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# Media Feedback Report 2018

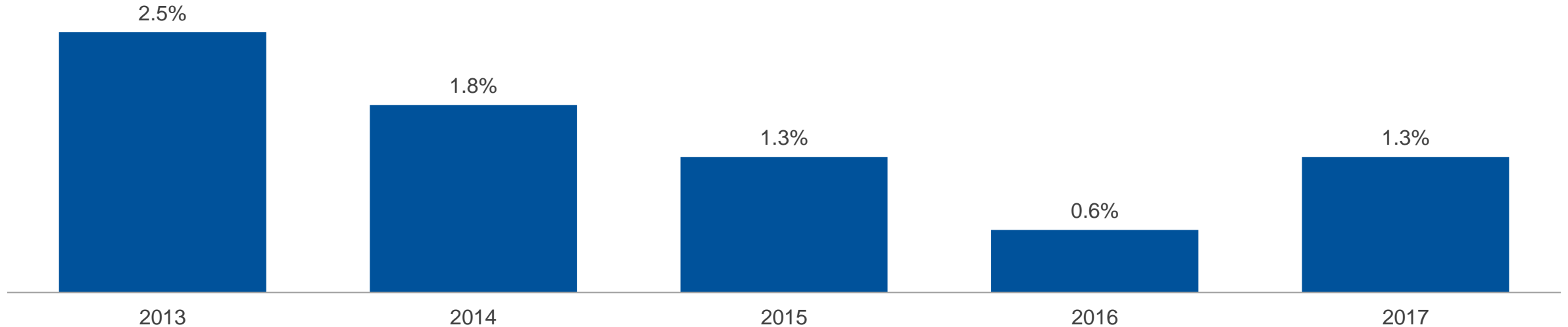
*Malt Beer in South Africa*

14 May 2018

# South African Economy

## South Africa's GDP

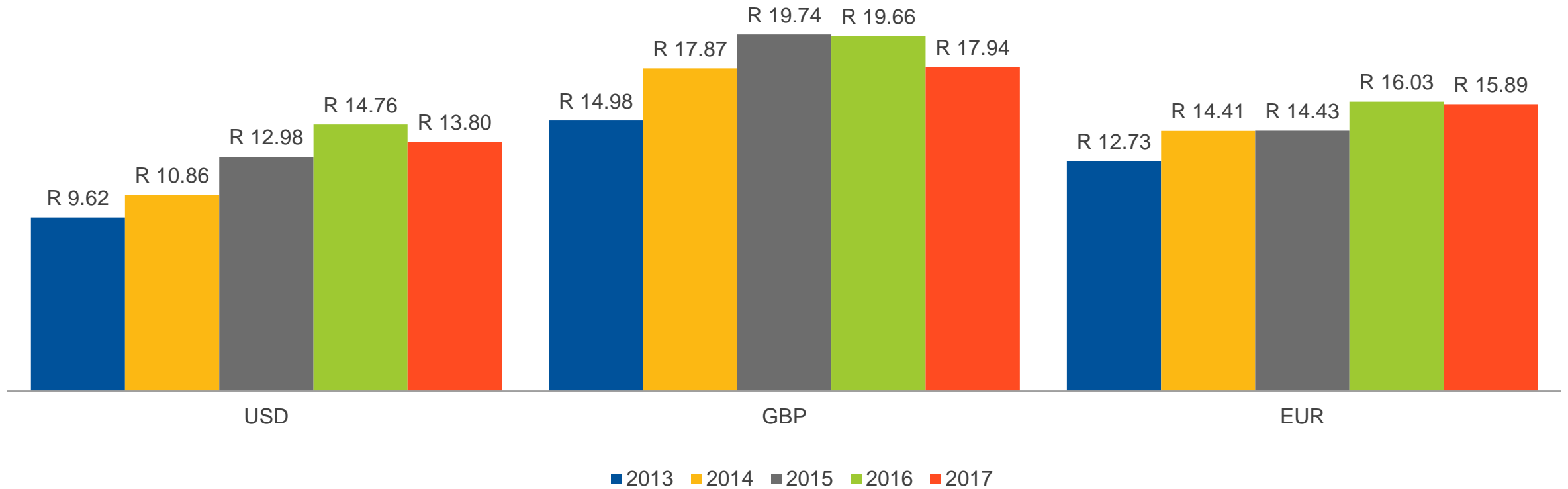
GDP is the market value of all officially recognised final goods and services produced within a country in a given period of time.



*The South African economy grew by 1.3% in 2017, up by 0.7 percentage points compared to 2016. Malt beer exceeded this economic growth. It was a particularly successful year for the category, with a renewed focus on variety, craft beers and brand premiumisation. It is believed that these drivers together underpinned the category growth for 2017.*

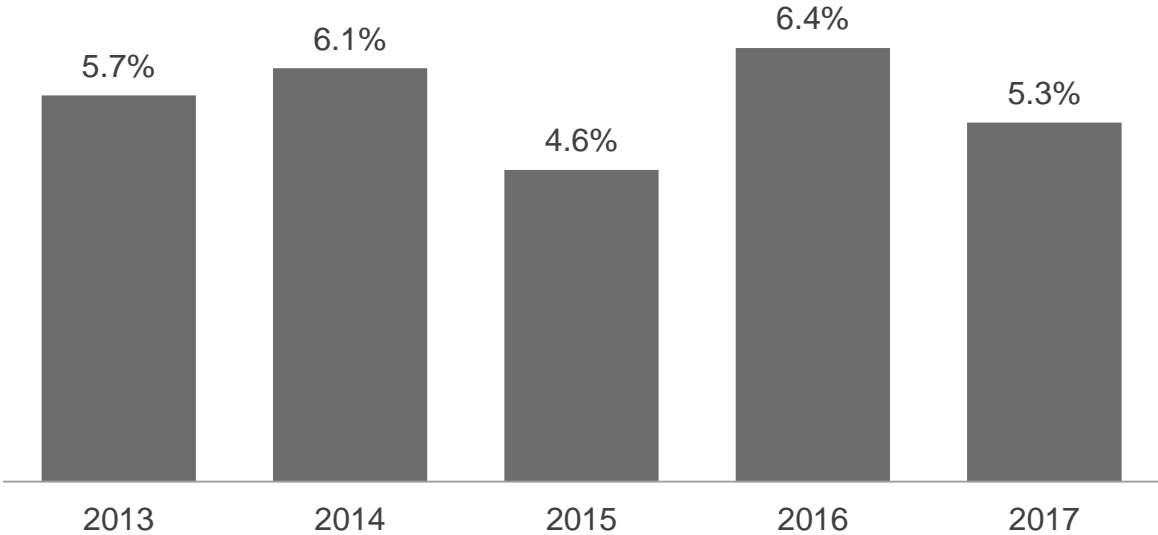
# Currency

## Performance of the South African Rand

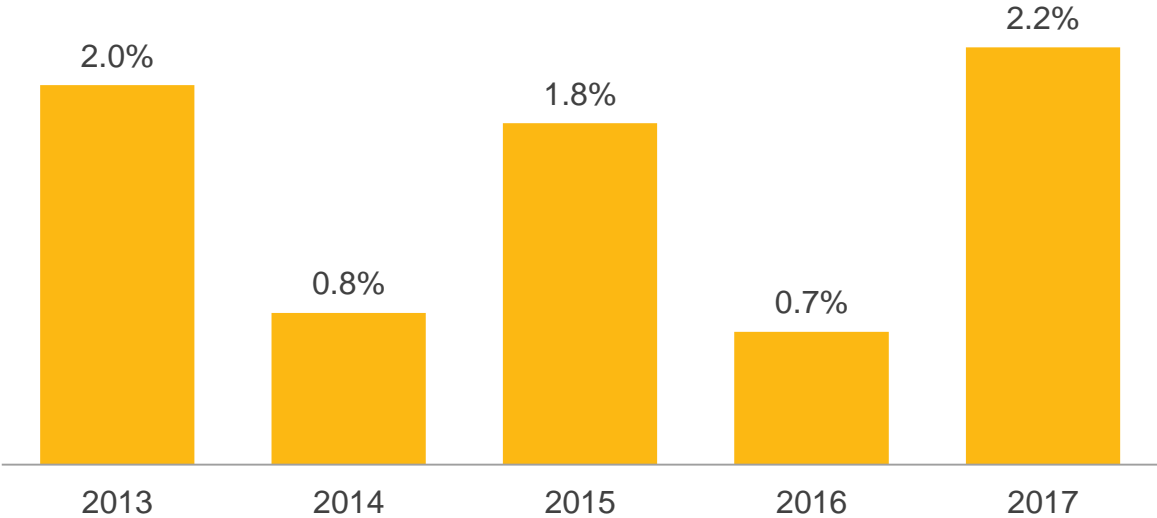


# South African Economy

Consumer Price Index



Household Consumption Expenditure



# Market Trends

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Following a number of years of relatively limited growth, the South African malt beer category saw a higher than average volume increase for 2017.

A recently released BMi Research report shows that following a number of years of relatively limited growth, the South African malt beer category saw a higher than average volume increase for 2017.

Overall, 2017 was a successful year for the category as a whole. Some prominent players saw double digit growth for their products, which naturally bolstered the overall category volumes. Craft beer once again gained popularity and more established players continued to venture into this portion of the market.

It is believed that more global brands will enter the local market in future, as South Africa is increasingly recognised as an opportune space to trade and gain share. This trend has already begun, with an influx of imported labels entrenching themselves in the local market.

The 2017 year saw greater focus on the premiumisation of brands and the extension of current lines to yield greater variety. For instance, fruit flavoured beers have been well received by the market, the advent of low and no alcohol options are growing in popularity, and low calorie or 'lite' beers are gaining ground. This allows consumers to tailor their purchases of malt beer to their particular preferences, and producers to develop comfortable niches. It is believed that the diversification of offerings has allowed malt beer producers to reach into alternative demographic segments, thus growing the overall category volumes.

The face of malt beer marketing is changing, with the malt beer suppliers increasingly making use of social media platforms for promotional activities and event sponsorship initiatives. In addition, unique packaging options and label designs assist in making brands stand out from the crowd. All these tools contribute to greater top-of-mind awareness for the category as a whole.

Internationally beer producers have been embarking on safe driving programmes, and have encouraged 'smart drinking' where they sponsor transport home from on-consumption events. Pilots have been conducted in major cities worldwide with great success, and it is expected that these will be embraced in South Africa too as the local market naturally follows international trends. These initiatives are expected to underpin category growth in future.

## Market Trends Cont.

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On the down side, the increase in VAT makes for inflated category pricing for 2018, and a more challenging market space for players all round. The VAT increase follows the hefty price increase seen for the 2017 year. Given this, it is expected that the category growth rate will taper off somewhat in 2018 before gaining momentum in 2019.

The ISP for malt beer saw a substantial increase during 2017. It is hypothesised that this is primarily due to cost push factors, such as an inflation in raw materials and transportation, that could not be absorbed by manufacturers. In addition, there was a level of brand premiumisation of beers during 2017, which impacted on the price. The adjustment of VAT from 14% to 15% in 2018 will naturally impact on pricing and it remains to be seen how this will be handled within the market.

Going forward, it is expected that there will be greater emphasis on green initiatives, particularly the recyclability of packaging materials and light-weighting. In addition, there are initiatives to reduce the amount of water used to produce beer to ultimately reduce the environmental impact. Given the current water shortages in a number of provinces, this is a key issue facing the industry at the moment.

It is hypothesised that there will also be more focus on the sustainability of raw materials for malt beer. Beer producers are becoming increasingly aware of source ingredients and the long term procurement of these. This is currently a more evident trend internationally but this should come to the fore locally too.

Overall, glass remains the primary pack type used for malt beer, although cans (particularly the 500ml variant) saw good growth during 2017. The new one litre glass pack is performing well, and it remains to be seen whether this will be used in the industry long term, or whether it will remain a limited edition.

On-consumption commanded almost a two thirds share of the category volumes for 2017, but has seen decline in recent years. It is believed that cash strapped consumers have reigned in their on-consumption spending on beverages in favour of cheaper off-consumption options. This is expected to extend into 2018 as the economy remains under pressure.

This sector achieved a 64.1% share of volume for the 2017 year. On-consumption pricing is slightly higher than that of off-consumption and, with cash strapped consumers looking for more affordable opportunities to enjoy their malt beer, on-consumption saw a slight decline to the benefit of off-consumption. There was an increase in purchase for home or social use, rather than consumption within the foodservice setting, albeit a limited change.

## Market Trends Cont.

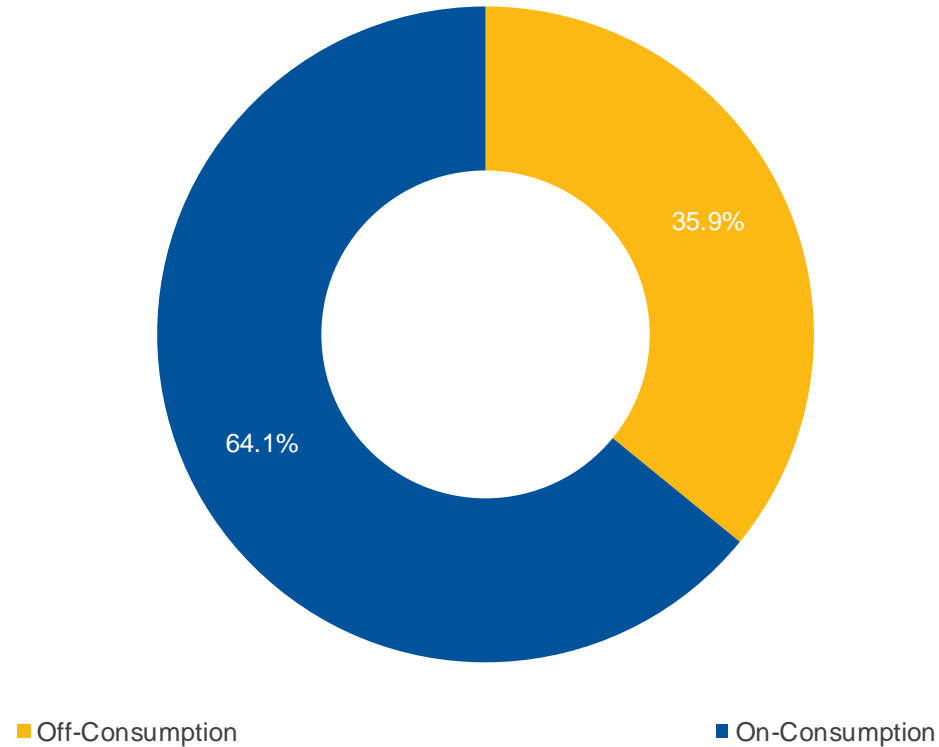
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As is to be expected, the three major regions, namely Gauteng (33.4%), the Western Cape and KwaZulu-Natal, dominated the regional consumption of malt beer for 2017. It is hypothesised that these provincial shares are linked to population concentrations rather than product skews, as malt beer maintains universal appeal.

The future outlook for the category remains cautiously optimistic. While the economy and consumer spending power remain under pressure, volume growth is expected to remain limited. In addition it is anticipated that following the relatively good growth seen for the category for 2017, it may take a year or two for the market to adjust and stabilise.

# Local Channel Distribution

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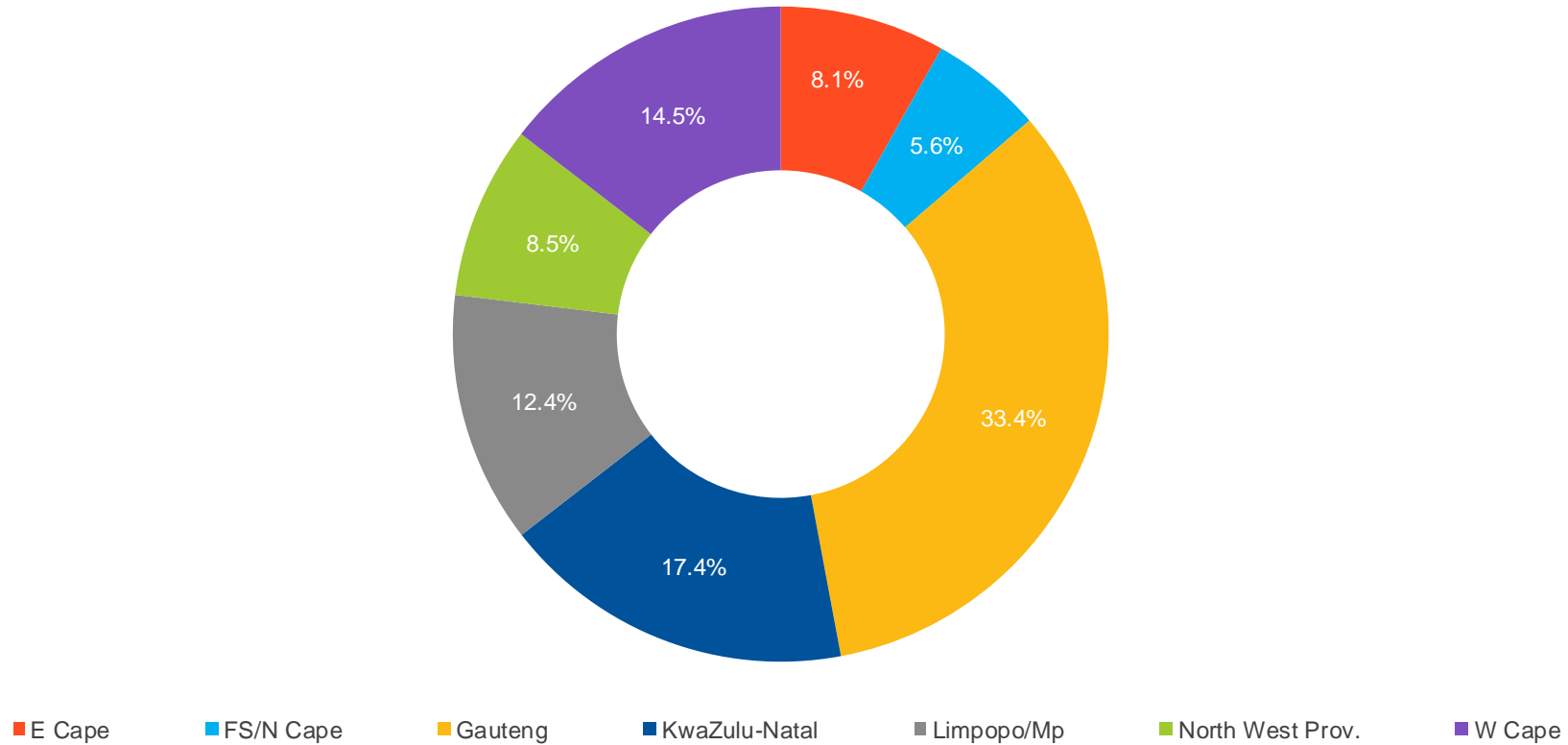


*The consumption of malt beer is dominated by on-consumption occasions. This sector achieved a 64.1% share of volume for the 2017 year. On-consumption pricing is slightly higher than that of off-consumption and, with cash strapped consumers looking for more affordable opportunities to enjoy their malt beer, on-consumption saw a slight decline to the benefit of off-consumption. There was an increase in purchase for home or social use, rather than consumption within the foodservice setting, albeit a limited change.*

Excludes Exports



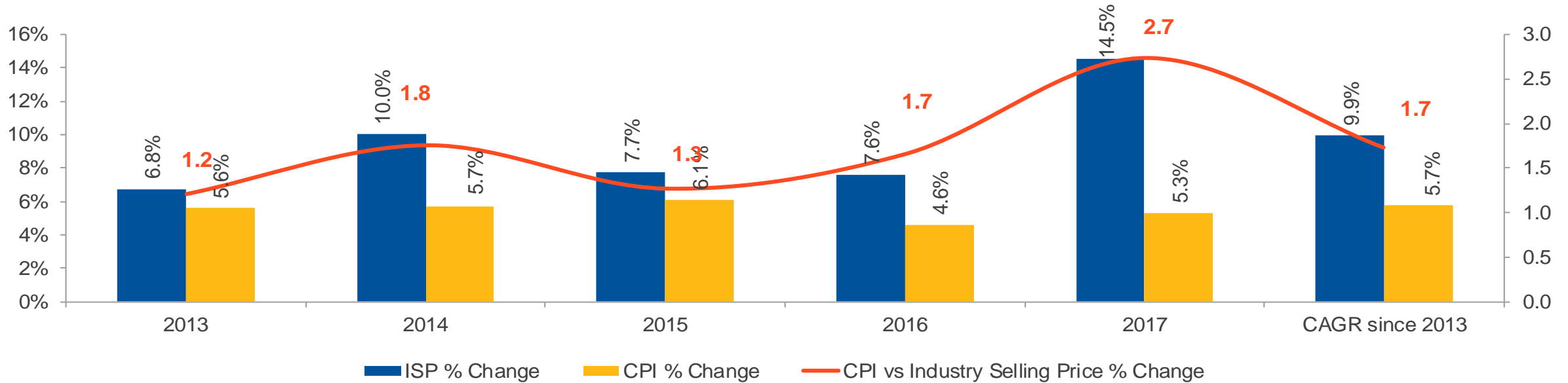
# Local Regional Distribution



*Malt beer consumption seen predominantly within Gauteng (33.4%), and to a lesser extent in the Western Cape and KwaZulu-Natal. It is believed that this is driven by sheer population concentrations rather than demographic usage skews. Malt beer has universal appeal, with variants within the category tailored to particular user profiles.*

Excludes Exports

# Historical Industry Selling Price



The ISP for malt beer saw a substantial increase during 2017. It is hypothesised that this is primarily due to cost push factors, such as an inflation in raw materials and transportation, that could not be absorbed by manufacturers. In addition, there was a level of brand premiumisation of beers during 2017, which impacted on the price. The adjustment of VAT from 14% to 15% in 2018 will naturally impact on pricing and it remains to be seen how this will be handled within the market.

Please note: New pricing calculation methodologies necessitated an adjustment in the historical category prices. The industry selling price represents a weighted average selling price across all channels.



- 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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Note:

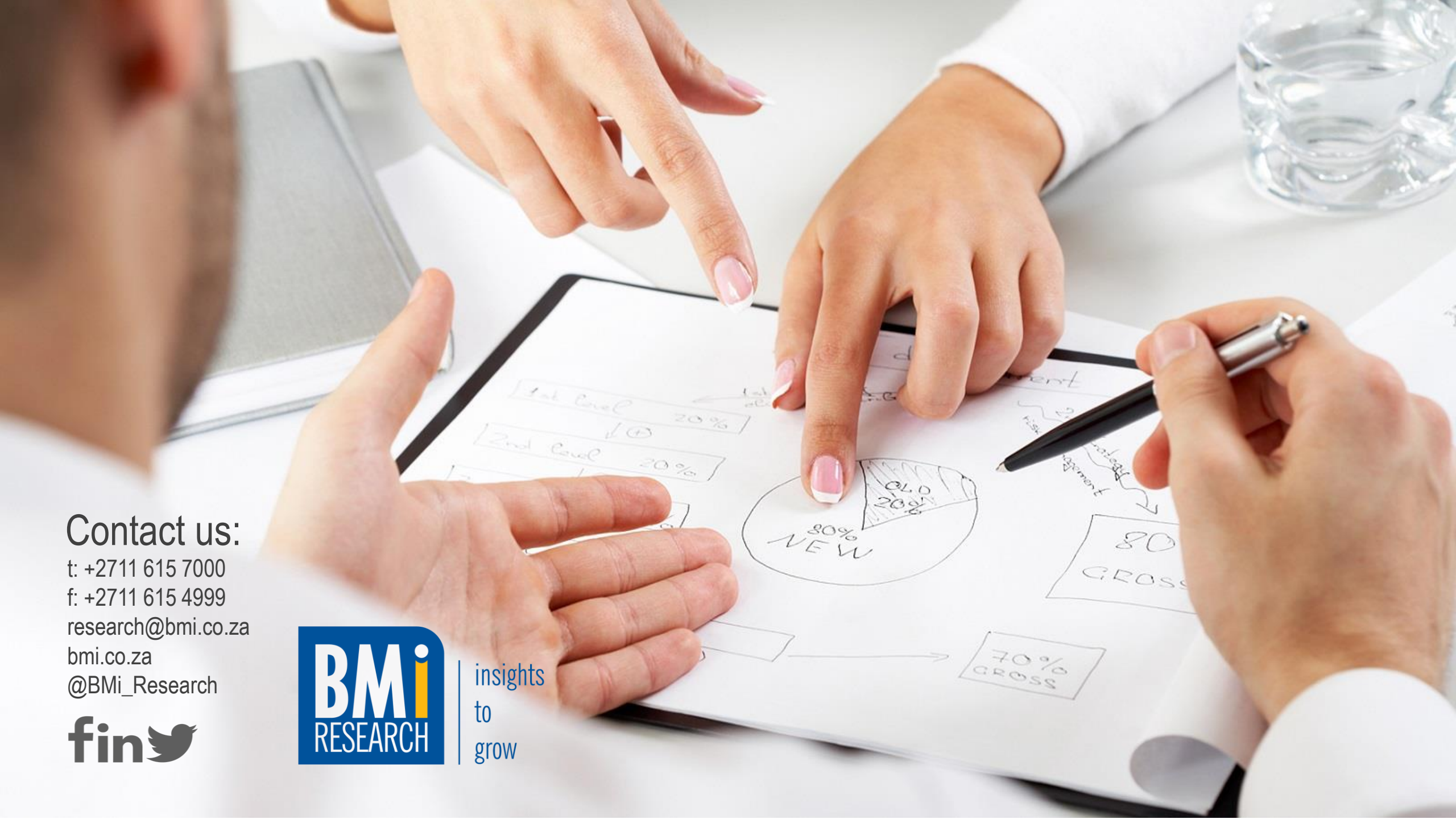
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