

The Grocer

Focus On: Butters & Spreads by Emma Sturgess (emma-sturgess@hotmail.co.uk)

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The Story

- **The butters & spreads market is not in the best shape. But some sub sectors are in better shape than others. The impressive growth in spreadable butter we reported on a year ago has accelerated; dairy spread sales have fallen off a cliff, for example. What's driven these mixed performances? How have factors such as price, promotions, supply, demand and NPD affected things? And what's in store for the coming year?**

Key themes:

Spreadable butter: This feature will pay close attention to the strong growth this sector has seen in the past year. Given that Brits are eating less bread, what are we spreading it on? How significant a factor has NPD been in the past year? Is the growth at the expense of other sectors in this category?

Dairy spreads: This sector is down by more or less the same measure as spreadable butter is up. So is spreadable butter stealing share from this sector? This feature will explore in detail the factors that have led to dairy spreads' decline and what's being done to turn things around.

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

Block butter: Volumes are up but value is down, suggesting that lower prices are helping to shore up growth in this sector. This feature will explore in detail the factors that are driving the performance of this sector and what the coming year has in store.

Own label v brands: Own label is in strong growth in this category, with double digit gains for own label block butter no doubt driving the sub sector's price deflation, mentioned above. Why is own label in such strong growth? What are brands doing to fight back? Are they lowering prices? How have retailers developed their own label ranges in the past year?

Olive spreads: Volumes are in strong growth, while value is growing at a much slower rate. What's driving this? How can the fall in average price be reconciled with the ongoing shortage, and subsequently higher prices, of olive oil? Will olive spread prices rise this year?

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

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

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

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

Innovation: This will be key to this feature. We will be investigating how new product development has shaped the category over the past year and what is in store for shoppers in 2014. We will be profiling four of the most interesting launches in a separate innovation panel.

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

Key questions the feature is likely to address:

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