BMi RESEARCH

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Media Feedback Report 2018

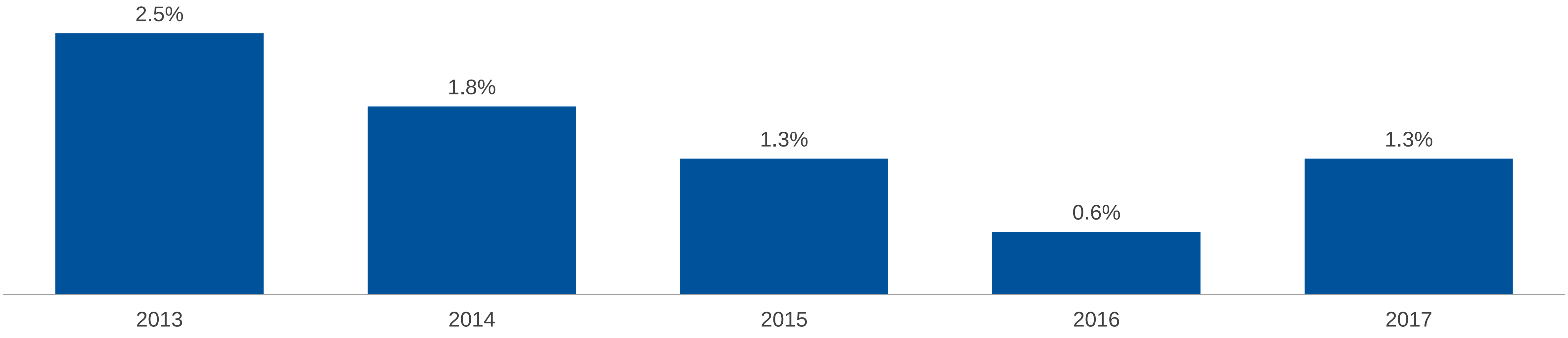
Mageu in South Africa

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)

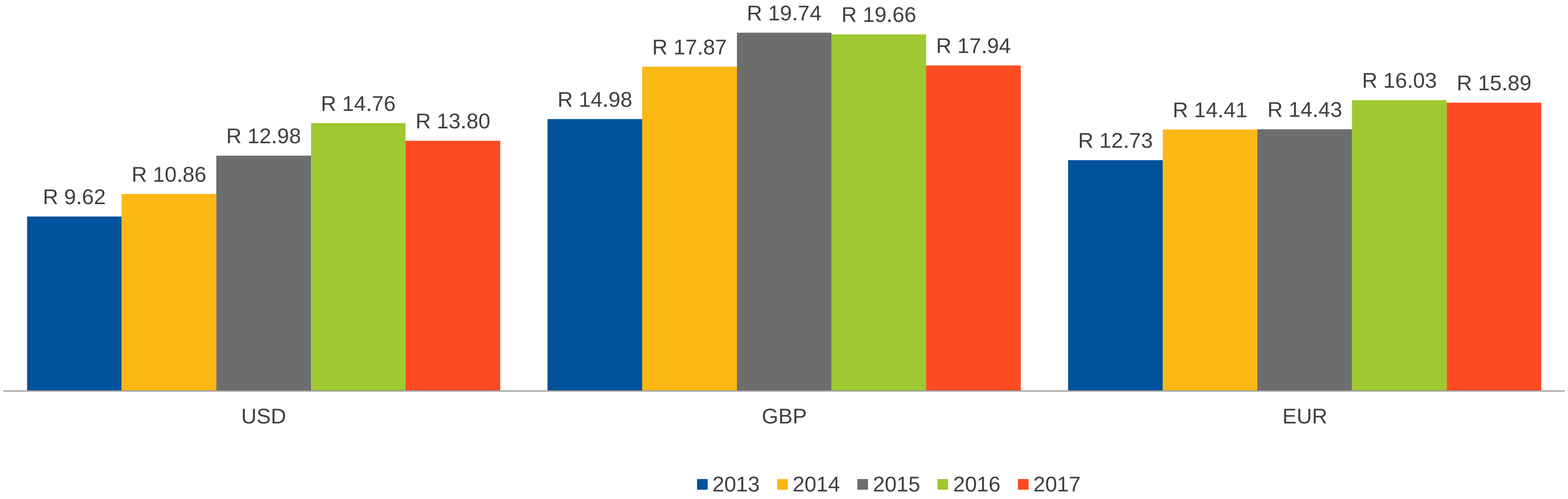


The South African economy grew by 1.3% in 2017, up by 0.7 percentage points compared to 2016. Mageu experienced much pressure as the category growth moved in the opposite direction to GDP.

Source: Statssa, IMF

Currency

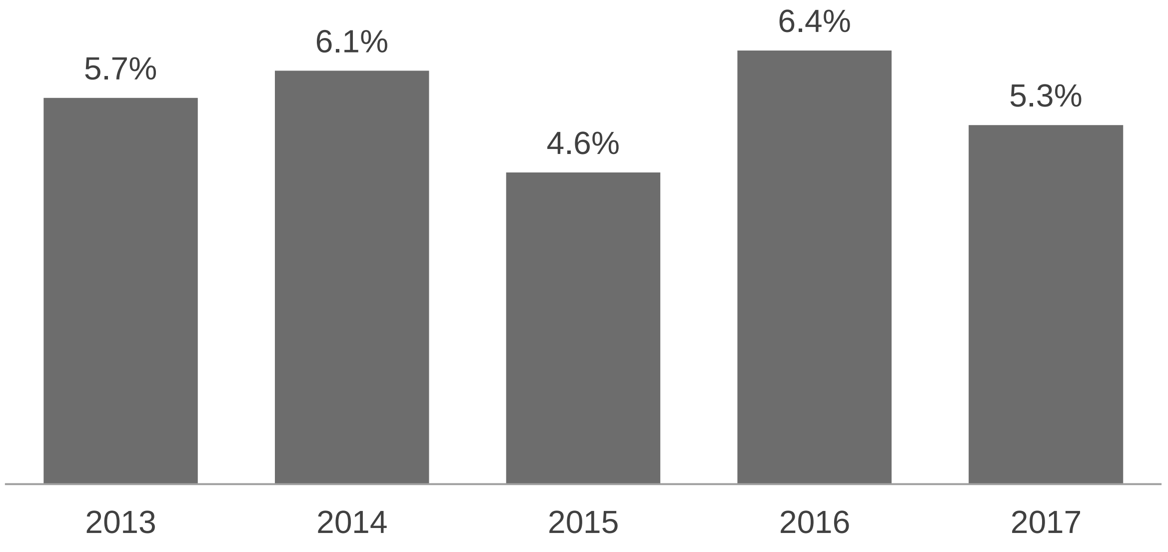
Performance of the South African Rand



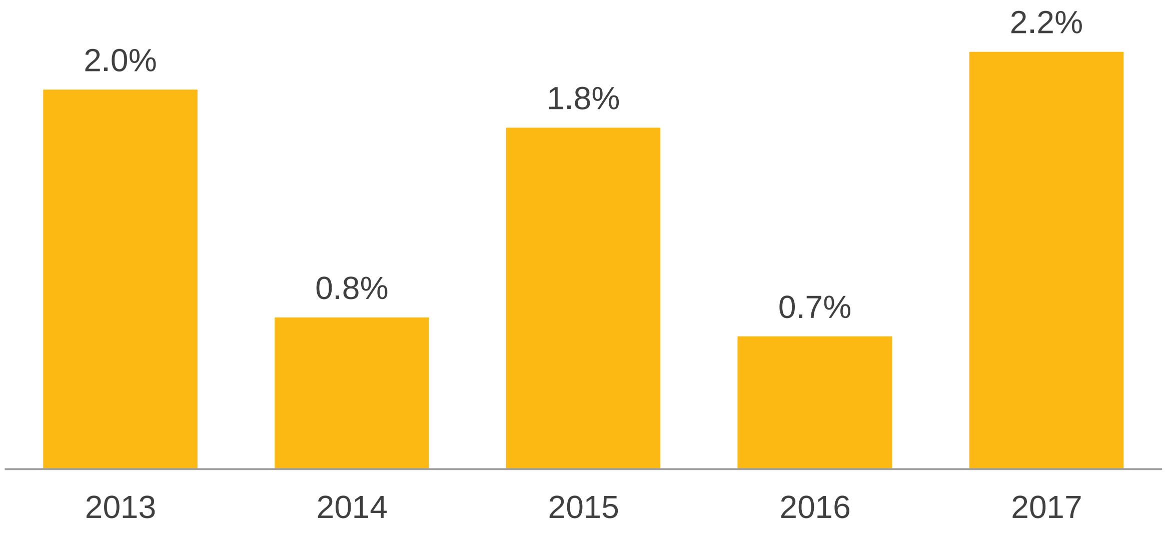
Source: Nedbank

South African Economy

Consumer Price Index



Household Consumption Expenditure



Source: SARB, Statssa

Market Trends

Market Trends

Mageu category volumes suffered a loss in 2017 as the economy came under pressure. It is believed that this category is more sensitive than others to the country's economic situation, as the target market includes lower-income, price sensitive households.

However, the category yielded growth in value from 2016 to 2017, in spite of a decline in volume during this time.

In order to bypass the suppressed economy, it is hypothesised that consumers in rural locations are making their own mageu. They are believed to be the dominant consumers of the product and during challenging times they naturally shift to cheaper alternatives.

Other reasons for the category decline include:

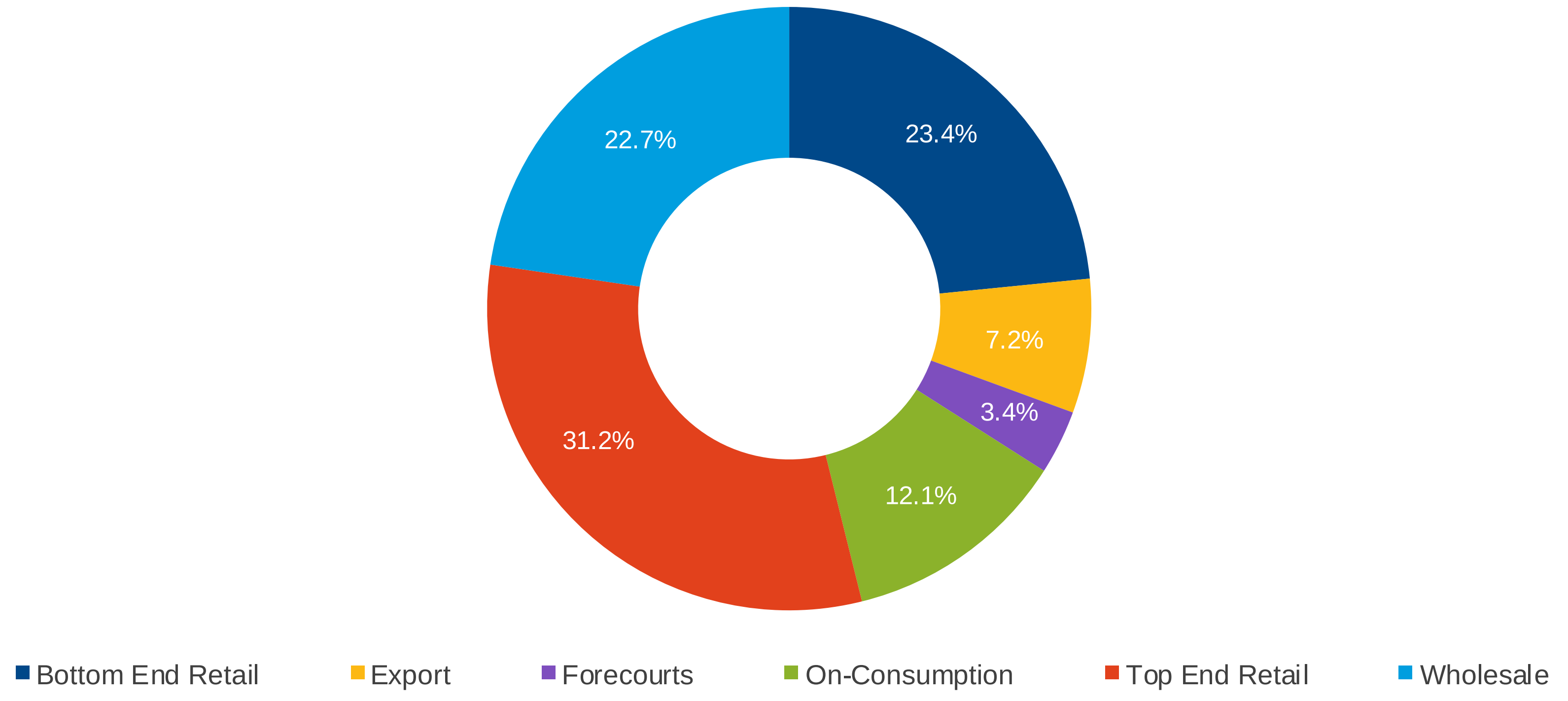
- Players diverting their focus to alternative beverage categories
- The depletion of consumer disposable income and job losses in certain regions due to the drought and other social and political challenges
- The discontinuation of certain mageu lines within the base year

Mageu is packed primarily in carton packaging. This format declined during 2017. It is believed that the drivers for carton being the dominant pack option include its convenience, durability (as the target market consumer generally uses public transport), and the pack type is historically associated with the brand. The carton packaging comprises mainly the 500ml and 1 litre denominations. Plastics are a major cause of pollution, and plastic manufacturers have faced criticism from environmentalists over the years. This could be a potential barrier to further plastic usage for the mageu category.

Top end retail was the preferred channel for this category during 2017, however this is followed closely by bottom end retail as the latter is believed to be closer to the target consumers of this category.

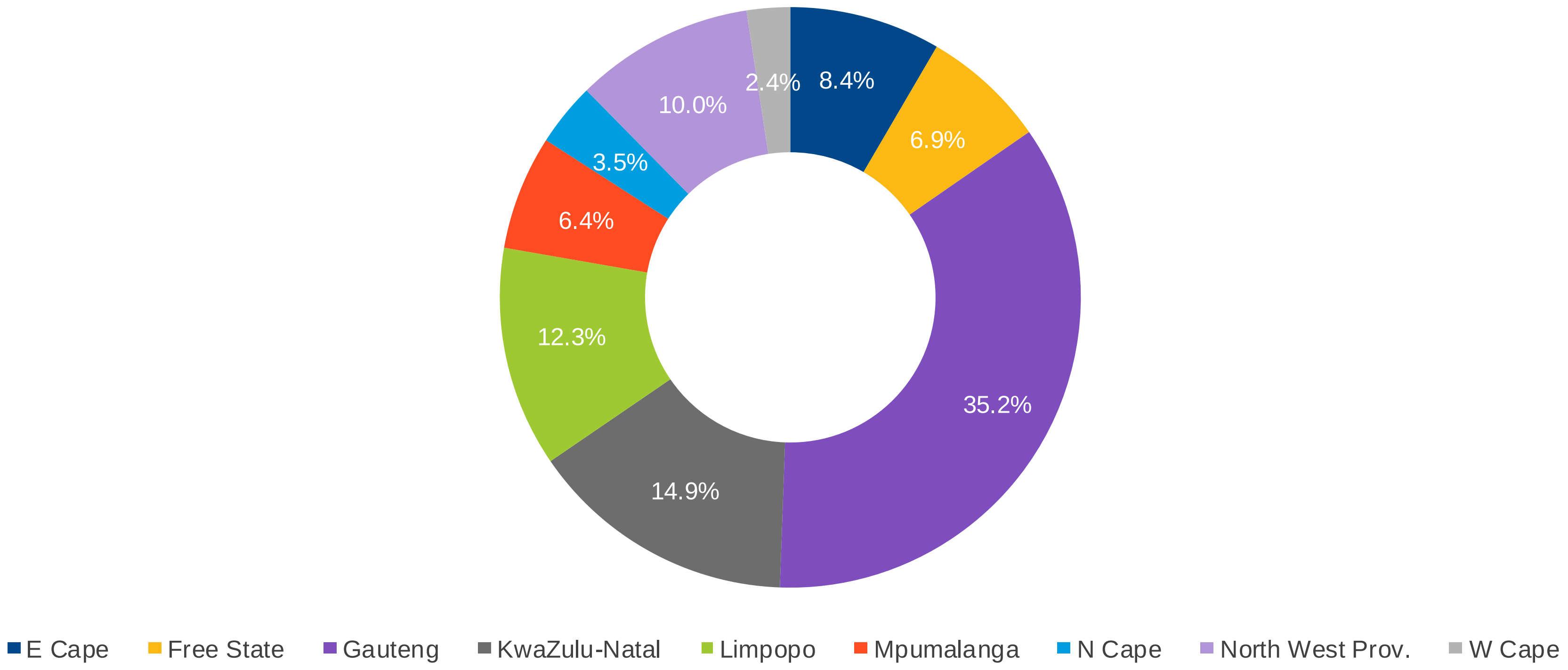
The primary consumption region for the category is Gauteng, as this province accounted for the majority of regional share in the year under review. This could be due to people moving away from their homelands to the city in search of work. This is followed closely by KwaZulu-Natal which has a strong rural element but also may be seeing a shift in population to metropolitan areas for employment opportunities. Limpopo and the North West province hold a large volume for non-metropolitan regions however experienced a decline year-on-year.

Channel Distribution



Although all local channel volumes are down on 2017, on-consumption, bottom end retail and top end retail showed smaller percentage declines year on year. On- consumption is said to be highly dependent on feeding schemes to maintain volume levels, and there were fewer of these prospects compared to previous years

Local Regional Distribution



The Western Cape, although one of the major contributors to the South African GDP, does not perform as well in this category compared to other beverages. It has however experienced a volume growth but must be noted that it is off a small base. Limpopo and the North West province hold a large volume for non-metropolitan regions however experienced a decline year-on-year. Smaller, non-metropolitan regions which contribute a large share include the North West, Limpopo and the Eastern Cape. Spin offs from the Eastern Cape's Coega industrial development programme have translated into growth for various beverage categories, mageu included. As a result many players have focused on this region to harness growth opportunities.

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

- Consumer Insights
- Shopper Insights

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- Staff Compliance
- Promotional Compliance

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- Compliance Tracker
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