**Dominating sales**

The Coca-Cola Company has been the leader of the pack for decades and dominates the cola, carbonated soft drink (CSD) and water categories. “The cold beverage category is extremely important to the Spar group and we are Coca-Cola’s single biggest outlet in South Africa. We are able to maintain good sales volumes through our every-day-low-price (EDLP) strategy. So, unlike other retailers that work on high-low pricing, customers know what they will pay for their beverages on any given day,” says Richard Frenzel, category buyer for cold beverages at Spar South Rand.

The Coca-Cola CSD brands such as Fanta, Sprite and Sparletta regularly face competition from low-cost smaller players who offer their products at much lower prices. Many of these players are regional and take market share mainly in the lower LSM segments.

Serious competition for Sparletta entered the market in form of Shoreline Beverages’ Coo-ee brand. First regionally limited to Kwazulu-Natal, it experienced massive growth across the country and it could be observed that Coca-Cola dropped Sparletta prices significantly to remain competitive.

Overall, trends seem to go away from colas towards CSDs. “In the six months between January and June 2013, flavoured CSDs experienced a 1.3% share growth, whilst colas decreased by 1.2% during the same period,” says Frenzel.

Despite the strong presence of global brands in South Africa, the world’s biggest CSD, Pepsi, lags far behind in sales. Retailers attribute this to supply chain challenges as Pepsi operated on direct store delivery (DSD) until recently, leaving the company unable to avoid out-of-stocks. Its recent shift to central distribution is likely to rectify this problem and help Pepsi gain a much bigger share of the South African market.

Consumer preferences in the cold beverage category very much align with most others. “Shoppers are looking for value, which is not defined by price alone, and convenience,” says Michelle van Schalkwyk, marketing manager for juices at the Ceres Beverage Company.

**The battle for fridge space**

The ever-prevalent competition for shelf space is particularly intense in the cold beverages sector. The big lifestyle brands such as Coca-Cola and Red Bull offer supermarkets, as well as smaller retailers, branded supplier fridges free of charge, in which retailers are only allowed to stock those brands. These are usually positioned closed to the checkouts, ensuring visibility and impulse purchases. Corporate stores are often allowed to place these as long as it is a popular product and franchisees have free reign in accepting these units.

The practice of ‘buying’ shelf space is a lot more controversial and usually takes the form of major manufacturers contributing significantly to the installation cost of a store’s glass door fridges. In turn, only their products may be stocked behind an agreed number of doors.
COLD BEVERAGES

These agreements are then valid as long as these fridges are operational in-store – usually a period of up to 15 years.

Some retailers started to ‘break free’ from the full control suppliers have over their cabinets by moving future consumption packs – beverages sized 1l and 2l – out of the fridges onto racking. This makes sense, as customers take them home and put them into their own fridge to share with the family. The store’s excess fridges are then removed and, as an added benefit, operating costs reduced and margins increased.

This is obviously not possible with immediate consumption (IC) packs, as no customer will be content with a lukewarm soft drink for the road.

Selling in style

Many big brands maintain their popularity through a ‘lifestyle image’, associating exciting lifestyles with the consumption of their product. Coca-Cola has been doing this for many years and most energy drinks, the newer kids on the block, solely rely on this type of marketing to gain popularity.

When examining campaigns and websites of the likes of Red Bull and Monster, it is hard to even find product information. Much of these companies’ marketing spends go towards sponsoring sports teams, extreme sport events and brand parties. Customers develop the perception that consuming these products associates them with this type of exciting life and this certainly sells.

These sporty images also disguise the fact that these beverages have very high caffeine contents and are not on top of the ‘good for you’ list. Nonetheless, the growth in this category is massive and energy drinks have become part of daily life. For many years, Red Bull has been the only global player here, but now has major competition from Monster and Power Play, as well as smaller manufacturers that operate regionally.

“Trends are going towards bigger pack sizes in energy drinks. Certain manufacturers no longer offer the conventional 250ml cans and now only offer 500ml and bigger to meet customer demand,” says Frenzel.
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Moving future consumption packs out of the fridges leads to lower overheads and more profit in this category.

Social media engagement has become an intrinsic tool in reaching and appealing to a younger customer base.

Most beverage manufacturers also make extensive use of social media to be part of the conversation and keep their names out there. Discussions on lifestyle topics, sports and competitions keep shoppers interested and once again add to the exciting image these brands strive for.

“Engaging with consumers and entertaining them on social media keeps brands alive and top of mind. If that messaging is not carried through into stores, it can have a small impact on the actual sale,” says Ceres’ Michelle van Schalkwyk.

Social media engagement has become an intrinsic tool in reaching and appealing to a younger customer base. “Young people spend a lot of time on Twitter and use social media advice to make buying decisions. This is the new word-of-mouth and probably one of the biggest sales drivers today. Any advertising of this sort is good for product sales,” says Kobus Venter, Bundaberg trade marketing manager at Zambezi Beverages.

Juicy matters

Unlike the very fast-paced energy drink market, little has changed in the fruit juice sector. “Innovation in this category has been minimal over the last year. There have been a couple of new pack formats introduced and a few new flavours launched. It seems...
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that companies had their hands full trying to operate in a really tough market and focussed on creating value for shoppers rather than new innovations,” says van Schalkwyk.

Established manufacturers are faced with the challenge of keeping shoppers from down-trading and grab their attention by targeted messaging and emphasising value for money.

Despite the lack of innovation and per litre price increases, overall juice sales volumes increased in 2012. According to BMI, top-end retail and garage forecourts achieved a higher share of sales, whilst wholesale, bottom-end retail and on-consumption decreased. Top-end retail holds a total share of 44.6%, garage forecourts 12.7% and wholesale 12.6%. 37.1% of all juices are sold in Gauteng.

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Much like other cold beverages, bottled water is highly seasonal – so the time is near to fill up the fridges by the tills and stock up for the increased summer demand

Watered down?
The bottled water category also continues to gain momentum, particularly in the higher LSMs, as it is seen as a very healthy beverage choice. There is also a common perception that bottled water is healthier than tap water, which may hold true.

Cold beverage manufacturers compete fiercely for a share of disposable incomes.

The competition for fridge space is fiercer than in any other area of the store.
Manufacturers of energy drinks rely on lifestyle marketing to generate sales. Depending on which municipality one is in. Leading the pack in bottled water sales are Coca-Cola’s brands Bonaqua and Valpré.

BMI states that this category also experienced volume growth between 2011 and 2012. Demand for glass bottles has decreased and trends shift ever further towards PET bottles. The category continues to be dominated by unflavoured water and functional waters, containing specific ingredients to benefit health and wellbeing, are gaining momentum. The growth in this category is threatened by the lack of regulations governing the recycling of tap water. Retailers can leverage this by promoting brands that can vouch for the quality of their product.

Much like other cold beverages, water is also highly seasonal. “In winter, bottled water sales are up to 50% lower than in summer,” says Frenzel. So the time is near to fill up the fridges by the tills and stock up for the increased demand.

Customers may not be particularly picky with their brand of bottled water, but they sure are with their favourite CSDs. A customer looking for a can of Coke is unlikely to settle for a Pepsi and vice versa.

Pricing is key
With the non-essential nature of cold beverages and disposable income declining, brands fiercely compete for a share of the seemingly shrinking pie. “The market is very segmented at this stage and LSM 6-7 customers have arrived at a stage where they down-trade and can no longer afford to purchase these products daily,” says Kobus Venter of Zambezi Beverages.

The Liqui–Fruit range is best served cold and has been designed to add life and colour to fridges across the country. Our wide variety of packs and flavours are perfect for satisfying absolutely any type of thirst, no matter who, how, when or where.
willing to spend more money here if they realise a distinct health benefit. "This is about keeping products as natural as possible. We, for example, use cane sugar instead of artificial sweeteners. Consumers are willing to try new things that suit their healthier lifestyles," says Venter.

A popular product falling short of this health trend is Coca-Cola. Having regularly made headlines with the use of the controversial sweetener Aspartane in Diet-Coke, the company has now embarked on a TV and print campaign in the US to combat declining sales and to assure customers that the products are safe. The sweetener has been approved since the 1980’s and scientists have since disagreed on the additive’s long-term effects. Coca-Cola cites over 200 studies from the past 40 years attesting the safety of the ingredient to justify its use. Diet-Coke sales decreased by 3% in 2012 and Beverage Digest states that Diet Pepsi sales dipped by 6.2% during the same period.

Consumer reluctance towards these products and artificial sweeteners generally, confirms increased awareness of the health aspect of cold beverages and that this has become a strong factor in purchase decisions. Diet beverages already made headlines years ago for their high carbohydrate content that counteracts the calorie benefits of the absence of sugar and are therefore not actually ‘diet’.

Yet, at the end of the day, health alone only sells very few cans of cold drinks. Consumers want the full package. So, take part in the conversation, attract sales through great promotions and give your customers what they want. They want to know what is in their beverage, taste great flavours and feel that they are getting value for money – and of course it has to be served ice-cold.

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