Growing sales in the hot beverage category

According to Nielsen, a leading global provider of information and insights, the beverage super-category is driving growth ahead of other categories within the total FMCG market.

When it comes to hot beverages, the growth is being driven by coffee with premiumisation being seen as an emerging trend within it. In the instant coffee segment, consumers are trading up into Pure Coffee and Mixes (Cappuccino's, etc.) while Mixtures (coffee mixed with chicory) is losing importance. This trend being driven as a result of the reduction in the price gap between Pure Coffee and Mixes on the one hand and Mixtures on the other, and specifically when the more premium brands are on promotion.

Portioned coffee (Pods which fit into systems) is also seeing strong growth driven by increased competition in this market from Private label and new brands being launched.

Tea is also seeing growth, but to a lesser extent compared to coffee. The total Milk Modifier market is also showing some growth, mainly due to growth in value and volume in Hot Chocolate and value growth in the Malt category.


NEW
INSTANT & DELICIOUS
TEA LATTES
NOW AVAILABLE
FIVE ROSES
SUPERIOR QUALITY TEA
CREAMY
TEA LATTÉ
CHAI FLAVOUR
A delicious instant tea drink
10
FIVE ROSES
SUPERIOR QUALITY TEA
CREAMY
TEA LATTÉ
CEYLON
A delicious instant tea drink
10
STICKS
FIVE ROSES
CREAMY
TEA LATTÉ
CEYLON
FIVE ROSES
SUPERIOR QUALITY TEA
CREAMY
TEA LATTÉ
GREEN MATCHA
A delicious instant tea drink
10
Nobody makes better tea than you and Five Roses

Within the **Soup** market, Instant has lost both value and volume growth, while Low Priced packet soup has seen significant growth in both value and volume.

According to Kyle Carson, National Brand's beverage marketing manager, there are a number of trends driving different consumer segments to increase purchases in the different Hot Beverage sub categories.

Taste, he notes, remains a defining factor when consumers purchase food or beverage products. This, coupled with convenience and health, are the primary drivers of the growth seen in the market.

The growth of the speciality sticks and capsules segments within coffee speaks to the growing importance of the convenience and on-the-go trends.

The ongoing growth of tea, and specifically herbal, is representative of health, wellness and naturalness / authenticity coming to the fore for more consumers.

Consumer tastes in hot beverages are trending towards traditionally premium products as a result of increasing discounting and increasing local awareness of and exposure to international trends.

When it comes to capitalising on these trends through merchandising and promotion, Carson has some suggestions...

Coffee

The Speciality Sticks (cappuccino stick) segment ought to be treated more like snacking – consumers are interested in trying new variants, as a way of bringing flavour and excitement to a category that usually brings them more of the same. Pushing speciality sticks, along with capsules, offers an opportunity to bring more value into this otherwise heavily discounted category by increasing the cost per serving (roughly R5 per serving for a cappuccino stick vs. approximately R3 for pure instant coffee and R1 for mixed instant coffee)

Coffee 2018

	Sales value	Sales volume	Growth value	Growth volume	
Total coffee	5 078 736 543.00	27 765 473.00	6%	5%	
Total pure	2 063 244 926.00	5 776 284.00	8%	8%	
Total mixed	2 256 618 609.00	18 696 635.00	1%	2%	
Total speciality	758 873 011.00	3 292 530.00	17%	19%	
Total brewed	537 891 943.00	2 119 908.00	10%	7%	*Sub category*
Total instant	1 982 602 510.00	16 552 005.00	1%	2%	*Sub category*

Tea 2018

	Sales value	Sales volume	Growth value	Growth volume	
Total tea	3 280 586 925.00	19 522 877.00	3%	-4%	
Black	1 928 731 338.00	14 394 713.00	3%	-3%	
Flavoured	137 121 136.00	252 024.00	-2%	-6%	
Green	67 054 211.00	172,730.00	2%	4%	
Herbal	53 228 125.00	80 488.00	21%	25%	
Rooibos	1 094 452 136.00	4 622 868.00	4%	-6%	
Bags	2 885 812 354.00	17 415 061.00	4%	-4%	*Sub category*
Loose	359 224 548.00	2 058 842.00	1%	-6%	*Sub category*
Sachet	29 494 229.00	40 163.00	12%	9%	*Sub category*
Pod	6 055 825.00	8 732.00	-6%	-17%	*Sub category*

Note:

- Sub-Categories don't add up to the total. They are a different way of looking at the category.

- Increase shelf space on categories such as Speciality Sticks, including the single stick packs to aid trial and penetration
- List new SKU's that drive interest in the speciality sticks segment
- Increase broadsheet support to lower entry price, and thus allow new consumers to trial the category and current users to trial new variants
- Harness the trend towards Pure Coffee – both beans and ground – especially in higher income areas. This segment also assists value growth with a higher cost per serving and renewed interest driven by the burgeoning South African 'café culture'.

There's nothing significant happening within the **Creamer** category. But, because of the dominance of the 800g/750g format, it presents an opportunity for retailers to list larger SKU's, marketed as 'value packs' to shoppers. These offer a Rand/kg saving to the consumers.

Tea

Despite the large relative size of both black and rooibos tea, Speciality Teas (flavoured, green and herbal) remain an opportunity to capitalise on. This segment sees minimal broadsheet support and is sold at a premium to black and rooibos teas, thus presenting an opportunity to increase revenues and bring value back into the frequently promoted tea category.

- a major issue and opportunity is that retail assortments often don't mirror current consumer behaviour, with the Speciality segment over-traded with hundreds of SKU's. This presents the shopper with too many options, and no way to easily navigate these shelves
- Very often the shelves are stocked with Speciality tea SKU's that move slowly, due to their super-premium price positioning. Introducing more affordable speciality tea offerings and making them more visible in the mix on-shelf, can increase their contribution to sales
- There is an opportunity to drive penetration and trial of this segment by increasing promotional/broadsheet support and reducing the assortment on-shelf while refining the layout to assist in navigation.

Milk modifiers 2018

	Sales value	Sales volume	Growth value	Growth volume
Total milk modifiers	678 270 029.00	5 318 078.00	5%	3%
Cocoa	141 090 771.00	515 909.00	1%	-2%
Hot chocolate	232 382 922.00	1 942 240.00	8%	6%
Malt	234 311 781.00	2 081 495.00	6%	2%
Cold drinks	70 484 540.00	778 422.00	1%	-1%

Soup 2018

	Sales value	Sales volume	Growth value	Growth volume
Regular foil packet	1 227 973 802.00	263 725 479.00	2%	2%
Low priced	452 073 716.00	10 569 897.00	20%	18%
Regular	1 265 990 817.00	271 527 848.00	3%	2%
Instant	199 225 368.00	44 595 054.00	-6%	-8%

Notes:

- Sub-Categories don't add up to the total. They are a different way of looking at the category.
- Soups does not have a 'Total soup' segment. **SR**

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