



insights
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Media Feedback Report

Dilutables in South Africa

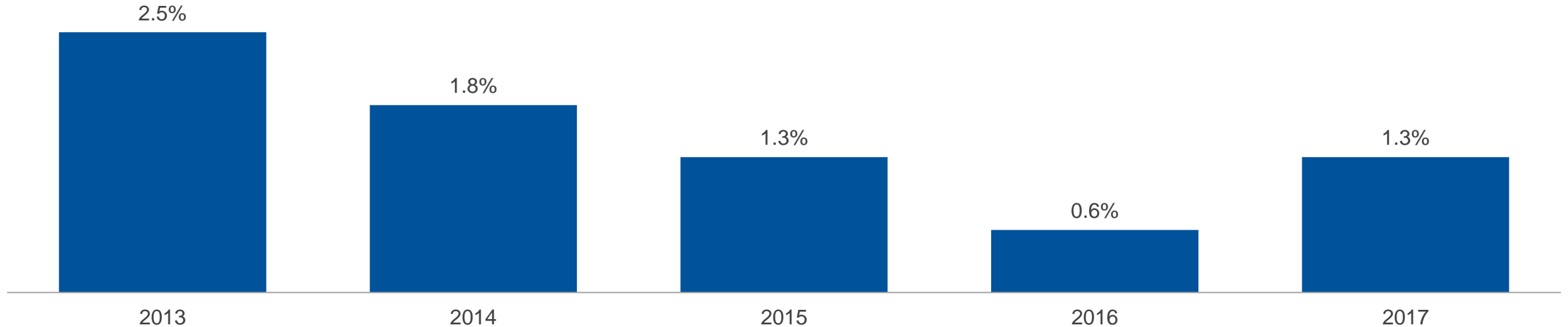
April 2018

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)

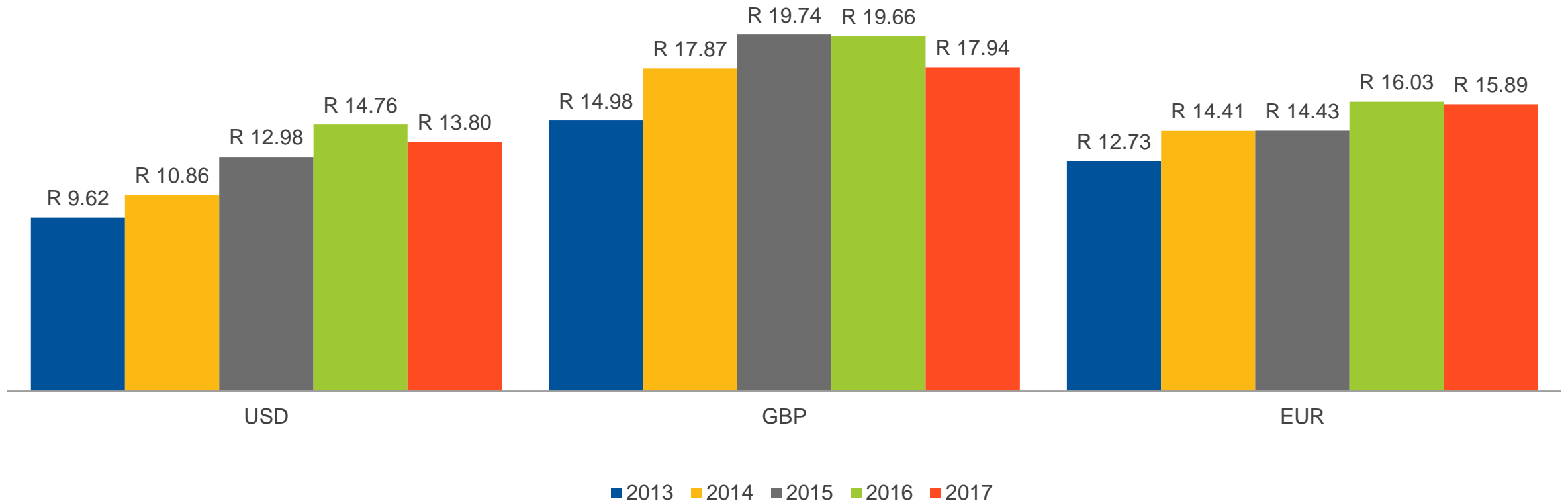


The South African economy grew by 1.3% in 2017, up by 0.7 percentage points compared to 2016. The dilutables category declined in volume for the same period.

Source: Statssa, IMF

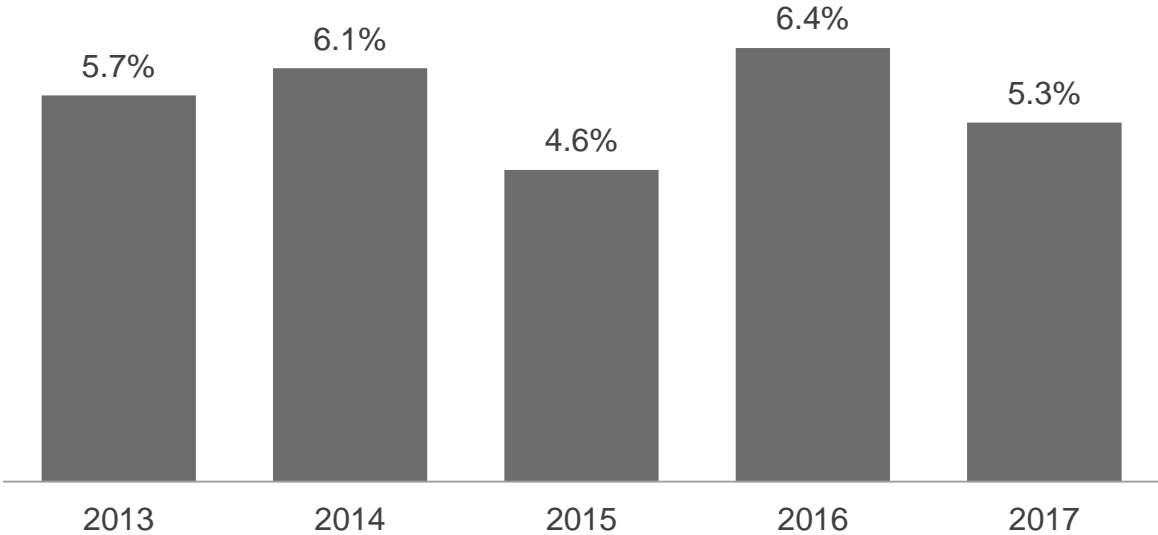
Currency

Performance of the South African Rand

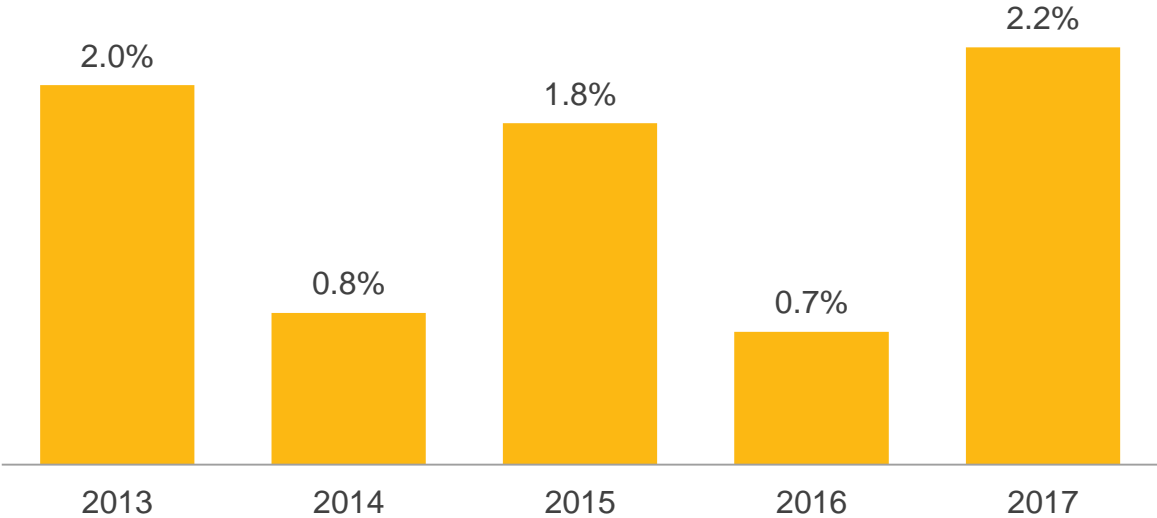


South African Economy

Consumer Price Index



Household Consumption Expenditure



Source: SARB, Statssa



Market Trends

The dilutables category showed a decline in volume in 2017 compared to 2016. All subcategories in the dilutables category recorded positive volume growth for the period under review, besides the cordials/squashes and bases subcategory. The exit of a player in this subcategory is one of the contributing factors to the decline witnessed in the dilutables volume overall. The exit of the player affected the market share for the subcategory in that it shifted from first place to second place, with dilutable dairy juice blends accounting for the largest market share for 2017.

The highest volume growth was recorded by the dilutable ice tea/sports drinks subcategory, where this was driven largely by private label dilutable iced tea. Dilutable iced tea is gaining popularity within South Africa and it is believed that there is untapped market potential in these variants.

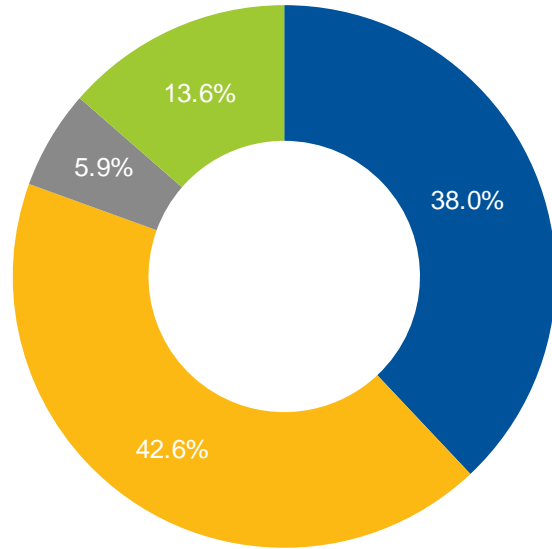
The top end retail sector remains the stronghold of the category. This channel is known to have many in-store promotional activities to drive sales and also has retail private labels which are often a more economical offering. Private labels have become popular for consumers especially during these tough economic times. Over the years retailers have improved the product quality, packaging and marketing of private labels and this is believed to have changed consumer perceptions of these brands which may have translated to increased sales.

Gauteng continued to hold the majority volume of the dilutables category followed by KwaZulu-Natal and the Western Cape. These regions have a large population base as, according to the mid-year estimates published by Stats SA, 56.7% of the total population resided in these regions by mid-2017. Many plants are situated in these areas making it cost effective for players to distribute their products locally.

South Africa has been experiencing economic pressures of late, which have depleted consumer spend. Dilutables are considered cheaper relative to other beverages and are attractive during times in which consumers are looking for product offerings that will stretch their money. The increase in VAT and the implementation of the sugar tax on sugary beverages is expected to lead consumers switching to cheaper alternatives. The likes of bottled water are expected to benefit from these price increases but players in the dilutables category can also capitalise on this by changing their formulations and offering value-for-money products.

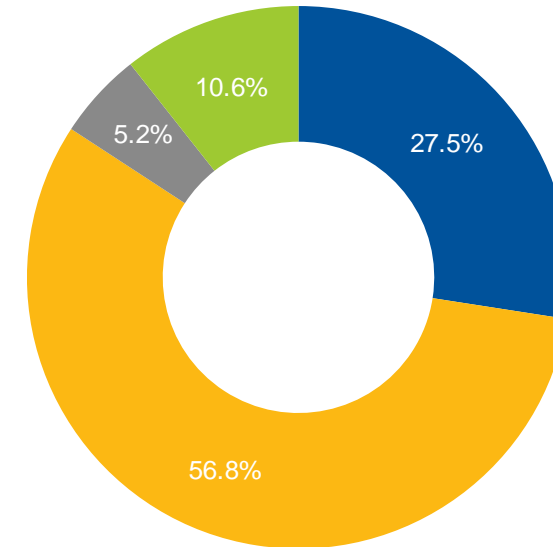
Market Breakdown 2017

2017 Packaged Volume



- Cordials/Squashes and Bases
- Dilutables Dairy Juice Blends
- Dil Iced Tea/Sports Drinks
- Concentrate Fruit Juice

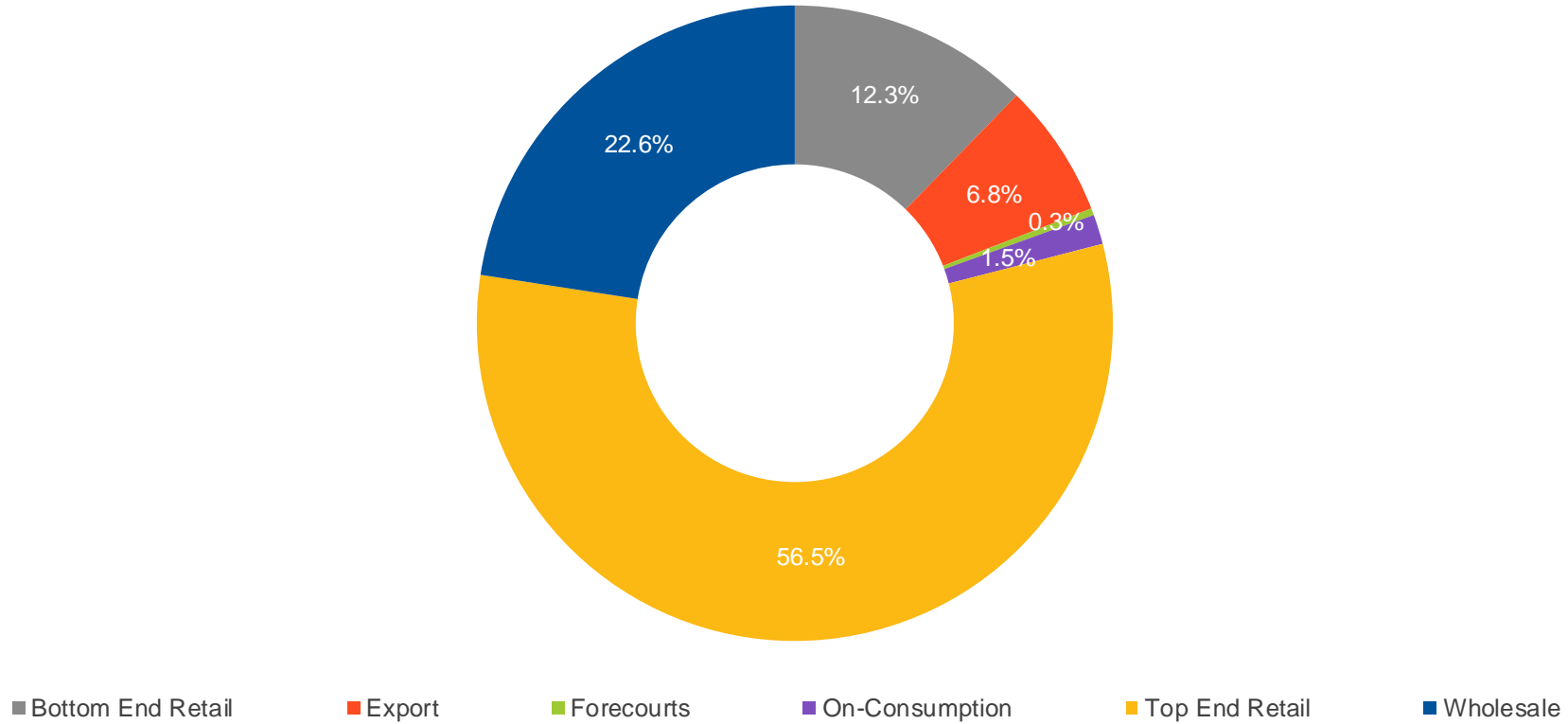
2017 Reconstituted Volume



- Cordials/Squashes and Bases
- Dilutables Dairy Juice Blends
- Dil Iced Tea/Sports Drinks
- Concentrate Fruit Juice

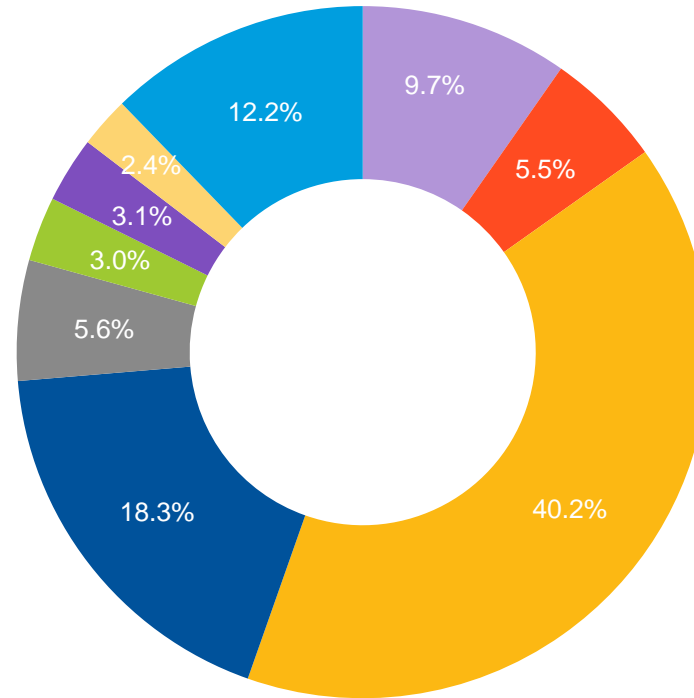
The dilutable dairy juice blends subcategory has the largest volume share and reconstituted volume share. The cordials/squashes and bases subcategory has the second largest volume share and has a lower reconstitution factor than dilutable dairy juice blends. Cordial/squashes and bases are also more expensive on rand per litre basis compared to dilutable dairy juice blends. Due to these facts, it is hypothesised that the cordials/squashes and bases will continue to lose share to the dilutable dairy juice blends subcategory.

Channel Distribution



Top end retail, bottom end retail and wholesale accounted for the majority share of the dilutables channelling. These channels have a relatively large customer base which is ideal for players who want to increase their footprint. The channels also offer competitive prices and combo deals that attract consumers who may be price sensitive.

Local Regional Distribution



■ Eastern Cape ■ Free State ■ Gauteng ■ KwaZulu-Natal ■ Limpopo ■ Mpumalanga ■ Northern Cape ■ North West Prov. ■ Western Cape

The majority share of the dilutables category is distributed to the three key metropolitan regions. Together these regions have a large population base compared to the other regions. The dense population in these areas is characterised by a significant number of distribution channels making the product more accessible and available to cater for the high volume demand.

Excludes Exports



- Analytics Solution
- Dashboards

- Beverages
- Food
- Packaging



- Advertising & Campaign Testing
- Brand Competitive Advertising Tracking
- Omnichannel

Advertising

Category Quantification

Business Research B2B

- Business Insights
- Market Quantifications



Solutions

Print Ads

Consumer Research

- Consumer Insights
- Shopper Insights



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

Mystery Shopping

Instore

- Category Ranging
- Compliance Tracker
- Shelf & Promotional Price Surveys
- Shelf Health



- Brand Compliance
- Store Compliance
- Staff Compliance
- Promotional Compliance

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