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Media Feedback Report

RTD Sports Drinks in South Africa

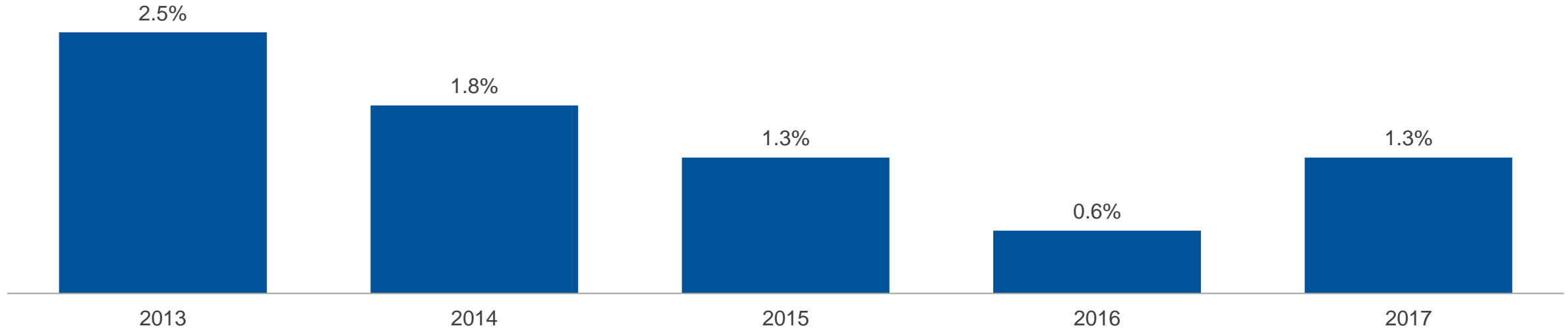
April 2018

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)

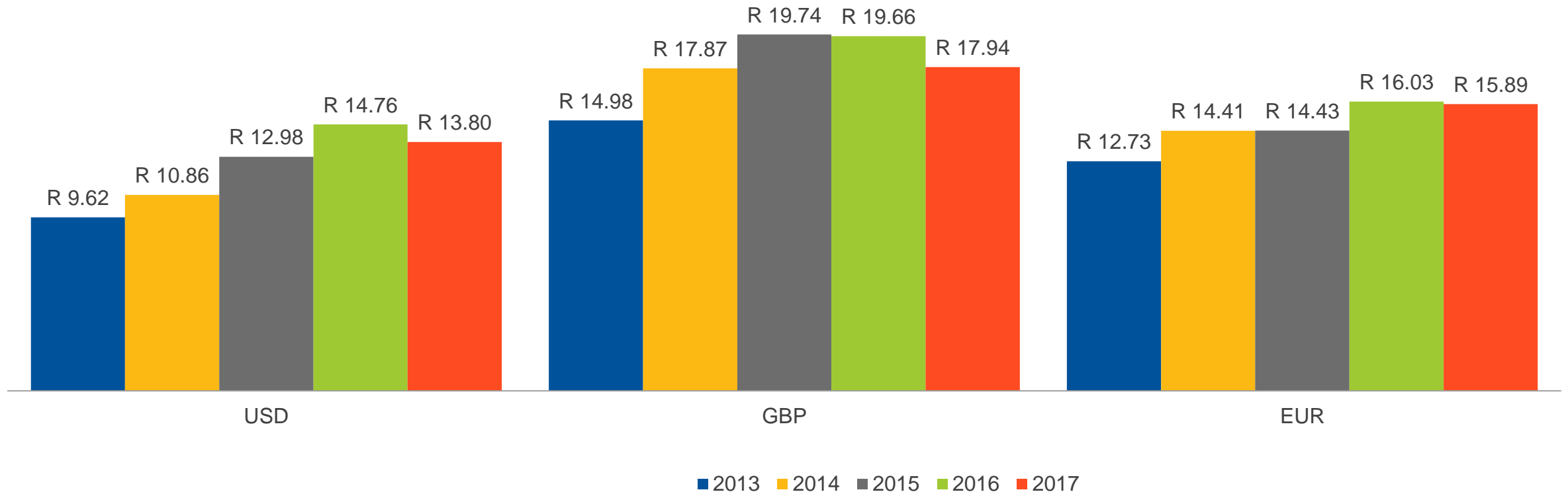


The South African economy grew by 1.3% in 2017, up by 0.7 percentage points compared to 2016. The RTD sports drink category recorded volume growth of 14.4% for the year 2017, contributing 0.06% to the total South African GDP.

Source: Statssa, IMF

Currency

Performance of the South African Rand



Market Trends

The RTD sports drink category has performed well over the past few years and sports drinks are believed to be gaining share of throat from other non-alcoholic beverages. RTD sports drinks was one of the few segments of the non-alcoholic beverage categories that recorded positive growth for the year 2017. The influx of category entrants to the market contributed to the volume growth for the period. It is believed that sports drink suppliers realised the latent demand for these products and channeled volumes into market, particularly into previously underserved sectors, such as on-consumption.

Top end retail remains the mainstay of the category, this channel has a large customer base compared to other sectors and promotional activities seen within this channel may have stimulated consumer buying activities. The export channel dominated the category in volume growth terms. Players are said to be looking at maximizing their profit margins and venturing into new avenues, increasing their footprint in countries that were previously underserved.

The key metropolitan regions, namely Gauteng, KwaZulu-Natal and the Western Cape, accounted for the majority of the category volume in 2017. These regions have high population concentrations with higher than average disposable income and players are said to prioritise these regions to reach a larger consumer base and to increase profit margins. Also a number of players are situated in these regions and they tend to place their focus on areas surrounding their production plants to reduce costs associated with distribution.

The 500ml PET bottle remains the most prominent pack size and pack type for the RTD sports drinks category. This PET packaging looks set to continue to dominate the market in future as it is affordable and appears to be a good fit for a variety of consumption scenarios. Players are said to prefer this pack type and denomination, indicating that the size is ideal for offering an efficient number of electrolytes to rehydrate athletes during sport activities.

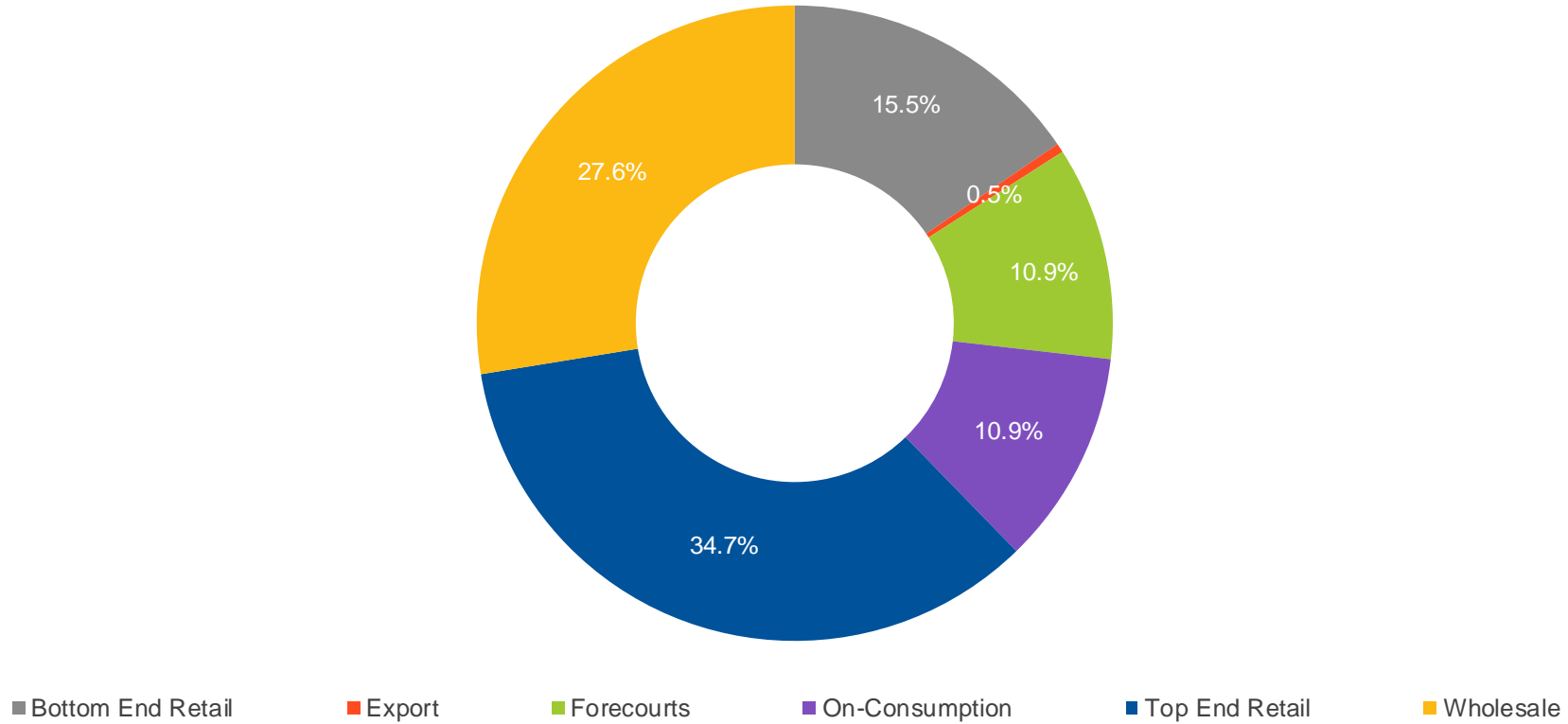
The last quarter of the year 2017 witnessed ex-president Robert Mugabe step down from his presidential seat after ruling Zimbabwe for 30 years. The change in government was received with positive feedback from investors and players in various markets. It is believed that local sports drinks players and manufacturers may see this as an opportunity to expand their products into Zimbabwe, thus increasing their African footprint.

Market Trends Cont.

The household consumption expenditure index showed a positive growth of 2.2% for the year 2017, up from 0.7% in 2016. This is believed to be an indication that the economy may be at a turning point and consumers may be increasing their spend. Players in the market may observe this as a positive factor and could increase supply as a result.

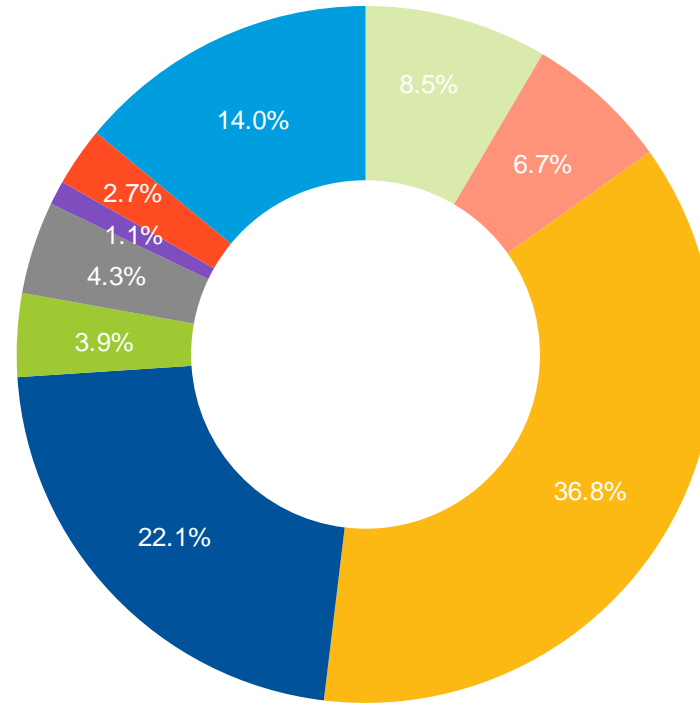
Despite the poor performance of the global and South African economies experienced during the year, the category is expected to continue to perform well in the medium to long term. The positive outlook of the economy, given the factors listed above amongst others, and promotional activities, are some of the driving factors associated with the projected volume growth.

Channel Distribution



The top end retail and wholesale channels remained stronghold sectors for sports drinks for 2017. These channels are known for their promotional activities in-store to drive volumes. Players who are established in these channels find it convenient to distribute their products as they have a large consumer base to work with.

Local Regional Distribution

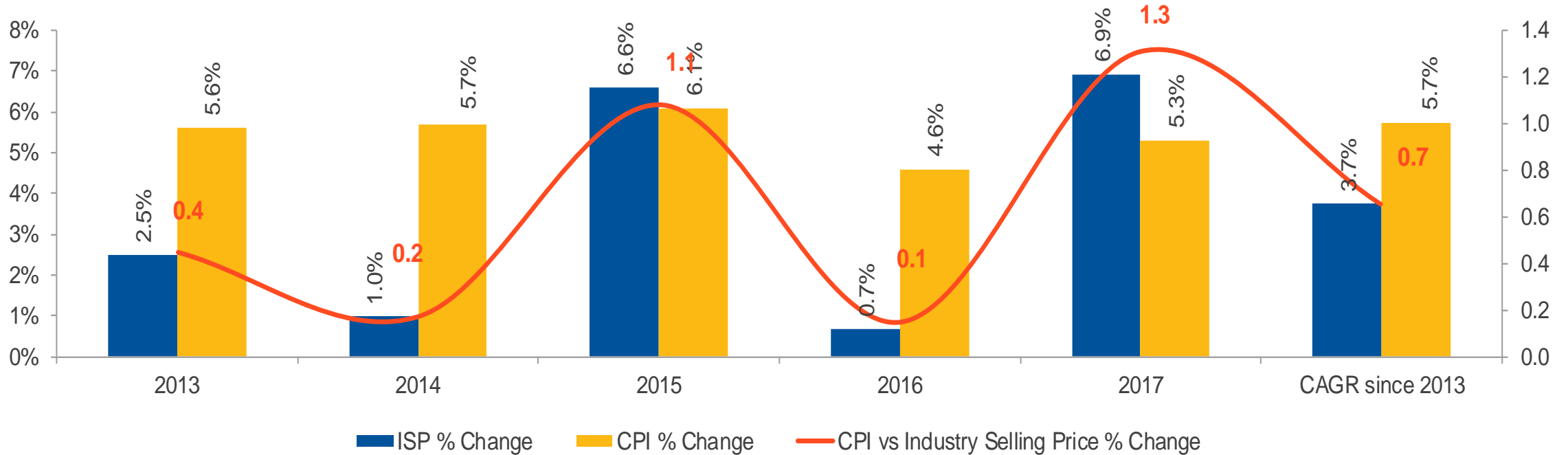


■ Eastern Cape ■ Free State ■ Gauteng ■ KwaZulu-Natal ■ Limpopo ■ Mpumalanga ■ Northern Cape ■ North West Prov. ■ Western Cape

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. These regions have large populations with higher than average disposable income. The large customer bases in these regions are optimal for players who want to increase their profit margins.

Excludes Exports

Historical Industry Selling Price vs CPI



In addition, the industry selling price has shown positive year-on-year growth for the past five years. This category is dominated by few players and price remains competitive across brands, with promotional activities used to drive sales.

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



- 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



- 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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