



insights
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Media Feedback Report

Flavoured Milk in South Africa

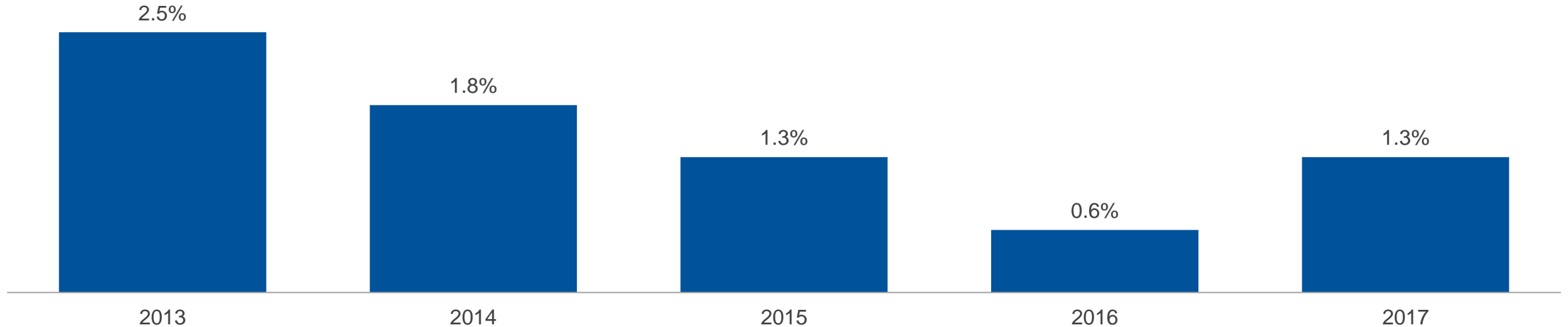
April 2018

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)

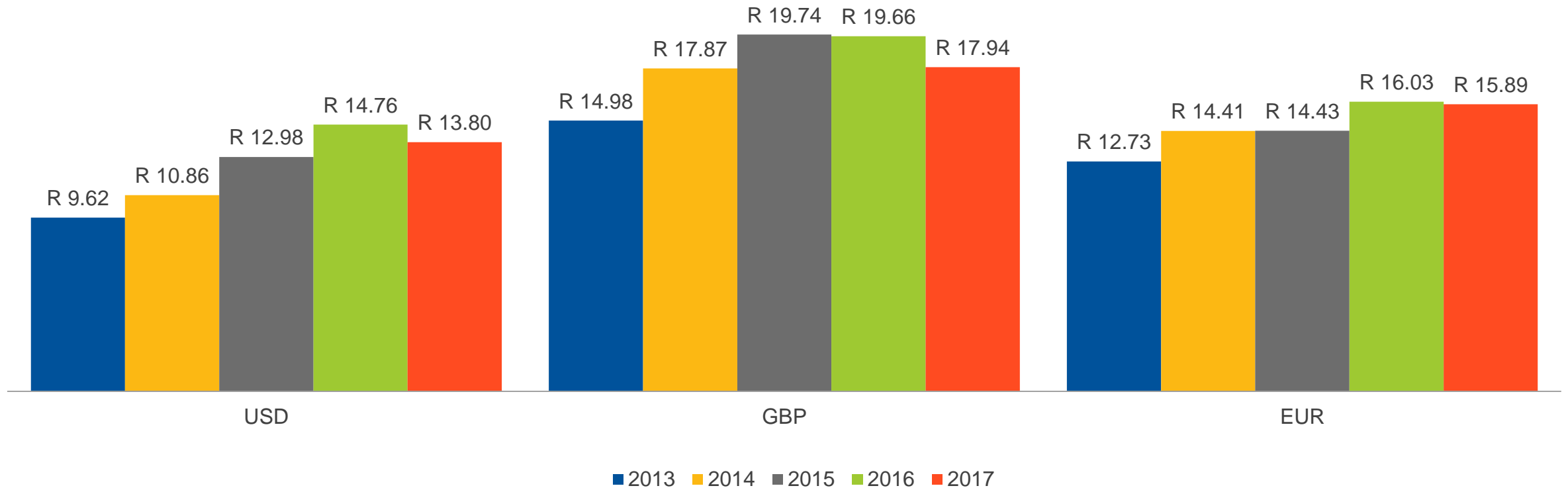


The South African economy grew by 1.3% in 2017, up by 0.7 percentage points compared to 2016. The flavoured milk category volume waned while the South African GDP increased for the year 2017.

Source: Statssa, IMF

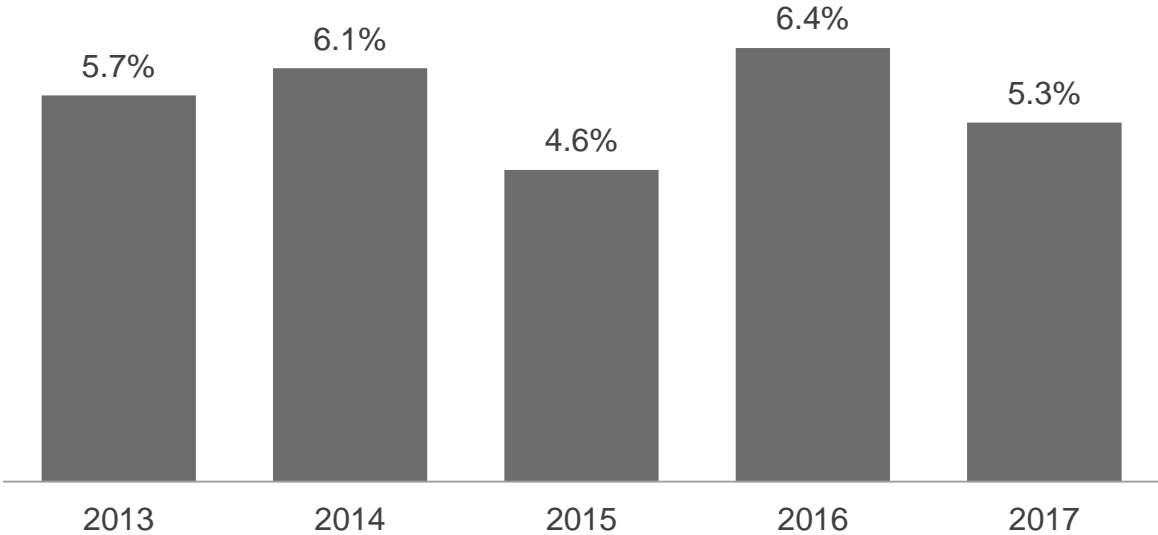
Currency

Performance of the South African Rand

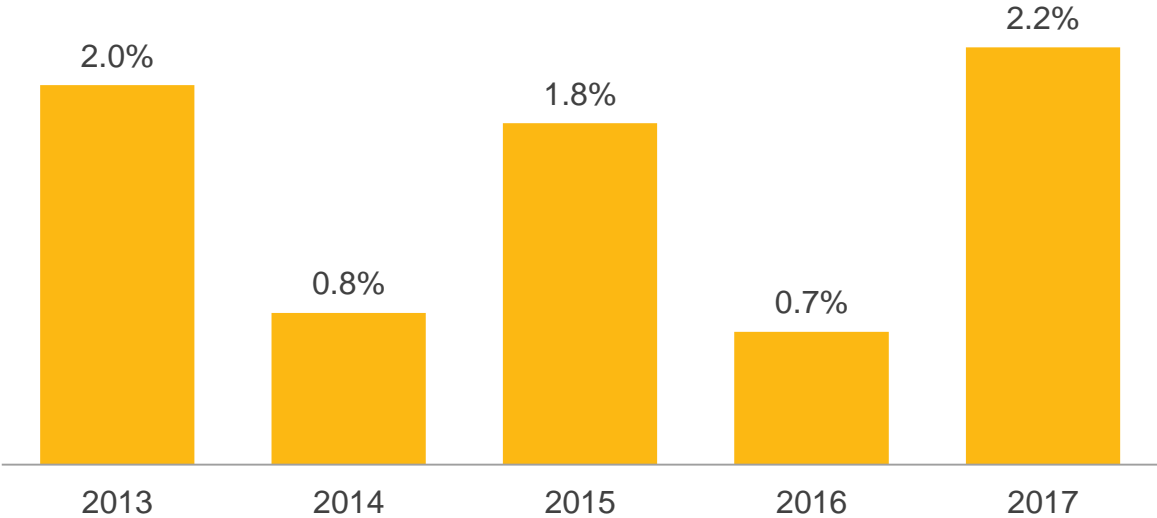


South African Economy

Consumer Price Index



Household Consumption Expenditure



Source: SARB, Statssa



Market Trends

The flavoured milk category declined in volume in 2017. South Africa experienced drought in 2016 which persisted until the beginning of 2017 and affected many sectors, including the dairy beverage sectors. The flavoured milk category experienced pressure from the supply side as the drought persisted in the beginning of year. This may have potentially resulted in less white milk available for the production of flavoured milk. In addition, economic pressures experienced in 2017 may have also negatively affected the category indirectly, such as the downgrade of the South Africa's credit rating to 'junk status'. This announcement rattled many investors and with reduced investment, the nation's money supply decreased, effectively raising the production costs of many goods and services.

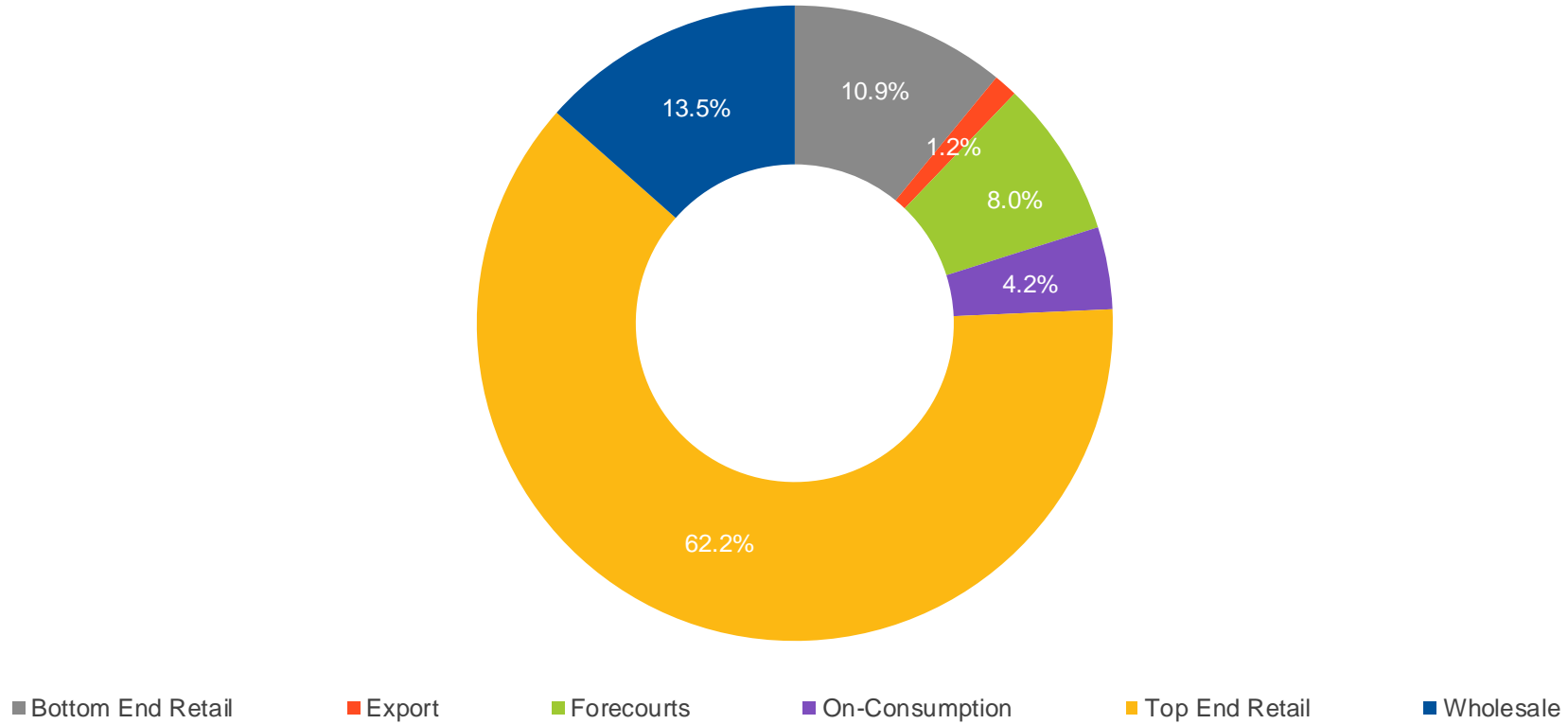
The implementation of the sugar tax left many players in the market feeling uncertain about the future of their product lines. This encouraged players to reformulate their products and innovate their brands to reduce the tax load, in order to make them more competitive in the market and potentially improve sales.

All channels saw a decline in volume for 2017, besides the export channel. The South African economy witnessed volatile exchange rates, especially in the first half of the year. This may have encouraged producers of flavoured milk to distribute their products outside the borders of the country. The top end retail channel maintained its position as the dominant shareholder of flavoured milk accounting for a large portion of the total volume, despite the volume decrease for this channel. The channel is said to be taking volume from other sectors in a declining market.

The key metropolitan regions namely Gauteng, KwaZulu-Natal and the Western Cape remained the mainstay for the category. Most of the players have their plants located in these regions and, due to logistical costs, they may find it more cost effective to distribute locally. These regions also collectively have a large consumer base due to their concentrated population size, thus a large proportion of the flavoured milk players have their market on their doorstep. According to the mid-year estimates published by Stats SA, 56.4% of the total population resided in these regions by mid-2017.

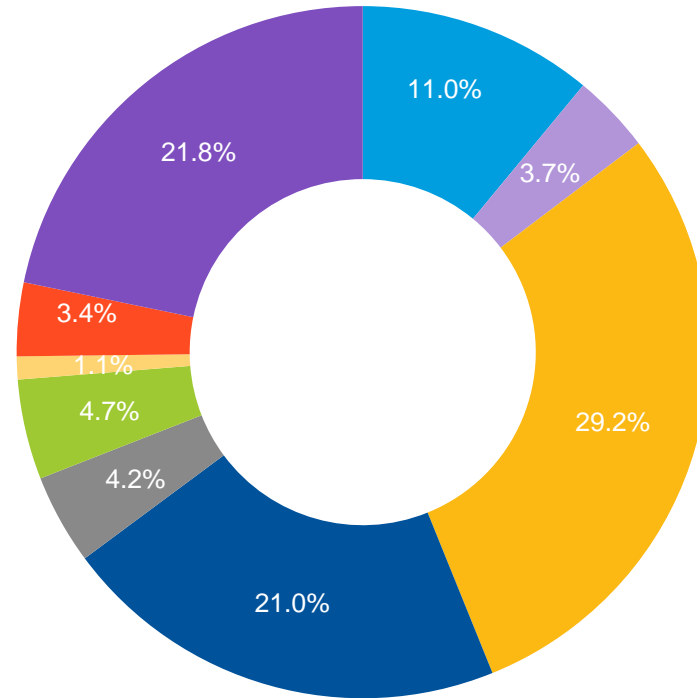
The category is expected to recover in the short to medium term as the country recuperates from the drought.

Channel Distribution



The top end retail channel maintained its position as the dominant shareholder of flavoured milk., despite, the volume decrease for this channel. The top end retail channel is known for its promotional activities seen in-store and competitions in social media pages to drive volumes, and this type of activity may have made the sector more resilient to the challenges seen for the category at large. Retail private label products (often a more economical offering), were likely to also have contributed further to top end retail performance.

Local Regional Distribution

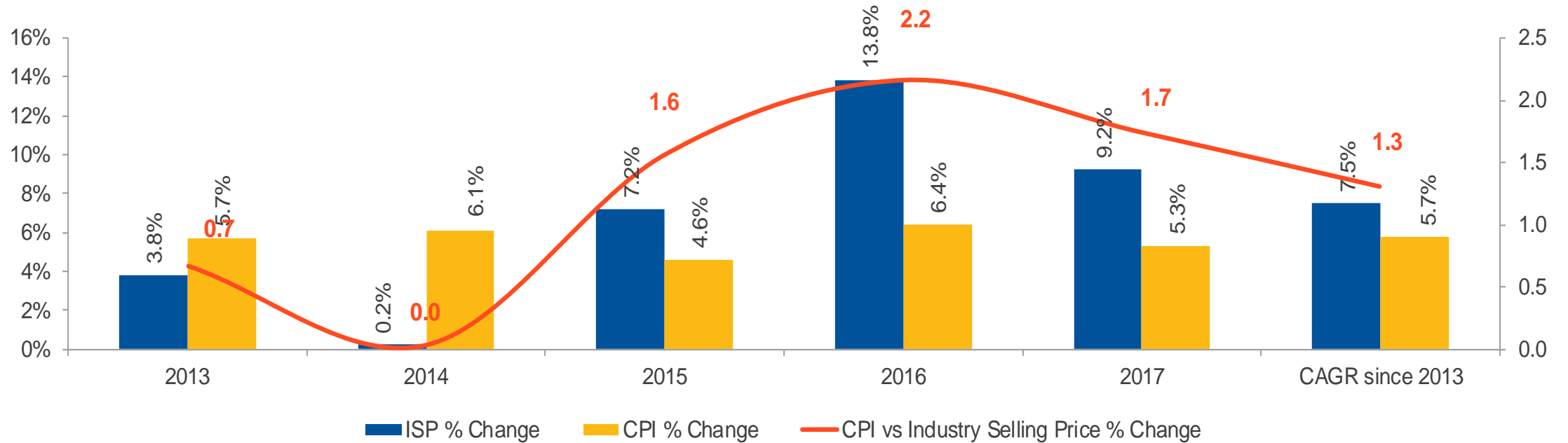


■ Eastern Cape ■ Free State ■ Gauteng ■ KwaZulu-Natal ■ Limpopo ■ Mpumalanga ■ Northern Cape ■ North West Prov. ■ Western Cape

The key metropolitan regions namely Gauteng, KwaZulu-Natal and the Western Cape remained the stronghold of regional distribution for the category. One of the attributing factors to the large share of volume in these regions is the high demand for the product due to the increased population size.

Excludes Exports

Historical Industry Selling Price



The industry selling price continued to trend up for 2017. The increase in raw material costs may have affected the rise in the price level seen for the category.



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Advertising

Category Quantification

Business Research B2B

- Business Insights
- Market Quantifications



Solutions

Print Ads

Consumer Research

- Consumer Insights
- Shopper Insights



Mystery Shopping

Instore

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



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



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

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