Media Feedback Report
2017 Drinking Yoghurt in South Africa

May 2017

Product and Channel Definitions

Product	Definition
Drinking Yoghurt	This product is not as coagulated as yoghurt, but rather has a smoother and more liquid-like consistency, making it suitable for drinking.

Channel	Definition
Bottom End Retail	Bottom-end outlets such as convenience, general dealers and liquor stores. Examples include Shield, Save and independently owned cafés
Garage Forecourts	Outlets links to garages or forecourts, such as Shell Select, BP Express, etc.
On-Consumption	Includes restaurants, hospitality and pubs. These could be at work or recreational. Examples are quick service restaurants, full service restaurants, accommodation establishments and sports clubs.
Export	• Exports to Africa/SADC • Exports to the rest of the world
Top End Retail	Consists of hypermarkets and supermarkets, examples include Pick ‘n Pay, Spar, Checkers and Woolworths
Wholesale	Wholesale chains (eg. Makro, Metro and Browns) Wholesale independents (Regional wholesalers with one outlet) Foodservice wholesalers (Specialist catering supply eg. Chipkins)

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Market Trends

Drinking yoghurt continued to grow in volume and value in 2016, congruent with the historical trend for the category. The average CPI was 6.4% during the year under consideration, this being quite close to the annual increase in drinking yoghurt pricing. In addition to usual inflationary pressures, it is believed that the 2016 drinking yoghurt price increase may have been underpinned by some players downsizing their pack sizes to between 250ml and 350ml, which translated into a higher Rand per litre cost for the smaller denomination variants.

In addition, a shortage of raw materials caused by the drought may have also contributed to the growth in average price. The players that imported their raw materials suffered when the value of the Rand deteriorated, as this was done at an above average price and cut into their margins.

It is believed that this category, like other food and beverage products, was affected by low consumer spending, as well as limited supply of raw materials. Consumers are believed to be spending less money on products that they consider non-staple as their household debt ratio remains high and the economic outlook remains negative. The low spending trend is expected to affect the drinking yoghurt category in the short to medium term.

The drinking yoghurt category uses predominantly rigid plastic bottles as the primary pack format. This format is dominated by HDPE and PET bottles, which took share from cartons, plastic tubs and sachets during 2016.

Market Trends Cont.

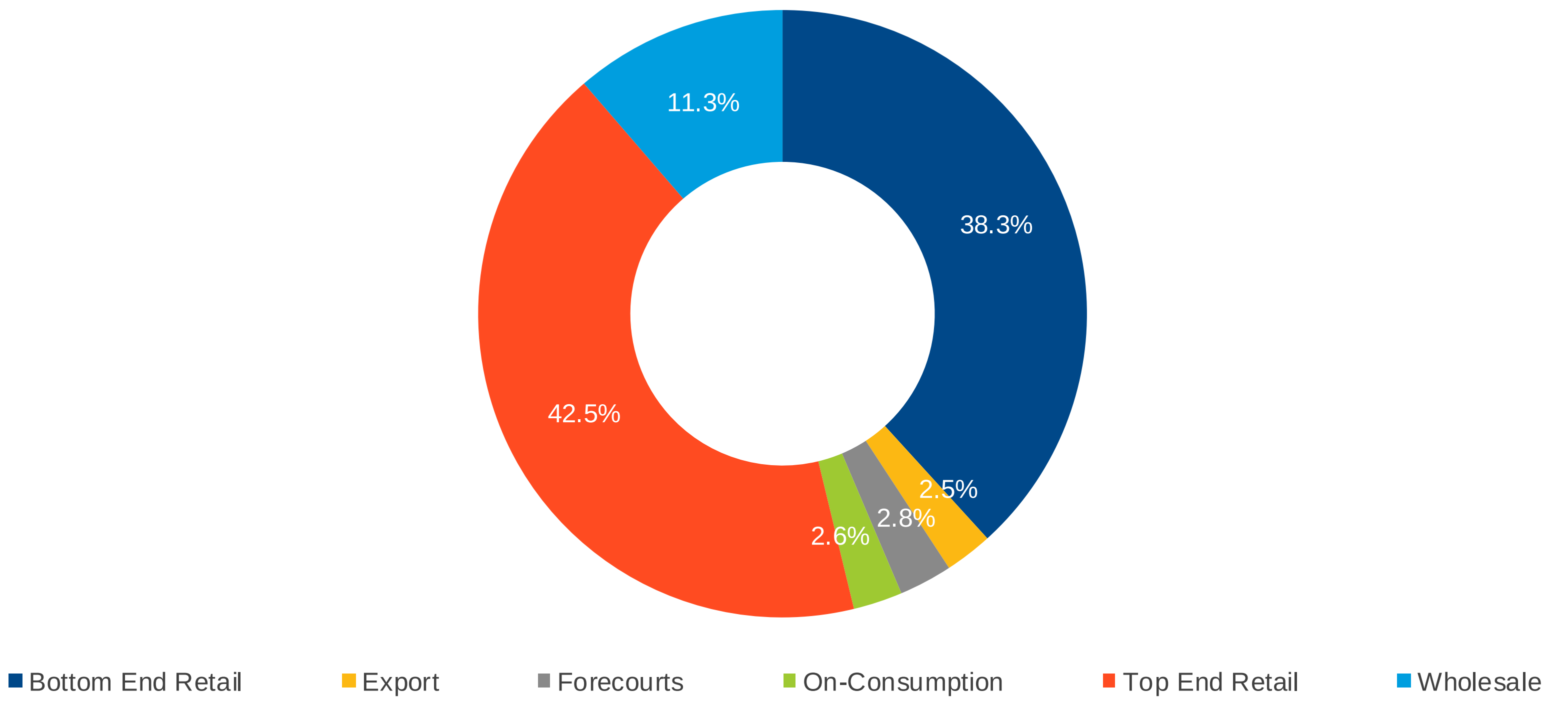
The product is distributed mainly through the top end and bottom end retail channels. These outlets are characterised by strong marketing and promotional activities. Print, in-store display, radio and television are some of the mediums used for promotional and marketing activities in order to attract more customers and keep drinking yoghurt brands top-of-mind.

Export volumes showed the highest relative growth rate compared to other channels for 2016. It is hypothesised that this was due to favourable export conditions created by the lower Rand value, as well as growing category demand in neighbouring African states. The local drinking yoghurt market is fairly competitive, and producers are actively looking for alternative markets to grow sales. It is believed that this combination of market factors all contributed to the raised export growth seen for 2016.

The category is expected to continue growing in the short to medium term as new markets are established and competition increases, lowering the average selling price and making drinking yoghurt a more attractive prospect for consumers.

Channel Distribution 2016

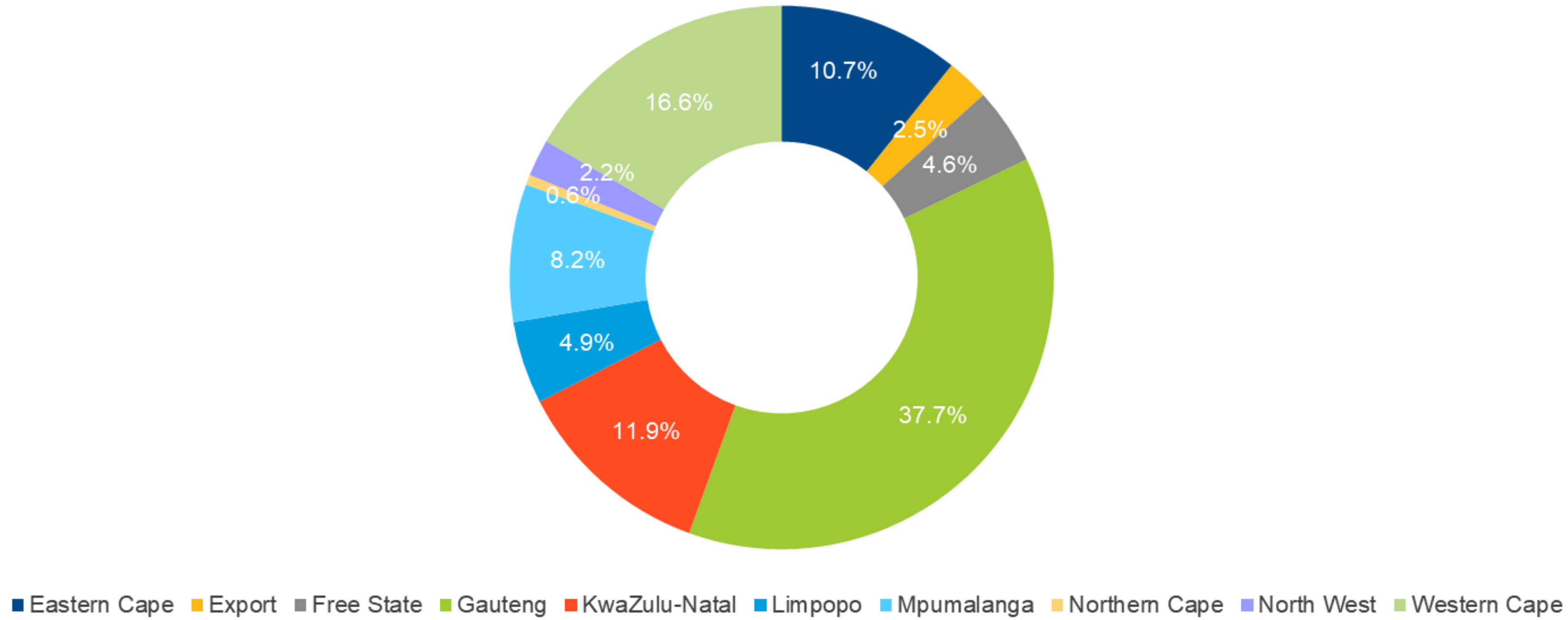
Million Litres



The retail sectors (top and bottom end) are the main channels used to distribute drinking yoghurt, collectively accounting for 80.8% of the total volume sold in 2016. These channels are well-known for their promotional and marketing activities for drinking yoghurt, thus maintaining a larger footprint compared to alternative channels.

Local Regional Distribution 2016

Million Litres



The Gauteng region accounted for more than a third of the total volume sold in 2016, followed by the Western Cape and then KwaZulu-Natal. Most of the major national players are situated in these three major regions, thus there may be a natural supply skew to these regions.

Excludes exports

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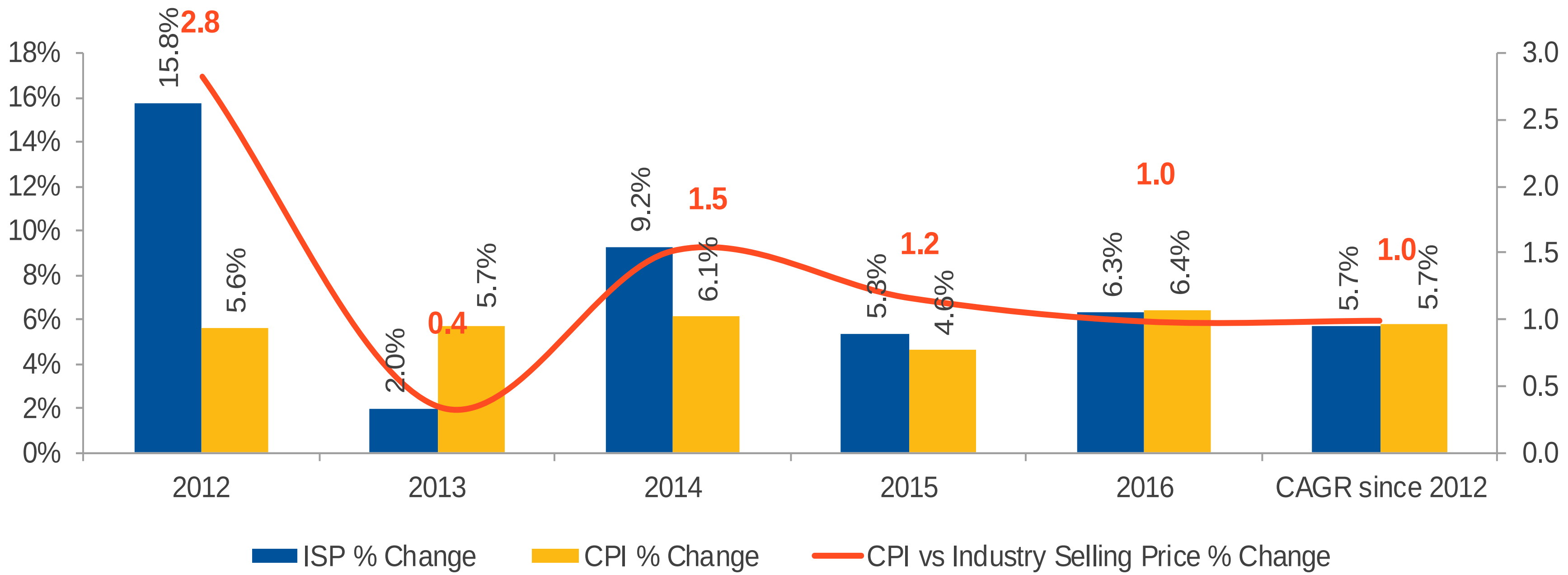
Historical Average Industry Selling Price



The industry selling price increased by 6.3% to R30.16 per litre in 2016. The price increase was below the CPI increase in 2016.

Source of CPI: Stats SA

BMi Solutions

- Analytics Solution
- Dashboards

- Beverages
- Food
- Packaging

- Advertising & Campaign Testing
- Brand Competitive Advertising Tracking
- Omnichannel

- Business Insights
- Market Quantifications

- Print Promotional Pricing Tracker
- Number of Promotional Ads
- Adspend Value
- Print Ads Mobile App
- Promotional Effectiveness

- Consumer Insights
- Shopper Insights

- Brand Compliance
- Store Compliance
- Staff Compliance
- Promotional Compliance

- Category Ranging
- Compliance Tracker
- Shelf & Promotional Price Surveys
- Shelf Health

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