

By LAURA DURHAM



Refresh your profits with cold beverages

Many cold beverage categories have remained static or declined, although bottled water – with its low barriers to entry – saw positive growth from 2008 to 2009.

Innovation and effective promotion is essential for this category's success

Summer seems to have jumped ahead of spring, causing consumers to head straight to the fridge to cool down. It's the season for the cold beverages category but the large variety, teamed with limited shelf and fridge space and today's frugal consumer spending habits have made it a tough year for beverages so far.

Many of the cold beverage categories have remained static or declined, although bottled water – with its low barriers to

entry, and iced tea have both seen positive growth from 2008 to 2009. **Wholesale Business** takes a look at trends and innovations to identify how to make sure you get your cold beverage offering right.

Cool choices

"Consumers are still purchasing cold beverages but this market can be best described as being flat with no real innovations," says Allan Prins, director at sales and merchandising company, Coast & Country. "With the exception of the water category, all other beverage categories are in decline," he adds.

As consumers have had to reduce their spending, cold beverages have often been one of the first items to fall off the shopping list as they are deemed 'luxury'. This has meant that manufacturers need to do a lot more to keep their customers, and even more if they hope to attract new ones.

Consumer spending is still slow, but luckily the warm weather should speed up their cold beverage purchases. Innovation, range, marketing and price will be the key factors in the summer months. "We're just coming out of the winter season where people don't really go overboard on cold beverages. But the market is definitely there," says Lee Damons, field manager for Tiger Beverages.

"Brand loyalty is high in this sector. Price plays a role because of the recession but consumers always move back to the brands that stand for quality," observes Asheen Dayal, Clover brand manager.

As with all consumer categories, cold beverages faces a new, post-recession customer. Shawn Henning, senior analyst at BMI Adcheck, pointed out the total beverage trends at the South African National Bottled Water Association (SANBWA) Conference in July:

- The slowdown in world economy has not eluded South Africa.
- Consumers are still spending but just down-trading from luxury brands and products.
- Manufacturers and retailers have engaged in effective above and below-the-line promotional activities.

Cold beverages feature



The economic slowdown may have affected cold beverages but the summer season is bound to refresh the market, so long as retailers make sure they get their offering right.

- The continued influence of health and wellness has seen the introduction of many diet/lite variants.
- Functional beverages that are energy boosting and/or offer added nutrients and vitamins are gaining prominence, particularly internationally.

Water wonders

The bottled water category showed excellent growth in the period 2000 – 2007 but slowed down between 2008 – 2010, according to Henning. This was in line with a general decline in cold beverages.

Many bottled water manufacturers were forced to close down during 2009 due to the economic downturn but low barriers to entry means that these players could re-enter the market once the economy stabilises and consumer spending increases, according to the BMI Adcheck report. New regulations, regarding new processes and requirements to manufacture quality water endorsed by SANBWA, will, however, make this re-entry and entry by new players a little more stringent.

The report shows that the bottled water market volume grew by 3.3% from 2008 to 2009. This was largely due to the health

and wellness trend, convenience, and warm weather experienced in the country. Pricing is another key factor, as bottled water compares well to other beverage alternatives, Henning says. He predicts 1.5% growth in retail sales for 2010.

Just fizzing over

The carbonated soft drinks market, which comprises of colas, flavours and mixers, remained static during 2009, notes the BMI report. Supers have to continuously compete with all other brands in terms of price. When it comes to entertaining, especially at children's parties, the soft drinks on offer are often the cheaper brands. Flavours are also well supported by the lower income groups. They base their decision on price, giving lesser brands the opportunity to gain entry into the market. The top two mixer brands, namely, Schweppes and Chele continue to enjoy consumer support," says Prins. The report

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notes a similar trend: "Smaller players try to compete on a pricing level in this price sensitive market and sell their products for less than some of the more affluent brands."

Fruit fun

Clover's Asheen Dayal, says that consumers are definitely still buying cold beverages, but not all of the fruit juice categories are benefiting. "The 100% fruit juice market is increasing fantastically year-on-year but the nectar market is in slight decline and dairy fruit blends have shown small growth. The recession did have an effect on the market but the fruit juice market is resilient and making a comeback already," he says. The BMI report notes that the decline of fruit drinks in 2009 is because consumers have transitioned towards purer and healthier alternatives, such as nectars and pure fruit juices. Fruit drinks are less expensive than nectars or pure fruit juices, yet consumers still prefer to spend R2 to R3 more per litre to trade up to the nectar.

Squeezing the last drop

Lower LSM consumers are always looking for value-for-money, making concentrates, squashes and powders the ideal cold beverage solution. "Within the concentrates market, there is a massive price war. The powdered market is very popular with the lower LSM consumer as it is cost-effective (one sachet making around ten litres) and convenient, without any space constraints," Tiger Beverages' Lee Damons says. There are

Creating display – using the current season or events (like the recent Soccer World Cup) – will draw customers to your cold beverage selection.



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currently a number of players in this market – all fighting for shelf space and customers. "There has been an increase in demand for flavours which has been brought about by price. Cordials are also showing growth as they are perceived as good value for money," notes Coast & Country's Allan Prins.

Dairy delight

Dairy fruit blends saw a growth rate of 1.3% during 2009 and manufacturers anticipate more positive performances over the medium to longer term. "It is believed that the growth potential for dairy fruit blends still remains even though the recession took its toll with volumes slightly lower than anticipated," according to the report. Some of the reasons for growth in the category include new flavour launches and packaging



re-designs, as well as some manufacturers adding a sport and on-the-go variant to their ranges with a sports cap. "The dairy fruit blend market has blossomed, particularly in the lower LSMs. Price has been a major contributor to this as consumers can buy a 500ml pack for under R10," says Tiger Beverages' Lee Damons.

Price was possibly a major factor for performance being slightly lower than expected. "Pricing within the dairy juice blends market and indeed the entire dairy industry was influenced by the decision of a large player to increase pricing within the industry. Other large players followed suit to give the entire dairy category a value boost, making the category more lucrative to industry players," notes the report.

The drinking yoghurt market contracted by 3.8% in 2009, no doubt as a result of consumers feeling the pinch of the economic downturn and cutting down on luxury items. The BMI report shows that 2.1% growth is expected in 2010 and 5.4% growth per annum forecasted to 2014.

A burst of energy

The energy drink market has been abuzz with new players entering the market and

Cold beverages feature

the category saw 4.7% growth in 2009. These new players, including Übershot and Cintron – with their more natural ingredient offering – will no doubt appeal to the more health-conscious consumer. The report does note, however, “for the first time in seven years, the market saw less than double digit growth”

The South African sports drink market contracted by 15.5% in 2009 but it is set to recover in future, with 4.1% growth predicted in 2010 and 4.4% growth per annum forecasted to 2014. Possible reasons for the decline include: customers focusing on buying basic commodities but also turning to nostalgic food and beverages that symbolise comfort, a symbol not generally associated with sports drinks.

Health factors

“The introduction of sugar free alternatives has had very little impact but vitamin-enriched products are enjoying support from the higher LSM groups,” says Prins. Drinks such as Vitamin Water and products promoting low-GI and sugar free qualities are becoming very popular in the higher income bracket and companies are tapping into the trend with their marketing strategies, such as putting a calorie count on the label.

The carbonated soft drinks market has also seen a large increase in diet/lite variants and this appeal to health-conscious consumers will no doubt drive positive estimates over the medium to longer term. “Consumers concerned with healthy lifestyles and eating habits are looking at new ways of enjoying their favourite beverage,” notes the report.

Iced tea has long been seen as a healthy beverage alternative, albeit at a cost. According to BMI, “while iced tea volumes grew by 4.9% during 2009, category value growth was substantially higher at 15.3. (this value growth incorporates inflationary increases).” New packaging, such as Clover Manhattan Ice Tea’s new bottle shape and tamper-proof sipper cap, which is aimed at urban females on-the-go, or point of purchase materials proved to be successful consumer-pullers for the two leading manufacturers.



Larger packs (1.5l and 2l) can be placed at the back of the store as they are for home use, but packs that are for immediate consumption (e.g. 500ml) should be at the front or eye level.



The health and wellness trend is set to continue so make sure your offering appeals to the health-conscious customers. A bit of information about the low calories and health benefits of your cold beverages might make them take a second look.

Cheers to summer sales

The economic slowdown may have affected cold beverages but the summer season is bound to refresh the market, so long as retailers make sure they get their offering right. New flavours, packaging innovations, perceived value-for-money and effective promotion is needed for its success.

Tips to maximise your cold beverage offering:

- **Weather wise.** Summer reminds customers about fun, holidays and relaxing. Create colourful themed displays (a beach party is one example) that will brighten up your store and draw customers to your cold beverages.
- **New juice.** When bringing in new items, only bring in small quantities and monitor how they are doing. “Flavours keep the interest in this market going. This helps in gaining previously lost consumers and even attracting previous non-users,” says Clover’s Asheen Dayal.

- **Play with promotion.** Encourage customers to try a new range or upsize their purchases with two-for-one promotions or in a combo with a snack. Customers are always on the look out for value-for money.
- **Refresh your point of sale.** Place fridges at your tills to encourage impulse buys. It is also a good idea to place new brands that need to gain customer attention at this point.
- **Little customers.** Ready-to-drink beverages aimed at children will also do very well at your tills. Little hands can’t resist easy-to-reach and brightly coloured products.
- **Placement priorities.** Placing the chiller at the back drives feet through the store. “For the larger packs, 1.5l and 2l, it is less important to place them near the front or at eye level as these packs are for home use. However, availability of cold beverages in fridges close to the front is essential for immediate consumption packs, e.g 500ml,” says Prins.
- **Happy health.** The health and wellness trend is set to continue so make sure your offering appeals to the health-conscious customers. A bit of information about the low calories and health benefits of your cold beverages might make them take a second look in your fridges.
- **Winning formula.** Keep only established winners and eliminate lines that are doing poorly. “Range rationalisation is required. There are far too many packs and variants in the category. Smaller ranges will be beneficial,” Prins says.