

# The Grocer

Focus On: Tobacco & Accessories by Tania O'Donnell (tania@taniaodonnell.com)

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## The Story

The party's nearly over for the tobacco industry. From May, the manufacture of branded tobacco products will be banned. Tobacco companies and retailers will have a year to sell off all remaining branded stock before May 2017; from then on tobacco will only be permitted for sale in plain packs. Flavoured products and smaller packs – two of the sector's hottest growth areas in recent years – will also be banned from that date. So what is the industry doing to make the most of its last year of relative freedom? Who's in growth? Who's in decline? Why?

## Key themes:

**Price:** The current average price of a cigarette is 39p; rolling tobacco sells for an average of £34.86 per 100g (that's 17p a roll up). Yet, generally speaking, it is brands with an asking price far below the market average that are in the strongest growth. So is growth really all down to cutthroat prices in this age of increasingly draconian regulation? Is there still a place for premium brands? How are they convincing smokers they're worth the premium?

**Marketing:** Of course, there's little the tobacco industry can do to market their products these days. But we have seen some efforts in recent years, such as limited edition packs to celebrate the musical festival season (a key sales opportunity) and the deployment of teams of (mostly female) marketers handing out free cigarettes in bars. So exactly what marketing opportunities exist for tobacco companies? Is this year their last chance to use them?

**Innovation:** This will be key to this feature. We'll be investigating how successful recent innovation (flavours, capsules, slimlines, etc) has been and exploring what's in store for the next year. We will also profile four of the most interesting NPDs in a separate panel. Plus: we've had soft packs and slide packs, RYO pouches and boxes ... so what's next? This feature will weigh up what's on the cards in terms of format innovation.

**Retail channels:** This feature will explore in detail how players are looking to target different retail channels through their approach to factors such as pack formats, specific products, merchandising and promotions.

## 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?