



insights
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Media Feedback Report 2018

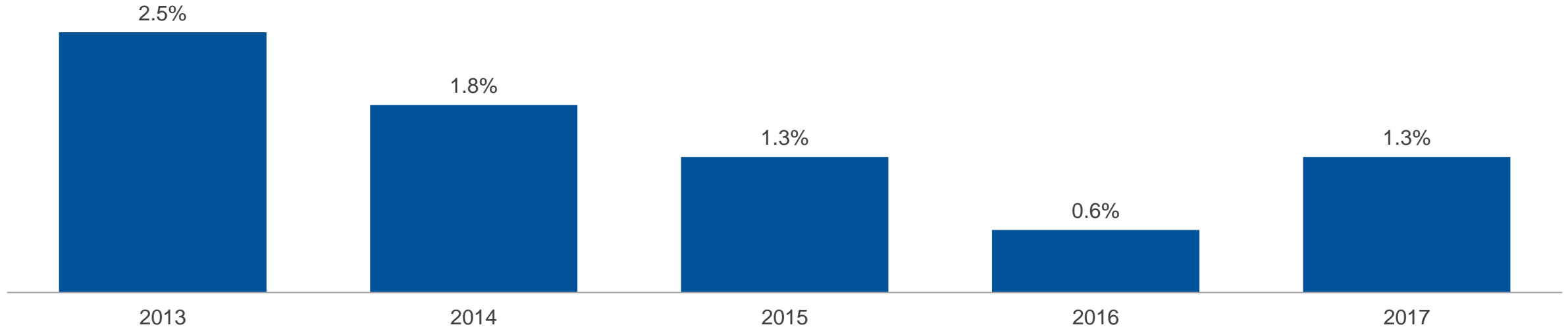
Sorghum Beer in South Africa

11 October 2018

South African Economy

South Africa's GDP

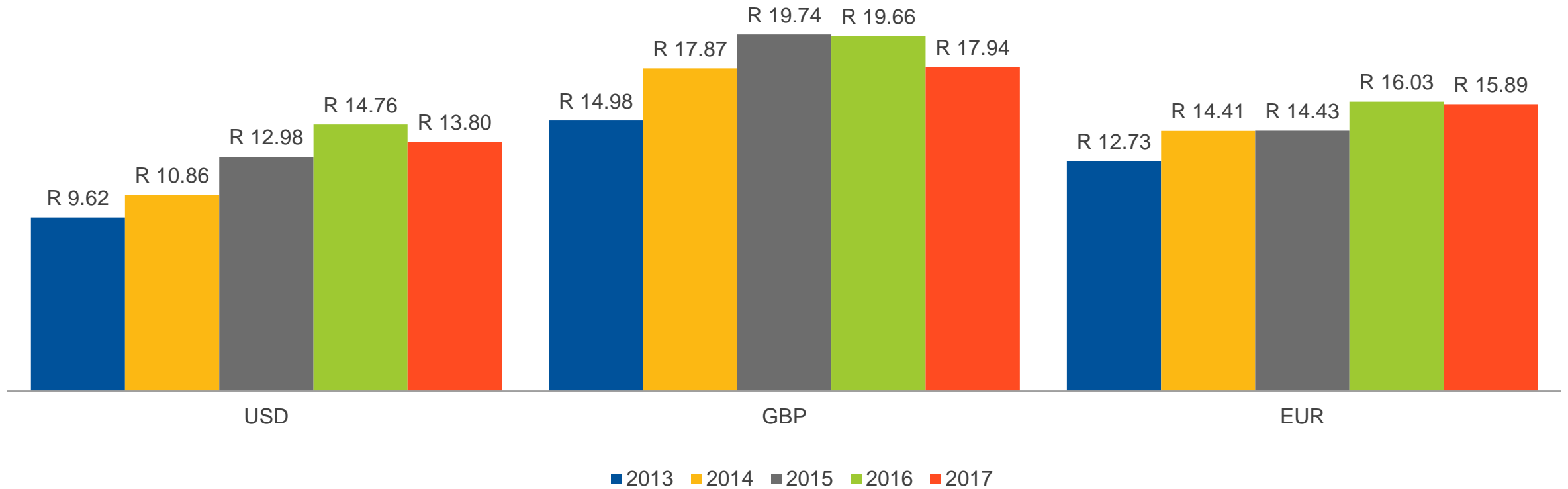
GDP is the market value of all officially recognised final goods and services produced within a country in a given period of time.



The South African economy grew by 1.3% in 2017, up by 0.7 percentage points compared to 2016. Considering the year to date GDP measures for 2018, expectations for the economy for the year remain conservative.

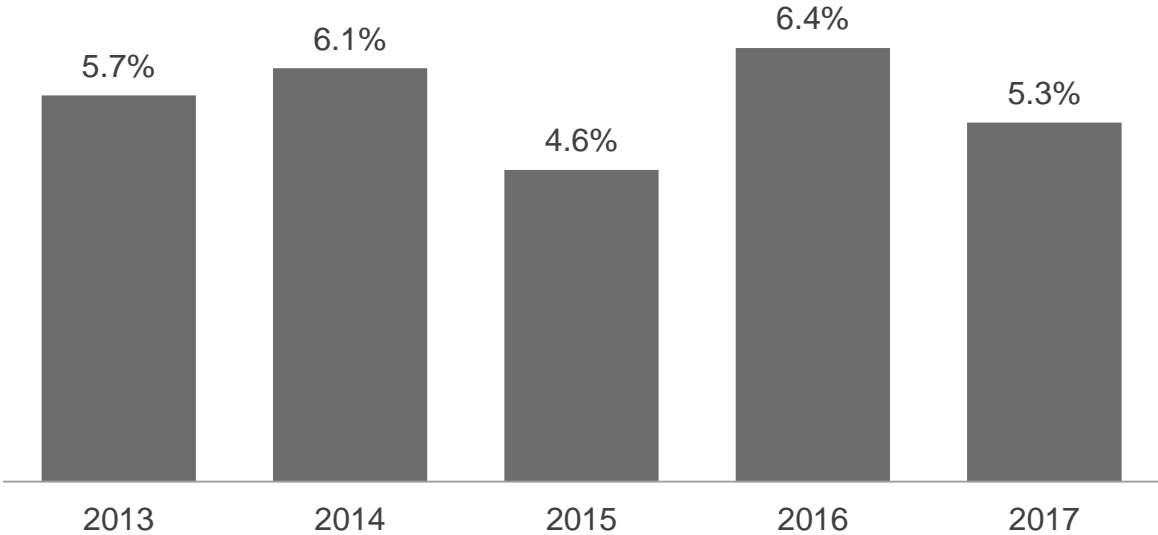
Currency

Performance of the South African Rand

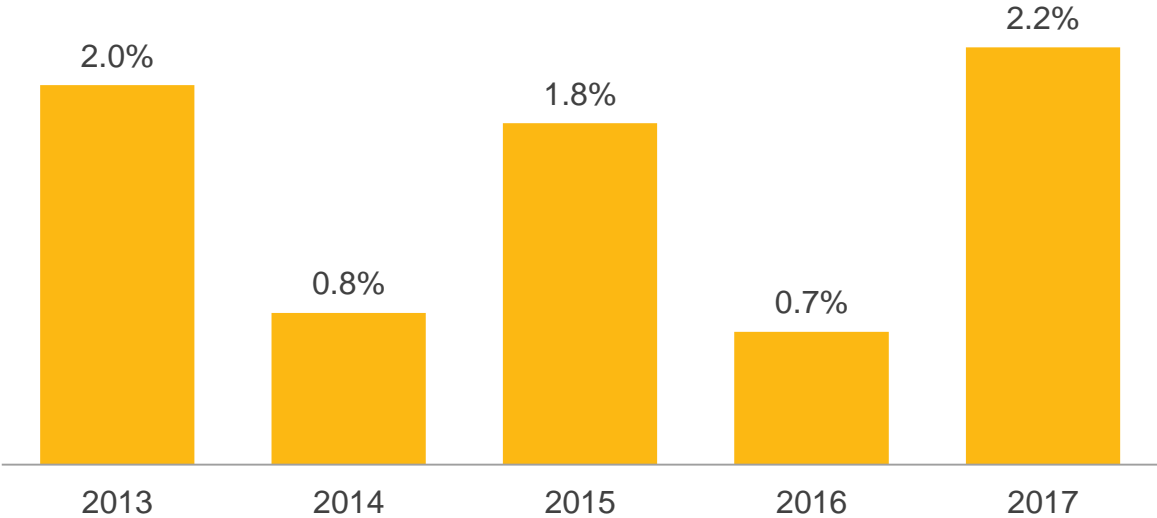


South African Economy

Consumer Price Index



Household Consumption Expenditure



Market Trends

The sorghum beer category comprises wet-based sorghum beer and dry-based products. Dry-based sorghum beer fared better than the wet portion of the category. Dry-based volumes saw a growth during 2017, spurred by an increase in beer powder rather than malt powder. In contrast, wet-based sorghum saw a relatively substantial decline for the base year.

The sorghum beer industry is a well-established one and operates within a very competitive space. For the most part, the category performance has not come close to performance of GDP and PCE in the last five years and it is suggested that the category is well into the maturity phase of the product lifecycle. It is believed that the market has reached saturation in terms of supplying demand, and thus faces the natural challenges that go with this. Margins are limited and players vie strongly for share across channels and regions. Given the target market of lower to middle LSM consumers, it is hypothesised that the category is a very price sensitive one, and even limited increases in price can harm sales. This further adds to the competitive nature of the industry.

Another challenge for the market is the volatile supply of sorghum as a raw material for the production of sorghum beer. Annual crop yields are variable and this has a bearing on the continuity of production and input prices. Local beer producers regularly resort to imported sorghum for the production but complicated logistics associated with landing the required materials can mean that input materials are not available in time and this translates into stoppages in production. This ultimately results in a unreliable product supply to the market and undermines category growth. However, that being said, the local grain yield has increased of late, and has translated into sufficient volumes for 2017 and 2018 without the need for supplementary imports. This improved supply is one of the primary drivers of the positive volume growth seen for dry-based products in 2017 and the optimistic forecasts for the short term.

From a demand point of view, sorghum beer is seen as a traditional African beverage, and is limited to particular market segments. In this context, the category is facing mounting competition from alternative beverage categories, such as craft beers and lagers, which may be seen as more attractive, modern options and a natural alternative. In times where sorghum beer pricing increases, it is believed that consumers are increasingly tempted to seek out other clear, alcoholic beverage categories, particularly given the underlying price sensitivity for the category.

Market Trends Cont.

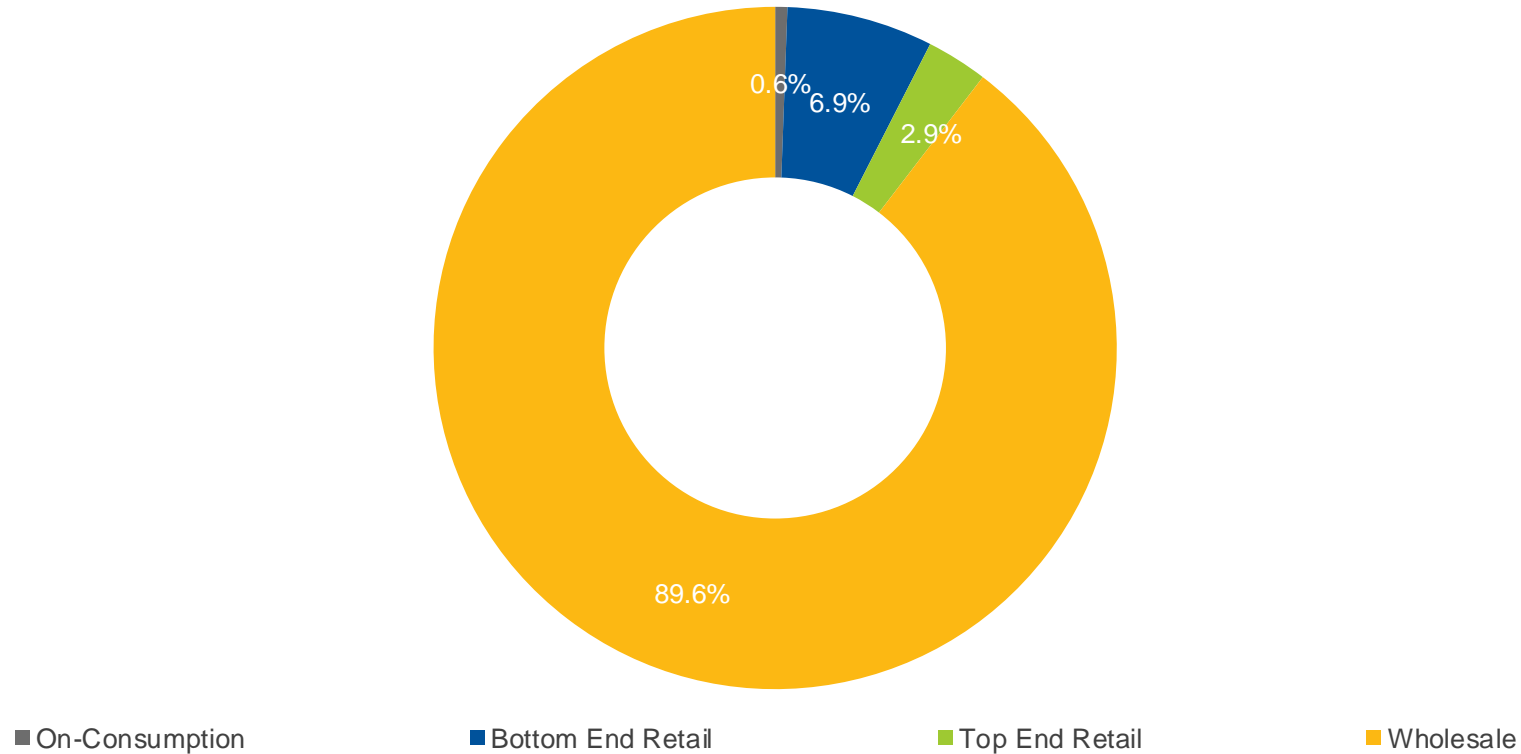
The wholesale channel was the single largest distributor of sorghum beer with an 89.6% market share for 2017. However, this sector saw a decline in share from 2016, along with on-consumption and top-end retail, which did not display the same resilience as bottom end retail. Bottom end was the only channel to show volume growth, and this was no mean feat considering that overall category volumes declined for the year. There is a close relationship between wholesale and bottom end retail, and it is believed that there was traffic from wholesale to the latter in attempt to move the product closer to the end consumer.

Congruent with the decline in category volumes in the overall market, the majority of regions saw reduced supply and consumption. KZN managed to maintain ground, but all other provinces saw a level of erosion. The Eastern Cape was the biggest loser in this regard. The growing tug from competing alcoholic beverages translated into real regional declines on the ground.

The packaging of wet-based variants is limited to smaller cartons and an array of rigid plastic pack sizes. Carton in particular saw significant decline in volume during 2017, but this situation is expected to correct itself in the short term as additional focus is placed on this pack type in 2018. Dry-based product packaging entails flexible plastic for beer powder and paper for malt products. There was a degree of transition between larger and smaller packs, but overall it is anticipated that all dry-based product packaging will see growth during 2018.

The short term future outlook for sorghum beer is positive. Both dry and wet product formats are expected to yield good growth in 2018 as the sustained local supply of sorghum as a raw material boosts local consumption volumes. However, it should be borne in mind that the anticipated growth is limited to the short term and that the category is expected to return to a relatively static state in the medium term, this being typical of a mature product category.

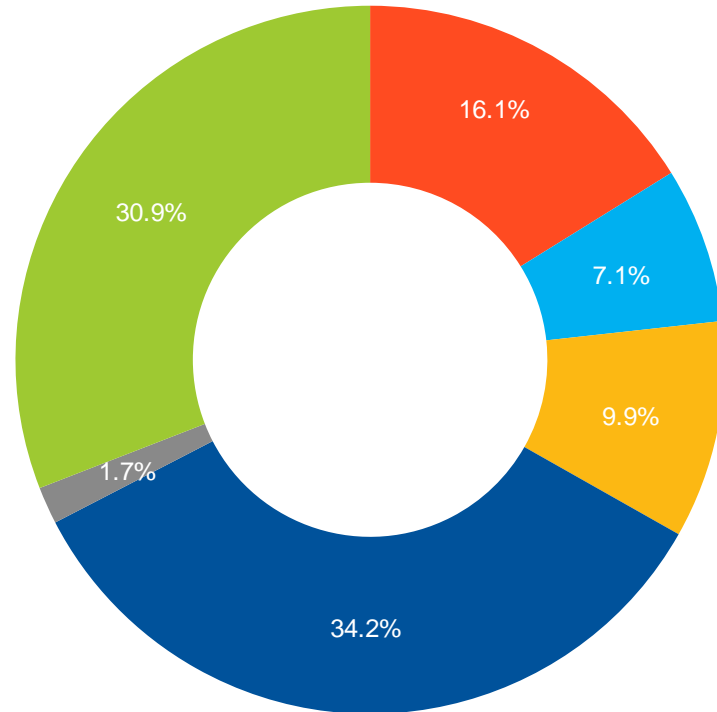
Total Sorghum Beer Channel Distribution



The wholesale channel was the single largest distributor of sorghum beer with an 89.6% market share for 2017. However, this sector saw a decline in share from 2016, along with on-consumption and top-end retail. Bottom end was the only channel to show volume growth, and this was no mean feat considering that overall category volumes declined for the year. There is a close relationship between wholesale and bottom end retail, and it is believed that there was traffic from wholesale to the latter in attempt to move the product closer to the consumer.

Excludes Exports

Total Local Sorghum Beer Regional Distribution



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

Congruent with the decline in overall category volumes, most provinces saw declines in their level of consumption. The growing tug from competing alcoholic beverages translated into real regional declines on the ground. The one exception was KwaZulu-Natal, which remained relatively stable for the year. The Eastern Cape was the single biggest loser, declining the most for the year.

Excludes Exports

Thought Starters...



Sorghum beer is hailed as a declining category. Does the potential exist for this category to be turned around, possibly through innovative line extensions or a different slant on marketing?



Could more be done within the sorghum beer category to reduce the carbon footprint of this industry? For instance, the usage of more environmentally friendly packaging such as paper or carton instead of flexible and rigid plastic?



- Analytics Solution
- Dashboards

- Beverages
- Food
- Packaging



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

Advertising

Analytics

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



- Consumer Insights
- Shopper Insights



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

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