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## Offer cost effective sweet snacking options in bulk

By LISA DEWBERRY

While the economy might be on the recovery, shoppers are still very wary to spend their hard-earned cash on luxury goods. But regardless of financial position, sweets and confectionery are inexpensive everyday treats that customers can still afford. Low cost options and value-for-money remain the key drivers for confectionery sales in the wholesale market.

### Chips and naks lead the pack

Irshad Timol, director of Star Hyper in Carletonville, says at their store sales in chips and naks are high with customers preferring discounted, private label brands sold in bulk packs of 2kg and 5kg, instead of the small individual 30g packets by major brands such as Simba and Willards. The BMI Report on Snacks 2010 shows naks outperformed potato chips and puffs in 2009 and achieved a higher growth rate than all other snack categories for that period. This is significant because consumer spending was at its lowest in years during 2009 due to the recession.

Sadiq Takay, buyer for Elite Cash & Carry, Cape Town, says chips and naks are doing particularly well at their store too. Naks such as Truda Snacks, Giant Puffs, IQ Naks, and R&T Naks are on top, with R&T Snacks and Crackers doing well too. They sell 30% more chips than all other products in this category. Potato chips maintain the highest value per kilogram compared to alternative snacks, which makes them a lucrative prospect for wholesalers. At Elite Cash & Carry, Simba leads the way, followed by brands such as Trumax, Willards, Messaris and Dowmont Spuds. It is expected volumes in potato chips will be bolstered through

# Sweeten up customers with value-for-money confectionery



major potato chip manufacturers driving increased volumes into the market.

Mohammed Parker, director at Cravenby Powertrade Cash & Carry in the Western Cape, says brands such as Simba, Lays, Willards, Truda Snacks and IQ Snacks are selling well at their store. "Niknaks and Truda are available in a pack of 50 and schools buy and resell the packets of chips to learners at the cheap price of 60c per packet since not all learners can afford to pay R2 or R3 for a packet of chips," says Parker.

### Boiled sweets, gums and chews second most lucrative

In South Africa, boiled sweets are the most lucrative market within sugar confectionery,

however, during 2010 the category shrunk by 2.9% and is yet to recover, according to the 2011 BMI Report on Sweets and Confectionery. Timol says Jiggies, Panorama Sweets and Mr Sweet are brands that lead the way in this category at Star Hyper. The cheaper ranges of chocolates, gums, yoghurt chews and boiled sweets also sell well. "Sweets are a luxury which customers can't always afford, so they buy the cheaper brands rather than the more expensive ones because there are usually more sweets available in the packets for their families," says Timol. "Imported Brazilian chews do well too because we sell them at an affordable rate to the customer due to being manufactured for cheaper prices overseas," he adds.

According to Parker, a number one seller at Cravenby Powertrade Cash & Carry since the product was launched 10 years ago is the Yogueta lollipop, due to its taste and size. The lollipops are available at 58 in a bag and sell for R30. Oren Rosenbaum, wholesale manager for Natela Importers, importers of chewing gum, lollipops, pretzels and cookies, says the bulk of their business lies in lollipops. La Dor opened a plant in Gauteng in January 2010 to produce Yogueta lollipops and Pin Pops as it was too expensive to import the products because of the import duties. They are the two most popular brands in the countries. Both brands made the top five in the Sunday Times Generation Next survey this year. Their strongest opposition in the lollipop market is Stumbo from Broadway Sweets and Monster from Trade King. Customers who shop in wholesale stores choose this product because it is good value for money. Due to it being a sugar product, it gives the customer an instant feel good boost which they don't have to pay an arm and a leg for. While a high end customer will go to a supermarket and pay R6 for a chocolate bar, these lollipops which cost R1 or R1.20 serve the same purpose for the lower end customer.

### Imported sweets dominate

Parker says imported sweets are selling much faster than local sweets due to the large variety and pricing per quantity. In a pack of sweets made by international manufacturers there are usually 100 sweets in a pack, which sell for between R5.99 and R7.99, however a local manufacturer such as Beacon sells 72 sweets in a pack for R7.49. The difference can be seen in the grammage of the individual sweets. Local manufacturers produce sweets weighing between 7 or 8 grams, while international sweets weigh only 5.5 or 6 grams. By lowering the weight of each individual sweet, international manufacturers are able to put more in a pack. People don't usually look at weight of the sweets as customers are mainly concerned with quantity.

International manufacturers also make sure packaging is eye-catching, while local manufacturers seem set in the way they

do the presentation of their products. They rarely make changes and if the product can't maintain its price, the local manufacturers take it off the market.

Parker says China, Brazil and Indonesia pose large threats to local manufacturers, with China being the most threatening, since imports are cheaper due the cost of labour input being less as workers are prepared to work longer hours.

Takay says Tamarind (sweet-sour) flavoured sweets, which are not usually sold at local supermarkets, are a popular choice at Elite Cash & Carry. Boiled sweets manufactured locally such as Beacon Smoothies and Novelty Confectionery are also top choices for customers. Novelty Confectionery offers a wide variety of flavours from Menthol to Fruity to Liqueur to Tamarind. Imported sweets are sold more frequently at Elite Cash & Carry since international manufacturers offer a broad range with a variety of sweets catering for everybody from the lower LSM to the higher LSM. Foreign manufacturers also have a willingness to experiment more, allowing for new product innovations. "While international manufacturers may have flavours such as Chilli with a unique centre inside the sweet, local manufacturers only offer soft-centred boiled sweets," says Takay.

### Toffees, caramels and chews steady while gums and jellies go up

The toffees, caramels and chews category maintained its position as the second most popular product in sugar confectionery, showing growth of 5.1% in 2010. Jan Wegelin, research manager at BMI, expects gums and jellies to have a positive 2012 as they return to 2006 levels of growth. The good performance of this category is attributed to the health benefits of jellies communicated to consumers by manufacturers, such as Maynards who introduced fat free Mini Jelly Babies. Local manufacturers are facing stiff competition from cheaper Indian and Brazilian imports, which are preferred by some outlets who focus on the bottom line. According to Food Export International, Brazil is now a major supplier of sweets and confectionery to



*Chips and naks lead the sweets and confectionery category with customers preferring discounted brands sold in bulk packs of 2kg and 5kg.*



*Lollipops are a popular choice for customers as a cheap quick sugar booster.*



*Chewing gum penetration in South Africa is relatively low and there is an opportunity to drive growth of this product through the wholesale channel.*

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**There is a demand for a good quality niche product such as the jelly bean, which has a different kind of taste and a trend towards novel products which have a distinct taste and flavour**

the world. In 2008 it exported more than 1 500 different products, including different types of sweets and chocolates to foreign markets.

Wayne Brooks, owner of Brook Sales, importer of chocolates, jelly beans and liquorice, says there has been moderate growth over the past year in the sweets and confectionery category. There is a major trend towards importing Chinese products but the problem with importing sweets currently is there is an import duty of 37% on products from USA and Australia. Top products leading their business are Jelly Belly from USA and Darell Lea Liquorice from Australia. Brooks says things are difficult at the moment as consumers don't have money but still want a good quality product. There is a demand for a good quality niche product such as the jelly bean, which has a different kind of taste and the trend towards novel products which have a distinct taste and flavour. "Liquorice is doing well because it also has numerous health benefits, such as helping with gastric ulcers, supporting lung health, cleansing the colon and is used as a remedy for sore throats," says Brooks.

### Chewing gum value increases

Chewing gum experienced a volume decline of 4.2% and future volumes are expected to remain stable with an increase of 1.4% expected in 2011. The expected growth in this category is due to new flavour introductions and packaging re-invention seen in the last quarter of 2010 to attract new customers. One manufacturer aiming for growth in the gum category is Cadbury, which introduced



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*Retailers should make sure there is good visibility of sweets with enough space to be easily seen and selected by shoppers from shelves.*

a convenient new 2-piece pack of Clorets for 50c, available in three flavours of Cherry Menthol, Original and Eliminator. Hawkers and traders can buy a bag of 50 units for R14.95.

Suhayl Limbada, senior brand manager of chewing gum at Kraft Foods, says chewing gum penetration in South Africa is relatively low and there is an opportunity to drive growth of this product through the wholesale channel. Chewing gum is a very profitable category for traders and wholesalers should invest in it because it has a huge mass appeal within the lower end of the market. The product is appealing to hawkers to buy from wholesalers because it provides attractive profit margins for the hawker and in turn provides a great value-for-money offer to their customers. Timol says chewing gum is not a large portion of their sales at Star Hyper, however major brands in this product type leading the way in their store are Chappies and Big Time Bubblegum. Parker says Chappies, Stimorol and Dentyne dominate the category at Cravenby Powertrade Cash & Carry.

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## How to boost sales in-store

### 1. Ensure shelves are stocked with items relevant for the customer

The category best in sales in most stores are potato chips and naks. This is followed by boiled sweets particularly smoothies, chews, chocolate slabs and then chewing gum. It has been noted that sweets do better than slabs of chocolate because the customer believes they are getting more for their money. One chocolate slab costs almost R10, while a packet of sweets can be sold for just under R10 and the sweets can be shared amongst more family members. Ensure the latest affordable items such as Clorets 2-piece gum (for hawkers) and Cadbury Perk, a new cost effective energy boosting chocolate bar are available for customers.

### 2. Attractive confectionery aisles with bold displays

Retailers should make sure there is good visibility of leading and ordinary brands with enough space to be easily seen and selected by shoppers from shelves. The aisle should include a wide variety of brands of sweets and confectionery neatly packed to meet every taste making it more likely for the customer to purchase. Attractive, eye-catching displays including items to win in a competition, such as washing machines and bicycles can be used at aisle ends to entice customers to buy confectionery.

### 3. Capitalise on impulse buying at checkouts

Shoppers of confectionery usually have a repertoire of about four items they choose from when shopping on impulse. Their choices are more likely to fall within the leading brands of top selling products and customers are not likely to drift from one checkout to another in search of a particular brand. Ensuring consistency in layout and availability with the right brands in place from one checkout to the next will increase the likelihood of a purchase by the customer. Have popular affordable little sugar boosters, such as Yogueta lollipops at checkouts too.



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### Chocolate ingredient prices increase with cocoa ban

Due to political unrest in the Ivory Coast, the world's largest cocoa producer, the price of chocolate slabs is expected to rise in 2011, despite remaining constant during 2010. A rise in ingredient costs was seen after the price of cocoa hit a high in February following a ban imposed on cocoa exports by Alassane Outtara, president-elect of the Ivory Coast.

BMI Research recently revealed chocolate slabs are by far the most popular chocolate confectionery type in South Africa holding over 50% share of the market. The category returned to near pre-recession levels in 2010 and is expected to experience volume decline in 2011 but will remain stable in 2012. Chocolate giants have reduced slab sizes internationally and locally to remain profitable. The reduction in size is not only price driven but health driven with smaller portion sizes expected to help tackle the obesity epidemic.

Takay says at one stage local manufacturers such as Beacon, Nestlé and Cadbury were taking back the market share and imports were taking away market share from local manufacturers, but this problem has recently been reduced. There are many imports from Brazil, Malaysia and Singapore, which are cheaper because sugar pricing is lower overseas than it is in South Africa making it cheaper to manufacture these products. International manufacturers also produce chocolates similar to the original versions which are sold at a cheaper price. Cheaper imported chocolates sell well seasonally and on special occasions such as Mother's Day. "Belgid-Or, an upmarket Belgian chocolate made by Zahor, is popular amongst our customers at Elite Cash & Carry. Individually wrapped chocolates are sold in a 135g or 250g packet for R20 and are available in various shapes including fruit and heart shapes," says Takay.

Timol agrees that Beacon, Nestlé and Cadburys slabs are top of the market with sales of these brands remaining constant over the past year. "No other brands can compete with their good quality and we sell these slabs at reduced mark up prices," says Timol. Parker says imported chocolates don't sell well at their store as customers prefer Cadbury, Beacon and Nestlé. He says they don't import chocolates because international manufacturers put a lot of cocoa in the chocolate while the local chocolate has a sweeter taste and South Africans prefer the sweet taste. "Cadbury has reduced the weight of their chocolates allowing the customer to afford three for the price of R22 which has increased sales," says Parker. **WB**