

A sip in time

Cold Beverages ... Always in motion

Like many retail categories, the Cold Beverages industry did not escape the Covid-19 pandemic unscathed. Now, with a return to school and in-office or hybrid work situations, as well as the rescinding of lockdown restrictions on gatherings, the market should have been well into a recovery period. However, the current socio-economic climate has caused some further upheaval with increased input costs, supply delays, and load shedding all taking a toll on the industry.

In an Insight Survey report overview (South African Carbonated Soft Drinks Industry Landscape Report 2021) published on Bizcommunity.com, it was reported that, "In terms of the South African market, the local carbonated soft drinks market achieved growth of 4.1% year-on-year, in current prices, between 2020 and 2021. Furthermore, the market is expected to grow at a compound annual growth rate (CAGR) of 5.8% between 2022 and 2026. Interestingly, as the Covid-19 restrictions ease, on-trade consumption is predicted to grow at a CAGR of 8.3% between 2022 and 2026, compared to 4.9% for off-trade consumption."



Image courtesy of Wagner Soares, Pexels

This is compared to a CAGR of 3.6% between 2015 and 2019. According to the Insight Survey report, the local carbonated soft drinks market saw an improvement in 2021, after being negatively impacted by the Covid-19 pandemic in 2020. For example, The Coca-Cola Company recorded a 9% decline in global sales, for the 2020 calendar year.

There have been some interesting, new, and innovative product launches in the local market to stimulate consumer interest and keeps up with rapidly changing consumer tastes and trends.

The current state of the cold beverages category

Khathu Musingadi, Senior Research Analyst at BMi Research, shares some valuable insights into the current state of the Cold Beverages category with us.

According to the latest data gathered by BMi Research, demand for non-alcoholic beverages saw some decent recovery in 2021. Across most subcategories, prospects to the end of 2022 and beyond were also looking promising, despite ongoing challenges and





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unexpected obstacles. The latest BMI statistics suggest that the majority of non-alcoholic ready to drink (RTD) beverages which were negatively impacted by tougher than expected economic conditions in 2021, and ongoing Covid-19 restrictions, are starting to see signs of recovery.

The past two years have seen a decline in discretionary spending, as well as reduced holiday activity, with sporting events at both an amateur and a professional level suffering, and even school activities curtailed.

As children have returned to school full time and food services begin to recover, the tide is turning. On-consumption demand, particularly for premium beverage brands, constitutes a significant proportion of the non-alcoholic beverage sector.

“In 2021, non-alcoholic beverage categories were particularly impacted by rising input prices, which resulted in above average price increases in selected categories. Stage 4 loadshedding also had a knock-on effect on production activities for some categories, while riots and business damage in KwaZulu-Natal and parts of Gauteng in the third quarter, and higher than average rainfall and cooler weather in the fourth quarter of 2021, all resulted in lower demand,” explains Musingadi.

“As the environment normalises, demand is picking up, although volume and value recoveries from 2020 have in some instances not met expectations.”



Image courtesy of Gerardo Manzano, Pexels

Sports drinks

The RTD sports drink category saw healthy growth in both volume and value in 2021, but sales volumes remained below what was expected. Musingadi reiterated that volume growth was off a low 2020 base, which was negatively impacted by the Covid-19 pandemic. “The easing of lockdown restrictions in 2021 led to consumers becoming

more active again, while amateur and professional sporting leagues – where RTD sports drinks feature prominently – started up again,” she says.

Offering an explanation for this, Musingadi points out that the tougher economic environment means that consumers are focusing on cost- and value-based purchases. Given the price point of sports drinks, their recovery will most likely continue to be hampered by the ongoing economic hardship. In order to make inroads, sports drink manufacturers may look at introducing added nutritional benefits focusing on illness recovery or even boosting the immune system.

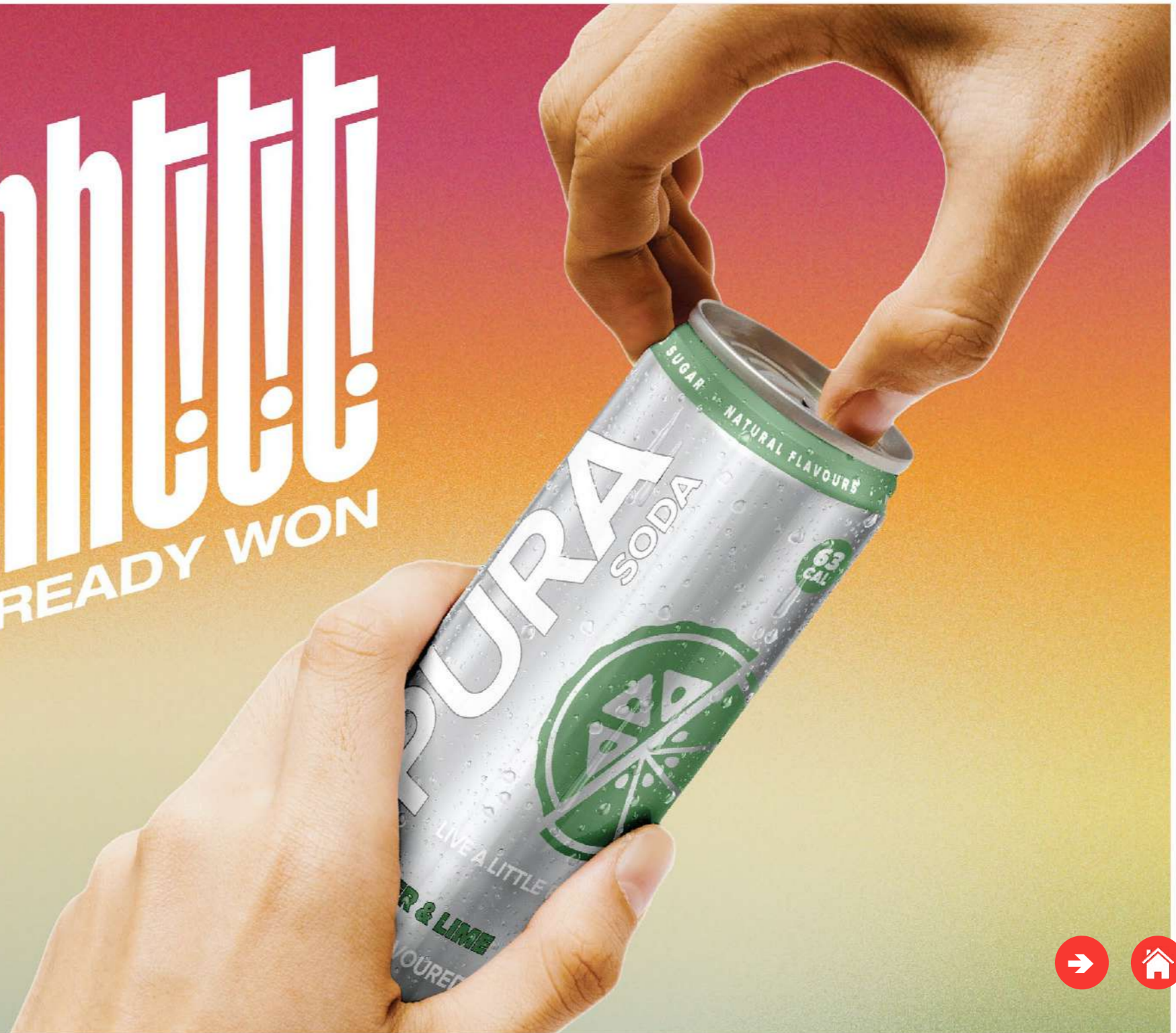


Energy drinks

The RTD energy drink category continued to exceed expectations in 2021, recording both volume and value growth compared to 2020. Musingadi reports that value-based local brands, in particular, continued to have a positive impact on the category, with aggressive pricing activities driving demand and attracting new consumers. “More expensive, imported brands did not enjoy the same high growth as local brands,” she says. “Energy drinks are regarded as offering a value-add when compared to similarly priced beverage alternatives.”

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“At the same time, 2021 saw a number of new players, which helps to keep consumers interested in the category.”

Energy drinks are an interesting category as, despite a relatively higher price, they do remain popular across the LSMs and with a diverse range of consumers. Promising to deliver an energy boost for everyone from exhausted parents to students, manual labourers, nightshift workers, and anyone with their nose to the grindstone at work, additional nutrition benefits such as extra protein, ginkgo biloba, or a range of other ingredients make these an attractive option for many consumers.

Sparkling soft drinks

BMI reports that, despite aggressive promotional activity during 2021 aimed at regaining ground lost in 2020, the sparkling soft drinks category saw only muted growth in 2021. Following the larger trend towards bulk buying, larger pack sizes are reported to be driving volume recovery as they are deemed to be more affordable in terms of Rands per litre. There is good news, however, as the category is expected to perform well over the medium term as economic activity continues to gain traction. Convenience and on the go pack sizes should also perk up and the category as holiday and festivity plans ramp up towards the end of the year.

According to the Insights Survey on Bizcommunity.com, “More South African consumers are opting for healthier carbonated soft drink (CSD) products, including those that contain less sugar, as well as products that advertise functional benefits.



Image courtesy of Shardar Tarikul Islam, Pexels

However, this health focus does not mean that South African consumers are willing to compromise on taste, with more consumers specifically seeking out healthy CSD products that also offer appealing flavours. For instance, Coca-Cola No Sugar, which is showing good growth in South Africa, recently launched a new recipe that promises consumers a taste more like the original Coca-Cola.”

This trend is reflected in Whole Earth’s Organic Elderflower drink, which contains no sugar, as well as containing elderflower, which provides immune-boosting properties; Monatea’s Lightly Sweetened Hibiscus Berry and Buchu Sparkling Tea, which contains hibiscus petals that provide an antioxidative effect; and aQuellé’s Khula range, low in kilojoules and created using aQuellé’s unique spring water. The range is available in a variety of flavours, including cola, ginger burst, cream soda, and raspberry.

Iced tea

According to BMI statistics, iced tea was the only ready to drink category that did not see a recovery in 2021 after the challenges of 2020, declining both in terms of volume and value. The negative performance of the category, according to Musingadi, can be attributed to the relatively higher average selling price of iced tea products compared to other beverage alternatives, which has resulted in a shift to other beverages; the slower than expected economic recovery which negated the sales potential of premium beverage alternatives, and the fact that the category is not receiving the required promotional pricing and support which is further contributing to substitution with alternatives.

“The iced tea category is not currently attracting new consumers,” she points out. To reverse the category’s downward trend, iced tea brands will need to invest in brand building, communicate a benefits reason for consumers to choose iced tea

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over other drinks, and justify their higher cost to consumers.”

Keeping this advice in mind, retailers can look at marketing that targets mindful consumption, and also look for brands with lower or no sugar, no artificial sweeteners, and either low or no caffeine content. Marketing these benefits to health-conscious consumers would be a good place to start.



Image courtesy of Anna Tarazevich, Pexels

Bottled water

Globally the bottled water category has had a tumultuous time over the last two years. Panic buying versus the lockdown-induced decline in the need for bottled water started the upheaval, and things have not truly recovered since.

“Continued selected restrictions towards the end of 2021 meant that consumers were home-based more than normal, consuming tap water which negated the need for packaged water, particularly given that on-the-go pack sizes drive this category,” explains Musingadi, adding that as the economy improves, the local bottled water category is expected to perform better with increased volume growth.

Dilutables

According to BMi, dilutables are primarily targeted at lower to middle income consumers that suffered the most from slower than expected economic recovery, lower earnings, and higher levels of unemployment during the pandemic. Value brands within the dilutables category tend to drive the

market, rather than pricier cordials or squashes. In 2021, the dilutables category declined both in terms of volume and value.

“This is an interesting category because typically, when dilutable volumes go up, other ready to drink categories go down in volume – and the reverse

also holds true,” says Musingadi. “During lockdown in 2020, positive demand for dilutables was the result of a good price point, effective promotion, and a perception of value. The decline was largely the result of the higher sales recorded in 2020. The category is expected to recover over the medium term as economic activity continues to improve.”

Dilutables is a category that opens itself to healthier options as well as interesting flavour combinations and cross merchandising opportunities. Premium squashes can be used in home-made mocktails and cocktails, and this creates an in-store marketing opportunity.



Kingsley Beverages recently launched their Berry Crush cold drink, optimising the trend for berry flavours.

Fruit Juice

The fruit juice category saw healthy volume and value growth in 2021 and is expected to continue to show good growth in 2022. “The fruit juice industry has benefited from consistent fruit harvests in recent years and stable pricing,” says Musingadi. “As children have returned to school, we have seen a shift away from dilutables



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back towards ready to drink fruit juices, which is benefiting the category.”

The majority of cold beverage categories are expected to see further volume and value growth in 2022, as economic activities continue to improve and are encouraged by aggressive promotional and pricing activity to entice sales, concludes Musingadi.

Local and global drivers of innovation and exploration



Vitamin enhanced water... A move towards functional beverages means everything, including water, needs to offer more.

Image: Kingsley Beverages



Healthy options. Recent sugar tax amendments are not the only factor driving change in the carbonated beverage category, although low-sugar and sugar-free

options remain popular. In North America, for example, Green Cola introduced their signature beverage which combines the taste of cola without

any sugar, calories, artificial sweeteners, or preservatives. Low-kilojoule and caffeine-free beverages have been gaining popularity over the years, but this has been joined by a call for drinks that contain no artificial sweeteners and other chemicals, compounds, and ingredients. Consumers are increasingly looking for alternative, healthier options.

Brand loyalty and cost should be weighted equally when considering current buyer behaviours. As noted in other categories, certain consumers will remain loyal to a group of chosen brands, and shop around for the best deals and specials within those brands. Others will be driven solely by cost and will therefore try beverages that had not previously made it into their baskets based entirely on price. It is for this reason that suppliers and producers are attempting to balance nostalgic favourites and brand stalwarts with exciting new flavour profiles, taste sensations, and innovative product launches. For some consumers, experience is key, and they remain in constant search of “the next big thing.” It is, in reality, a fickle and changeable category indeed.

Store signage and displays are vital to the success of product launches. Many consumers are still focussed on getting in and out of stores as quickly as possible and tend to be quite blinkered in their approach. They either go directly to whatever they are searching for, or they spend time browsing based on price and store specials. Anything new needs to be well signposted and particularly obvious, or risks being overlooked entirely.



Image courtesy of Alleksana, Pexels

Sustainability remains a driving factor

Sustainability and recyclability are big topics affecting production as well as packaging. Pushed to the backburner by the current economic climate, retailers should not forget that these concerns will remain with consumers as the current upheaval begins to settle. With national and global campaigns to reduce plastic waste, as well as carbon emissions, and with many international companies embracing sustainable and environmentally friendly strategies, ensuring that local suppliers and white label ranges either maintain or strive to reach these standards is crucial for future-proofing products.

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Trend watch

International trends are often either short-lived or pass by South African shores completely. Keeping that in mind, these trends in the Cold Beverages category are worth keeping an eye on.



Lychee bubble tea: foodaciously.com

Bubble tea. A tea-based drink with tapioca or fruit jelly bubbles, this intriguing delight originated in Taiwan some time ago. Recently, however, it has seen its popularity soaring in countries such as China, Germany, and Brazil, according to Hospitality News and Business Insights by EHL (hospitalityinsights.ehl.edu/). One of the drawbacks for younger consumers is the new addition of low-sugar options as well as soy milk, green tea, and fruit-based mixes. Asian speciality drinks on the whole can also be considered a rising trend.

Mindful consumption. Since the pandemic pushed health to the fore, consumers are slowly becoming more mindful of how and what they eat and drink. This is about making healthier choices, having a less detrimental impact on the environment, and also being aware of the emotional and psycho-

logical effects of consuming food and drink.

A drink that is not necessarily completely 'healthy,' but which is enjoyed slowly and with purpose, can be as acceptable to a consumer as a drink that is packed full of added nutrients. Small treats that are high in quality and perhaps not as cost-effective as other options can still be marketed for mindful consumption.

Protein power. Certain retailers have already dipped a toe into this pool. Drinks with added protein are attractive to a niche group of consumers, but if a cost-taste-nutrition balance could be achieved, this type of drink could be of value to cash-strapped consumers who just cannot afford to buy animal-based protein to eat every day.



Image courtesy of Binoid CBD, Pexels

Cannabidiol or CBD. CBD-infused and CBD-based drinks have been lurking around the fringes of the Cold Beverages category for some time. As interest and acceptance in these beverages grow, we can expect to see

some making their way onto more mainstream shelves and into shopper baskets. Whether this trend makes the grade or fades into 'fad' oblivion will depend almost entirely on the effectiveness, quality, and taste of the beverages available.

This means sourcing and merchandising the brands and products will require some in-depth research and quite probably some trial and error. Proceed with cautious optimism.

A seasonal upswing

As the weather warms up and summer activities and outdoor sports increase, we can expect to see an upswing in sales. From waters, carbonated beverages and soft drinks, juices, and energy drinks, to iced coffee, tea, dairy-based beverages, functional drinks, and the more exotic drinks like kombucha and moringa, there is an option for everyone. While this is good news for consumers, it does mean that shelf space is at a premium, and retailers must carefully consider to which products and brands their space is allocated. **SR**

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CASE CLOSED

Energy Saving Solutions

Glacier Door Systems has introduced the Air Shield ('Close the Case') Glass Door retrofit solution for refrigerated supermarket display cases, as well as the Eco Leaf Replacement Glass Door for existing glass door freezer rooms and glass door freezer display cabinets. Both solutions guarantee energy-savings in an ever-increasing energy cost environment. Part of the well-established Universal Industries Group, Glacier has 26 years' experience and are acknowledged industry leaders in refrigeration door technology. Innovative and forward-thinking, the company is built on cutting-edge technology, technical expertise and a customer-centric approach.

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Note: The value proposal is based on R1.31 per kWh and 40% energy saving. These are averages based on our experience and can be validated per store.

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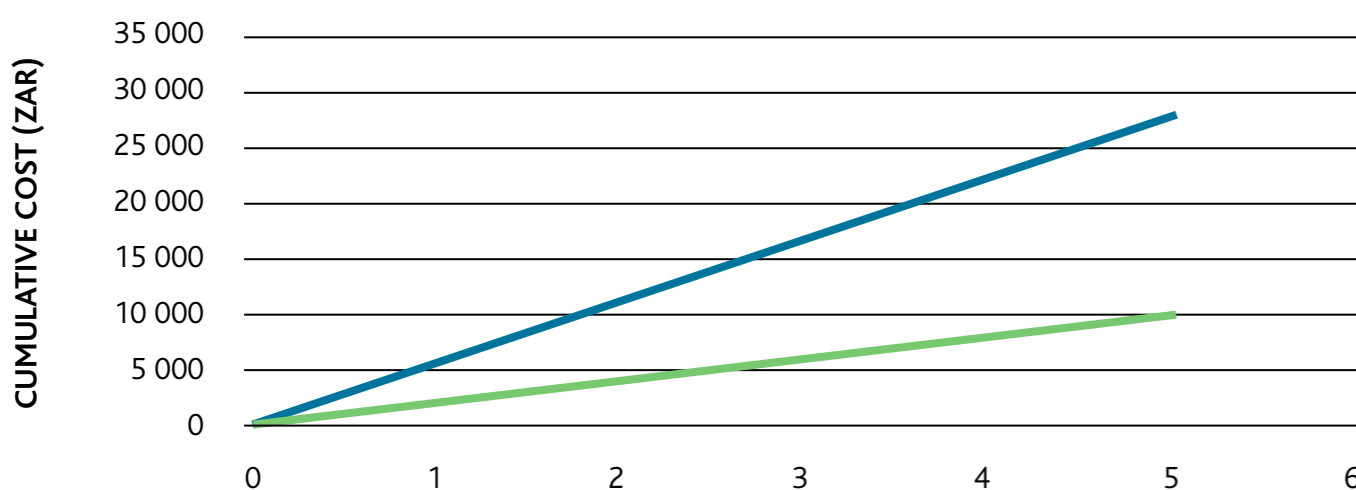
CASE CLOSED

Energy Saving Solutions

Eco Leaf Freezer Doors

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The Eco Leaf door is 64% more efficient than the standard door. The value proposal is based on R1.31 per kWh and 64% energy saving. These are averages based on our experience and can be validated per store.



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Glacier Eco Leaf Door	0,46	230	105.8
Glacier Standard Door	1,29	230	296.7