocery retailers. While standard brands, such as Nestlé's Nan, accounted for the majority of sales, premium and value-added alternatives, such as organic offerings, rapidly gained popularity over the review period.

## PROSPECTS

- The highly evident trends driving baby food in Norway throughout the review period will continue to play a crucial role within baby food over the forecast period. Stronger emphasis on transparency in terms of the production process and the origin of ingredients, combined with frequent media attention and efforts from organisations to highlight the acquired health benefits of consuming organic alternatives, will underpin the continued development of organic baby food.
- In contrast to global trends, Norway is one of the few developed countries with a positive outlook for the birth rate, which is expected to rise from 11.8 per 1,000 persons in 2015 to 12.1 per 1,000 persons in 2020; an increase of 3%. The rising birth rate will naturally contribute to the sustained growth of baby food in Norway. However, it is unlikely to impact it notably, with the premiumisation trend expected to be a far more notable driver of retail value sales growth than rising birth rates.
- Baby food sales are projected to grow at a CAGR of 5% at constant 2015 prices over the forecast period, which is seven percentage points lower than the dynamic CAGR of 12% at constant 2015 prices registered over the review period. The more modest, yet still dynamic, performance expected over the forecast period is a result of the higher and maturing retail value sales share of organic baby food.
- No recent food scandals occurred that might have an impact on baby food over the forecast period. Baby food in Norway is a highly regulated affair, with high demands being placed on transparency in the production process and on using high-quality ingredients. Therefore, it is considered unlikely that any major food scandal will arise that will impact the performance of baby food to any notable degree over the forecast period.
- Similar to the review period, prepared baby food, which is considered more natural than dried baby food, will continue to perform well, with the expectation being that sales will grow at a CAGR of 6% at constant 2015 prices over the forecast period. Other baby food will develop more rapidly from a low base, while dried baby food is expected to show a negative development. The former is predicted to grow at a CAGR of 9% at constant 2015 prices over the forecast period, while the latter is expected to decrease at a CAGR of 2%.
- The highly evident rising unit price trend experienced throughout the 2010-2015 review period will endure over forecast period. Parents will continue to be exceedingly concerned about their children's health and will in no way compromise on quality in favour of cost-savings. As a result, the organic share of baby food products is expected to continue to rise, which, combined with more advanced ingredients and more convenient packaging solutions, will continue to drive the average unit price upwards.
- The distribution of baby food products in Norway is not projected to undergo any notable changes over the 2015-2020 forecast period. Modern grocery retailers will remain the go to choice for the majority of Norwegians, as parents continue to purchase baby food as part of their weekly shopping expeditions.
- No significant changes in company activity are predicted over the forecast period. The main manufacturers are considered highly likely to continue to provide organic and natural alternatives in convenient packaging, such as the squeezable pouch format. The Norwegian-Pakistani halal baby food producer, Nasims, introduced a range of halal certified baby food in 2014. However, it struggled to make an impact following bad publicity regarding its production process, with too many pesticides found in its baby food, resulting in all of its products being withdrawn from Norway. Following changes to production, its products started to be distributed through approximately 2,000 stores, including Tesco, Asda and Sainsbury in the UK at the start of 2015. Production was moved from Morocco to Great Britain and Nasims has stated its intent to reintroduce the halal certified baby food to Norway during 2016, after focusing on its introduction to the UK in 2015.
- The majority of products introduced in 2014/2015 are predicted to perform well over the short term, adding novelty and momentum to the already highly dynamic baby food category in Norway.

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# Chocolate Confectionery in Norway

Euromonitor International

# CHOCOLATE CONFECTIONERY IN NORWAY

## HEADLINES

- Chocolate confectionery sees retail volume and current value sales growth of 1% and 5%, respectively, in 2015 to reach NOK5.9 billion and 34,690 tonnes
- A high number of new product launches underpin an already high level of consumption
- Tablets experiences the most dynamic current value sales growth of 7% in 2015
- Chocolate confectionery sees a 4% increase in average unit price in current value terms in 2015
- Mondelez Norge leads chocolate confectionery in 2015, on a retail value sales share of 49%
- Chocolate confectionery sales are expected to grow at a CAGR of 2% in volume terms and a CAGR of 2% at constant 2015 prices over the forecast period

## TRENDS

- While a growing health and wellness trend swept across most packaged food categories and negatively affected demand for sugary products, chocolate confectionery remained comparatively unscathed. Chocolate confectionery continued to be considered an indulgence and consumers purchased it out of enjoyment, which is why the two main players, Mondelez and Orkla, both stated that they have no intention of introducing any sugar-free chocolate products or using stevia as a sweetener in the foreseeable future. Both players instead claimed that flavour remained the most important factor and that they were unwilling to compromise on that. The two leading companies, however, catered to the health and wellness trend in one aspect, namely by offering different pack sizes. Norwegian consumers appreciated what they referred to as portion control, meaning that they tended to eat any chocolate purchased until it was finished. By offering different pack sizes, consumers were able to purchase the amount of chocolate they felt comfortable consuming. In addition, while the health and wellness trend was not particularly apparent in chocolate confectionery, the importance of sustainability, fair trade and sourcing became a key differentencing factor. For example, Orkla and Nidar only purchased cacao with the UTZ Certified label.
- Chocolate confectionery saw current value sales growth of 5% in 2015, which represented a one percentage point improvement compared to the current value CAGR recorded over the review period. Meanwhile, chocolate confectionery saw retail volume sales growth of 1% in 2015, which likewise represented a one percentage point improvement compared to the CAGR registered over the 2010-2015 review period. Chocolate confectionery is expected to increase by 1% in total volume terms in 2015. The comparatively stable development in volume terms was attributable to a highly mature environment acting as an inhibitor for more dynamic growth, while intensive product innovation and marketing efforts placed upwards pressure on sales. The more vibrant retail value sales growth was driven by higher commodity prices, rising VAT and duties, along with rising demand for more value-added products, such as fair trade, organic and flavour combinations of well-known brands.
- The two categories that saw the most dynamic current value sales growth in 2015 did so from two completely different standpoints. Firstly, other chocolate confectionery saw ongoing vibrant performance, in recording current value sales growth of 7% in 2015. However, this was achieved from a relatively low base, with the category only accounting for a 2% share of current value sales in chocolate confectionery in 2015. This growth was predominately driven by the performance of pick & mix sweets from Candyking Norge, and new launches, such as Freia Popcorn from Mondelez Norge. On the other hand, tablets, which saw current value sales growth of 8% in 2015, was a highly mature category. It remained by far the largest category in chocolate confectionery, accounting for a retail value sales share of 34% in 2015. New product developments and product extensions were the primary reasons underpinning the dynamic growth of tablets. The leading company Mondelez, with its extremely popular Freia brand, was highly successful in combining its Freia Melkesjokolade (milk chocolate) with other famous brands and flavours, such as Freia Melkesjokolade with Oreo, Freia Melkesjokolade with M&M's, Freia Melkesjokolade with Non Stop, Freia Melkesjokolade with Daim, Freia Melkesjokolade with Kvikk Lunsj and, most recently, Freia Melkesjokolade with Japp. In addition, the rising popularity of certified and ethically produced chocolate was most apparent in tablets, in which brands such as Plamil from Alma Norge gained share rapidly.
- The average unit price of chocolate confectionery continued to rise at a steady pace in 2015, up by 4%. The International Cocoa Organisation (ICCO) continued to report rising cocoa prices in 2014, which subsequently resulted in higher retail prices for chocolate confectionery in Norway. Articles in the media cited grocery



retailers saying that a notable increase in prices of chocolate confectionary occurred during the summer of 2014. However, cocoa prices decreased from the end of the summer until the turn of the year, somewhat mitigating the yearly price increase, albeit a 4% increase was still observed. While cocoa prices initially decreased during 2015, they increased during the remainder of the year. Furthermore, retail unit prices in 2014 and 2015 were affected by continuous increases in the tax on chocolate and sugar products, rising by 2% in both 2013 and 2014, from NOK18.21 per kg in 2012 to NOK18.56 per kg in 2013 and NOK18.91 per kg in 2014. A similar increase was proposed for 2015.

- The amount of economy positioned and private label products within chocolate confectionary in Norway was comparatively limited, accounting for 1% share of retail value sales in 2015. However, while standard or mid-priced chocolate confectionary accounted for the bulk of all sales, premium chocolate confectionary continuously gained popularity over the 2010-2015 review period, albeit from a relatively low base. Organic and ethically certified chocolate, such as the Plamil brand, along with dark chocolate brands, such as Freia Premium, rapidly gained popularity over the review period, with the latter ranking seventh in chocolate confectionary in Norway in 2015. It is noteworthy that leading some mainstream brands, such as Freia Melkesjokolade and Nidar Favoritter, were considered to be premium-positioned, building on their inherent heritage value, having been present in Norway for a long time. In addition, all products from Freia and Nidar participated in ethically produced cocoa schemes, which made it difficult for new entrants to differentiate themselves.
- Filled tablets remained the most popular format in tablets in 2015, accounting for a retail value sales share of 53%. This position was primarily a result of new product launches and brand extensions, whereby two confectionery brands were combined into one, such as the aforementioned Freia Melkesjokolade variants. Of the plain variants, milk had the strongest position, accounting for a retail value sales share of 37% in 2015, while plain dark and plain white accounted for respective retail value sales shares of 9% and 1%. Dark chocolate consistently gained retail value sales share over the review period, primarily as a result of being considered a more premium variant, as well as the healthiest type of chocolate available.
- Seasonal selling periods, with Christmas and Easter being the major ones, for chocolate confectionary continued to have a notable impact on the category as a whole over the review period. For example, Freia Kvikk Lunsj from Mondelez was the second ranking chocolate confectionary brand in Norway in 2015 and 40% of its yearly sales were generated in the week or two prior to Easter, according to the company. Similarly, the amount of chocolate confectionary products targeted and launched prior to Christmas was formidable. Boxed assortments, bagged selflines/softlines and seasonal chocolate, in particular, were highly dependent on Christmas and Easter sales. Most major brands, such as Freia Melkesjokolade, updated their packaging design with Christmas motifs towards the end of fall.
- The competition from alternative or substitute categories, such as sweet and savoury snacks, sugar confectionery, ice cream and snack bars remained comparatively limited throughout the review period. Products from different indulgence categories tended to be consumed on different occasions, with chocolate confectionery often being a product consumed on-the-go or as an enjoyable alternative to regain energy, whilst, for example, sugar confectionery and sweet and savoury snacks were often consumed at home whilst watching films, or at gatherings with friends. Ice cream was mainly consumed during the summer months, as a cool refreshment in warmer weather. The category providing the most competition to chocolate confectionery was the dynamically growing snack bars, which had similar consumption patterns to chocolate confectionery. However, chocolate confectionery enjoyed wider usage, with different formats being available. Chocolate confectionery was also considered tastier, according to the majority of consumers, whilst snack bars were predominantly consumed by consumers looking for something more filling than regular countines or tablets.

## COMPETITIVE LANDSCAPE

- The competitive landscape within chocolate confectionary remained highly consolidated in 2015, with two players accounting for a combined retail value sales share of 70%. Mondelez Norge, with its highly popular and well-known Freia brand, was the driving force for chocolate confectionery throughout the review period and accounted for a retail value sales share of 49% in 2015. The other driving force within chocolate confectionary was Orkla Confectionary & Snacks Norge, OLW. The company, which is a subsidiary of the Norwegian conglomerate Orkla Group, accounted for a retail value sales share of 21% in 2015. This was mainly attributable to the acquisition of the Norwegian confectionary specialist Nidar AS in 2013, as prior to that Orkla only accounted for a limited retail value sales share of 1%.
- The health and wellness-oriented company, Alma Norge saw the largest gain in retail value sales share of less than one percentage point in 2015. The company distributed chocolate for the organic and ethically certified

Plamil and Viviani brands. Alma Norge performed well over the review period, increasing its share by one percentage point. The company benefited from rising demand for ethically produced products, with Plamil in particular considered a unique alternative, being both gluten-free and lactose-free, as well as ethically produced. Furthermore, several of its chocolate products did not contain any traces of nuts, were produced using renewable energy, were free from soya and eggs, and utilised recyclable plastic packaging. In March 2015, the company introduced a new premium organic and lactose-free variant called Plamil økologisk luksussjokolade (organic luxury chocolate). In addition, the company combined Norwegian consumers' love for chocolate with their even bigger love for coffee in 2014, when they introduced Plamil sjokolade med kaffesmak (chocolate with coffee flavour). As a result, Alma Norge AS grew to account for a 1% share of retail value sales in chocolate by the end of the 2010-2015 review period.

- At the end of the review period, chocolate confectionery in Norway was a highly mature category with an intensely competitive environment, which resulted in growth being primarily driven by a high number of new product launches and intense marketing efforts, both within and outside of stores. Brand extensions, whereby two popular brands were mixed, became a successful strategy, as did introducing limited editions to celebrate anniversaries, or simply to generate attention.
- Unlike gum and sugar confectionery, where international brands had established positions, domestic brands dominated chocolate confectionery in Norway over the review period. Domestic brands distributed and marketed by Mondelez, Orkla and Brynild Gruppen, the three leading players in the category, accounted for a retail value sales share of 74% in 2015. Despite investment in design and marketing, international brands, such as After Eight, Toblerone and Cloetta, had difficulty establishing a strong enough position to compete head-to-head with leading domestic brands like Freia Melkesjokolade, Freia Kvikk Lunsj, Nidar Favoritter and Minde Sjokolade. Norwegian consumers continued to declare a preference for domestically produced chocolate, with companies like Mondelez proving particularly successful in promoting the heritage of its leading Freia brand, with marketing slogans such as *"Et lite stykke Norge"* (A small piece of Norway). In addition, the domestic players in chocolate confectionery were consistent in introducing new products throughout the review period.
- Every year over the review period, Norwegian consumers were introduced to a vast array of new product launches within chocolate confectionery. Product extensions, flavour combinations and changes in packaging design were considered the main drivers underpinning the enduring high retail value sales growth of a highly mature category.
- The Norwegian subsidiary of the international packaged foods giant Mondelez International was at the forefront in terms of new product launches over the review period, including 2015. The company acquired Norway's largest chocolate producer Freia in 1993 and the Freia brand has subsequently been the company's best-performing brand. The Freia brand, despite having an international owner for a long time, continued to be considered one of the most pure Norwegian brands.
- In February 2015, the leading player Mondelez Norge AS introduced another launch within its highly popular Freia Melkesjokolade product extension line. The company was previously highly successfully in combining its Freia Melkesjokolade (milk chocolate tablet) with other famous brands, including Oreo, Daim and Kvikk Lunsj. The newest introduction combined Freia Melkesjokolade with Japp. The introduction was supported by NOK8 million in media efforts, including television commercials, online advertising and in-store promotions. Another large tablet release occurred in September 2014, when Mondelez introduced Frydenfull Jelly Popp. Frydenfull was a new range of tablets from Freia. The first launch within the series consisted of Freia's popular milk chocolate with jellies, coated chocolate pralines and popping sugar. According to the company, reception to the product was exceptional.
- In addition, Mondelez also introduced two new tablet variants, which were a mix of Freia Melkesjokolade and popular crackers. Freia sjokolade med salt kjeks Ritz (chocolate with salty crackers) came in 35g packages and combined Freia's popular milk chocolate with the well-known American snack cracker Ritz Crackers. Freia sjokolade med søt kjeks LU (chocolate with sweet crackers) in turn combined Freia's milk chocolate with sweet crackers from the French biscuit producer LU. Another similar product launch was the introduction of Mokka & Melkesjokoladekjeks in February 2015.
- Mondelez also expanded its increasing popular dark chocolate range, Freia Premium with a new flavour in April 2015 and a new packaging format in September 2014. The new flavour, Freia Premium Kokos (coconut), came in a 150g tablet and was filled with a white coconut mass between thin layers of dark chocolate. In September 2014, Freia Premium 70% Ekstra Tynn (extra thin) was introduced as a standard boxed assortment.

- In May 2015, Mondelez also introduced two chocolate rolls, Freia Melkesjokolade Smoothie Pasjonsfrukt og Jordbær (passion fruit and strawberry) and Freia Melkesjokolade Smoothie Mango og Banan (mango and banana). The two variants with liquid cores were comparatively unique in terms of flavour combinations and were expected to generate a certain degree of novelty value.
- In September 2014, Orkla Confectionery & Snacks introduced a notable range of new products. In tablets, the company introduced Nidar Café Bakeriet, which was milk chocolate with pieces of Café Bakeriet's crackers and hazelnuts. In countlines, Polly peanøtter og myk karamell (peanuts and soft caramel) was introduced. In bagged selflines/softlines Mokka & Melkesjokolade sjokoladeposem and Nidar Favoritter Smågodt Fruktvenner were launched.
- In April 2015, Nidar introduced the chocolate tablet Hobby with cola flavour. The Hobby brand existed exclusively as a standard variant since the 1990s. However, due to the rising popularity of product extensions, hobby was introduced with cola flavour, a highly popular flavour within sugar confectionary, but unique in chocolate confectionary.
- Third ranking Brynild Gruppen AS re-launched its most popular Minde Sjokolade brand in a new, more eye-catching packaging design, while it introduced a new pack size for Minde Fristelser Jubileum and Minde Fristelser Smågodt in February 2015. Simultaneously, the company introduced Hasselbrød, a 250g bagged selflines/softlines product consisting of pieces of milk chocolate and hazelnuts.
- Cloetta Norge AS, a subsidiary of Swedish Cloetta AB and the leading sugar confectionary player in Norway, introduced two bagged selflines/softlines in January 2015 under the name Cloetta Chewy Pops. The two variants, Chewy Pops Ahlgrens Bilar and Chewy Pops Safari, consisted of chocolate covered foam bits of popular sugar confectionary brands. The brand displayed a sound performance during its first month of availability according to the company.
- Packaging innovation remained comparatively scarce in chocolate confectionery in Norway in both 2014 and 2015. Norwegian consumers were comfortable with the existing appearance of the majority of the leading brands, with flexible packaging utilised in virtually every category. In addition, the majority of brands came with a picture of an actual piece of chocolate on the front, so that consumers could form an opinion of the product. In terms of packaging design, the majority of innovation took place in the premium segment, as manufacturers clearly used it as a way of distinguishing their products from standard mid-priced items. Examples of this include the organic and hypoallergenic Plamil brand and Mondelez's premium range Freia Premium. The importance of a streamlined and uniform product series also grew, in order for consumers to quickly recognise a new flavour launch or product extension of a popular series, such as Freia Melkesjokolade and Nidar Favoritter. The latte was Orkla Confectionery & Snacks' best-selling chocolate confectionary brand and the leading brand in bagged selflines/softlines in Norway in 2015. Nidar Favoritter was re-launched in more streamlined and elegant packaging in January 2015. In addition, the four variants of Nidar Favoritter contained new chocolate pieces and come with a 'bitmiksgaranti', a guarantee that the four different variants contained all of the mentioned chocolate pieces on the packaging and that there was an even distribution of the different types in the packages. The four available variants of Nidar Favoritter were Nidar Favoritter Stratos, Nidar Favoritter Troika, Nidar Favoritter Crispo and Nidar Favoritter Smørbukk.

## PROSPECTS

- In terms of company strategies that proved successful over the review period, and which are likely to continue to be adopted going forward, brand extensions saw rising popularity and generated significant exposure, as merging two well-known confectionery brands proved successful in generating significant novelty value. This strategy is likely to continue boosting sales over the forecast period. Manufacturers will also continue to emphasise new product development, particularly in terms of introducing new flavour ranges for existing brands.
- Chocolate confectionery sales are expected to grow at a CAGR of 2% at constant 2015 prices over the forecast period, identical to the CAGR recorded over the review period. In addition, retail volume sales are expected to achieve positive growth, with a CAGR of 2% period, an improvement from the review period when a slight decline was seen. However, the highly mature environment in chocolate confectionery, along with rising cross-border shopping, is likely to prevent the category from achieving more dynamic retail volume sales growth.

- As was the case in 2015, tablets is expected to display the most dynamic performance over the 2015-2020 forecast period, with sales growing at a CAGR of 4% at constant 2015 prices. Tablets enjoys a high degree of product innovation and is expected to further strengthen its position as the leading chocolate category in Norway.
- The average unit price of chocolate confectionery is expected to continue to rise over the forecast period, with an increase of 4% at constant 2015 prices predicted between 2015 and 2020. Price increases will primarily be driven by increasing production costs and consumers trading up to more premium products, along with predicted further increases in the tax rate levied on chocolate and sugar products. The chocolate tax increased by between 1% and 3% each year over the review period, and continued increases are consequently highly likely during the forecast period.
- Chocolate confectionery is predicted to encounter relatively limited competition from other snack and indulgence categories, such as crisps/chips, ice cream, sugar confectionery and snack bars. The dynamic snack bars category is expected to present the most competition to chocolate confectionery, procuring a small share of the sales of countines. Consumers seeking a more filling on-the-go alternative, or possibly a healthier option than chocolate confectionery, may opt for snack bars instead. However, chocolate confectionery is still overwhelmingly considered to be both tastier by consumers, as well as available in a wider variety than snack bars. As a result, the loss of sales to snack bars is expected to be minimal over the forecast period.
- The distribution of chocolate confectionery in Norway is unlikely to undergo significant change over the 2015-2020 forecast period. Modern grocery retailers will maintain its dominant position, with discounters and supermarkets continuing to strengthen their positions, as they tend to offer a wider selection of both standard and health and wellness oriented chocolate confectionery products.
- Over the short term, most of the new product launches in 2014 and 2015 are expected to perform well, adding novelty value to a highly mature category. Mondelez's continuous extension of its Freia Melkesjokolade brand with other well-known brands, such as Daim, Non Stop, Kvikk Lunsj and Oreo, is predicted to have the most effect on tablets, generating further combinations over the five year forecast period. Similar, Orkla's rising emphasis and product launches within the tablet category will also most likely help to underpin retail value sales growth, both for the company and tablets in Norway as a whole.

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# Gum in Norway

Euromonitor International

# GUM IN NORWAY

## HEADLINES

- Gum sees a 3% decline in retail volume sales in 2015, as current value sales see marginal growth to NOK945 million
- Negative health coverage in the media during 2014, citing endocrine-disrupting chemicals and the inducement of headaches, results in concern amongst consumers
- Sugar-free gum registers the most dynamic performance in 2015, registering marginally positive growth in current value terms
- Gum sees a 3% increase in average unit price in current value terms in 2015
- Wrigley Scandinavia, a subsidiary of Mars Inc, remains the dominant force in gum, holding a 65% retail value sales share in 2015
- Gum is predicted to see a marginally positive CAGR at constant 2015 prices over the forecast period, reaching NOK952 million in 2020

## TRENDS

- The main trend from 2014, namely negative media attention highlighting the damaging health effects of consuming gum, continued in 2015. The Consumer Council of Norway (Forbrukerrådet) conducted an examination of 68 gum variants in March 2014 for the possibly health-damaging, endocrine-disrupting chemical butylated hydroxyanisole (BHA). Over half of the gum variants examined, which included the majority of the leading brands, were proved to contain BHA, resulting in the Consumer Council advising against the consumption of these products. In particular, children, who tend to be more affected by endocrine-disrupting materials, as they have more sensitive hormone systems, were highly recommended not to consume any of the brands or variants containing BHA. The Consumer Council furthermore stated that hormone disrupters, such as BHA, can lead to decreased fertility, cancer and type two diabetes. Norwegian consumers exhibited an increased interest in food ingredients and quality over the review period, with negative findings from respected organisations tending to notably affect the packaged food in question. While the study conducted by Forbrukerrådet did not investigate to what extent the gum variants contained BHA, the findings that some products contained BHA were harmful enough to contribute to a declining volume development. Another study from Tel Aviv University, emphasised in the media, examined how teenagers suffering from migraine headaches were affected by abstaining from chewing gum. The study concluded that 26 out of the 30 teenagers included in the trial felt alleviating effects, whilst for 19 individuals the headache or pain disappeared completely when they stopped chewing gum on a regular basis.
- The marginally positive current value sales growth seen in 2015 was similar to the CAGR exhibited over the 2010-2015 review period. This stagnant growth resulted from rising competition and product innovation in medicated confectionary and pastilles, gums, jellies and chews, combined with negative publicity emphasising the inducement of headaches through the use of chewing gum. Furthermore, at the end of the review period, gum in Norway was a comparatively mature category. More advanced product offerings, such as multiple flavours or liquid centres, drove unit price growth and underpinned the current value sales growth seen, as retail volume sales saw a further decline of 3% in 2015.
- Sugar-free gum remained not only the largest category, but also the best performing in 2015, recording marginally positive current value sales growth. Sugar-free gum accounted for a 92% share of the retail value sales in gum in 2015, after its share grew further over the review period. Health and wellness remained the key driver of growth, as Norwegian consumers sought to improve their oral health and avoid artificial sweeteners and unnecessary intake of sugar. Dentists in Norway that recommended the use of chewing gum exclusively recommended sugar-free variants.
- Gum saw a 3% increase in average unit price in current value terms in 2015. This was predominantly attributable to the rising presence of premium and value-added products, such as those incorporating triple flavours or liquid cores, for which consumers proved willing to pay a premium.
- In terms of the most popular gum flavours in Norway, very little change was observed throughout the review period. The only notable change was the rising popularity of fruit flavours, in particular combinations incorporating more than one fruit flavour gained popularity over the review period. The rising demand for gum

with liquid cores furthermore added to the stronger position of fruit flavoured gum, as it advanced from fifth to fourth place in terms of most popular flavours. Also noteworthy was the fact that exotic flavours were no longer perceived as particularly ground-breaking in gum any longer, due to the wide availability and variety of flavours in other categories, such as pastilles, gums, jellies and chews and medicated confectionery. However, the traditionally popular flavours mint, peppermint and menthol remained the leading gum flavours in Norway throughout the review period, ranking first to third respectively. These flavours were widely available in Norway for a long time, consumers were accustomed to them and they provided a feeling of freshness, while fruit flavoured variants were mainly consumed for their taste.

- In terms of gum shape, pellets accounted for the vast majority of sales in Norway over the review period. Gum sticks were predominantly associated with sugarised gum brands, such as Wrigley's Juicy Fruit, which only accounted for a small share of overall sales compared to sugar-free gum. The reason for the dominance of gum pellets was fairly straightforward, namely that pellets were smaller, needed less packaging and were therefore notably cheaper than gum sticks.
- There was little competition or interaction between sugar-free chewing gum versus sugarised chewing gum and bubble gum in Norway. Norwegian consumers adopted the more healthy sugar-free chewing gum as their preferred choice a long time ago, resulting in it accounting for a 92% share of retail value sales in gum in 2015. The popularity of sugar-free chewing gum was highly evident from the limited product selection of sugarised gum and bubble gum available in 2015. Products in these two categories were widely considered as damaging to one's oral health and were therefore rarely purchased, other than by older consumers reminiscing about their childhood or as colourful impulse alternatives for children.
- No significant movements in terms of product positioning or new flavours were noticed in gum in Norway in 2015. The only developments that occurred in this regard over the review period was the rising popularity of gum with a harder outer layer and a liquid centre, along with fruited gum consisting of different layers of flavours, such as Mentos three-layer flavour combinations.

## COMPETITIVE LANDSCAPE

- Wrigley Scandinavia, a subsidiary of the multinational Mars Inc, continued to dominate gum in Norway in 2015, accounting for a retail value sales share of 65%. The company's share remained comparatively stable throughout the 2010-2015 review period. The company's commanding position was attributable to high consumer loyalty for its sugar-free chewing gum brand Extra, which accounted for a retail value sales share of 59% in 2015. The company stated that the allegiance of Norwegian consumers to the Extra brand is unique. The company previously introduced competing brands, including Orbit and Airwaves, without success, as consumers tended to return to Extra. The best-selling variety, Extra White, was sold in bulk packaging, including a bottle with 60 pellet pieces, 10-pellet packs and 5-stick packs, in flavours such as eucalyptus, fruit, salty liquorice, spearmint, strong menthol and sweet mint. Extra divided its products into four segments: Extra (six flavours), Extra White (four flavours), Extra Professional (three flavours) and Extra Sticks (two flavours).
- Valora Trade Norway once again displayed the most dynamic performance within gum in Norway. The company, which distributed the well-known Mentos brand, saw retail value sales growth of 7% in 2015 and accounted for a sales share of 9%. Continuous new flavour launches underpinned the performance of the company. The company was particularly active in 2013 and 2014 in terms of product launches, which contributed to its continued growth in 2015. Mentos Gum 3, available in three-flavour combinations in flat, open-and-close 14-unit packs, Mentos Pure Fresh, two-flavour combinations in 12-unit packs and Mentos Fruit Core, with a liquid centre that came in 20-piece bags; all three of which performed well since their introduction to the country. Mentos predominantly targeted the younger demographic with both its mint and gum products, a strategy which proved fruitful, whilst competing brands tended to pursue a broader marketing strategy and consumer group.
- Innovative company strategies in 2014/2015 remained limited. The gum environment in Norway was defined by a business-as-usual approach, with consumers opting for mature sugar-free brands and well-known flavours. The rising popularity and growth driven by gum with liquid cores started to saturate in 2012, and whilst flavour combinations regained some of the novelty value, growth was predominantly driven by exposure in stores.
- Gum remained heavily dominated by international brands and manufacturers over the review period. The leading player Wrigley Scandinavia AB, a subsidiary of Mars Inc, accounted for a retail value sales share of 65% alone in 2015. Furthermore, the second and third ranking companies, Mondelez Norge AS and Valora Trade Norway, subsidiaries of Mondelez International Inc and a distributor for Pirelli Van Melle Group



respectively, accounted for retail value sales shares of 18% and 9%. Combined, the three leading players, all international, held a 92% retail value sales share in 2015. The leading global brand owners expanded their international reach through the acquisition of William Wrigley Jr Co by Mars Inc in 2008, and the acquisition of Cadbury Plc by Kraft Foods Inc in 2010. This situation reflects how gum in Norway remained a highly consolidated category with firmly established brands, and thus a category in which it was difficult for smaller domestic players, with limited resources for marketing and product innovation, to enter.

- Blink Gum, distributed by Haugen-Gruppen AS, was a new sugar-free chewing gum brand introduced to Norway in March 2015. The new brand came in very eye-catching packaging. The 12-pellet packs were stored in colourful and fashionable metal boxes, and was available in three flavours, namely spearmint, peppermint and strawberry. The brand will most likely attract a great deal of novelty value, as a result of the unique packaging design and format.
- Advertising campaigns were limited within gum in Norway in 2014 and 2015. A multi-channel approach, in the form of advertising on social media and extensive in-store promotions, continued to be common amongst the three leading players.
- Packaging innovation within gum in Norway was scarce throughout the review period. Flat, open-and-close packs with individually wrapped sticks, resembling business card-sized cardboard packages with envelope closing mechanisms, gained popularity. Larger rigid plastic bottles also emerged as a complement to flexible packaging. Furthermore, larger pack sizes continued to gain popularity among frequent gum users.
- Price segmentation within gum in Norway remained minimal at the end of the review period. The three leading brands, which accounted for a combined 84% share of retail value sales in 2015, were positioned as standard or mid-priced. Price competition was mainly limited to pack size and format, with 60-piece rigid plastic bottles, such as those offered under the leading Extra brand, being the main way of offering increased value-for-money to consumers. Private label and economy brands continued to have a negligible presence. Such products struggled to become establishing as serious alternatives, given the consolidated and brand-driven nature of gum in Norway.

## PROSPECTS

- Gum will continue to struggle over the forecast period, as a result of the unhealthy perception caused by the media in 2014, along with rising competition from substitute categories, mainly medicated confectionary. Nonetheless, consumers will continue to purchase gum, in order to maintain their oral health. Therefore, any notable decline in either retail volume or value sales is considered unlikely.
- Sales of gum are expected to see a CAGR of -1% at constant 2015 prices over the forecast period, similar to the performance seen over the review period. The existing high maturity of gum in Norway and rising competition from substitute categories, combined with product innovation in the form of gum with a liquid core and flavour combinations, are likely to result in the category seeing similar performance to the review period over the 2015-2020 period.
- Sugar-free gum is predicted to display the least negative performance over the 2015-2020 forecast period. The category is projected to exhibit a negative CAGR of 1% at constant 2015 prices over the forecast period, which is identical to the CAGR registered over the review period. Bubble gum and sugarised gum on the other hand are expected to display a more notable contraction, decreasing by respective CAGRs of 2% and 5% at constant 2015 prices. The declining trend in sugar-free gum will be somewhat alleviated by consumers demanding healthier alternatives that can improve their oral or dental health, whilst bubble gum and sugarised gum are considered unhealthy and damaging to the oral health of consumers. The latter categories are comparable to chocolate or sugar confectionery, in terms of being damaging to one's health and more of an impulse purchase.
- Norwegian consumers tend to be highly sceptical of gum, as well as packaged food in general, that is marketed as offering some form of miracle solution. Energy boosting and dental health functionalities are generally accepted amongst the wider audience, but further statements regarding improved skin or being good for cognitive abilities are viewed with extreme scepticism. Such attitudes are highly unlikely to change over the forecast period.
- The average unit price of gum is projected to remain comparatively stable over the forecast period, with a limited increase of 1% at constant 2015 prices predicted. The introduction of more advanced variants, such as



three-flavoured gum and gum with a liquid centre, will place upwards pressure on unit prices. However, the introduction of larger sized rigid plastic bottles, along with rising competition from substitute categories like medicated confectionary and pastilles, gums, jellies and chews, will contribute to downward pressure on unit prices over the forecast period.

- The distribution of gum in Norway is highly unlikely to undergo significant change over the forecast period. The only notable change in distribution seen over the later years of the review period was the fact that V6 from Wrigley Scandinavia became available in grocery stores in 2014, from previously only being available through chemists/pharmacies. However, sales of gum via chemists/pharmacies are not expected to decrease, as this channel is highly trusted in Norway, which often adds credibility to the products sold via this channel. Therefore, it is expected that chemists/pharmacies will be at the forefront of the development of functional chewing gum.
- The highly consolidated gum environment, dominated by well-established international players, is likely to result in little company activity in terms of mergers or acquisitions. Continuous product development campaigns with an emphasis on adding novelty value through new flavours and packaging types, along with highlighting the health benefits of functional ingredients, such as xylitol, are considered highly likely to remain the main strategies pursued by manufacturers over the next five years.
- New flavour launches introduced by the leading players are expected to add novelty value over the short-term. Blink Gum, which was introduced in March 2015, is also predicted to perform well over the short-term, due to its eye-catching packaging design. However, loyal Norwegian consumers are predicted to eventually return to the more well-known and long-standing brands and flavours, as was experienced throughout the review period.

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# Sugar Confectionery in Norway

Euromonitor International

# SUGAR CONFECTIONERY IN NORWAY

## HEADLINES

- Sugar confectionary sales see growth of 3% in current value terms, to reach NOK2.9 billion in 2015
- Polarisation, health concerns and indulgence continue to be in the spotlight
- Medicated confectionary sees the most dynamic current value sales growth of 4% in 2015
- Sugar confectionery sees a 3% increase in average unit price in current value terms in 2015
- Cloetta Norge continues to lead sugar confectionary in 2015 with a retail value sales share of 23%
- Sugar confectionary sales are expected to grow at a CAGR of 1% at constant 2015 prices over the forecast period

## TRENDS

- Active marketing efforts and continuous new product launches remained critical success factors for players, and furthered retail value sales growth in sugar confectionery in Norway in 2015. Norwegians appreciated the opportunity to experience new products, which saw brand extensions, new flavour combinations, and variants of existing brands gaining popularity. Sugar confectionary remained somewhat of a two-faceted category, consisting of two separate segments, both important for the major players to target. On one side you had products acceptable for daily consumption, such as pastilles, mints and medicated confectionary, many of which were available in sugar-free varieties, and often incorporated other health and wellness attributes, such as soothing a sore throat or inhibiting a cough. This segment mainly competed with gum. The second segment was comprised of indulgence products, mainly suited for relaxing evenings at home, watching films or simply just as a tasty treat. This segment was predominantly sugarised and included such products as liquorice, chews and gums, toffee, caramels and boiled sweets. Here the competition was more diverse, coming from chocolate confectionery, sweet biscuits and, most importantly, sweet and savoury snacks.
- The current value sales growth of 3% experienced by sugar confectionery in 2015 was a two percentage point improvement compared to the CAGR of 1% registered over the 2010-2015 review period. The stable development was attributed to a high degree of maturity, coupled with a strong demand for health and wellness related products, acting as a limitation to more dynamic value sales growth. Sugar confectionary was strongly curtailed by an evident health and wellness trend discouraging overindulgence on sugarised products. Nevertheless, a wider offering of reduced sugar alternatives, stronger knowledge about calories and sugar among consumers, resulting in consumers being more aware of the quantity of snacks they could consume without damaging their health or weight, and continuous price increases resulted in a marginal improvement towards the end of the review period. The consumption of sugar confectionery at weekends whilst watching television with the family continued to have a strong foothold in Norway, preventing any significant dips in overall growth.
- Medicated confectionary continued to underpin the positive development of sugar confectionary in Norway in 2015. The category was highly mature at the end of the review period, accounting for a 30% share of retail value sales in sugar confectionary. However, due to product innovation, the category gained ground, mainly at the expense of gum. Medicated confectionary was not considered to be inherently unhealthy and was not perceived as a sugar confectionary so much as a pastille for everyday use to improve breath and aid a sore throat. As a result of these factors, medicated confectionery recorded current value sales growth of 4% in 2015.
- The average unit price of sugar confectionery increased steadily throughout the review period, and this continued in 2015. The tax on sugar and chocolate products was increased by a further 2% in 2014, to reach NOK18.91 per kg, which naturally placed upwards pressure on retail prices. In addition, the introduction and growing popularity of more value-added products containing various health-related benefits was another factor influencing rising prices. Meanwhile, intense demand for pick & mix assortments from players such as Candyking and Nidar added momentum to volume increases, whilst curtailing further price increases.
- Pastilles, gums, jellies and chews remained the largest category within sugar confectionary in Norway in 2015, accounting for a 35% share of retail value sales. The category was highly mature, resulting in a stagnant retail value sales development over the 2010-2015 review period. Retail value sales growth tends to be attributable to continuous product launches, such as flavour updates and combinations, that add a high degree of novelty value in the short term. In 2015, pastilles, gums, jellies and chews exhibited current value sales growth of 1%,

following an array of new product launches. The wide range of product offerings was the main reason for the large size of the category. Pastilles, such as the leading Dent brand from Brynild Gruppen AS or IFA from Orkla, were considered more of a medicated confectionary by consumers, despite not containing any herb or plant extracts used to soothe sore throats. Additionally, the fourth ranking brand in pastilles, gums, jellies and chews in 2015 was Candyking pick & mix, which consisted of pastilles, gums, jellies and chews alike. However, gums, jellies and chews remained the prevailing option, accounting for an unchanged 60% share of the retail sales of the category in 2015, due to consisting of a larger product assortment than pastilles.

- Other sugar confectionery remained a small category in sugar confectionery in Norway in 2015, accounting for a limited retail value sales share of 2%. The category mainly consisted of pick & mix alternatives from Nidar and Candyking. However, pick & mix was extremely popular in neighbouring Sweden and recent media attention in 2014 and 2015, highlighting the cost-saving possibilities of purchasing pick & mix instead of packaged alternatives, may result in a more notable growth over the forecast period. Additionally, in January 2015, Candyking extended its collaboration with the grocery chains Rema 1000 and Bunnpris, signing a new three-year deal. Candyking was cited as saying that it sees strong growth potential in Norway, due to it being underdeveloped compared to neighbouring Sweden, which remained the company's primary market. As a result, the category exhibited current value sales growth of 2% in 2015.
- Sugar confectionery struggled with intense competition from other impulse products, including sweet and savoury snacks, ice cream, sweet biscuits and chocolate confectionary, throughout the review period. While ice cream remained the preferred snack during the warmer months out of the year, sweet and savoury snacks emerged as the main threat to sugar confectionary throughout the year. Sweet and savoury snacks, led by chips/crisps, enjoyed a great deal of product innovation over the review period and had a lot of strong brands present. Furthermore, these products were considered more durable and not as heavy as sugar confectionary when watching a film or during other similar activities. In contrast to chocolate confectionery, however, sugar confectionery suffered a limited amount of competition from perceivably healthier alternatives, such as snack bars. This was predominantly because sugar confectionery was part of an established pattern of consumer indulgence, where a lack of healthiness continued to be accepted. In addition, alternatives such as snack bars were primarily consumed on-the-go, whilst sugar confectionery tended to be consumed at home.

## COMPETITIVE LANDSCAPE

- The competitive landscape within sugar confectionary remained comparatively fragmented in 2015, with only four players holding a retail value sales share in excess of 10%, while a larger number of companies held a notably smaller share. Cloetta Norge AS, a subsidiary of the Swedish company Cloetta, continued as the leading player in 2015, with a retail value sales share of 23%. The company's position was predominantly attributable to its ongoing leadership of the two largest sugar confectionery categories, pastilles, gums, jellies and chews, and medicated confectionery. Cloetta Norge was established in 2012 following the acquisition of Leaf International by Cloetta. Leaf International had a well-established subsidiary in Norway called Leaf Norge, which successfully marketed strong brands, including the Läkerol and Malaco ranges. Cloetta Norge took over the marketing of both Leaf's and Cloetta's brands, the latter of which were previously distributed by Galleberg. Cloetta Norge AS saw continued sound development in 2015, achieving retail value sales growth of 3% to marginally strengthen its retail value sales share.
- The competitive environment continued to become more consolidated in both 2014 and 2015. The largest players, namely Cloetta, Orkla and Brynild Gruppen were the most active in terms of new product developments and, resultantly, gained share at the expense of smaller players.
- Compared with the majority of packaged food categories, including chocolate confectionery and dairy in particular, sugar confectionery continued to have a higher presence of international brands. Companies such as Cloetta Norge, Galleberg and Valora Trade distributed leading international brands like Läkerol, Candyking, Malaco, Fisherman's Friend, Mentos and Haribo, all of which ranked amongst the 10 leading brands in sugar confectionery in Norway in 2015. It is noteworthy that the majority of the leading international brands had comparatively close regional proximity to Norway and, as a result, adapted well to Norwegian consumption patterns and preferences. For example, Swedish-based Cloetta and Candyking were both present in Norway for a significant amount of time, and Swedish preferences tended to be similar to those in Norway.
- New product launches and flavour extensions were considered the main driver of the growth achieved by sugar confectionary. One of the major launches in 2014 and 2015 was the introduction of Läkerol DentaFresh, a medicated confectionary with 50% xylitol from the leading player, Cloetta Norge in March 2015. Läkerol DentaFresh was supported by Sveriges Tandläkarförbund (The Swedish Dental Association), which added a great deal of credibility to the product. The product was claimed to support dental care and had a fresh and

clean feeling. The new product line, consisting of four sugar-free flavour variants, Apple Mint, Sweet Mint, Menthol and Strawberry Mint, received good reviews in various flavour and concept tests. In addition, the dental association recommended the consumption of two pastilles after each meal.

- In February 2015, Brynild Gruppen AS re-launched its highly popular Dent Oi, a series of extra-large, sugar-free pastilles. Besides an updated design, the company also introduced a new flavour called Dent Oi Bringebær (raspberries) to complement the two existing flavours, Dent Oi Lakris & Pære (liquorice and pear) and Dent Oi Lakris & Chili (liquorice and chilli).
- Galleberg AS, which distributed brands for Haribo in Norway, introduced Matador Sunny Mix and Chamallows Mix in 270g and 175g plastic bags in April 2015. Matador Sunny Mix consisted of jellies and liquorice, while Chamallows Mix comprised a range of marshmallows in different forms and flavours.
- Orkla Confectionary & Snacks Norge introduced Laban Sure Sjødyr in March 2015, a bag of animal shaped sour jellies and chews. The brand performed well in 2014, following four new product launches, and the new launch added further to the rising popularity for the highly popular brand.
- No significant packaging innovations were seen in sugar confectionery in Norway in 2014/2015. Flexible packaging and smaller cartons continued to dominate. Colourful and artistic designs were commonly used to attract interest, especially amongst children.
- Private label only accounted for a limited 1% share of retail value sales in sugar confectionery in 2015. Similar to all confectionary categories, strong brands and consumer loyalty prevented private label players from expanding significantly. In addition, contrary to chocolate confectionery, for example, in which premium private label ranges emerged as an alternative to standard-priced options, there was an absence of similar alternatives in sugar confectionery. Similarly, the premium segment was non-existent in sugar confectionery, as a wide array of standard or mid-priced brands were available. Mid-priced alternatives were also frequently sold on discount or in the popular pick & mix format, resulting in lower prices, making it exceedingly difficult for economy players to emerge.

## PROSPECTS

- The overall trend within sugar confectionery is highly evident, with Norwegian consumers eating less unhealthy sugarised snacks. Total sugar consumption in Norway consistently decreased during the last decade, according to Helsedirektoratet (The Norwegian Directory of Health). Consumption decreased by 14.7kg or by 34% between 1999 and 2012, which, needless to say, was a remarkable decline. Sugar confectionery is often cited as the main, or one of the leading, sources of surplus sugar intake. The main struggle for manufacturers of sugar confectionery will be to battle its unhealthy image over the 2015-2020 forecast period, especially with respect to possible new regulations limiting the marketing of unhealthy food to children. Manufacturers are expected to make an effort to introduce healthier alternatives, not just within medicated confectionery and pastilles, but in the more indulgence-oriented categories. Norwegians will in no way stop consuming sugar confectionery, as it is considered a well-deserved indulgence, especially at the weekends, and its consumption is strongly cemented in Norwegian households. However, in order to not lose out on everyday consumption, which occurs to a lesser extent than weekend consumption, manufacturers will have to create a healthier image, in order to appeal to increasingly health-aware Norwegian consumers.
- Sugar confectionery sales are expected to grow at a CAGR of 1% at constant 2015 prices over the forecast period, which represents an improvement compared to the negative CAGR of 1% registered over the review period. Improved performance is expected mainly a result of continuous new product launches, coupled with intense marketing efforts and rising unit prices. However, rising concerns about sugar intake and weight-related issues will, in all likelihood, prevent the category as a whole achieving more dynamic retail value sales growth.
- The trading up from sugar confectionery to chocolate confectionery which occurred during the review period is considered highly likely to continue over the forecast period. Both are mature categories in which health and weight management are curtailing growth. Retail value sales of sugar confectionery are expected to increase by a relatively limited 4% over the forecast period at constant 2015 prices, in contrast to chocolate confectionery, which is predicted to see corresponding growth of 12%. Meanwhile, it is anticipated that medicated confectionery will continue to gain share from gum, with sales of the former predicted to increase at a CAGR of 3% at constant 2015 prices over the forecast period, while the latter is expected to see a corresponding CAGR of -1%. Despite not competing directly with each other, sugar confectionery has a more

limited consumer group, primarily targeting children, and with parents becoming exceedingly concerned about their children's sugar intake sugar confectionery is predicted to be more limited by the health and wellness trend than chocolate confectionery, which targets all ages and therefore has some leeway. Furthermore, sweets and savoury snacks will continue to be a main limitation for sugar confectionery.

- The difference in performance between the various sugar confectionery categories is expected to remain marginal over the forecast period, as the category is highly mature and new product launches are predicted to be the focal point for boosting sales in all categories. Medicated confectionery and mints, which are healthier sugar confectionery categories comprised of products suited to everyday consumption, are predicted to see the most dynamic performance over the forecast period, exhibiting respective CAGRs of 2% and 1% at constant 2015 prices. Meanwhile, boiled sweets, lollipops, and toffees, caramels and nougat, which are all inherently unhealthy categories, are predicted to register the most negative development, all declining by a CAGR of 3% at constant 2015 prices over the forecast period. Finally, pastilles, gums, jellies and chews, and liquorice, which are highly mature categories marked by a high degree of innovation, are expected to display a stagnant performance.
- Most of the evolving niches in sugar confectionery are considered to be just fads. However, a few exceptions exist, in particular in relation to products with health-promoting attributes. For example, the presence of stevia-sweetened products increased rapidly throughout the review period, especially within medicated confectionery and pastilles. The leading brands Läkerol and Dent, which ranked first and seventh in sugar confectionery in terms of retail value sales share, adopted the natural sweetener for the majority of their variants. This clearly indicates that the use of stevia as a sweetener has become more than a fad, which it was considered to be at the beginning of the review period.
- The average unit price of sugar confectionery is expected to remain stagnant at constant 2015 prices over the 2015-2020 forecast period. Annual increases in the tax on chocolate and sugar products, as experienced during the review period, along with the rising cost of raw materials like sugar will continue to put upwards pressure on retail prices. Despite this, intense competition, along with the rising importance of discounters and price promotions, will place downwards pressure on prices, resulting in almost stagnant development in average unit price over the forecast period.
- The distribution of sugar confectionery in Norway is considered unlikely to change notably over the forecast period. Modern grocery retailers are set to continue to dominate the distribution of sugar confectionery. Supermarkets and discounters tend to stock a large variety of sugar confectionery products, which especially appeals to children.
- New flavour extensions, shapes and textures tend to offer novelty value, but only a minority of the new product introductions remain in the main product portfolio. As such, most of the new launches from 2014 and 2015 will be replaced with newer introductions over the forecast period. The only product that is predicted to have any longer term impact is Läkerol DentaFresh that most presumably will generate a solid consumer base, given the popularity of the original Läkerol brand in Norway and the fact that the brand is supported by the dental association.

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# Cheese in Norway

Euromonitor International

# CHEESE IN NORWAY

## HEADLINES

- Total volume sales of cheese continue to rise steadily, by 2% in 2015, reaching 79,400 tonnes
- Norwegian consumers want to learn more about cheese
- Soft cheese experiences the most dynamic total volume sales growth of 4% in 2015
- The average unit price of cheese increases by 3% in current value terms in 2015
- The domestic dairy-giant Tine leads cheese in 2015, on a dominant retail value sales share of 54%
- Total volume sales of cheese are expected to grow at a CAGR of 1% over the forecast period, to reach 84,690 tonnes in 2020

## TRENDS

- According to a consumer survey conducted for the domestic dairy-giant Tine SA, Norwegian consumers want to learn more about cheese and its different uses, suggesting that consumption has become so high that consumers want to differentiate their intake to a higher degree. Following the survey, Tine introduced a digital magazine about cheese called Osteriet in February 2015. In this magazine, consumers were able to find information regarding cheese, both for everyday consumption and for nicer occasions. The magazine displayed a wide selection of Norwegian cheese, both from Tine and other smaller domestic producers, which is expected to benefit the more than 150 different small scale cheese producers in Norway. Another indicator of the rising willingness of Norwegian consumers to learn more about cheese was the numerous wine and cheese tastings that emerged towards the end of the review period.
- Another key story that emerged in April 2015 was that a study at the Norwegian University of Life Sciences concluded that the consumption of cheese does not lead to higher cholesterol. Frequent articles in the media, throughout the review period, along with suggestions from doctors cited the dangers of consuming saturated fat. The study examined the blood pressure, cholesterol and blood sugar of participants before and after eight weeks of continuous intake of various amounts of cheese. Consequently, results from the study suggested that cheese and dairy products might not have the negative effect that government organisations warn about.
- Cheese saw current value sales growth of 5% in 2015, similar to the CAGR of 6% registered over the review period. At the end of the review period, cheese was a highly mature category in Norway, with the country's per capita consumption of 15.4kg in 2015 ranking as the third highest of all Western European countries, only surpassed by the cheese-loving countries of France and Switzerland. Cheese has a wide range of functions, making it highly versatile, ranging from being a breakfast alternative, being used as a spread instead of butter on sandwiches, to being delicacy or used as a garnish on meals. This versatility supported volume growth, along with frequent product innovations.
- Soft cheese continued to register the most dynamic total volume sales growth of 4% in 2015. The category also exhibited the most positive performance in 2014, as it saw total volume sales growth of 3%. The reasons behind the rising popularity of soft cheese in Norway were plentiful. Soft cheese had a wide range of uses, including use as a substitute for butter, as a spread instead of hard cheese and as a cooking ingredient. Furthermore, soft cheese saw a larger degree of focus on packaging design than most other cheese categories. Another factor was that soft cheese was growing from a relatively low base compared to hard cheese. Lastly, the rising popularity of soft cheese was partly a reflection of the growing trend of imports, whereby feta, brie and other similar cheese alternatives were amongst the most common types of imported cheese. Imported cheese increased by 5% in total volume terms in 2014, according to Opplysningskontoret for Meieriprodukter, which subsequently contributed to the higher sales of soft cheese in 2014 and 2015. Furthermore, feta became a popular choice, due to its diversity as an ingredient for cooking and eating on its own. Brie and blue cheese, the two soft cheese variants which increased the most in 2014, on the other hand, had increased in popularity as attractive alternatives during cheese tastings with friends, or as part of a more sophisticated snack. Norwegians' rising exposure to new cultures, acquired during their more frequent trips abroad, heightened their awareness of different cheeses and their characteristics, such as taste and quality.
- The average unit price of cheese decreased marginally in 2014, following a 5% increase in 2013, according to Norsk Institutt for Landbruksøkonomisk Forskning (Norwegian Agricultural Economics Research Institute). Meanwhile, the average unit price increased by 3% in current value terms in 2015. The unit prices of domestically produced cheese remained comparatively stable in Norway, due to not being subject to the



volatility experienced by other less protected markets. The Norwegian government continued to determine the price level for dairy products through subsidies to farmers, as well as determined the target price for raw milk. Such negotiations took place annually through an agreement called Jordbruksavtale (Agricultural Agreement). The price development for cheese was reflective of the increases set by the government for raw milk purchased for cheese production. Imported cheese comprised some 12% of the retail volume sales of cheese in Norway. Approximately 98% of imported cheese came from the EU and was subject to the price volatility experienced in their home markets.

- Packaged cheese remained notably more popular than unpackaged cheese over the review period. Norwegian consumers were familiar with packaged cheese and had it as their preferred choice for use in sandwiches for a long time. Packaged hard cheese accounted for a 93% share of the total volume sales of hard cheese in 2015, with unpackaged hard cheese accounting for the remaining 7% share. The rationale behind this was comparatively straightforward. Grocery retailers preferred to emphasise packaged cheese, in order to eliminate the costs related to in-store cheese counters. Alongside availability, convenience was considered the most important factor driving the preference for packaged cheese, whereby consumers preferred purchasing larger blocks of cheese, suitable for consumption by the entire family. Unpackaged cheese was often sold in delicatessens, and was perceived as an everyday luxury item by the majority of consumers.
- No notable change in terms of spreadable processed cheese types were witnessed in 2015. Cream cheese saw a one percentage point increase in retail value sales share to 45%, while reconstituted cheese remained the more popular, accounting for the remaining 55% share of sales. The ongoing popularity of reconstituted cheese popularity stemmed from long-standing sales of brands such as Kavli and Tine Prim. However, some reconstituted brands, such as Tine Prim, exhibited a notable decline in retail volume sales throughout the review period. In addition, cream cheese brands such as Philadelphia and Tine Kremost performed exceedingly well during the same period, resulting in cream cheese increasing its retail value share from 39% in 2010 to 45% in 2015.
- Norwegians have a long and established tradition of consuming *gulost/hvitost* (yellow cheese) and *brunost* (brown cheese) for breakfast, lunch and even as a late night snack. As many as five million pieces of bread with cheese are consumed every day in Norway according to Opplysningskontoret for Meieriprodukter and the majority of this is in the form of yellow and brown cheese. Throughout the review period, Norvegia and Jarlsberg from Tine SA were the most popular yellow cheese alternatives, which together accounted for a 33% share of retail value sales in cheese in Norway in 2015. Yellow cheese accounted for a 57% share of the retail value sales of unprocessed cheese in 2015, whilst brown cheese accounted for a further 10%. The most popular brown cheese brand was Tine Gudbrandsdalost, which accounted for a retail value sales share of 4% in cheese in Norway in 2015. After the two most popular unprocessed cheese types, brie, mozzarella, Edam, camembert, blue cheese, feta, parmesan and Gouda followed in order of popularity.

## COMPETITIVE LANDSCAPE

- As in all dairy categories, Norwegian dairy-giant Tine SA continued to dominate sales of cheese in both 2014 and 2015. The company accounted for a retail value sales share of 54% in 2015, which represented a three percentage point decline from 2010. This decline was predominantly attributable to rising cheese imports. Tine SA saw retail value sales growth of 5% in 2015, comparable to the CAGR it recorded over the review period. The company's main type of cheese, yellow cheese, saw positive retail volume sales growth in 2015, which underpinned retail value sales growth. Tine's Norvegia, the leading brand in cheese, saw retail value sales growth of 8% in 2014 and 6% in 2015, contributing to the company maintaining a stable retail value sales share over the last three years of the review period. Norvegia and the second ranking Jarlsberg brand cemented a position within Norwegian households as the go-to option for most family breakfasts. These cheese lines comprised a wide range of alternatives, with the Norvegia line consisting of eight options, whilst Jarlsberg was available in seven different varieties. The Norvegia range included both organic and low-fat alternatives, as well as a shredded format for use as a garnish when cooking. In contrast, some of Tine's brands performed worse, such as Tine Prim and Tine's brown cheeses with the fourth ranking Tine Gudbrandsdalsost in the lead. Also notable was that unprocessed cheese accounted for a 96% share of Tine's retail value sales in 2015, with hard packaged cheese alone accounting for 87% of the company's retail value sales.
- Only minor variations were seen in the respective retail value sales shares accounted for by the players contesting cheese in Norway in 2015. The competitive landscape remained highly consolidated, with Tine, Synnøve Finden, Arla Foods A/S Norge, O Kavli Norge and private label players holding a combined 81% share of retail value sales in 2015. Rising imports of cheese resulted in small international companies, covered under others, increasing their retail value sales share to 15% in 2015.

- Successful company strategies predominantly revolved around healthier options, local sourcing, more convenient packaging formats and more exotic or premium cheese types. The majority of players introduced reduced-fat variants for each of their cheese products over the review period, which appeared to be successful. Locally produced packaged food was a major trend that emerged towards the end of the review period and is expected to continue becoming even more apparent over the forecast period. Small domestic producers highlighted the heritage and personal production of their products, while Tine also offered such as brands Gamalost frå Vik and Tine Pultost Hedemark that indicated the origin of the cheese. Both proved successful, as Norwegian consumers were attracted to the interesting history and production of such variants. In terms of convenient packaging formats, yellow cheese and brown cheese sold in tube format by Tine proved to be highly successful. Demand for more exotic and premium cheese types arose in line with more frequent travel and the wider availability of information about different cheese types, including Tine's newly launched cheese magazine and various wine and cheese classes.
- As previously mentioned, cheese in Norway remained heavily dominated by domestic producers. Led by Tine and Synnøve Finden, domestic players accounted for an 86% share of the total volume sales of cheese in 2014, according to Opplysningskontoret for Meieriprodukter. The two main international companies were Arla Foods A/S Norge, a subsidiary of the Danish company Arla Foods Amba, and Mondelez Norge, a subsidiary of Mondelez International. Combined, the two multinationals accounted for a modest 7% share of retail value sales in 2015. Despite the liberalisation of import quotas for cheese, which resulted in higher growth for imported cheese, international players continued to be affected by import quotas in 2015, which represented a limitation for prospective players. The share of total volume sales accounted for by imported cheese increased continuously throughout the review period from 13% in 2011 to 14% in 2014, according to Opplysningskontoret for Meieriprodukter.
- As usual, Tine AS accounted for the largest number of new product launches in 2014 and 2015. The company, among others, introduced a lactose-free cream cheese, Tine Kremost Laktosefri Naturell in February 2015. The new launch was consistent with growing demand for lactose-free and lactose-reduced dairy products, along with enduring high demand for soft cheese. Tine simultaneously introduced a reduced-fat variant of Tine Revet Ost called Tine Revet Ost Lettere, containing 17% fat.
- In February 2014, Tine introduced the highly popular brown cheese in tube format. The company stated that it was pleased with the launch, but that only one of the three variants introduced would stay in its assortment, namely Tine Fløtemys. While Tine decreased the number of cheeses available in tube format, Kavli continued to expand its range of tube cheese products, by introducing Kavli HvitOst/GulOst, a yellow cheese in April 2015. The launch was supported by a large marketing campaign, debating whether what is referred to as yellow cheese in English is called hvitost (white cheese) or gulost (yellow cheese) in Norwegian.
- Furthermore, Kavli also re-launched three of its best-selling products: Kavli BaconOst, Kavli SkinkeOst and Kavli RekeOst in March 2015. The variants featured 50% more bacon, ham and shrimp respectively, in order to improve their taste. All three variants were available in both a tube format and plastic container.
- Mondelez continued to expand its Philadelphia cream cheese range Philadelphia Cremoso in March 2015. Two new flavour variants were introduced, namely Philadelphia Cremoso Pepper and Philadelphia Cremoso Garlic, with both utilising plastic container packaging.
- Packaging innovation remained limited in 2014 and 2015, except for the rising popularity of the tube format for spreadable processed cheese. Tine's launch of its highly popular yellow cheese and brown cheese in tubes was the most notable packaging introduction towards the end of the review period.
- Cheese remained dominated by mid-priced mass products from large manufacturers in 2015. However, compared to all other dairy categories, private label had a comparatively strong position, accounting for an 8% share of retail value sales in cheese in 2015. The quality and taste of private label products under the First Price and Coop Smak Forskjellen (Taste the Difference) lines were perceived to be acceptable, given their low prices. On the other hand, consumer interest in premium products increased, in line with growing awareness of different types of cheese, which resulted in an increase in imported cheese.

## PROSPECTS

- Similar to fresh milk, cheese is considered a stable good in most Norwegian homes, with over five million pieces of bread with cheese consumed in the country each day. Consequently, due to the established position of the category among Norwegian consumers, it is highly unlikely that any noteworthy change in dynamics will

occur over the forecast period. Norwegian consumers will continue to purchase yellow and brown cheese for everyday use, while imported cheese and cheese from smaller domestic players will boost volume sales. In addition, the use of soft cheese as a cooking ingredient increased throughout the review period, becoming more popular. More intense marketing highlighting the fact that soft cheese can be used for cooking could facilitate even further growth, if it starts competing directly with other protein rich dairy alternatives, such as Greek yoghurt.

- Total volume sales of cheese are projected to grow at a CAGR of 1% over the forecast period, which represents a slowdown from the CAGR of 2% recorded over the review period. Cheese is a highly mature category in Norway, driven by an increasingly broad selection of cheese types available in stores. Norwegian consumers are accustomed to using cheese as the main spread for sandwiches, especially for breakfast. This is considered highly likely to change, which, combined with rising demand for imported cheese, will result in stable total volume sales development over the 2015-2020 forecast period.
- Similar to the review period, soft cheese is predicted to post the most dynamic total volume sales growth over the forecast period, at a predicted CAGR of 3%, which is one percentage point lower than the growth registered during the review period. As previously mentioned, the wide range of uses for soft cheese, as an alternative to butter, as a spread instead of regular hard cheese and as a cooking ingredient, will underpin its growth. In addition, soft cheese is developing from a comparatively low base compared to hard cheese and it is also the cheese variant that sees the most focus in terms of packaging design.
- The average unit price of cheese is expected to remain comparatively stable over the forecast period, with a CAGR of 1% at constant 2015 prices predicted. Domestically produced cheese accounts for the bulk of all cheese sold in Norway. Commodity volatility is therefore unlikely to have any significant impact on retail prices. As previously mentioned, the price increases for cheese in Norway traditionally reflect the increases set by the government for raw milk purchased for cheese production, as determined in the Agricultural Agreement negotiations.
- The distribution of cheese is not expected to change significantly over the forecast period. Cheese is mainly purchased alongside other groceries, with the major modern grocery retailer, particularly supermarkets and discounters, offering a much wider product selection than other smaller alternatives.
- The new product launches in 2014 and 2015 are all predicted to perform well over the short term, primarily building on novelty value through new flavours combinations. The continued introduction of cheese in tube format suggests that more players will emphasise convenience for a highly traditional food option. In addition, the number of lactose-free and reduced-fat products will also continue to increase in popularity, as a result of the enduring health and wellness trend.

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# Drinking Milk Products in Norway

Euromonitor International

# DRINKING MILK PRODUCTS IN NORWAY

## HEADLINES

- Sales of drinking milk products increase by 3% in current value terms to reach NOK6.5 billion in 2015
- Organic milk continues to grow in popularity among Norwegian consumers
- Dairy-only flavoured milk drinks sees the most dynamic total volume sales growth of 3% in 2015
- The average unit price of drinking milk products increases by 3% in current value terms in 2015
- Norwegian-dairy giant Tine SA dominates drinking milk products in 2015, on a retail value sales share of 79%
- Sales of drinking milk products are expected to grow at a CAGR of 1% at constant 2015 prices over the forecast period, to reach NOK6.8 billion in 2020

## TRENDS

- The highly apparent health and wellness trend within drinking milk products continued in 2014 and 2015. Milk fortified with vitamin D, which goes under the name 'ekstra lettmelk' in Norway, drove total volume sales of milk from 2003 onwards. However, it was not until the beginning of the review period that the sales of organic milk and lactose-free milk started to develop at a more notable pace. In 2014, both organic milk and lactose-free milk increased by 29% in total volume terms, according to Opplysningskontoret for Meieriprodukter (OFM). While the dynamic performance of lactose-free and lactose-reduced milk was purely attributable to the dominant dairy-giant Tine, organic milk was driven not only by Tine's organic variants, but also by Coop and its private label Ånglamark and the small pure organic players Rørosmeieriet. Ånglamark in particular exhibited booming growth since its introduction in 2010. Another determining factor was that Coop's organic brand, and even Tine's variants, were priced at a similar level to standard-priced alternatives. Coop frequently offered Ånglamark on discount during 2014, where two one-litre cartons of milk could be purchased for NOK22, making it the cheapest milk in Norway. Furthermore, frequent articles in the media highlighting the various health benefits of consuming organic milk, such as the fact that organic milk contains more omega-3 and less fatty acid than regular milk, persuaded several consumers to abandon standard milk in favour of organic options. The shift towards health and wellness drinking milk products was also apparent by the number of new product launches. For example, Tine Styrk Kaffe, TineMelk Økologisk Hel, Ånglamark Lettmelk and UltiMoo, all of which were introduced in 2014/2015, all had a clear health and wellness positioning.
- During 2015, a disagreement regarding the labelling of drinking milk products or, to be more precise, of semi skimmed fresh milk, occurred between the dairy-giant Tine SA and Mattilsynet (the Norwegian Food Safety Authority). Semi skimmed milk in Norway is divided into two product options: lettmelk (reduced fat milk) and ekstra lettmelk (extra reduced fat milk), with the latter being the driving force of the milk environment in Norway as it is fortified with vitamin D. According to the Mattilsynet, Tine and other players should not be allowed to continue labelling their products with 'ekstra lett', translated as extra light, which refers to extra reduced fat. The reasoning behind this statement from the food authorities was that the term 'ekstra lett' begs the question; "lighter than what?" Mattilsynet argued that the term should be replaced by the statement, "80% less fat than full fat milk". However, Tine, which supplied 94.8% of the milk produced in Norway in 2014, stated that the proposed statement by Mattilsynet would add confusion rather than alleviate it. Tine instead suggested amending the labelling to "TineMelk Ekstra Lett med 0.7% fett" (Tine milk extra light with 0.7% fat). Marketing with "80% less fat than full fat milk" would according to Tine deceive the average consumer in understanding how much fat the product actually contains. The deadline for changing the text on the milk packages was postponed from January 1<sup>st</sup> to July 1<sup>st</sup> while a decision was made. Should Tine lose its appeal, the company expressed the hope of using up the large stockpiles of milk cartons before switching to the new ones.
- The quality of milk in Norway continued to improve in 2014 and 2015. The annual statistics relating to milk quality showed that 94.3% of cow's milk was rated as 'elitemelk' (elite milk) in 2014, which was about 0.6% higher than in 2013 according to Tine. This improvement was attributed to a better cell count, bacteria and free fatty acids.
- Current value sales of drinking milk products grew by 3% in 2015, the same as the CAGR registered over the review period. A stable value sales increase was rooted in a continuous marginal decrease in per capita volume consumption of milk, combined with a shift towards other high-protein dairy products, gradual price increases, a high degree of product innovation and rising demand for healthier alternatives. Throughout the review period, consumers slowly migrated to other dairy products which also contained a sufficient amount of protein, vitamins and minerals, such as fromage frais and quark, and yoghurt. However, annual price increases

coupled with more organic alternatives, such as those from Ånglamark and Rørosmeieriet, on-the-go packaging solutions, eye-catching designs and healthier variants, such as Tine Styrk, led to further increases in average unit price in 2014 and 2015.

- Dairy-only flavoured milk drinks continued to enjoy a sound performance in 2014 and 2015. The category was one of only two categories, along with semi skimmed fresh milk, which displayed a positive per capita development during 2014 and 2015. Dairy-only flavoured milk drinks saw total volume sales growth of 3% in 2014 and registered identical growth in 2015. The reasons underpinning this comparatively strong performance were plentiful. Firstly, dairy-only flavoured milk drinks, particularly chocolate milk, were frequently been cited in media as a good source of protein and carbohydrates after working out. Dairy-only flavoured milk drinks contain a lot of nutrients and are considered as substantially healthier than most indulgence products. Secondly, the category was subject to a notably high degree of innovation over the later years of the review period, with the introduction of three Tine Styrk variants, Q Fersk Sjokolademelk, UltiMoo and the re-launch of Tine Milkshake. All of the aforementioned launches targeted the two main trends evident in packaged food in Norway, namely health and wellness, and convenience. Thirdly, the health and wellness trend contributed to widening the consumer base of the category to include not just children, but also adults. As adults more frequently consumed chocolate milk, they become more inclined to give it to their children as well.
- Semi skimmed fresh milk, the largest drinking milk category, which accounted for a 73% share of total milk volume sales in 2015, registered positive, albeit marginal, total volume sales growth in both 2014 and 2015. The category continued to be comprised of two product options in Norway: *lettmelk* (reduced fat milk) and *ekstra lettmelk* (extra reduced fat milk), with the former containing between 0.7% and 1.5% fat, and the latter containing between 0.5% and 0.7% fat, in addition to containing heightened levels of vitamin D. The importance of vitamin D was frequently portrayed in the media over the review period. A lack of sun exposure, which is the main source of vitamin D, motivated the Norwegian Directorate of Health to recommend consumers to complement their diets with vitamin D supplements. Furthermore, vitamin D is also important for the body to effectively digest calcium. Demographic shifts supported rising demand for vitamin D, with the country's older population requiring more calcium and, therefore, also vitamin D. In addition, as Norway's immigrant population increased, there were studies showing that women with dark skin hailing from sunny countries in particular had a lack of vitamin D. The rising emphasis on a higher intake of vitamin D, combined with the perception among consumers that reduced fat milk was healthier than full fat milk and tastier than fat-free milk, occasioned a surge in demand for extra reduced fat milk (*ekstra lett melk*) at the expense of other milk variants, including reduced fat milk (*lettmelk*). According to Opplysningskontoret for Meieriprodukter (Office of Information for Dairy Products), extra reduced fat milk saw an increase in total volume sales of 10% in 2014, While reduced fat milk, full fat milk and fat free milk saw respective declines of 4%, 2% and 5%. Lastly, the rapid growth of organic alternatives furthered the shift towards extra reduced fat milk. For example, the leading organic milk player Tine only had reduced fat milk and an extra reduced fat milk variant available before 2015, when they introduced an organic standard (full fat) alternative. Furthermore, the rapidly growing private label brand Ånglamark from Coop was only available as extra reduced fat milk until 2014.
- The average unit price of drinking milk products increased by a further 3% in current value terms in 2015, following the increase of 4% recorded in 2014. The volatility of milk and milk-fat prices had little or no impact on the unit prices of drinking milk products in Norway. Retail unit prices of drinking milk products in Norway were instead reflective of the combination of government-regulated production, government-approved price increases and new taxes, which should equal the subsidies paid to farmers. Each year, the Norwegian government appoints a committee called Statens Forhandlingsutvalg to negotiate dairy prices with Norges Bondelag (Norwegian Farmers Union) and Norsk Bonde-og Småbrukarlag (Norwegian Farmer and Tenant Association). The government sets a target price called *målpris* for the cost of raw milk and other dairy products from Tine Råvare, the independent trading subsidiary of Tine. Norwegian target prices have risen each year since the introduction of the agreement, at a level significantly higher than in other European countries. Whilst international prices may vary with swings in commodity prices, Norwegian prices remain high and stable.
- The vast majority, or approximately 80-90%, of retail volume sales of flavoured milk drinks are predicted to be sold chilled in 2015. Most flavoured milk drinks sold in Norway were in the form of chocolate milk, which most often was sold refrigerated. Flavoured milk drinks were predominantly stored in chilled cabinets, regardless of being ambient or chilled, as Norwegian consumers tended to associate freshness with chilled products. This also facilitated the consumption of on-the-go alternatives, as then there was no need to chill the product. However, while the leading Litago brand was chilled, brands like Tine Sjøkomelk and YT restitusjonsdrikk were ambient. Virtually all flavoured milk drinks marketed as after work-out drinks, such as YT restitusjonsdrikk, were ambient.

- As previously mentioned, over the review period, the government in Norway continued to subsidise milk through a system of target prices and taxes to support farmers.
- Micro-filtered milk remained unavailable in Norway at the end of the review period. Fresh milk accounted for a near 100% share of the total volume sales of cow's milk in Norway in 2015, with shelf stable milk accounting for a marginal share. Fresh milk was considered to be more natural, fresher and tastier than shelf stable milk or langtidsholdbar melk in Norwegian, which accounted for a less than 1% share of the total volume sales of cow's milk. The purchase of shelf stable milk tended to be limited to instances when a longer best before date was needed. However, increased immigration from countries with different taste preferences positively influenced sales of shelf stable milk. In addition, the only goat milk available in the country, namely Tine Geitemelk from Tine SA, was shelf stable, as were several dairy-only flavoured milk drinks, such as the chocolate milk drinks from Tine and Q-Meieriene AS.
- Non-dairy milk alternatives remained a marginal niche category in Norway, with the dominant company, Alma Norge AS, being a distributor of many well-known international brands, including Rice Dream, Provamel and Alpro. The company was very active in promoting its Alpro brand, and introduced several new plant-based beverages over the review period. However, non-dairy milk alternatives saw a further 1% decline in total volume sales in 2015, with soy milk recording positive growth of 1%, while the larger subcategory other non-dairy milk alternatives saw a decrease of 1%. According to Alma, plant-based beverages increased in popularity over the review period in several countries across Europe, and it remained hopeful that health-conscious Norwegians would catch on to the trend. The company furthermore stated that its products were widely consumed by individuals with allergies, but also by vegans, and to an increasing degree by people who viewed them as a healthy and tasty option. However, dairy-based products accounted for a 99% share of the retail value sales of drinking milk products in 2015. Norwegian consumers were accustomed to milk and dairy-flavoured milk drinks from an early age, with parents, institutions and organisations alike promoting the healthy aspects of these products. Consequently, non-dairy milk alternatives are likely to remain a niche product for specific consumer groups, such as vegans and people with allergies, although lactose-free milk saw rapid growth over the review period.
- Unpackaged milk, sold in bulk, remained uncommon in Norway at the end of the review period. Consequently, sales of unpackaged milk within overall consumption remained negligible in 2015.

## COMPETITIVE LANDSCAPE

- The domestic dairy giant Tine, which dominated all dairy categories, saw retail value sales growth of 2% in drinking milk products in 2015. However, despite this the company saw a further loss of retail value sales share to 79%. Over the review period, the company saw a four percentage point loss of retail value sales share from 83% in 2010 to 79% in 2015. This was predominantly a result of rising competition from its main competitor, Q-Meieriene, and other smaller manufacturers such as Rørosmeieriet and Coop. Tine held a monopoly in Norway in drinking milk products until 2002, when Q-Meieriene entered as a subsidiary of O Kavli. Despite its eroding retail value sales share, Tine was successful in introducing innovative new products, generating stable and positive retail value sales growth throughout the review period. The cooperative dominated drinking milk products in terms of product development, advertising and distribution, underpinned by substantial resources, being one of Norway's leading advertisers in the media in 2015.
- Two smaller players exhibited the most dynamic retail value sales growth in both 2014 and 2015. The private label player Coop Norge Handel AS revitalised the organic milk environment in 2010 when it launched the first private label milk and the first organic milk variant outside of Tine in Norway. Coop's organic private label milk, Änglamark Økologisk ekstra lett melk, was in line with the notable shift seen within fresh milk towards ekstra lett melk (extra reduced fat milk), which is fortified with vitamin D. Furthermore, besides the fact that Änglamark milk was reduced fat, contained added vitamin D and omega 3, and was organic, as a result of frequent discounting it was the cheapest milk brand in Norway. Over the review period, two one-litre cartons of milk were frequently sold for NOK22, making it notably cheaper than most other milk brands that tend to range between NOK15-17 per litre. Following the success and dynamic growth of Änglamark Økologisk ekstra lett melk in 2013, Coop decided to expand its range with Änglamark Økologisk lett melk, an organic reduced fat milk, in April 2014. Euromonitor International defines both of Änglamark's milk variants as semi skimmed milk based on fat content. In addition to the new launch, the previous product received a facelift in terms of an updated design and new packaging with a screw cap. Its success was attributable to rising interest in healthier and more natural offerings amongst Norwegian consumers, along with rising exposure in stores and a low unit price. Coop Änglamark saw very dynamic retail value sales growth of 29% in 2015, following the growth of 29% and 32% it saw in 2013 and 2014, respectively. Änglamark Økologisk lett melk was introduced into a larger



segment in semi skimmed fresh milk, while Ånglamark Økologisk ekstra lett melk was positioned in a more dynamically growing area.

- The dynamic performance of Coop Ånglamark was, however, somewhat overshadowed by the highly vibrant performance of the pure organic dairy company Rørosmeieriet AS. The company, previously part of Tine SA, was established in 2001, but did not start to produce drinking milk products until 2012. However, towards the end of the review period the organic player rapidly established itself as a provider of high-quality and organic dairy products. The company increased its turnover from NOK29.7 million in 2011 to NOK71.5 million in 2014. Additionally, in 2014 the company accomplished all of its three key targets, namely the use of all of the available organic milk in the Røros area of Norway in their production, the employment of more workers than when Tine closed down its Røros production in 2001 and providing a smooth operation with dividends to shareholders. In 2012, Rørosmeieriet introduced three milk variants, two in semi skimmed milk (one ekstra lettmelk and one lettmelk) and a full fat milk. Røros Mjølke 0.7%, Røros Mjølke 1.5% and Røros Mjølke 4% all performed very well, contributing to booming growth between 2012 and 2014, which continued in 2015, when the company saw retail value sales growth of 46%. It is noteworthy that Coop Ånglamark's organic private label milk was supplied by Rørosmeieriet, which was clearly evident from the packaging. Rørosmeieriet went from being a regional player with emphasis on Fjellregionen to expanding its geographical range slowly, with Oslo becoming gradually more important, in line with increasing consumer interest in organic and locally produced products. Short transportation distances are, however, expected to remain a focal point for Rørosmeieriet. The rapid growth achieved by Rørosmeieriet resulted in rising demand for more organic milk from the region, with the company actively working to find more organic farmers. The company stated that it hopes that it will become easier for farmers, wanting to restructure to organic production, to acquire new supply agreements with the market regulator Tine. At the end of the review period, Tine did not pay a premium price (merpris) for producers wanting to convert to organic production in Fjellregionen, although the company stated that it was following the development closely. Rørosmeieriet, furthermore, expanded its presence in the foodservice environment, with the Nordic Choice hotel chain offering Rørosmeieriet's organic milk to its hotel guests. Rørosmeieriet's products were distributed to grocery stores, foodservice and industry via Tine, ASKO, Eugen Johansen, Rema, Nær-Engros, Lokalmat and Rørosmat, amongst others.
- In 2015, Rørosmeieriet was voted as 'company of the year' by Næringsforum i Fjellregionen and started a notable expansion in the form of a new production facility in Tolga Næringspark, previously Tine Meieriet Tolga. With the new production plant, Rørosmeieriet will be able to double its current operating area, along with expanding its geographical location. The company's other production facility is located in Røros, the most southern part of Sør-Trøndelag, while Tolga is located in the most northern parts of Hedmark. The production facility is set to become operational in October 2015. The company stated that a new facility was necessary not only to meet rising demand for its products, but also in terms of manufacturing area, storage facilities and office space. Initially, the facility will include an automatic line for milk processing, while later it will also incorporate the company's cheese and cream production. The facility furthermore enables the possibility for more product launches. Innovation Norway is supporting the development project with a grant of NOK2.5 million and a borrowing limit of NOK7.5 million. The company stated a key goal of 20% growth in turnover each year between 2014 and 2018. Work on further development of the Røros facility is also on-going, with upgrades and expansion planned for 2017 at the earliest.
- A few highly evident company strategies emerged towards the end of the 2010-2015 review period. As previously mentioned, the booming health trend, as experienced in the majority of packaged food categories, rapidly became more distinguished within drinking milk products. Ekstra lettmelk (extra reduced fat milk), fortified with vitamin D along with having a low fat content, was the driving force within milk in Norway since 2003. On the other hand, organic milk started to see explosive growth following the introduction of the Ånglamark private label in 2010; although Tine's organic milk displayed a stable rise in popularity before this launch. From 2012, when Rørosmeieriet also entered organic milk in Norway, sales grew rapidly. Following the success of Rørosmeieriet and Coop, Tine also intensified its focus on organic options. Furthermore, Tine's sales of lactose-free and lactose-reduced milk also increased significantly towards the end of the review period, rising from just 2.21 million litres sold in 2011 to 7.74 million litres in 2014, according to Opplysningskontoret for Meieriprodukter. The apparent health and wellness trend within drinking milk products did not stop here, with Tine Styrk, a high-protein alternative introduced in 2012, also seeing strong demand over the later years of the review period. Furthermore, a driving factor behind Rørosmeieriet's success was the locally produced nature of its products and the heritage value of its packaging. Consequently, it was rather obvious that manufacturers interested in increasing their sales needed to be attentive to the fact that Norwegian consumers were becoming increasingly health-conscious.
- All of the main players within drinking milk products in Norway in 2015 were domestic companies. The government established regulations and tariffs to protect the domestic dairy industry, which acted as a disincentive for foreign producers to enter. A few international players, such as Nestlé Norge, a subsidiary of Nestlé, were present in drinking milk products in 2015, albeit only in the small powder milk category. A few



international brands, including Rice Dream, Alpro and Tofutti, mainly distributed by Alma Norge AS, were also present in other non-dairy milk alternatives.

- Tine continued to assert its position as the undisputed supplier of drinking milk products by introducing several new products, primarily positioned with an increased health focus. Tine introduced Tine Styrk in 2012, which was a fat-free fresh milk with 50% more protein and calcium, fortified with vitamin D and completely fat-free. The Tine Styrk range was expanded in February 2014 with a cacao variant called Tine Styrk Kakao and Tine Styrk Bringebær (raspberries). Both launches were in 330ml on-the-go packaging, in addition to 1-litre cartons, and contained only 0.9% added sugar. The success of the two dairy-only flavoured milk drinks resulted in the introduction of Tine Styrk Kaffe (coffee) in April 2015. Additionally, following the rising popularity of organic milk, Tine expanded its organic range to include a full fat organic milk, TineMelk Økologisk Hel in September 2014. The full fat milk complement its two semi skimmed variants, TineMelk Økologisk Lett and TineMelk Økologisk Ekstra Lett. Additionally, Tine, who saw great success with its lactose-free milk, expanded its offering by introducing TineMelk Laktosefri Ekstra lett melk in September 2014. The launch was consistent with the shift towards extra reduced fat milk, fortified with vitamin D.
- Q-Meieriene AS, Tine's largest competitor, introduced a new dairy-only flavoured milk drink in April 2015 called UltiMoo. The chocolate milk was lactose-free and contained 30% less added sugar. UltiMoo complemented the company's previous standard chocolate milk, Q-Sjokolademelk, following rising interest in health and wellness positioned dairy-only flavoured milk drinks. The brand was available in 500ml cartons with a screw cap for convenience.
- In terms of new product launches within non-dairy milk alternatives, the distributor Alma Norge AS was behind the majority of introductions. The company introduced an unsweetened almond drink, Alpro Almond Unsweetened, and a coconut alternative, Alpro Coconut Original, in May 2015. The unsweetened almond drink was a result of the successful launch of Alpro Almond in May 2014. Alpro Coconut became the first coconut drink available in the category in Norway and was available through the grocery chains, Ultra, Centra, Jacobs and the largest Kiwi stores.
- All of the leading players, including Tine, Q-Meieriene, Rørosmeieriet and Coop, advertises frequently in-store and on social media. While these companies emphasised their drinking milk products ranges, the exposure of dairy products in general helped to boost sales, especially for smaller players, such as Rørosmeieriet and Coop. However, in terms of television commercials, Tine remained comparatively dominant. Commercials from Tine in 2014 and 2015 included "X-ray av Sulland" with the well-known Norwegian female handball player Linn Jørum Sulland, wherein she made a dynamic jump, shown through an x-ray, which served to highlight the fact that milk is naturally rich in protein and calcium. A similar television commercial, "hopp i solnedang" (jump in sunset) with Aleksander Aurdal, a famous Norwegian freestyle skier was also seen. Other commercials included ones emphasising locally produced milk and the highly popular Mr. Melk (Mr. Milk) commercial, where the perfect Norwegian spokesman was chosen. As a strong, handsome man that speaks Norwegian and was born with skis on his feet, Mr. Melk was advertised as a born spokesperson for TineMelk.
- Packaging innovation remained relatively limited throughout 2010-2015. However, the intensifying frequency of introducing existing products in larger packaging, such as the 1.75 litre cartons from Q-Meieriene, clearly depicted the rising desire amongst families for longer-lasting and more affordable options at home. Following Q-Meieriene's introduction of the larger pack size in 2011, Tine followed by launching an identical size variant. The introduction of larger pack sizes continued with Tine launching a full fat milk variant in 1.75 litre cartons in September 2014. On the other end of the packaging spectrum was the rising popularity of smaller, more convenient on-the-go alternatives, with Tine Styrk and other dairy-only flavoured milk drinks proving successful with 0.5 litre cartons. In addition, screw caps became more commonplace over the review period and were used by all of the major players in drinking milk products in Norway in 2015.
- The most evident trend in terms of packaging over the review period was the increasing importance of packaging design. Tine continued to update its packaging designs, in order to create variety and novelty value for highly mature brands and products. Furthermore, the small organic player Rørosmeieriet streamlined its design and image by renewing all of its milk cartons in March 2014. The new design built on traditional values, with the new logo on its cartons inspired by equipment used in a dairy facility. Old-fashioned glass milk bottles portrayed on its milk cartons should also, according to the company, convey quality and honesty in the use of raw materials and production methods. Rørosmeieriet was highly successful in its choice of packaging design. Locally sourced products was one of the most evident trends in packaged food towards the end of the review period, but few players or brands managed to portray the heritage or local attributes of their products through packaging design as well as Rørosmeieriet did.

- Very little price segmentation existed within drinking milk products in Norway over the review period. Coop Norge Handel was the only supplier of private label milk in Norway in 2015, albeit growing rapidly from a low base. In terms of overall value sales, private label accounted for a retail value sales share of 1% in 2015. Coop's private label range was cited in media as being the cheapest milk alternative in Norway, due to frequent discounted offers, such as two one-litre cartons of milk for NOK22. Additionally, Q-Meieriene introduced a 1.75 litre carton of milk in 2011, which resulted in Tine immediately introducing an identically sized pack, in order to compete with the lower unit price offered by its competitor's larger pack size. However, besides a certain level of discounting and price competition in relation to pack size, unit prices and positioning remained very homogenous. Drinking milk products remained the cheapest beverage available for purchase in Norwegian grocery stores, even cheaper than bottled water. Retail unit prices of drinking milk products in Norway reflected the combination of government-regulated production, government-approved price increases and new taxes, which equalled the subsidies paid to farmers. Approximately 73% of the unit price of milk was determined by the government, leaving little room for price competition amongst producers, according to Q-Meieriene. Consequently, all of the major drinking milk players, including Tine, Q-Meieriene, Coop Norge and Rørosmeieriet, brands were considered as standard, with only the latter being positioned slightly more towards the premium direction. In 2013, Tine introduced locally sourced fresh milk called Tine Stølsmjølk frå Valdres, which was priced and positioned as a premium product. However, production of the product only reached 200,000 to 300,000 litres during its first and second year. According to Tine, the goal is for the product to reach about a million litres in sales.

## PROSPECTS

- The highly apparent health and wellness trend within drinking milk products experienced over the review period will continue to shape the category throughout the 2015-2020 forecast period. Extra reduced fat (ekstra lettmelk), which is fortified with vitamin D, will continue to gain ground at the expense of full fat, fat free and other semi skimmed milk (lettmelk). Additionally, organic milk is predicted to display a continued level of dynamic growth, driven by the smaller players Coop Norge and Rørosmeieriet. Tine's lactose-free milk is predicted to develop at a similar pace as organic milk, appealing to the 2.3% of the Norwegian population that are lactose intolerant. Furthermore, a study commissioned by Opplysningskontoret for Meieriprodukter in November 2014 concluded that 49% of the respondents that stated they drink lactose-free milk do so because one or more of family members are lactose intolerant. Meanwhile, dairy-only flavoured milk drinks will continue to be partly driven by media attention highlighting the fact that chocolate milk is a suitable and convenient beverage to consume after working out. Furthermore, new product launches similar to Tine Styrk, which contains more protein, less fat and is fortified with more calcium and vitamin D, are considered highly likely over the forecast period, given the success seen by this product during the review period. Finally, as consumers are taking increasing interest in how and where products are being produced, in addition to what they contain, Rørosmeieriet, Coop Norge and Tine have started highlighting the locally sourced nature of their milk. The locally produced trend emerged as a key trend within packaged food towards the end of the review period and is likely to become even more apparent over the next five year period.
- Drinking milk products is considered highly likely to continue to develop on a sound and stable basis, growing at a CAGR of 1% at constant 2015 prices over the forecast period, which is identical to the CAGR registered over the review period. Simultaneously, milk, which is by far the largest category within drinking milk products in Norway, will continue to see stagnant development, with a 1% decline in total volume sales predicted over the forecast period. Rising competition from other dairy categories, including from yoghurt and fromage frais and quark, which provide similar nutritional value, along with the milk category being highly mature, is expected to lead to a decline in per capita consumption of 6% over the forecast period.
- Dairy-only flavoured milk drinks is predicted to continue to register the most dynamic total volume sales growth over the forecast period, with a CAGR of 3% predicted. Leading suppliers are likely to continue expanding their current product portfolios within this category, in which such as brand ranges Litago and Tine Styrk from Tine are gaining popularity amongst consumers, who desire a healthy on-the-go alternative. Furthermore, a rising number of articles in the media over the review period emphasised the benefits of consuming chocolate milk after working out, which could widen the consumer group for the drink, which until recently was mainly targeted towards children.
- As previously mentioned commodity prices in Norway are not volatile and have a minimal impact on the direction of the retail unit prices of drinking milk products in Norway. Average unit prices are projected to increase by a stable 4% over the forecast five years. The prices of drinking milk products, along with other important agricultural products, are determined by a combination of import protection, price setting and market regulation, in accordance with the goals set by the Stortinget (Norwegian Parliament). In Norway, unit prices of

drinking milk products are more affected by the result of the negotiations for the annual Agricultural Agreement than by changes in commodity prices.

- No significant changes in the distribution of drinking milk products in Norway are projected over the 2015-2020 forecast period. Milk is often considered one of the staple items when grocery shopping, which overwhelmingly takes place in larger modern grocery retailers, particularly supermarkets and discounters.
- Over the forecast period, rising competition from alternative dairy categories will put increasing pressure on drinking milk producers to offset the decline in per capita consumption by continuously introducing new value-added products, similar to the rising variety of organic and healthier options introduced during the review period.
- Most new product launches in 2014 and 2015 are predicted to perform well over the short term, and several are considered highly likely to also be influential over the medium to long term. The booming performance of Coop's organic Ånglamark private label milk, along with Rørosmeieriet's continuing expansion, resulted in a rising emphasis on organic milk over the review period. Tine expanded its organic milk range in September 2014 by including a full fat variant. It is considered highly likely that producers will continue to focus on improving and marketing the organic and locally produced qualities of their milk products. Furthermore, the second largest dairy producer, Q-Meieriene did not offer any organic milk products at the end of the review period, something it is expected to address over the forecast period. Furthermore, given the continuous shift towards extra reduced fat milk (ekstra lettmelk), companies will continue to emphasise these products by highlighting the fact that they contain added levels of vitamin D and in some cases omega 3. Furthermore, the extension of the high-protein alternative, Tine Styrk, from the leading player Tine is a clear indicator that consumers are demanding healthier and more segmented milk alternatives. As a result, Tine Styrk Kaffe, launched in April 2015, is predicted to perform well over the short term. Tine Styrk Kakao and Tine Styrk Bringebær, introduced in 2014, performed well after their introduction and, consequently, more flavour variations within the same high protein, low fat range are expected over the forecast period. Lastly, Tine's success with its lactose-free milk might result in smaller players, such as Rørosmeieriet and Coop, introducing organic lactose-free milk during the forecast period.

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# Yoghurt and Sour Milk Products in Norway

Euromonitor International

# YOGHURT AND SOUR MILK PRODUCTS IN NORWAY

## HEADLINES

- Sales of yoghurt and sour milk products see growth of 8% in current value terms in 2015, reaching NOK4.2 billion
- A high degree of product innovation drives sales of yoghurt and sour milk products
- Plain spoonable yoghurt continues to display dynamic growth in 2015, rising by 20% in current value terms
- Average unit prices rise by 1-4% in current terms in 2015
- Domestic dairy giant Tine remains the undisputed leader in yoghurt and sour milk products in 2015, accounting for a retail value sales share of 70%
- Sales of yoghurt and sour milk products are predicted to increase by a CAGR of 3% at constant 2015 prices over the forecast period, to reach NOK4.9 billion in 2020

## TRENDS

- In 2015, yoghurt and sour milk products continued to be characterised by trends visible in earlier years of the review period. A high degree of product innovation, coupled with the ever more apparent health and wellness trend, continued to drive the dynamic performance of the category. Despite rising competition from alternative high protein, on-the-go dairy alternatives, such as fromage frais and quark, yoghurt continued to perform exceedingly well. Product innovation remained key to driving growth in a mature category like yoghurt and sour milk products. Continuous flavour launches and combinations, brand extensions with confectionary brands, such as Q-Yoghurt Melkesjokolade, a greater array of reduced-fat options, such as Go'sommer ZERO and Synnøve Gresk Yoghurt 89 kalorier, and more exercise oriented products and packaging, such as Tine 14 Gresk Yoghurt and Synnøve Gresk Power Yoghurt, all underpinned the strong growth seen by yoghurt category over the review period. Additionally, the use of natural, low fat, high protein Greek yoghurt as a cooking ingredient provided an additional boost to the category. The rising share of imported yoghurt, which resulted in a wider selection of brands and products in the country, likewise contributed to the positive performance seen.
- Yoghurt and sour milk products saw current value sales growth of 8% in 2015, identical to the CAGR registered over the review period. In terms of total volume sales, sour milk products saw a decline of 1% in 2015, identical to the negative CAGR exhibited over the review period. However, yoghurt exhibited more positive performance, seeing total volume sales growth of 5%, which was an improvement compared to the growth of 3% registered in 2014, but notably lower than the growth rates registered in earlier years of the review period. A high degree of maturity, combined with rising competition from substitute categories, were considered the main factors behind the somewhat lower total volume sales growth witnessed by yoghurt towards the end of the review period.
- Plain spoonable yoghurt experienced the most dynamic total volume sales growth of 15% in 2015. The category saw very strong development from 2012 onwards, exhibiting total volume sales growth of 22%, 47% and 12% in 2012-2014. Due to its natural, low-fat, high protein content, exceedingly health-conscious Norwegians increased their use of plain yoghurt; especially Greek yoghurt.
- In 2015, the average unit price of yoghurt and sour milk products increased by 3% and 5% in current value terms depending on the category. This increase was a reflection of government-regulated production, government-approved price increases and new taxes, which equalled the subsidies paid to farmers. A government-appointed committee called Statens Forhandlingsutvalg negotiates dairy prices each year with Norges Bondelag (Norwegian Farmers Union) and Norsk Bonde-og Småbrukarlag (Norwegian Farmer and Tenant Association). Furthermore, the government sets a target price, called *målpris*, for the cost of raw milk and other dairy products from Tine Råvare. Since the introduction of the agreement, the target price has continuously increased each year at a level significantly higher than in other European countries. In turn, the marginal or negligible volatility in milk and milk-fat prices in Norway had little or no significant influence on the increase of domestically produced dairy products either, which continued to comprise the bulk of yoghurt and sour milk products sold in Norway over the review period. The Norwegian government compromises over a system called *råvareprisutjevning*, commonly called RÅK, where production costs are equalised for the cost of raw materials sourced in Norway compared with abroad. Classified as RÅK, yoghurt and sour milk products made abroad are subject to tariffs that bring the costs of sourcing raw materials in Norway in line with the costs

of sourcing from abroad. Although raw materials costs are equalised, foreign producers gain savings because the price of manufacturing abroad may be cost-effective in terms of labour and fixed costs.

- Increasingly health-aware and globally-minded Norwegian consumers started to turn their attention to reduced fat and natural alternatives, such as Greek yoghurt. Plain Greek yoghurt, such as Tine Matyoghurt Gresk Type and Synnøve Gresk Yoghurt Naturell, rapidly gained popularity as a cooking ingredient, which partly drove the dynamic performance of plain spoonable yoghurt over the review period. The trend was highly evident from looking at Statistics Norway's import statistics for yoghurt, with imports of plain spoonable yoghurt increasing by 105% and 15% in 2013 and 2014, respectively, which was significantly higher than the growth rates of the other imported yoghurt categories. Not only did Greek yoghurt emerge as a popular cooking ingredient, it also became the basis for several on-the-go product ranges, such as Tine 14 Gresk Yoghurt, Synnøve Gresk Yoghurt 89 kalorier and Synnøve Gresk Power Yoghurt.
- The split and performance of spoonable versus drinking yoghurt was heavily in favour of former. Numbers from Opplysningskontoret for Meieriprodukter indicate a notable decline in total volume sales of drinking yoghurt, while spoonable fruit yoghurt and yoghurt for children rose steadily, while plain spoonable yoghurt and imported yoghurt saw explosive growth. As a result, spoonable yoghurt accounted for a 98% share of the total volume sales of yoghurt in 2015. Availability, product innovation, marketing efforts and even taste were strongly in favour of spoonable yoghurt over the review period.
- Exotic flavours, seasonal flavours and flavour extensions were considered crucial for manufacturers in generating additional sales of yoghurt, whilst traditional flavours constituted the bulk of overall sales. Strawberry remained the most popular flavour in both fruited and flavoured yoghurt in 2015. Raspberry, blueberry and forest berries were other flavours that remained popular in both categories. Mixed fruits and muesli was a comparatively new variant that gained popularity over the review period.
- Sour milk products saw a 1% decline in total volume sales in 2015, identical to the negative CAGR recorded over the review period. Nonetheless, this represented an improvement compared to the 3% decline seen in 2014. It was the performance of flavoured sour milk products that resulting in sour milk products as a whole seeing negative total volume sales development. According to Opplysningskontoret for Meieriprodukter, flavoured sour milk products decreased by 2% and 7% in total volume terms in 2013 and 2014, respectively. Plain or unflavoured sour milk products on the other hand saw positive total volume sales growth of 1% in both 2013 and 2014. As a result, unflavoured sour milk products increased its share of the total volume sales of sour milk products from 54% in 2012 to 57% in 2014. Sour milk products saw a comparatively limited number of new product launches over the review period. However, the number of product introductions within the category increased notably in 2015, which resulted in a slower decline in total volume sales compared to 2014.
- Unpackaged yoghurt and sour milk products continued to have a negligible presence in Norway in 2015 and, as a result, did not have any impact on the sales of packaged alternatives.

## COMPETITIVE LANDSCAPE

- As was the case in all dairy categories, the domestic giant Tine continued to dominate yoghurt and sour milk products in 2015, accounting for a retail value sales share of 70%. Tine offered a very wide product portfolio, with six of the 10 leading brands, including Tine Yoghurt, Biola, Go'Morgen and Cultura. In 2015, the company's portfolio comprised as many as 44 different yoghurt variants and 18 sour milk products. In addition, the company's intense and frequent marketing efforts, along with continuous product launches, resulted in the player maintaining high retail value sales growth throughout the review period.
- As a result of the mature and highly competitive landscape in yoghurt and sour milk products, active product development and new product launches were essential to achieving continued growth. The health and wellness trend was obviously vital for success, with the vast majority of new launches highlighting some form of added health benefit. For example, Greek yoghurt, which drove the boom in plain spoonable yoghurt, was promoted based on its naturalness, as well as high protein and low fat content. The same was true of other successful brands, such as Double 0% from Yoplait, which did not contain any fat or added sugar. Tine's 14 line and Synnøve Finden's new Gresk Power Yoghurt were promoted as healthy on-the-go snacks suited to consumption between meals.
- According to Opplysningskontoret for Meieriprodukter, domestic producers, including Tine, Synnøve Finden and Q-Meieriene, accounted for a dominant 85% share of the total volume sales of yoghurt in Norway in 2015. However, the amount of imported yoghurt increased steadily over the review period, sufficient to compete with the established position of the domestic manufacturers. Imported yoghurt increased from an 11% share of the

total volume sales of yoghurt in 2012 to a 15% share in 2014, according to Opplysningskontoret for Meieriprodukter. Leading international brands included Yoplait and L'amour, distributed by Fjordland AS, Activia and Danonino from Danone Norge AS and the non-dairy alternatives Alpro and Provamel, distributed by Alma Norge AS. Fjordland in particular proved very successful with the Yoplait Double 0% brand, which was introduced in a wide range of new flavours.

- The dairy-giant Tine focused on expanding its sour milk brand Biola at the beginning of 2015. Tine introduced Biola Smoothie and Biola Zero in February and April 2015, respectively. Biola Smoothie, a sour milk based smoothie with fruits and berries, came in convenient 300ml on-the-go plastic containers. The two variants, namely blueberry and strawberry, did not contain any added sugar and included the lactic acid bacteria A + B and LGG *lactobacillus rhamnosus* and vitamin D. On the other hand, Biola Zero Mango came in traditional one litre cartons with screw cap. The product was made from sour milk completely free of added sugar and fat. The product was flavoured with artificial sweeteners and, according to the company, had a fresh mango flavour. Furthermore, the entire Biola range of sour milk products was re-launched in a more streamlined design in September 2014. At the same time, all variants were also fortified with vitamin D, along with all products no longer being fortified with fibre.
- In April 2015, Tine SA expanded its highly successful on-the-go Tyne 14 range of yoghurt, targeted towards health and wellness-oriented individuals. The introduction of the Tyne 14 series was the largest launch of 2014 and saw the largest marketing support in the media, ranging from television commercials to notable in-store promotions. When launched, the line consisted of seven variants based on oatmeal, cottage cheese or Greek yoghurt. The three Greek yoghurt options at the time of launch were natural, blueberry and raspberry/pomegranate, with the former being replaced by mango/passion fruit. In April 2015, a new extension of the series was introduced in 14 Gresk Yoghurt 90 kalorier. This new product was available in two flavours, lemon/lime and blueberry/acai, and only contained 90 calories per container.
- Furthermore, Tine expanded its children's yoghurt range, Sprett Yoghurt, which remained the most popular in Norway, by introducing a new range called Sprett Yoghurt PLUSS, which contained more fruit and berries, was lactose-reduced and fortified with vitamin D. The Norwegian Directorate for Health stated that most Norwegian children consume less vitamin D through their diet than recommended. Therefore, Tine introduced the new range in 4-packs and 8-packs.
- The new product launches from Tine did not stop there. The company also introduced a zero variant of its popular Go'Morgen brand. The new range was introduced in September 2014 in two flavours, which was complemented with a further two flavours before the end of the review period. Go'Morgen Zero did not contain any added sugar, but was sweetened with artificial sweeteners based on consumer requests.
- In February 2015, Synnøve Finden AS introduced two new healthy on-the-go product ranges, Synnøve Gresk Power-yoghurt and Synnøve Gresk Yoghurt 89 kalorier. Both lines consisted of two different flavours. Synnøve Gresk Power-yoghurt was available in Greek yoghurt with vanilla and plain Greek yoghurt variants, both of which had granola topping in the lid of the packaging. The range was clearly marketed as a high protein alternative, containing as much as 20g of protein per container. Synnøve Gresk Yoghurt 89 kalorier was available in Greek yoghurt with peach/passion fruit and strawberry variants. The two flavours each contained 89 calories per container and were sweetened with the artificial sweetener stevia. The company introduced yet another range of products in May 2015, Synnøve Gresk Yoghurt Quinoa. Both of these two new variants contained quinoa, a plant rich in protein and fibre, and were also gluten-free.
- The rapidly growing organic dairy company Rørosmeieriet AS was highly active in terms of new product launches at the beginning of 2015, introducing yoghurt and sour milk with butter milk (kjernemelk). Rørosmeieriet introduced its first yoghurt on the market in April 2015. The small player reaped notable benefits with its high-quality, organic and locally produced products in a number of dairy categories over the review period. Its organic plain yoghurt is predicted to perform exceedingly well, following in the footsteps of its previous dairy launches. Økologisk Røros Yoghurt Naturell (organic natural yoghurt) was available in 450ml plastic cups. According to the company, the yoghurt was produced using a proprietary recipe that contained a distinctive blend of yoghurt cultures and Rørosmeieriet's signature tettemelk or tjukkmelk, a type of soured milk with a long history in Nordic countries. The company stated that although the selection of yoghurt products in Norway was becoming increasingly diverse, it was also defined by a rising degree of imported yoghurt. As a result, Rørosmeieriet believed that its focus on locally produced and organic products would differentiate it from its competitors. Røros Yoghurt was available in the foodservice environment for two years in two litre packages. Økologisk syrnet mjølk med kjernemjølk (organic sour milk with butter milk) represented a completely new product from Rørosmeieriet. Compared to Økologisk Tjukkmjølk fra Røros (organic tjukkmjølk from Røros), the new sour milk product was more sour and had a thinner, more drink-friendly consistency.

Økologisk Tjukkmjøl fra Røros remained the company's signature and Norway's first product labelled as 'beskyttede geografisk betegnelser' (a protected designation for locally produced food treasures). The buttermilk in the new sour milk product was a bi-product from the company's cheese production.

- In collaboration with Rørosmeieriet, the private label player Coop introduced an organic sour milk product under its Änglamark range called Änglamark Økologisk syrnet melk naturell. The collaboration between the two players proved to be highly successful within fresh milk, where Rørosmeieriet provided Coop with organic fresh milk. The new premium private label variant was introduced in February 2015 and came in one litre cartons with a screw cap. The product initially received a great deal of coverage in the media.
- Alma Norge AS, distributor of Alpro in Norway, introduced a new exotic plant-based yoghurt flavour in February 2015. Alpro Natural with Coconut complemented the company's more standard flavour assortment, including natural, vanilla and fruits and berries. All yoghurts from Alpro were fortified with calcium, vitamin B2, B12 and vitamin D. Furthermore, they did not contain any milk and were therefore lactose-free.
- No significant packaging innovations were introduced in yoghurt and sour milk products in Norway in either 2014 or 2015. Larger pack sizes, along with more convenient packaging options increased in popularity. Larger pack sizes appealed to families with children, who wanted a more long-lasting pack size, while more convenient packaging options predominantly targeted the younger on-the-go demographic who craved a quick, healthy meal.
- Private label continued to account for a relatively limited retail value sales share of 1% in yoghurt and sour milk products in 2015. However, with the introduction of a private label range of dairy products under the Eldorado line from Norgesgruppen in September 2014, it is possible that a higher degree of price segmentation will occur over the forecast period. Norgesgruppen introduced 13 products during the fall of 2014 consisting of, amongst others, flavoured crème fraîche and quark, both with and without muesli and yoghurt. The company stated that it was pleased with the launch, albeit it was too early to judge its ultimate fate. Initial sales were reported to be low, while it started to develop somewhat in 2015 with a higher degree of repurchases. The presence of strong brands with a high level of product innovation continued to limit interest from grocery chains in introducing private label products in other dairy in Norway.

## PROSPECTS

- The high degree of product innovation within yoghurt and sour milk products will continue to drive the category throughout the 2015-2020 forecast period, being underpinned by an ever apparent health and wellness trend. Consumers are constantly searching for natural, low-fat and protein-rich products such as yoghurt. The number of healthy on-the-go yoghurts with fashionable packaging, such as Tine 14, Synnøve Gresk Power yoghurt and Yoplait Double 0%, will be at the forefront of this development, alongside the rising use of Greek yoghurt as a cooking ingredient.
- Sales of yoghurt and sour milk products are projected to grow at a CAGR of 3% at constant 2015 prices over the forecast period, which is three percentage points lower than the CAGR registered over the review period. Rising maturity, evidenced by the lower total volume sales growth in 2014, and increased competition from fromage frais and quark, and drinking milk products, to some extent, are anticipated to be the main reasons behind the less dynamic growth over the forecast period.
- The trends evident over the review period are considered likely to be again visible over the 2015-2020 forecast period. Sour milk products and drinking yoghurt are expected to display stagnant to marginally negative CAGRs in total volume sales terms, while plain yoghurt is projected to exhibit the most dynamic development, growing at a CAGR of 7%. Total volume sales of fruited and flavoured yoghurt are anticipated to grow at a CAGR of 3% and 2%, respectively. Sour milk products are mainly purchased for home consumption and are likely to struggle against rising competition from on-the-go products. Drinking yoghurt is not commonplace in Norway, with only one of the domestic players, Tine, having a limited selection of options, with the rest being imported brands. Plain spoonable yoghurt is, as previously mentioned, driven by the growing use of Greek yoghurt as a cooking ingredient. Fruited and flavoured yoghurt are expected to be driven by a very high degree of product innovation and flavour launches over the forecast period.
- The average unit price of the various yoghurt and sour milk product categories are predicted to remain relatively stable over the forecast period, rising by 2-4% at constant 2015 prices. As previously mentioned, commodity prices are not volatile in Norway and, as such, have a minimal impact on the unit price of yoghurt and sour milk products in Norway. Rising subsidies for Norwegian dairy will augment the price of raw milk, which will subsequently result in higher unit prices for consumers.



- The distribution patterns of yoghurt and sour milk products are not projected to change notably over the 2015-2020 forecast period. Norwegian consumers are accustomed to purchasing yoghurt and sour milk products alongside other groceries. However, as yoghurt is increasing in popularity as a healthy snack between meals, the share of sales through convenience stores is predicted to increase marginally.
- The new products launched in 2014 and 2015 are predicted to perform well over the short term. The Tine 14 range will continue to perform well, creating a longer term impact, underpinned by substantial marketing support and rising on-the-go consumption. The same applies to the company's Go'Morgen Zero launch, Fjordland's Yoplait Double 0% Protein Plus and Synnøve Finden's Gresk Power Yoghurt and Synnøve Gresk Yoghurt 89 kalorier. All are predicted to build on the momentum for healthy on-the-go alternatives suitable as an in-between meal, for breakfast or for after working out. Coop's introduction of an organic sour milk product in collaboration with Rørosmeieriet might provide a boost for an otherwise stagnant category.

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## Other Dairy in Norway

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# OTHER DAIRY IN NORWAY

## HEADLINES

- Other dairy sales grow by 9% in current value terms in 2015, to reach NOK5.1 billion
- Rising demand for healthier alternatives, especially high-protein on-the-go products, drives sales
- Fromage frais and quark displays the most dynamic current value sales growth of 17% in 2015
- Average unit prices rise moderately, by 1-4% in current terms in 2015
- Domestic dairy giant Tine dominates other dairy with a retail value sales share of 76% in 2015
- Other dairy sales are projected to grow at a CAGR of 4% at constant 2015 prices over the forecast period, to reach NOK6.4 billion in 2020

## TRENDS

- A high degree of product innovation focusing on healthy, high-protein on-the-go products, intended as in-between meals or after work-out snacks, continued to drive other dairy sales in Norway in 2015. Opplysningskontoret for Meieriprodukter reported particularly large demand for cottage cheese and quark towards the end of the review period. Norwegians increasingly tried to differentiate their intake of healthier products, for example exchanging or complementing their milk intake with other naturally high-protein dairy products, such as skyr, cottage cheese and quark. Q-Skyr from Q-Meieriene ignited the booming performance of fromage frais and quark in 2009, when the Icelandic low fat and high protein product was introduced as a healthy on-the-go snacking option. Since then, Tine revitalised its Tine Cottage Cheese and Tine Kesam (quark) brands with a streamlined and more modern design, along with introducing more reduced fat and even lactose-free alternatives. Furthermore, in 2014, the company introduced a series of healthy snack options, under its latest Tine 14 line, based either on cottage cheese, Greek yoghurt or oatmeal. One cottage cheese variant was introduced in 2014, while two more were added at the beginning of 2015. Furthermore, lettrømme (reduced fat sour cream) developed as a more common alternative to standard sour cream, which clearly indicated growing consumer interest in and willingness to eat healthier.
- Other dairy saw current value sales growth of 9% in 2015, which was one percentage point higher than the dynamic CAGR of 8% registered over the 2010-2015 review period. This improved performance was attributable to the more positive development seen by cream in 2015, which accounted for a 63% share of the value sales of other dairy. Cream saw more dynamic retail volume sales growth in 2015 of 3% compared to the CAGR of 2% seen over the review period, which contributed to cream registering more dynamic current value sales growth of 7% in 2015.
- Fromage frais and quark saw the most dynamic current value sales growth of 17% in 2015, while total volume sales growth of 10%. Fromage frais and quark was mainly divided into two product segments according to Opplysningskontoret for Meieriprodukter. The Icelandic cultured dairy product Skyr, which is considered as yoghurt in Norway, displayed explosive growth since the introduction of Q-Skyr from Q-Meieriene AS in 2009, although it lost ground somewhat due to the even more dynamic growth achieved by imported yoghurt towards the end of the review period. Cottage cheese, Kesam (quark) and skjørst (a type of cottage cheese) on the other hand, which is considered as cheese in Norway, continued to be the main driver of the performance of cheese in Norway throughout the review period. After several years of strong sales, fromage frais and quark displayed a more modest performance in 2014, seeing total volume sales growth of 5%. However, increased product innovation in 2014 and 2015, such as the introduction of the Tine 14 range, total volume sales saw more dynamic growth of 10% in 2015. In May 2015, Tine reported that this line saw 29% higher demand in April 2015 than in April 2014, which resulted in its products being sold out in most grocery stores. The majority of the fromage frais and quark products available targeted two highly influential trends within packaged foods, namely rising demand for convenient and healthy high protein alternatives, suited to consumption in-between meals or after exercise.
- The various categories in other dairy saw increases in average unit price of 1-4% in 2015. The unit price development of other dairy reflected a combination of government-regulated production, government-approved price increases and new taxes, which equalled the subsidies paid to farmers. The Norwegian government each year appoints a committee called Statens Forhandlingsutvalg (Government Negotiation Committee) to negotiate dairy prices with Norges Bondelag (Norwegian Farmers Union) and Norsk Bonde-og Småbrukarlag (Norwegian Farmer and Tenant Association). The government sets a target price, called *målpris*, for the cost of raw milk and other dairy products from Tine Råvare. Norwegian target prices have risen each year in

connection with the annual negotiations between the government and farmers. Consequently, the marginal or negligible volatility in milk and milk-fat prices has a limited effect on the unit prices of other dairy products.

- In Norway cream was divided into two principal categories, namely fløte (cream) and rømme (sour cream), with the former accounting for a 62% share of the total volume sales of cream in 2014, while the latter accounted for the remaining share, according to Opplysningskontoret for Meieriprodukter. A leading 79% share of the total volume sales of cream (fløte) in Norway was accounted for by kremfløte (whipping cream) in 2014, while a further share of 4% was attributable to reduced fat cream (lett kremfløte). The remaining total volume sales of cream were, according to Opplysningskontoret for Meieriprodukter, distributed between matfløte (single cream) and kaffefløte/kaffemelk (coffee cream/milk) with respective shares of 12% and 5% in 2014. Meanwhile, total volume sales of sour cream (rømme) predominantly constituted of lettrømme (reduced fat sour cream), which accounted for a 68% share in 2014. The remaining volume sales were distributed between crème fraîche, seterrømme and rømmekolle, rømmedressing and melkeringe with respective shares of 16%, 14% and 2% in 2014.

## COMPETITIVE LANDSCAPE

- Similar to all other dairy categories in Norway, the competitive landscape in other dairy was highly consolidated in 2015, with the dairy-giant Tine SA accounting for a dominant retail value sales share of 76% in 2015. Tine offered over a very wide product portfolio, including 19 cream, sour cream and crème fraîche alternatives. The company's most important brand, Tine Kremfløte, a highly iconic cream brand in Norway, continued to lead cream in 2015, on a retail value sales share of 41%. Furthermore, the company continued to expand its product offering within fromage frais and quark, where it had 16 variants in 2015, including three variants within the recently launched Tine 14 series of healthy on-the-go snacks. Its cottage cheese and quark products displayed highly positive retail value sales growth towards the end of the review period. In addition, the company's range of cream, sour cream, crème fraîche, quark and cottage cheese was streamlined over the review period to provide a more coherent design, along with more reduced fat options being introduced.
- Q-Meieriene ranked second in other dairy behind Tine SA in 2015, on a retail value sales share of 26%. Furthermore, the company saw the most dynamic retail value sales growth in other dairy of 11% in 2015, resulting in it recording a marginal increase in retail value sales share. This strong performance was predominantly a result of the continuous development of the highly popular Q Skyr range, a protein-rich, non-fat flavoured fromage frais and quark. In addition, growth was supported by the introduction of a new, more convenient packaging format for its popular reduced fat sour cream brand Q-lettrømme in autumn 2012, which proved to be very popular amongst consumers.
- Focusing on introducing new, naturally high-protein and low-fat products and emphasising the content of products was the most successful strategy adopted in other dairy towards the end of the review period. Health-positioned on-the-go fromage frais and quark products, such as Q Skyr from Q-Meieriene and Tine Cottage Cheese, Tine Kesam and Tine 14 from Tine SA, all performed exceedingly well during the review period. This was due to the healthy positioning and streamlined designs of these products, as well as the fact that they were available in a wide array of flavours and variants. In addition, in the largest category, cream, reduced fat sour cream (lettrømme) became more commonplace, and, in fact, became more common than standard sour cream. This phenomenon is expected to develop further over the forecast period, and it is considered highly likely that demand for reduced fat products will also spill over into cream and crème fraîche.
- Similar to other categories in dairy, an extensive network of tolls and tariffs established by the Norwegian government protects the domestic dairy industry. As a result, domestic manufacturers, with Tine and Q-Meieriene in the lead, accounted for the bulk of retail value sales in 2015. A few multinational suppliers, such as Danone Norge, a subsidiary of Groupe Danone, and Nestlé Norge, a subsidiary of Nestlé, were also present in other dairy, although their shares remained limited at the end of the review period.
- Tine continued to focus on locally produced products, introducing Tine Lettrømme fra Nord and Tine Skjærost fra Trysil in February 2015. The company stated that rising interest amongst Norwegian consumers in where and how products were produced resulted in a boom in locally produced dairy variants. Tine sold dairy products, classified as Norwegian specialties or locally produced, in the amount of NOK3.5 billion in grocery stores in 2014. The two new launches in 2015 were produced locally and made from locally sourced ingredients. Furthermore, according to Tine, these products were based on local tradition and production techniques, while being distributed nationally. Tine Lettrømme fra Nord, a reduced fat sour cream, was labelled Spesialitetsmerket (speciality brand) by Matmerk, a foundation created by the Ministry of Agriculture with the objective of promoting Norwegian produced food. The sour cream was produced in the North of Norway, where there exists a long tradition of using goat milk in production. Tine Lettrømme fra Nord contained both goat

cream and cow's milk, which, according to Tine, contributed to its very unique flavour combination. Meanwhile, Tine Skjørst fra Trysil, a type of cottage cheese, was produced at Tine's dairy facility in Trysil. Sour milk cheese has a long tradition in Norway, dating back to the Viking era. Tine Skjørst fra Trysil contained virtually no fat and as much as 21g of protein per 100g.

- In 2014, Tine introduced a new range of healthy in-between meals, consisting of seven variants based on cottage cheese, Greek yoghurt and oatmeal. The Tine 14 range was heavily advertised via television commercials, in-store promotions and Facebook picture campaigns. In February 2014, the 14 range was expanded with two new cottage cheese products, 14 cottage cheese jordbær og granateple (strawberry and pomegranate) and 14 cottage cheese elpe og pære (apple and pear). The new launches consisted of reduced fat cottage cheese and a side-compartment with jam. The two new flavours complemented the one cottage cheese based variant introduced in 2014, 14 cottage cheese hasselnøtt (hazelnut).
- An interesting launch from the small local dairy company Grøndalen Gårdsmeieri, which received a lot of attention in the media was Nýr. This product was a type of fresh cheese (ferskost) suitable to use as an alternative to sour cream when cooking, as a reduced fat alternative for desserts instead of whipping cream (kremfløte) or simply as part of a breakfast mix. Nýr was produced from organic fresh full fat milk, without any additives. The production process, whereby whey was removed with the use of rennet, was cited as giving Nýr a unique consistency. When the milk was fully fermented Grøndalen Gårdsmeieri instead let the mass hang in bags until the whey dripped off. The product already gained notable popularity amongst chefs and famous restaurants in Norway, having been available in the foodservice channel for five years. Nýr was labelled both with the organic Debio certification, along with the speciality brand for unique flavour (Specialitet unik smak). Nýr was available nationwide through the grocery chain Meny.
- The majority of packaging innovations within other dairy in Norway related to packaging design and pack size. For example, the small organic player Rørosmeieriet introduced its Økologisk skjørst fra Røros (a type of organic cottage cheese) in smaller, convenient on-the-go packaging. The new packaging size was predominantly targeted towards consumers of Fjellregionen, where the company's products were produced. Similarly, Q-Meieriene AS introduced a larger 300g version of its popular Q-Skyr Vanilje (vanilla) in January 2015, based on consumer requests. In terms of the review period, the most notable development in terms of packaging occurred in September 2012, when Q-Meieriene introduced its highly popular reduced fat sour cream Q-Iettrømme in a plastic bottle with pouring spout, facilitating serving at the table and especially suitable for foods like tacos. The new packaging solution resulted in considerable Q-Meieriene recording significant gains in retail value sales share within cream in Norway over the later years of the review period. Furthermore, a notable preference for more convenient and streamlined packaging solutions was seen over the review period. This led to Tine updating its cottage cheese, quark and sour cream ranges in more modern, plastic containers, while other players undertook similar steps.
- Economy and private label brands continued to account for a marginal retail value sales share in other dairy in 2015. However, with the introduction of a private label range of dairy products under the Eldorado brand from Norgesgruppen in September 2014, it is possible that a higher degree of price segmentation will occur over the forecast period. Norgesgruppen introduced 13 products during the fall of 2014 consisting of, among others, flavoured crème fraîche and quark, both with and without muesli. The company stated that it was pleased with the launch. However, initial sales were reported to be low, while it started to develop somewhat in 2015, with a higher degree of repurchases seen. The two crème fraîche variants, Eldorado crème fraîche soltorkade tomat & feta and Eldorado lett crème fraîche paprika & chili were discontinued at the beginning of 2015, while the quark products remained available. The presence of strong brands with a high level of product innovation served to limit interest amongst grocery chains in introducing private label products in other dairy in Norway over the review period.

## PROSPECTS

- Companies are highly likely to continue to emphasise innovation and new product launches over the 2015-2020 forecast period. Healthy, naturally protein-rich and low-fat options will continue to govern fromage frais and quark, whilst cream is predicted to be driven by increased functionality in packaging and reduced fat alternatives. Convenient on-the-go packaging solutions, along with the importance of advertising towards the younger generation, who are considered to be the main consumers of on-the-go snacks, such as Q-Skyr and Tine 14, will remain essential in fromage frais and quark.
- Sales of other dairy are expected to grow at a CAGR of 4% at constant 2015 prices over the forecast period, which is two percentage points lower than the corresponding CAGR of 6% registered over the review period. Rising demand for healthy high-protein alternatives will continue to drive growth, along with continuous product

innovation and flavour launches. However, the largest category, cream is highly mature, which is likely to prevent other dairy from achieving more dynamic performance. Furthermore, the highly dynamic retail value sales growth by fromage frais and quark over the review period, as a result of skyr's introduction to the country in 2009 and the re-launch of Tine's cottage cheese and quark products, will naturally peter out to some extent, due to the category becoming increasingly mature.

- Despite the rising maturity of fromage frais and quark, it is still projected to see dynamic retail value sales growth over the forecast period, exhibiting the best performance of any category in other dairy. Fromage frais and quark sales are predicted to grow at a CAGR of 8% at constant 2015 prices. This represents a significant slowdown from the review period, when a CAGR of 18% at constant 2015 prices was seen. The more dynamic performance seen over the review period was attributable to the introduction of Q-Skyr in 2009, along with the revitalisation of Tine's cottage cheese and quark assortment. Skyr, cottage cheese and quark all exhibited more modest performance in 2014 according to Opplysningskontoret for Meieriprodukter, a trend which is predicted to continue over the 2015-2020 forecast period. Nevertheless, high demand for healthy on-the-go snacking alternatives and the natural high-protein, low-fat content of these products will ensure an ongoing high level of retail volume sales growth.
- The various categories and subcategories in other dairy products are predicted to see increases in average unit price of between 3% and 5% over the forecast period. As previously mentioned, unit prices of dairy products in Norway are negligibly affected by the marginal to negligible volatility in commodity prices, as the unit price is a reflection of government-regulated production, government-approved price increases and new taxes that should equal the subsidies paid to farmers. The target price set by the government has risen each year in connection with the annual negotiations between the government and farmers. As a result, further increases in prices throughout the review period are considered likely.
- The distribution of other dairy products is not projected to change significantly over the forecast five years. The products in question are mainly purchased alongside other items when grocery shopping. Discounters and supermarkets are expected to remain the leading distribution channels throughout the forecast period.
- All of the new product launches in 2014 and 2015 are expected to perform well over the short term, with flavour introductions and extensions of established product ranges predicted to generate a certain degree of novelty value. Tine's new flagship 14 line will most presumably continue to have an impact over the longer term, resulting in more variants being introduced throughout the forecast period, driven by consumer demand for variety when it comes to healthy on-the-go options. Tine's locally produced alternatives are expected to appeal to Norwegian consumers. While the 2015 launches alone may not generate any long term effects, they will most certainly result in similar introductions over the forecast period, bringing about increased interest and exposure for locally sourced dairy, which, in turn, will boost retail value sales over the long term.