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# Media Feedback Report 2018

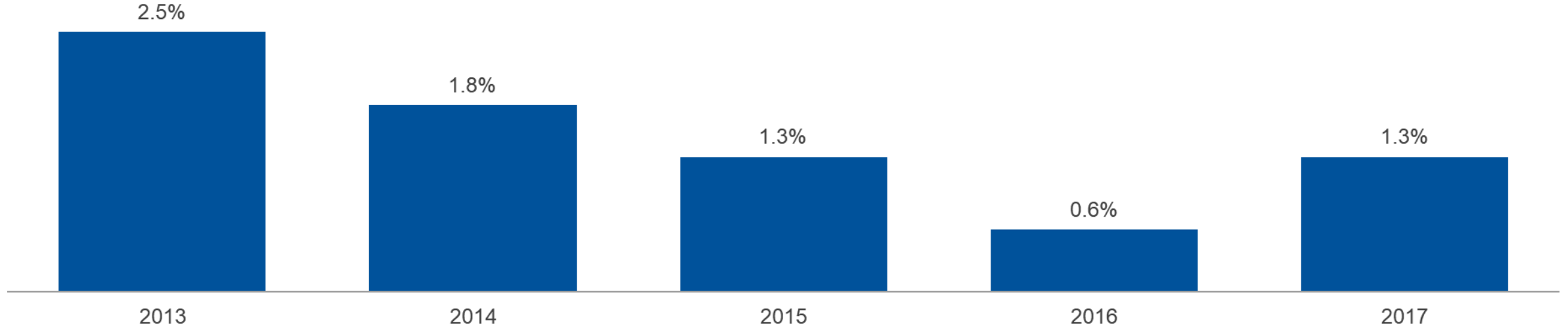
*Sparkling Soft Drinks in South Africa*

# 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)

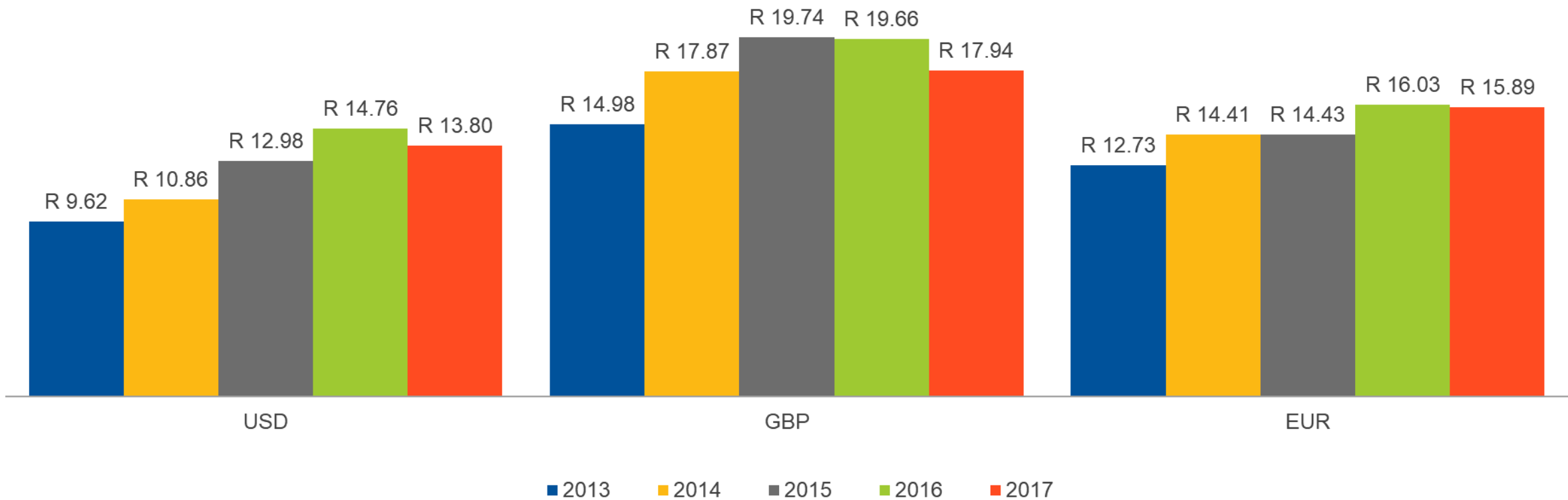


*The South African economy grew by 1.3% in 2017, up by 0.7 percentage points compared to 2016. The category contributed 1.4% in value to the economy during that period.*

Source: Statssa

# Currency

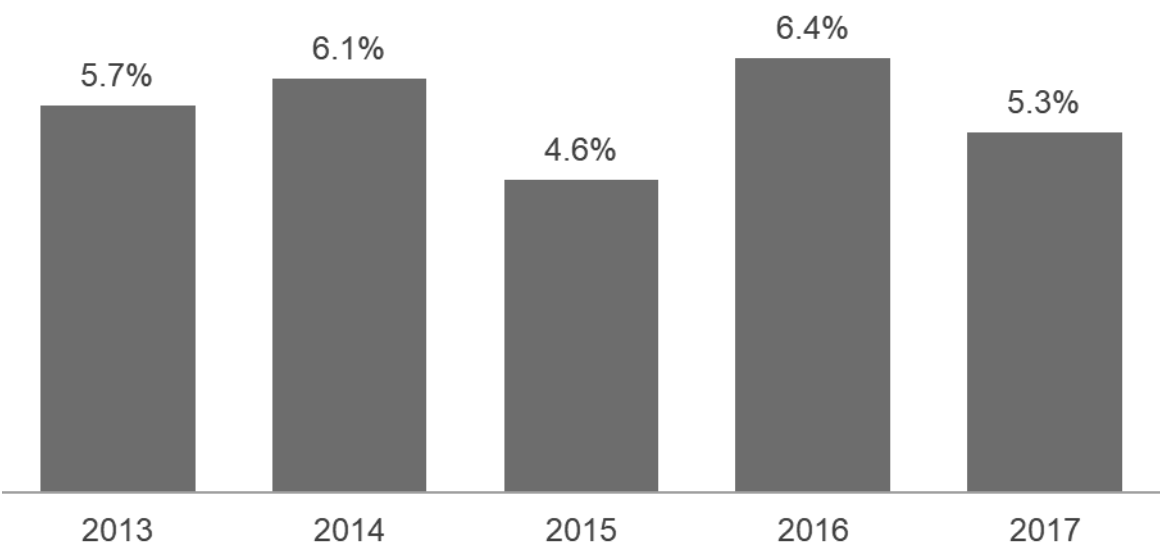
## Performance of the South African Rand



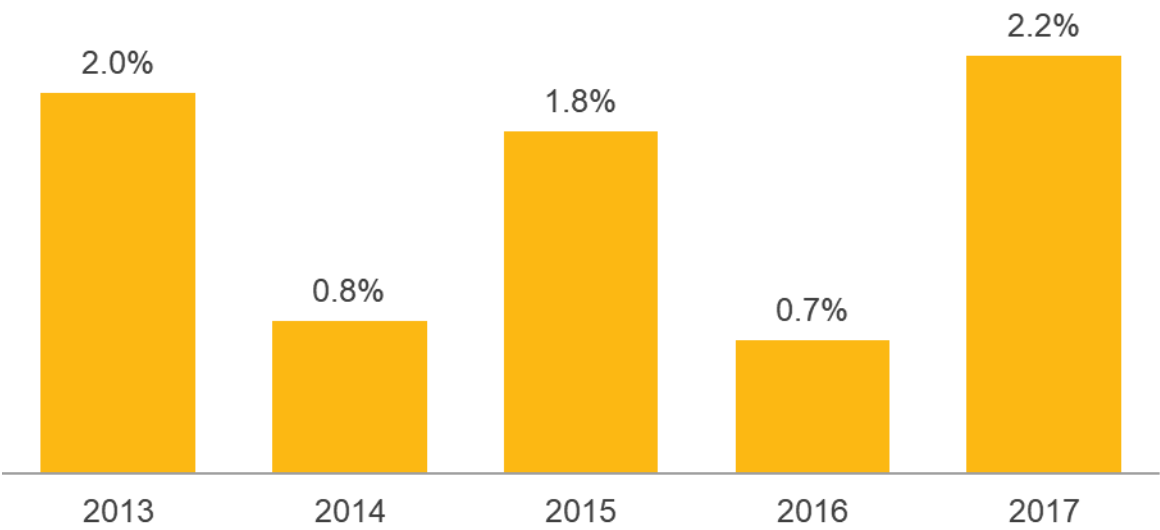
Source: Exchange Rate

# South African Economy

Consumer Price Index



Household Consumption Expenditure



Source: Statssa



## *Market Trends and Summary*



# Market Trends

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The sparkling soft drink category grew in volume but declined in value in 2017 compared to 2016.

The conservative volume growth seen for SSDs was indicative that the category is in the mature stage and has limited room for growth.

The category contributed 1.4% to the economy in terms of value. The decline in overall SSD value was attributed to the decline in average industry selling price as the category competed for share with other non-alcoholic beverages in the market that are competitively priced and considered healthy. The recent announcement of sugar tax implementation (in April 2018) is expected to affect the pricing and volume negatively in the future, hence the players have introduced low sugar and no sugar variants at the same or similar price points as the normal sugared products.

The value decline may also be attributed to:

- The depreciation in average industry price, as players were believed to be absorbing input cost increases to remain competitive
- Promotional and marketing activities by stores and brands, selling products at a discounted price in order to increase category volume share
- An increase in awareness campaigns for diet or light variants, promoting a 'healthier' option within the category
- The increase in demand of larger pack sizes that are cheaper in Rand per litre terms

The top end retail and bottom end retail channels remained the most dominant in terms of product distribution, accounting for 64.3% of SSD volumes sold in 2017. This was followed by the wholesale channel at 25.8%. Bottom end retail recorded the highest volume growth in 2017 compared to other channels. It is believed that bottom end gained share from wholesale as the players distributed the product directly to smaller retailers instead, thus removing the middle man from the distribution chain. Garage forecourts and the on consumption channel both declined in volume. It is believed that these channels lost SSD share to other competing beverages that were considered more affordable and healthier.

## Market Trends Cont.

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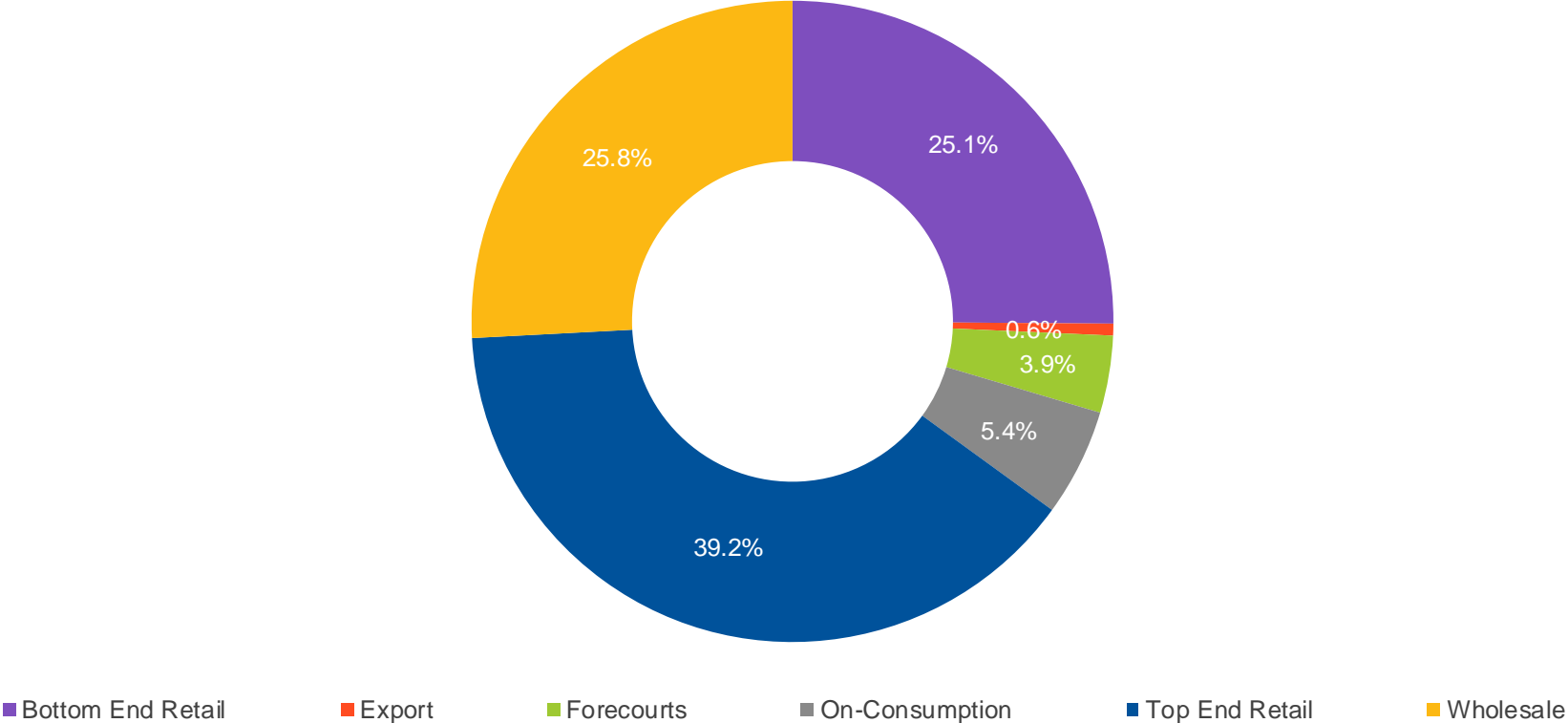
The three major metropolitan regions continued to dominate the category in terms of volume distribution. These three regions combined accounted for 67.6% of the total volume sold in 2017. These regions are said to have more opportunities for players to expand their product offering and higher than average consumption expenditure. The warmer temperatures experienced in certain regions of the country contributed to the increase in product demand.

The two litre or more pack size category and PET continued to dominate the SSD packaging demand for 2017. These pack sizes and materials are readily available in the market at an affordable price. There was a shift in share between the 440ml and 500ml as one player downsized their 500ml pack size to 440ml towards the end of the year.

The category experienced a significant increase in the volume of diet drinks sold in 2017 with more emphasis on flavoured diet variants. This movement became more visible when the government announced the sugar tax on beverages in 2016 and has been growing since. The volume of low sugar and no sugar variants have more than doubled in the last year. There was an increase in awareness of health benefits of consuming low-sugar and no-sugar drinks compared to the traditional category offerings.

The sparkling soft drinks category is expected to remain under pressure in the short term as disposable income remains suppressed. The increase in VAT as well as the implementation of sugar tax in April 2018 are some of the factors that are expected to negatively impact on price in the future, thereby affecting volume demand.

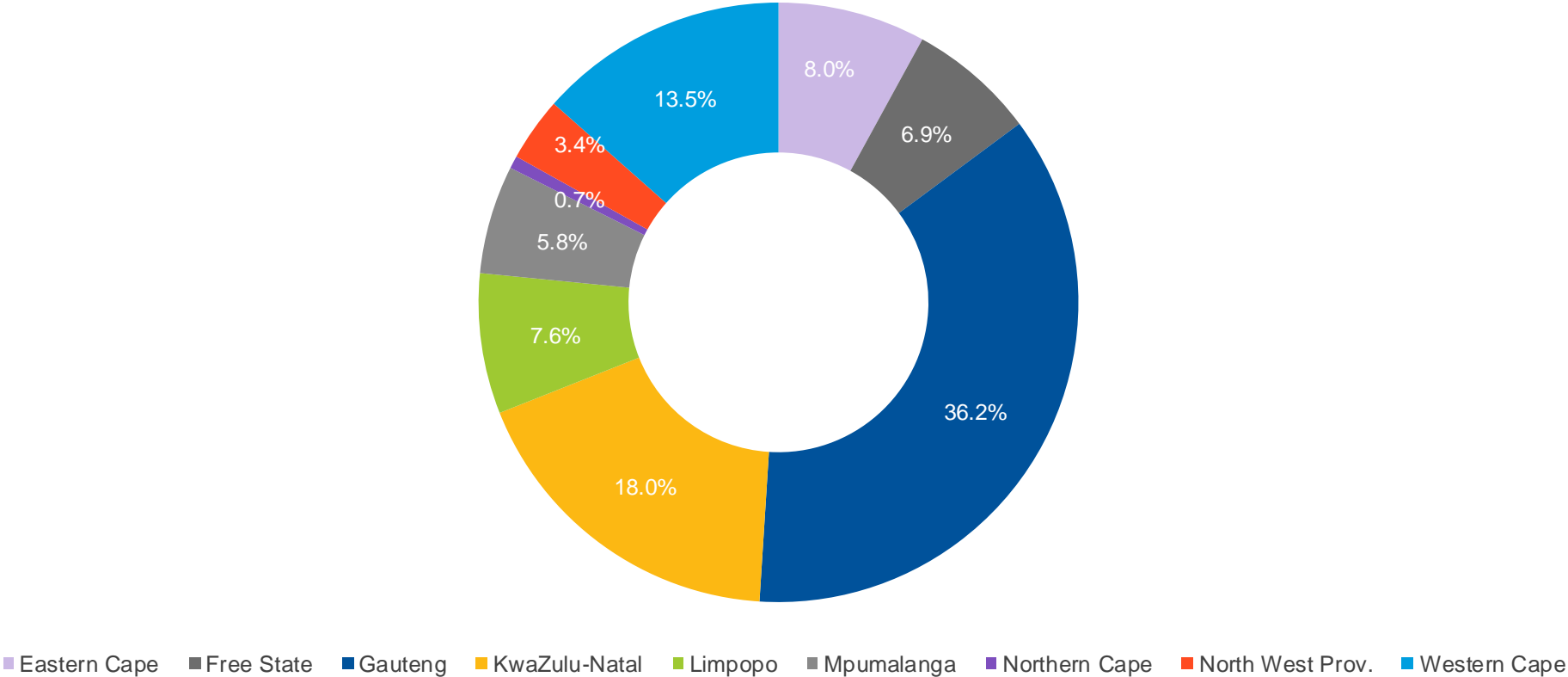
# Channel Distribution



*The retail sector dominated the distribution of sparkling soft drinks, followed by wholesale channel. These channels are easily accessible and attract a larger footprint, thereby selling greater volumes of the product.*



# Local Regional Distribution

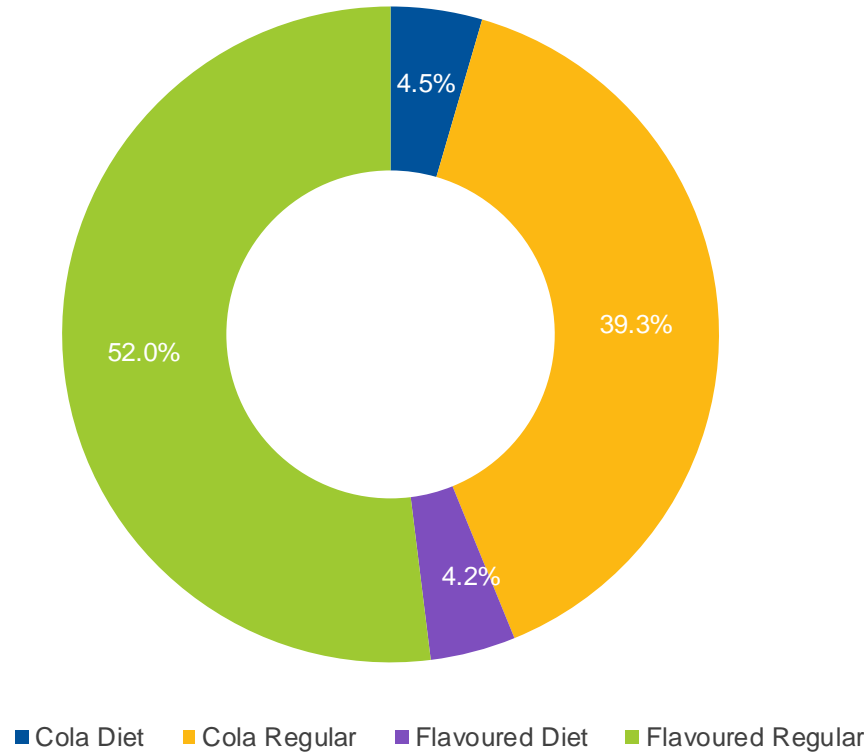


*Gauteng was the single largest region used to distribute sparkling soft drinks in 2017, accounting for over one-third of the total volume sold, followed by KwaZulu-Natal and the Western Cape. The majority of production plants are situated in these regions, making it easier and cheaper to distribute sparkling soft drinks in these three provinces.*

*Note: Volume excludes export*

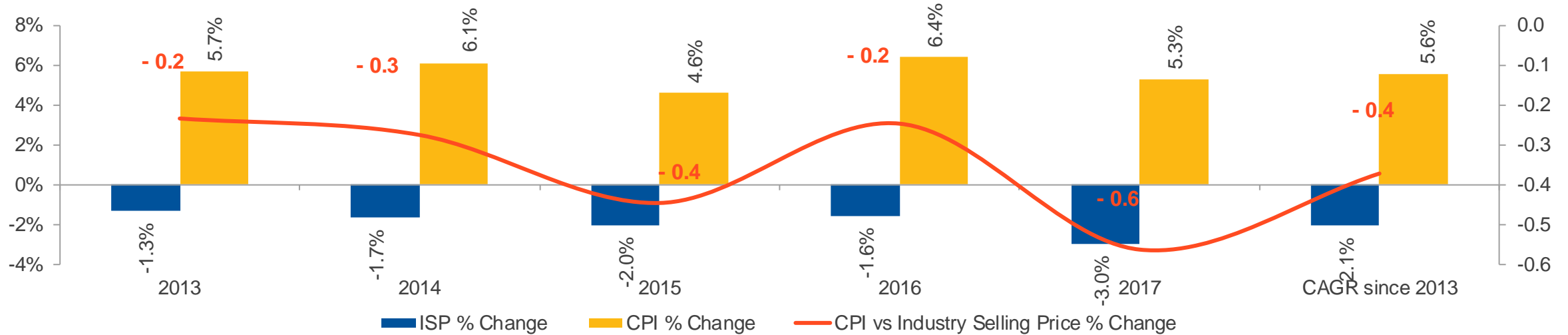
# Product Breakdown

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*Flavoured regular and cola regular variants continued to dominate the flavour breakdown of sparkling soft drinks. The diet variants volume share increased to 8.7% of the total volume sold in 2017. The announcement of sugar tax saw the industry increase their diet variants in order to comply with the new law.*

# Historical Industry Selling Price



*The average industry selling price declined in 2017 compared to 2016. The 2017 year was characterised by low retail sales on luxury products as the economy weakened. It is hypothesised that product manufacturers absorbed some of the inflation in order to increase their sales and volume share in the market.*



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