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Media Feedback Report

RTD Iced Tea in South Africa

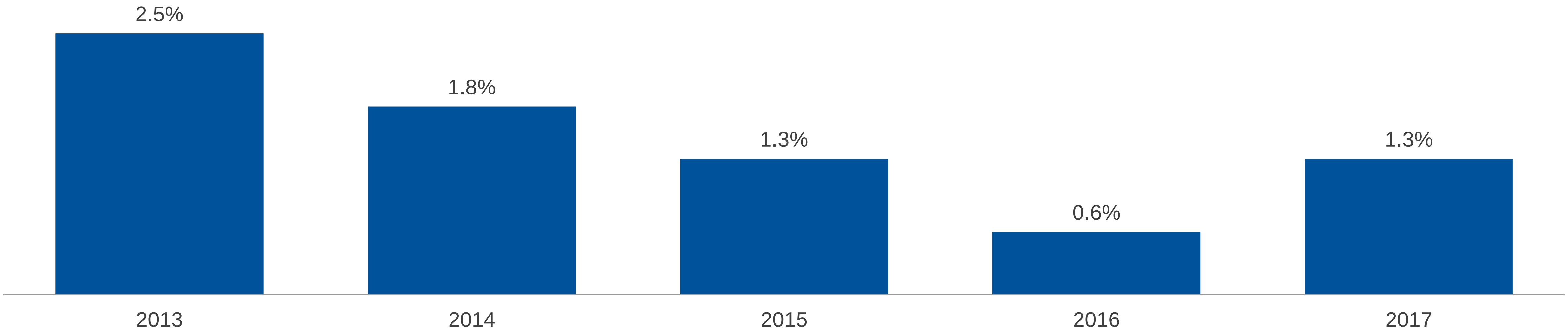
April 2018

South African Economy

South Africa's GDP

GDP is the market value of all officially recognised final goods and services produced within a country in a given period of time.

Growth rates in industry value added and GDP (constant 2010 prices)

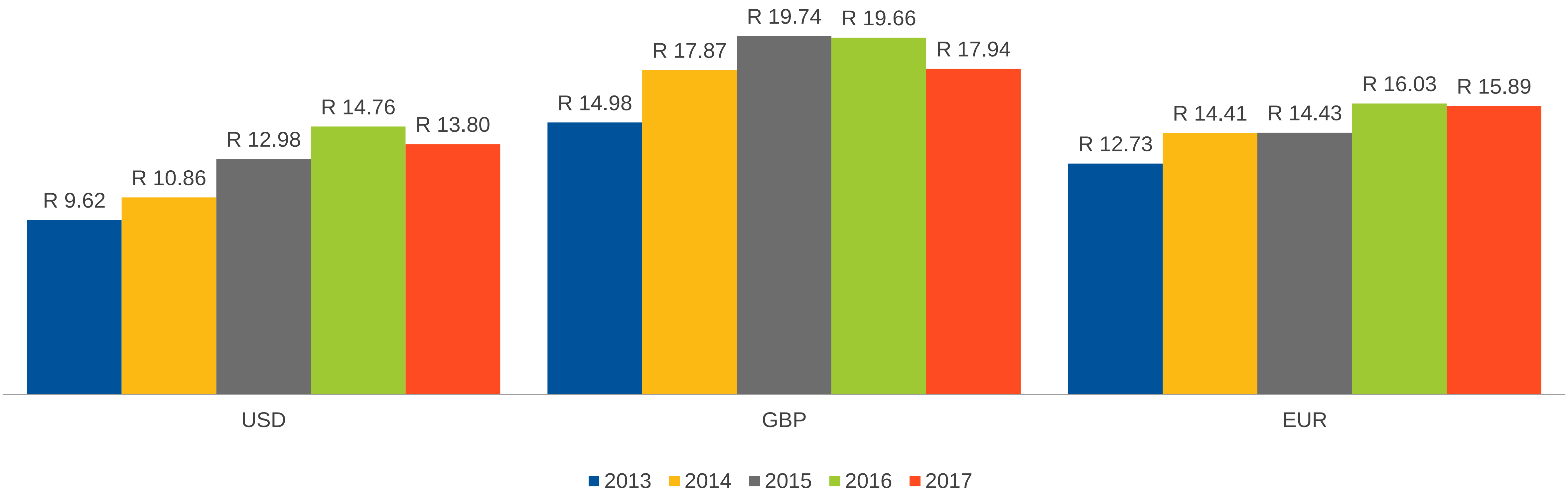


The South African economy grew by 1.3% in 2017, up by 0.7 percentage points compared to 2016. The RTD iced tea category experienced much pressure as the growth moved in an opposite direction compared to the GDP.

Source: Statssa, IMF

Currency

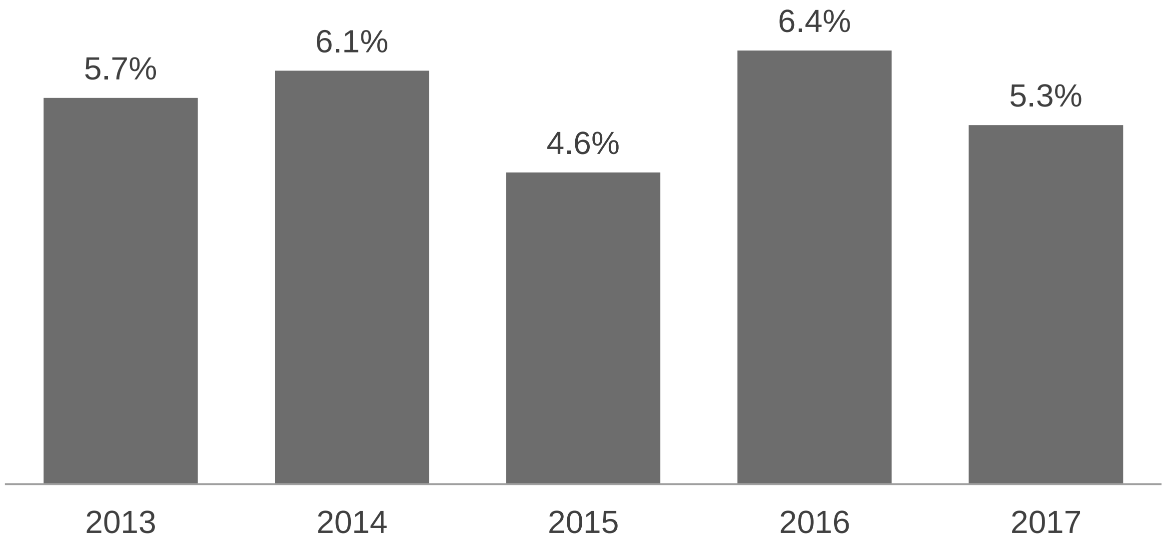
Performance of the South African Rand



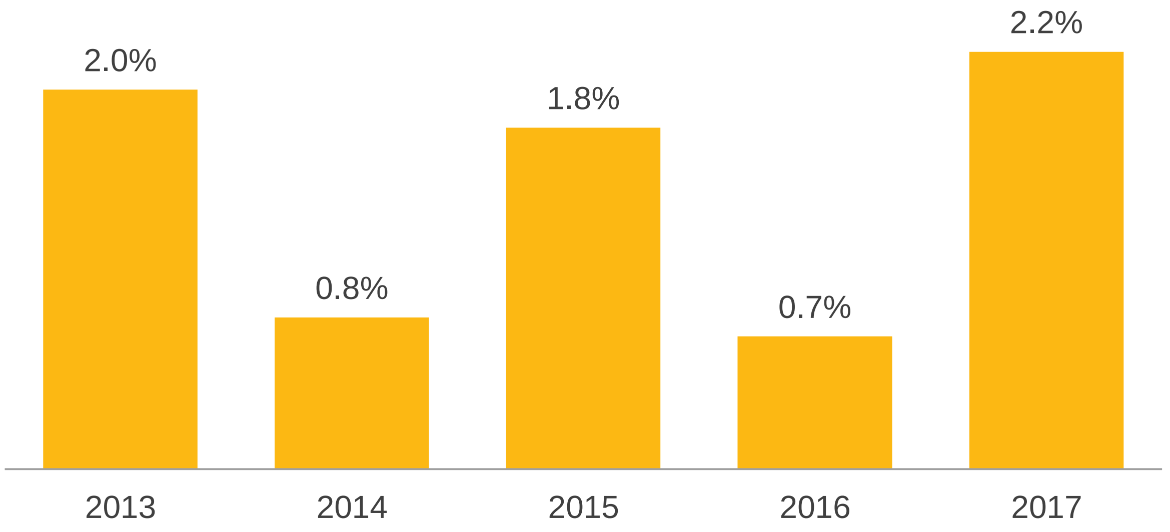
Source: Nedbank

South African Economy

Consumer Price Index



Household Consumption Expenditure



Source: SARB, Statssa

Market Trends

The 2017 economic year was faced with many challenges that have directly and indirectly affected the non-alcoholic ready-to-drink market. The South African economy sovereign credit rating was downgraded to junk status, affecting the economy negatively as investors minimised their investments in the economy. Zimbabwe witnessed a change in power as Robert Mugabe stepped down as the president of the nation after serving for 30 years as president. This change in the Zimbabwean economy has increased investor confidence in the Southern African regions and it is presumed that exporters in South Africa and other parts of the continent will now explore this previously underserviced region.

Within this context, the RTD iced tea category recorded the first volume contraction after several years of showing a positive volume growth. The category is said to have reached the maturing phase in the product life cycle and the following factors may have hindered further growth in the category:

- Limited investments into the country and political turmoil experienced during the course of the year created uncertainty for producers and tougher trading conditions
- Drought experienced in certain parts of South Africa during 2017 may have diverted sales to bottled water as RTD iced tea is considered a premium product
- Uncertainty over the proposed sugar tax which impacted on the RTD iced tea category. Iced tea has the advantage of being considered one of the more healthy non-alcoholic RTD beverages but nevertheless players had to look at changing the offerings to accommodate the new legal requirements
- RTD iced tea is often not the primary beverage offering for the manufacturers who sell a repertoire of products, and therefore is impacted by a focus on alternative core offerings by the larger manufacturers

The key metropolitan regions, namely Gauteng, KwaZulu-Natal and the Western Cape, continued to hold the majority share of market volume in the RTD iced tea category.

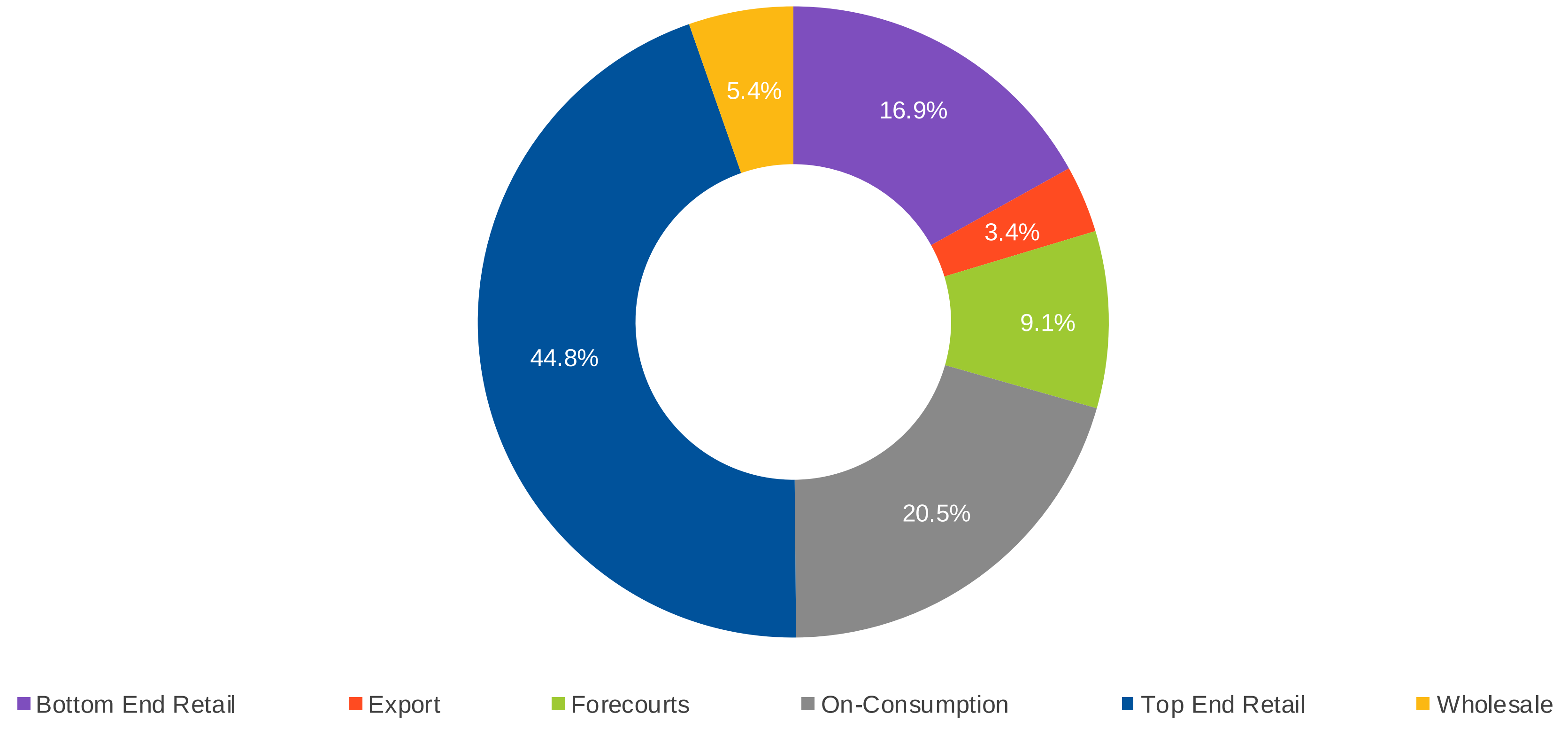
Top end retail maintained the lion’s share of the RTD iced tea category, accounting for 44.8% of the total market volume share for the year 2017. The top end retail sector has a larger spread of consumers compared to other channels.

Market Trends Cont.

Manufacturers have focused on providing healthier alternatives to the consumer with most of the larger manufacturers now offering diet or lite iced tea variants. This development has included an increase in healthy tea options such as RTD green or rooibos iced tea, and a focus on the natural anti-oxidants in tea that can also be offered to consumers.

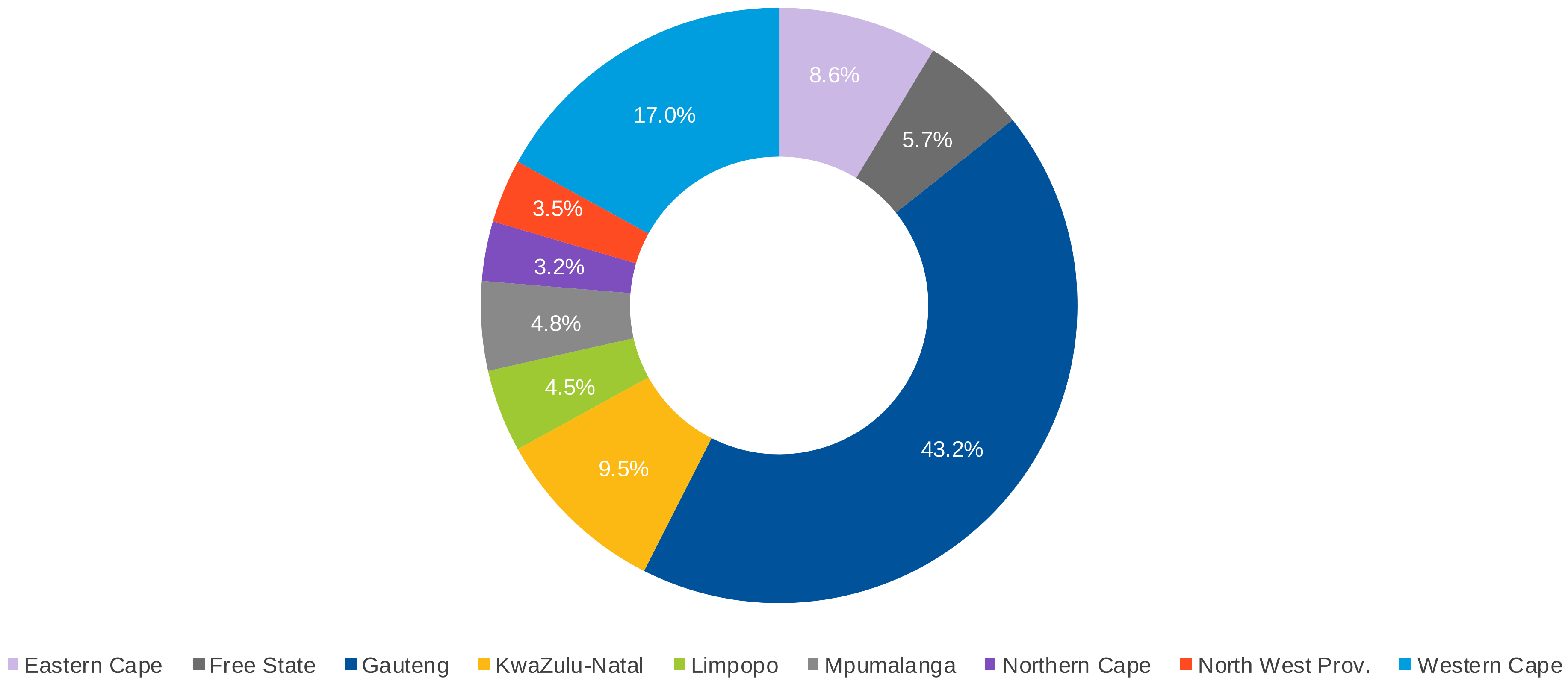
The RTD iced tea category is expected to maintain previous volumes in the short to medium term. The category did not meet the growth expectations for 2017 and manufacturers are planning to maintain their volumes going forward, hoping for a full restoration of the category volumes only in 2019.

Channel Distribution



Top end retail continues to harness the lion's share of the category volume. This sector accounted for 44.8% of the market share for 2017. It is believed that manufacturers concentrated on marketing and instore promotions in this channel, as opposed to other channels, due to the large consumer base within the sector. RTD iced tea is also well-established in this sector and maintains this position well because the premium nature of the iced tea category matches the demographics of top end retail.

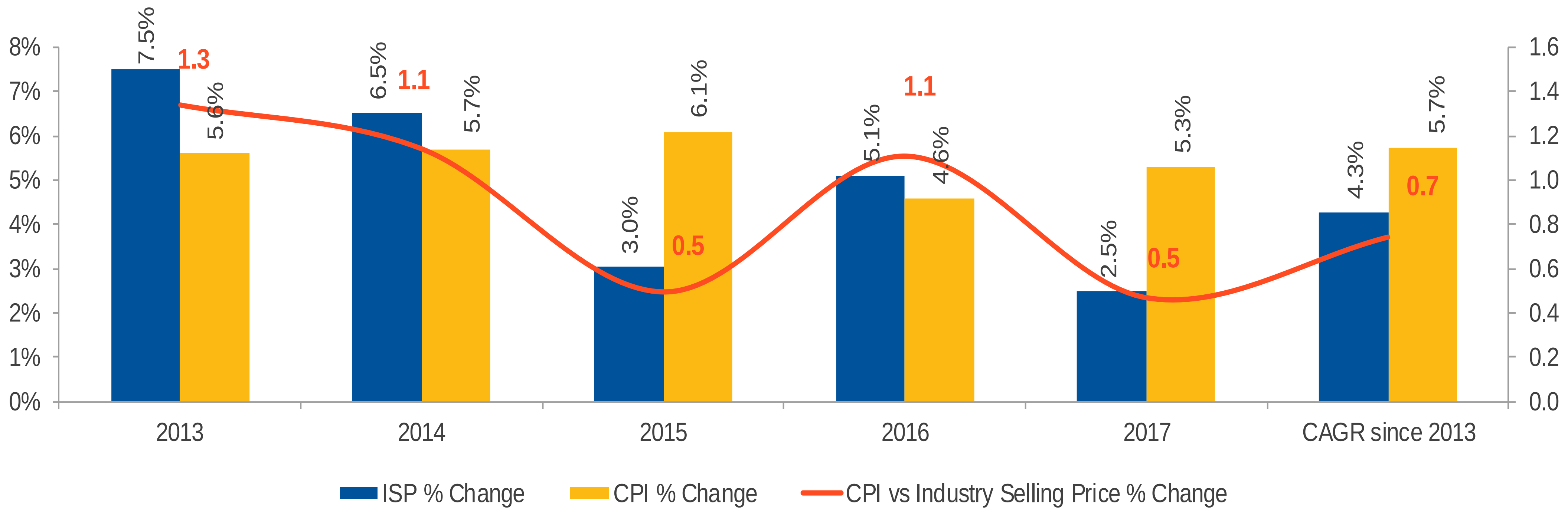
Local Regional Distribution



The key metropolitan provinces, which include Gauteng, KwaZulu-Natal and the Western Cape, continued to hold the majority of the regional volume share in 2017.

Excludes Exports

Historical Industry Selling Price



The category pricing showed a limited growth of 2.5% that was lower than the annual headline inflation rate for 2017. Manufacturers may have absorbed increases in production costs rather than passing these on to consumers.

The industry selling price represents a weighted average selling price across all channels
Pricing represents an average weighted Rand per Litre

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- Adspend Value
- Print Ads Mobile App
- Promotional Effectiveness

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