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Media Feedback Report

2017 Dilutables in South Africa

May 2017

Product Definitions

Product	Definition
Base	A base is a super concentrated cordial product to which you would add sugar when reconstituting. Examples of this type of product are Fouro and Sixo manufactured by Tiger Brands. These are included in cordials and squashes in this report to maintain player confidentiality
Cordial	A cordial is a concentrated beverage product that contains less than 6% fruit juice in its reconstituted form. These products may however contain up to 6% fruit juice. It is necessary to note that a cordial does not have to contain any fruit juice and may be flavoured artificially
Dairy Juice Blend	A chilled or ambient blend of fruit juice and dairy (typically skimmed milk).
Fruit Juice Concentrates	Concentrates typically have a pure fruit juice content of between 20% and 50%. In terms of dilution, a ratio of 1:4 is generally utilised
Iced Tea	As no regulatory standards presently exist regarding the definition of iced tea, this category includes all dilutable products marketed as “iced tea”
Sports Drinks	Sports drinks are beverage products that contain nutrients and electrolytes to replace those lost by the body during physical exertion, or to improve and sustain performance. Sports drinks in this report refer only to concentrates; ready-to-drink sports drinks were excluded from the analysis
Squash	A squash is a concentrated beverage product, which by definition contains 6% fruit juice in its reconstituted form

Market Trends

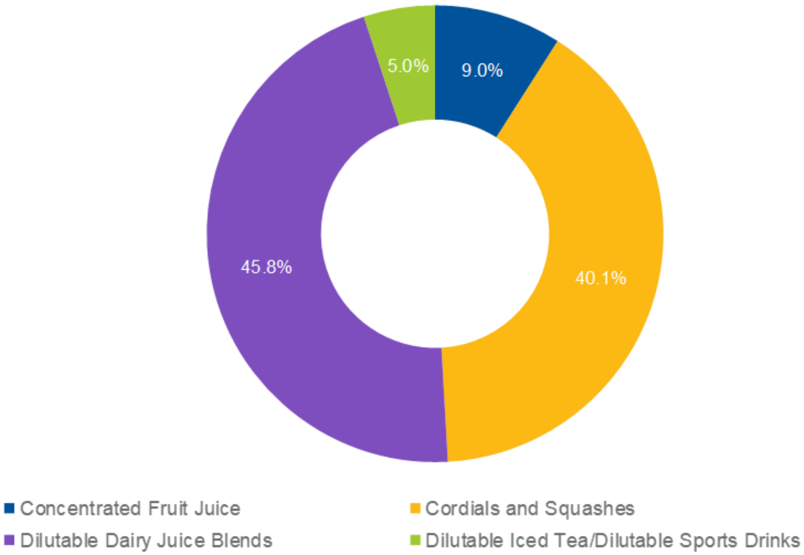
Dilutables represents approximately 1.6% in packaged volume of the total beverage industry, which is a fairly small share. However, for these purchased packaged volumes, dilutables are the equivalent of about 6.7 litres on average in a reconstituted format.

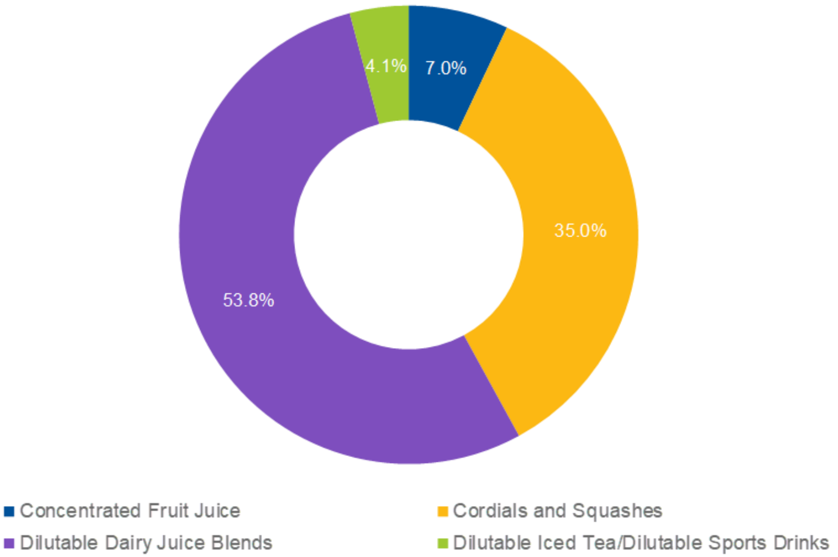
Despite the South African economy underperforming and the consumer's disposable income being depleted even further in 2016, the dilutable category showed a reasonable increase in the year under review.

- Lower consumer spending, downtrading to more affordable products, like dilutables
- Consumers choosing beverages that give them more value-for-money on a Rand per litre basis, of which dilutables are a prime candidate category
- The majority of South Africa's population fall within the middle to lower LSM groups and this category is targeted at this portion of the market. Thus positive growth in the category is expected
- It is a great standby product should a consumer not be able to afford alternative, more premium beverage products at the time. The long shelf life of the category lends itself to this scenario

There was an increase in the total value of print advertising spend during this time frame and an increase in the total number of adverts placed. This highlights that players are increasingly engaging with the end consumer via this above-the-line advertising method.

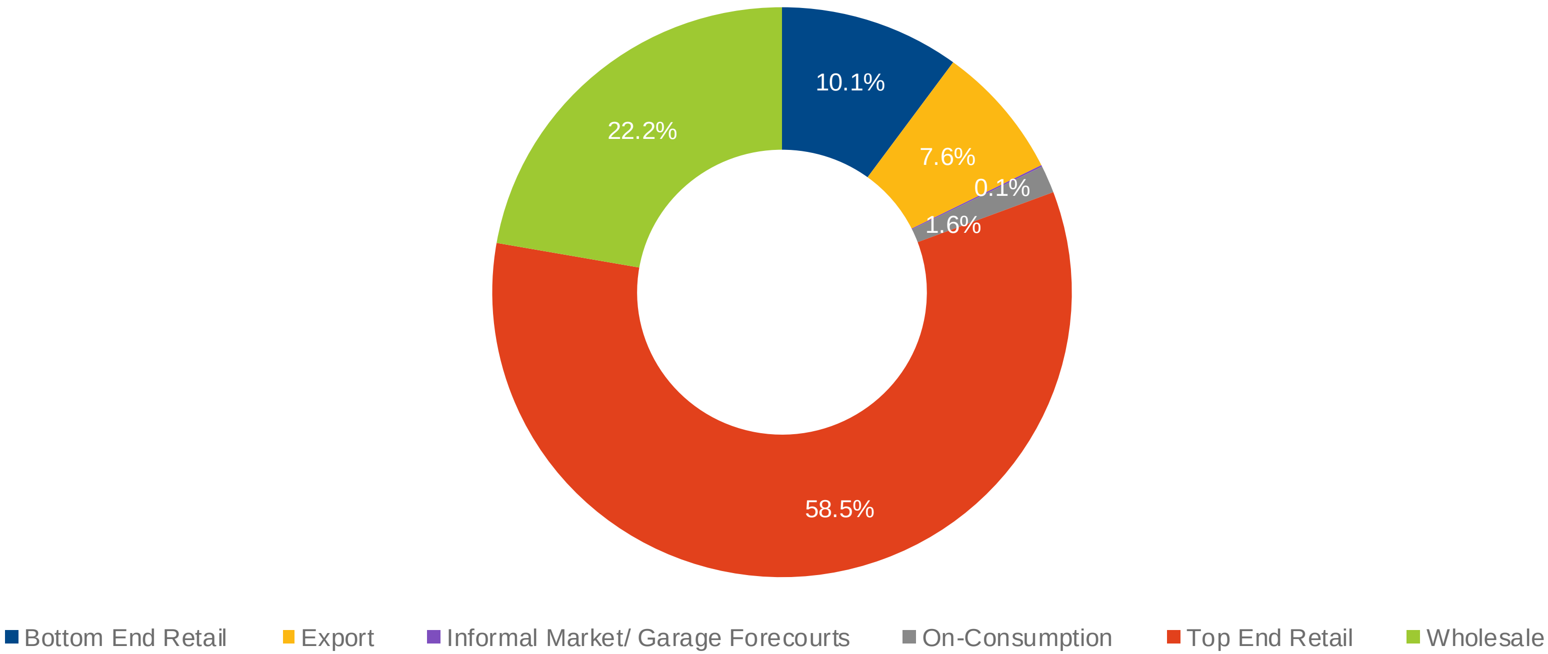
Market Breakdown 2016





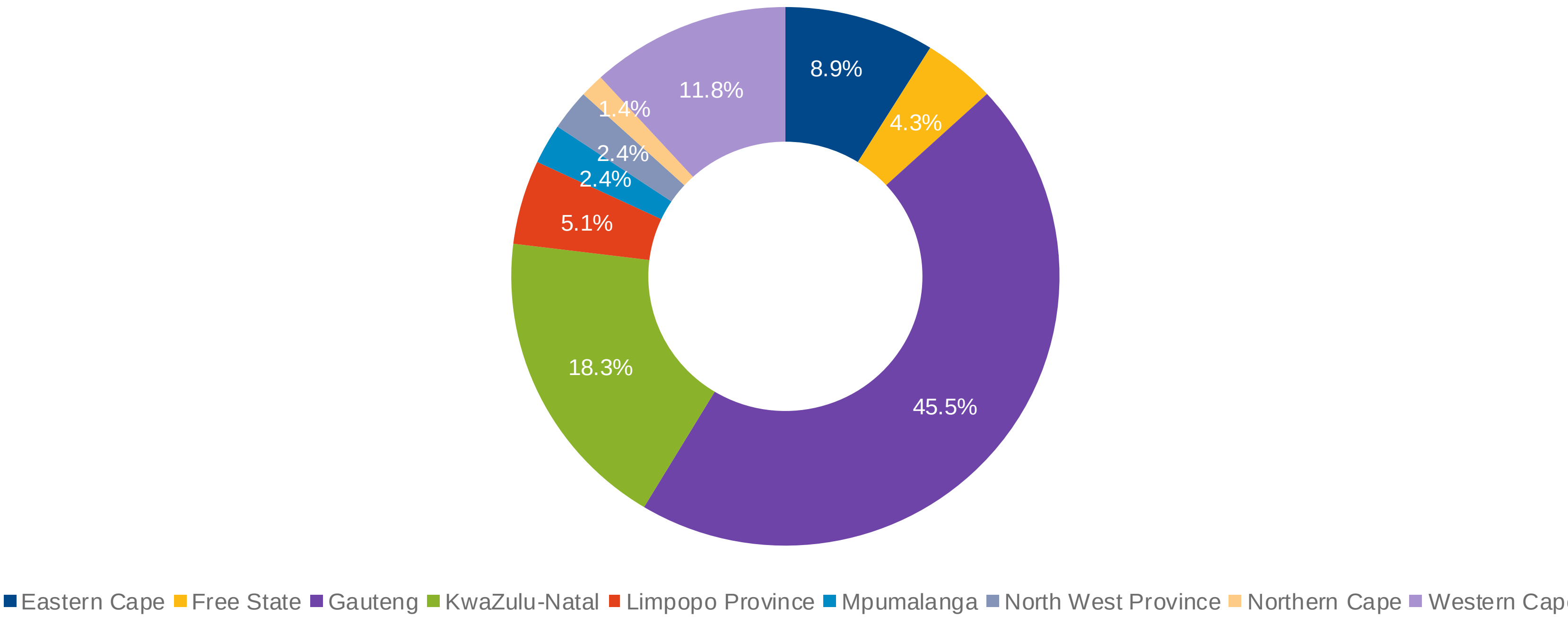
Cordials and squashes yielded a reconstitution rate of 5.4 litres per litre. This is slightly lower than the 2015 reconstitution rate of 5.5 litres per litre which means that consumers shifted to brands that offer a lower recon rate.

Channel Distribution 2016



Top end retail remained the mainstay and preferred channel to drive dilutable sales, followed by the wholesale channel. There is a level of product sourcing from retail by alternative sectors, such as bottom end and the informal trade, when there is discounting within the retail market. The retail channel is known for extensive marketing activity and, given the sector's purchasing power, it is able to offer worthwhile discounts and promotions. It is believed that dilutables are not a destination category, hence the activity around other products drives a consumer to a channel and plays a vital role in the sales for this category.

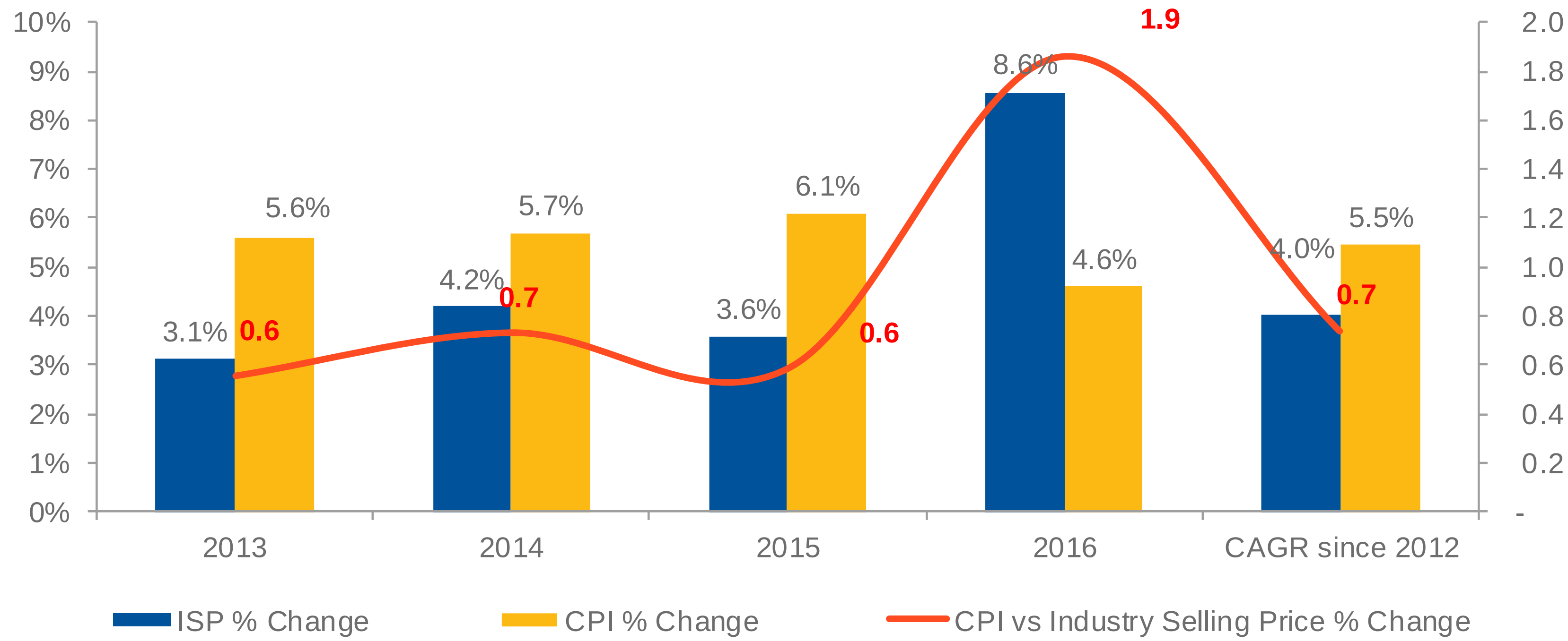
Local Regional Distribution 2016



The key metropolitan regions, which include Gauteng, Western Cape and KwaZulu-Natal, collectively contributed to the majority of the market share for the base year. Although players focused the majority of their print advertising spend in these regions, there was been a shift in spend to smaller regions, which include Limpopo and the Northern Cape. All regions, except for the Eastern Cape, published more adverts in 2016 compared to the previous year.

Excludes Exports

Historical Average Industry Selling Price



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Note:

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