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Media Feedback Report

2017 Powdered Beverages in South Africa

August 2017

Product and Channel Definitions

Product	Definition
Hot Powdered Drinks	Hot powdered beverages comprise three drink types, namely malt-based drinks, hot chocolate and cocoa. These powdered beverages are generally combined with either hot water and/or hot milk before being consumed.
Milk Based Cold Powdered Drinks	Cold powdered beverages entail a milk modifier in powder or granulated form that is used to make a drink with the addition of cold milk.
Water Based Cold Powdered Drinks	Cold powdered beverages that entail a water modifier in powder or granulated form that is used to make a beverage with the addition of water.

**Exports exclude client brands produced under licence in South Africa for other Southern African countries*

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Market Trends

The powdered beverages category continued to decline in volume and value from 2015 to 2016. The category was negatively affected by low or limited disposable income. For the most part, consumers see powdered beverages as premium or luxury products that are removed from the grocery list first during tough economic times. Low disposable income is expected to hinder the category growth further in the future.

Some players in the market indicated that there was a shortage of cocoa powder, this being a base ingredient for some powdered beverage products. Cocoa is an imported product and the unstable Rand-Dollar exchange rate affected the industry negatively. Some of the players saw the price of cocoa powder fluctuating on a monthly basis and this volatility made it difficult to source ingredients, particularly in terms of keeping input costs at bay.

Most of the regions were negatively affected as the category lost volume. The non-metropolitan regions showed slight growth possibly as brand marketing and promotional activities increased in these regions, thus making them less susceptible to the overall volume decline seen for the category.

Consumers are believed to be increasingly health conscious and are actively switching to perceived healthier beverages. Players are focusing on sourcing opportunities in channels and regions where they previously did not have a footprint. This is to maintain or grow their market share.

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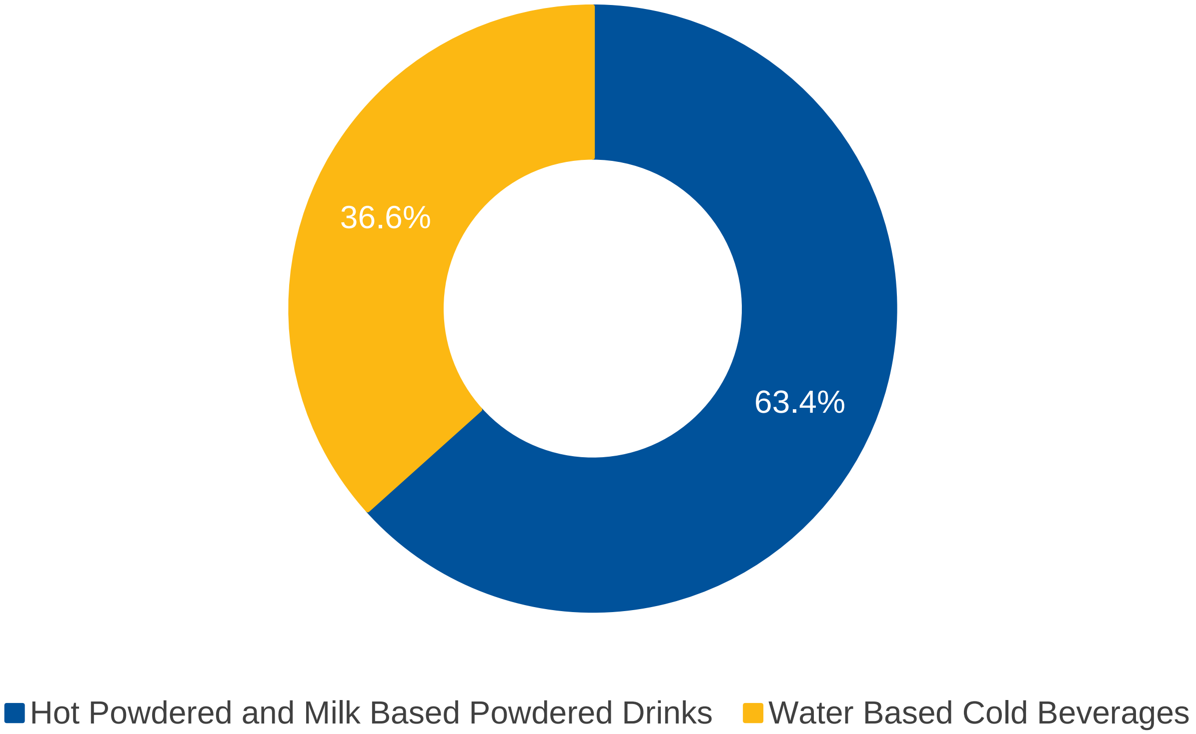
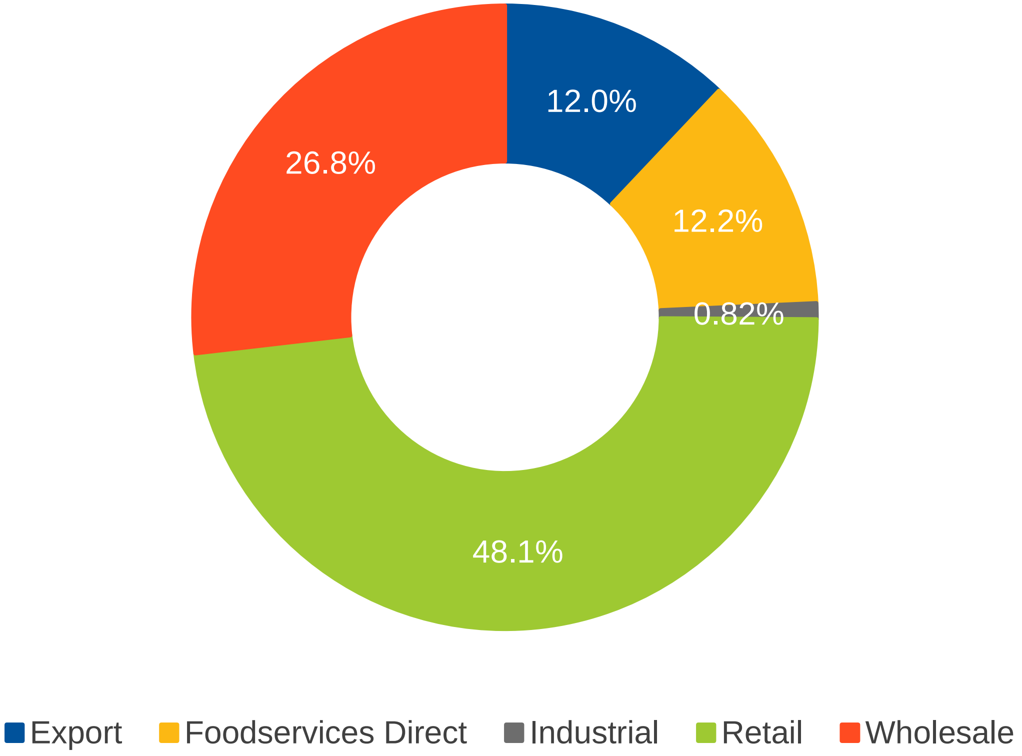
Total Market Breakdown 2016



The hot powdered and milk based powdered drinks group accounted for 63.4% of the total volume sold in 2016, down from the 64.0% volume share achieved in 2015. The category lost share to water based cold beverages that were available mainly in smaller pack sizes that are more affordable per unit.

Please note: Milk based and hot powdered drinks combined to protect player confidentiality

Channel Distribution 2016



The category distributed most of the market volume through the retail sector (48.1%) in 2016. This channel is characterised by a wide variety of products and promotional activities, attracting relatively more customers than other channels.

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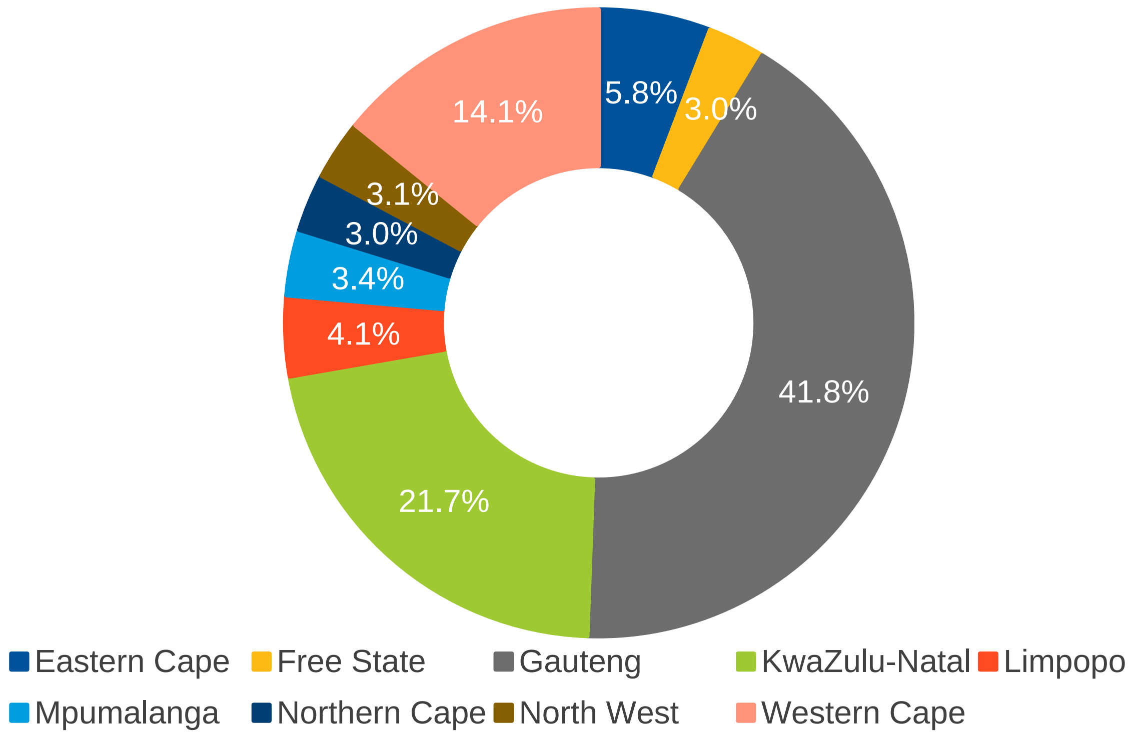
Regional Distribution 2016



The three metro regions collectively accounted for 77.7% of total volume sold in 2016, down from 78.4% sold in 2015. The decline may be attributed to low disposable income as well as the shift to ready-to-drink (RTD) beverage alternatives. It is hypothesised that consumers in these regions are becoming more health aware and are cutting down on products that are considered unhealthy.

Excludes exports

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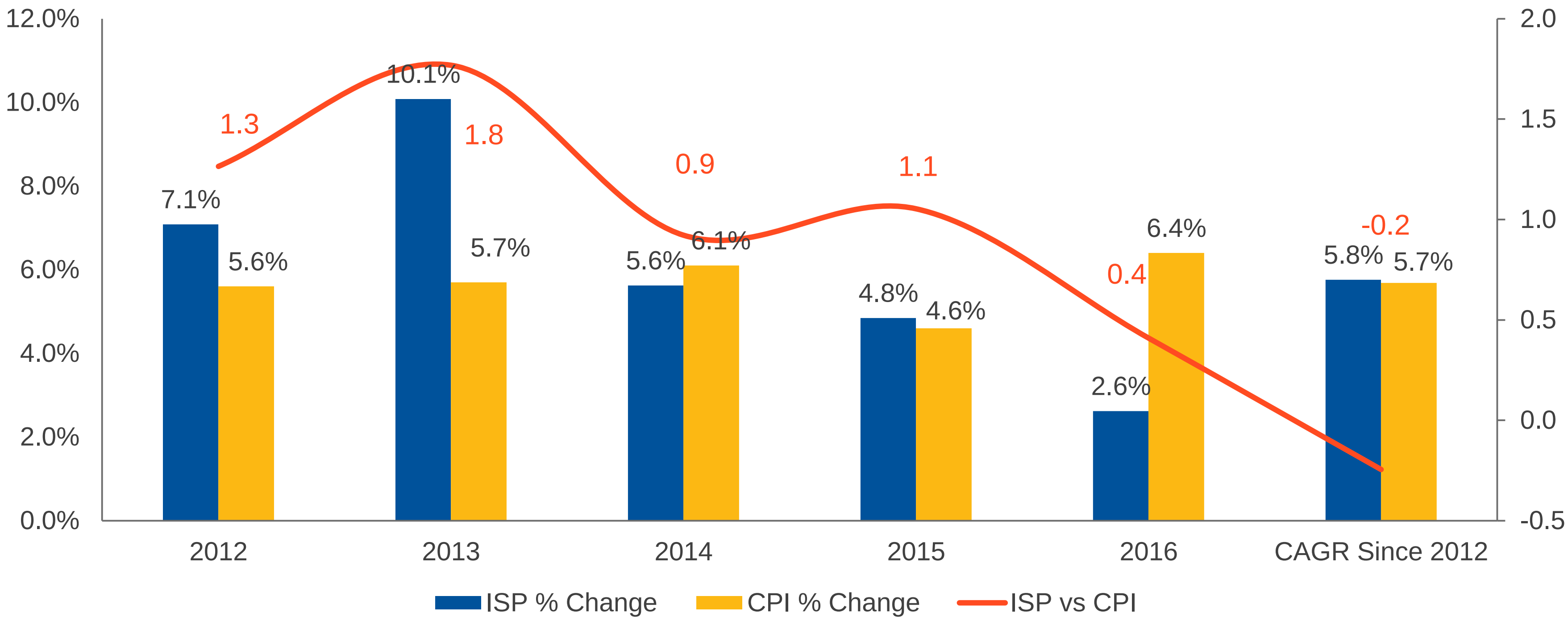
Historical Average Industry Selling Price



The average industry selling price increased by 2.6% in 2016. The slow increase may be attributed to product discounting, as is evidenced by the increase in the number of print advertisements by major players in the market.

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- 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
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