

BY LAURA DURHAM

This year we've had a long, hard winter. Just as soon as the end seems in sight with a spell of warm days, a cold front hits, bringing with it rain and snow – and moving customers away from the fridges back towards the coffee stand. But summer is nearly here, so it is time for retailers to get on top of the new products emerging from the cold beverage stable and add some adventure in-store.

Splash out for summer

Create a cold beverages department full of innovation and adventure

Get on top of the new products emerging from the cold beverage manufacturer stable and add some adventure in-store in time for summer.



Daring to be different

A penny-wise customer has emerged out of the recession. Value-for-money remains an important part of any purchasing decision, but this customer is looking for something new. "A new generation of customers has emerged. They are looking to break away from the norm and find a unique refreshment that defines them individually," observes the Lipton Ice Tea marketing team. These customers are more confident, opinionated and more materialistic and socially conscious as a



Generally, retailers do not have sufficient 'call to action' points in-store – something that needs to change as customers are looking to define themselves by what they eat and drink.

result of living in a digital space. Brands that have embraced social networking and are considered 'cool' will most definitely do well with this new fashion-aware customer.

"The 'emergence' of the emerging market has meant that these consumers no longer want to follow the crowd. They wish to stand out and be noticed. What they drink is perceived to be a statement of who they are as individuals," says the Lipton team.

Drinking trends

The new consumer is also very health conscious and will often choose fruit juice as a healthier alternative to other non-alcoholic beverages due to the natural aspect. Some products further promote the vitamin and nutritional value, like Clover Krush 6 Fruits & 6 Vitamins.

In 2010, the ready to drink (RTD) fruit juice recovered from volume losses seen over the economic downturn. According to BMI research manager, Jan Wegelin, the market is expected to reach 2007 levels by the end of 2011 as consumers free up more disposable income for luxury items like fruit juice. Within the fruit juice category, pure fruit juices remained the most popular juice type, with nectars and fruit drinks distant second and third choices, respectively.

"South Africa's RTD fruit juice market strength is assisted and sustained through the good agricultural background of the fruit growing industry which has made the

market an asset in agricultural circles and bolstered the fruit crop contribution to the local economy," comments Wegelin.

Overseas, water is considered a beverage on its own and restaurant patrons order it off a menu, much like a wine menu. Boutique bottled water also comes with a premium price tag. For example, Bling HTO – all the rage with celebrities – retails anywhere between \$200 and \$2 000 per bottle, depending on how many Swarovski crystals glitter the bottle. "Bling H2O is pop-culture in a bottle. But it's not for everyone, just those that Bling," states the brand's website.

Functional water is also growing, with some brands claiming 'healing powers' of its source. The most popular brand of French bottled water, Vichy is known for its health benefits due to the minerals found naturally in the River Allier from which it is sourced.

Creating a go-to department

It is vital that retailers are aware of this and create an environment in-store that meets this emerging market's expectations in terms of product offering but also in terms of the very 'look and feel' of the cold beverage department.

The Lipton team has this advice for retailers: "If the focus on cold beverages is increased this would significantly attract more customers because currently retailers



There is always an opportunity to cross-merchandise and a drink and snack combination is always a winner.

COLD BEVERAGES ►

do not have sufficient 'call to action' points regarding cold beverages in-store." This can be achieved through:

- Fully stocked, well merchandised cold beverage availability at till points
- Increased Point of Sale (POS) items
- Greater variety or choice of cold beverage at till points

"The impulse purchase at the till point is not being leveraged strongly enough. Retailers need to better understand the mindset of the shopper at this step in the shopping process to be able to leverage this to their advantage," the team adds.

Manufacturers and retailers need to be aware that the new consumer is more empowered thanks to the implementation of the Consumer Protection Act in April this year. Providing customers with product knowledge is therefore very important – not only to help them make wiser purchasing decisions but to also steer them towards particular products.

"The implementation of the CPA has put power into the hands of consumers – but it is now time for consumers to hold retailers and suppliers accountable. Only then will industry standards change," says Salman Khan, MD of Waterval Minerale.

The South African bottled water industry is one industry that needs further regulatory and monitoring processes.

Creating an industry standard

Only 4% of bottled water brands in South Africa are endorsed by the South African National Bottled Water Association (SANBWA) and yet retailers unknowingly stock them on their shelves, and consumers foolishly by them because of the price tag.

SANBWA was formed in 1997 as a standards setting and representative body for the industry and is a voluntary association of bottlers whose primary concern is the health, safety and pleasure of their consumers. SANBWA has recently announced new stringent regulations, 'Guidelines and Standards for Bottling Lines' as a way to raise the entry into this low level industry more difficult (vital for quality purposes). This is the first document of its nature for the South

African natural bottled water industry, and acts as a good handbook for the new bottler of natural mineral water.

But it's just water?

There is a quality scale for water, measured by its Total Dissolved Solids (TDS) count. According to www.waterfiltersonline.com, TDS is the total weight of all solids (salts,



It is important to keep up with the latest innovations and trends. Energy drinks and functional beverages appeal to customers on-the-go and looking for extra benefits in their cold drink.

minerals, metals etc) that are dissolved in a given volume of water, expressed in units of mg per unit volume of water. "TDS is the level of minerality in the water and there are misconceptions that a high TDS count is bad for you, when in actual fact that a low count (less than 50mg/l) means the water is not even worth buying," says Khan. "The consumer would do better to just stick to tap water," he adds. It is interesting to note that 250 mg/l is the minimum TDS requirement in the USA and Europe. ►

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Water also falls into three categories: Water defined by origin, for example spring water; Natural water, i.e. from any good, sustainable borehole or underground water source; Prepared water, which includes: distilled, desalination or reverse osmosis.



Bottled water continues to grow as a category, albeit at a slower price compared to the 10 year boom of an average 27% year-on-year.

The power of packaging

There are different levels of packaging quality. According to BMI's research, popular packaging includes cartons, glass, plastic and sachets. Manufacturers must take into account various factors when deciding on which packaging will work best. These include the product itself, the target market, cost, as well as environmental impact. Polyethylene Terephthalate (PET), which is used in many products, has recently come under discussion for its perishability because of its oxo-degradable content. According to the Plastics Federation of South Africa, oxo-degradable plastics have small concentrations of additives (usually metal salts) that cause them to degrade at an accelerated rate. This is good for the environment but not

for retailers who might find a small lake by their water fridges containing bottles older than the industry standard of one year.

"The efficient management of the supply chain is therefore essential and we might have to consider introducing Just-In-Time (JIT) delivery for water, like other perishable products, such as milk," says Khan. Despite the perishability factor, the standard of PET used for bottled water is of the highest quality – using only virgin polyester resin. Consumers can identify PET by its '1' resin code embossed close to or on the bottom of each bottle.

The level of quality of packaging used and the water inside is high for a bottler to be endorsed by SANBWA. There are over 450 known water brands in South Africa but a mere 4% are recognised by the body. Some bottles may have other endorsements but if there is no SANBWA or South African Bureau of Standards (SABS) stamp of approval then retailers and consumers should question the quality of the product.

Environmental conscience

Green practice has become an industry norm and plastic is a huge recycling opportunity. The PET Recycling Company (PETCO)

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represents the South African plastic industry's first joint effort to self-regulate post-consumer recycling. "By 2012, the aim is to have the entire PET industry recycled," comments Waterval Minerale's Salman Khan, But recycling a bottle is not be as simple as it sounds as one bottle is made up of three components: The bottle (made from PET), the cap and rim (made from PVC), and the label (plus adhesive). "Components have to be separated because the materials aren't compatible with each other, so the industry aims to use one type of material for all the components," explains Khan.

There are plans to achieve bottle-to-bottle recycling whereby a water bottle can be recycled and reused again as a water bottle. Currently, plastic bottles are recycled and made into a new product, such as plastic containers. PETCO is financed by a voluntary recycling levy of R275 per ton, paid by converters on PET resin purchased. It also receives grants from brand owners and resin producers. The company recently received a special commendation at *The Mail & Guardian's* Green the Future Awards for the work it's been doing to promote PET recycling in South Africa.

"And so, the stage is now perfectly set to reveal our entire new print campaign in which we truly revere the PET beverage bottle – A super-sophisticated, 100% recyclable material that can continue adding so much value after you've used it, PET is just not worth throwing into the trash," comments PETCO's Lynn du Plessis on the company website.

The untapped market

For nearly 10 years, the bottled water market experienced volume growth of an average of 27% per annum. "The growth in popularity of bottled water was exceptional; as a function of the category being fairly new and becoming established within the South African market," explains Jan Wegelin, research manager at BMI. However, following this boom, category growth plummeted to just 4.2% in 2010. BMI believes the tapering off of the growth rate was as a result of four issues:

- The recession translated into a decline in demand for bottled water as it is generally viewed as a non-essential item.
- A few players who had entered the market were forced to close as the market became more competitive. The low barriers to entry to this market resulted in a plethora of suppliers who could not all maintain their turnover targets.
- With the growth in variant offerings to the market coupled with the saturation level, the user-pool stagnated.
- It is believed that the extreme growth rates could not be maintained once the category became established and, with bottled water volumes reaching market saturation, volume growth naturally levelled off.

"It is believed that the market will remain fairly competitive with more share movement between players rather than an overall growth in market size," comments Wegelin. Khan suggests some of the factors that will help the market keep growing, include: Improved consumer education, a growing tourism industry, deteriorating quality of supply of municipal water sources and unexpected weather patterns.

He also believes that there will be another boom for bottled water as previously untapped customer segments – in shebeens and township stores – start increasing their demand.

BMI has forecast the volume increase for 2011 to be 4.6%, a figure more in line with other food and beverage increases.

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