



insights  
to  
grow

# Media Feedback Report

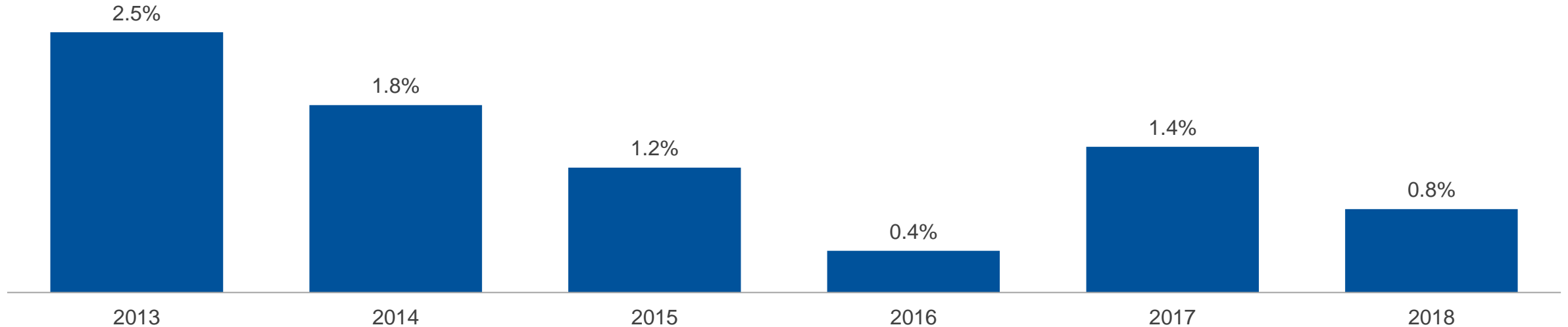
*RTD Iced Tea in South Africa*

May 2019

# South African Economy

## South Africa's Gross Domestic Product (GDP)

Constant 2010 prices

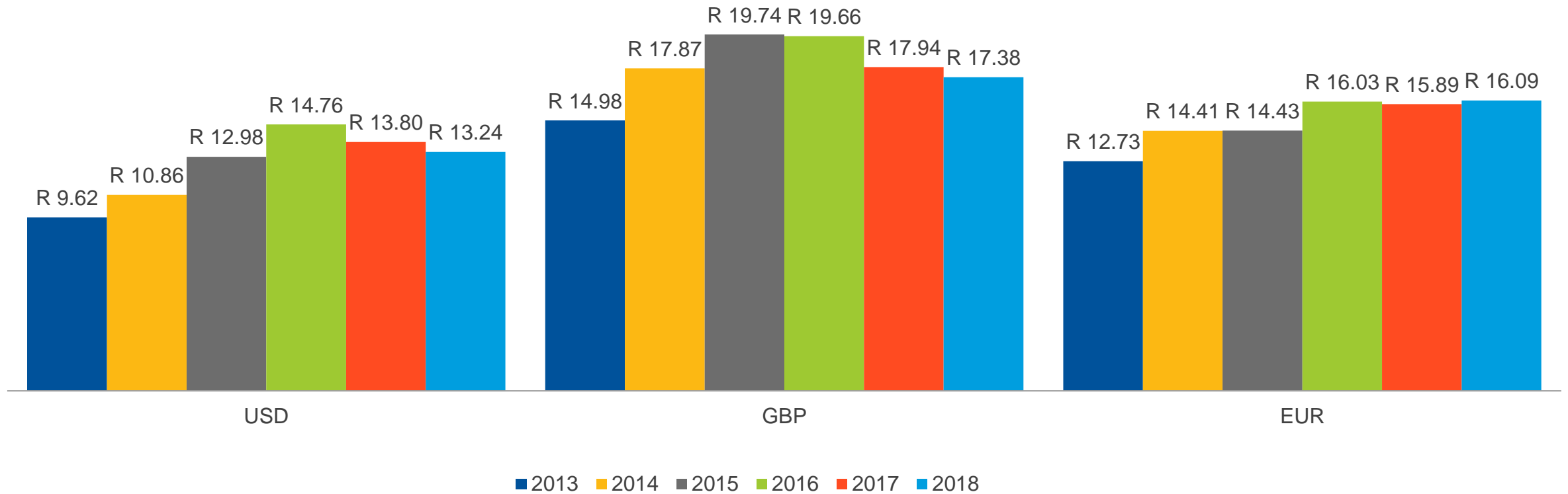


*The South African GDP was recorded at 0.8% in 2018. The growth was led by increased economic activity in finance, real estate and business services and general government services. In this period RTD iced tea saw the opposite as a negative growth was recorded for the category.*

Source: Statssa

# Currency

## Performance of the South African Rand

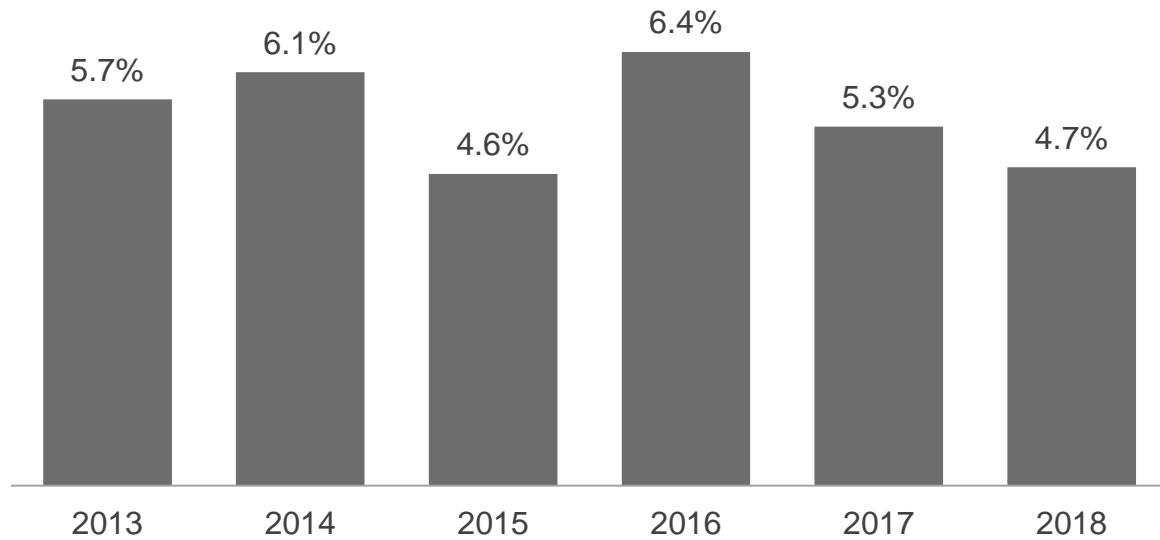


Source: Exchange Rate

# South African Economy

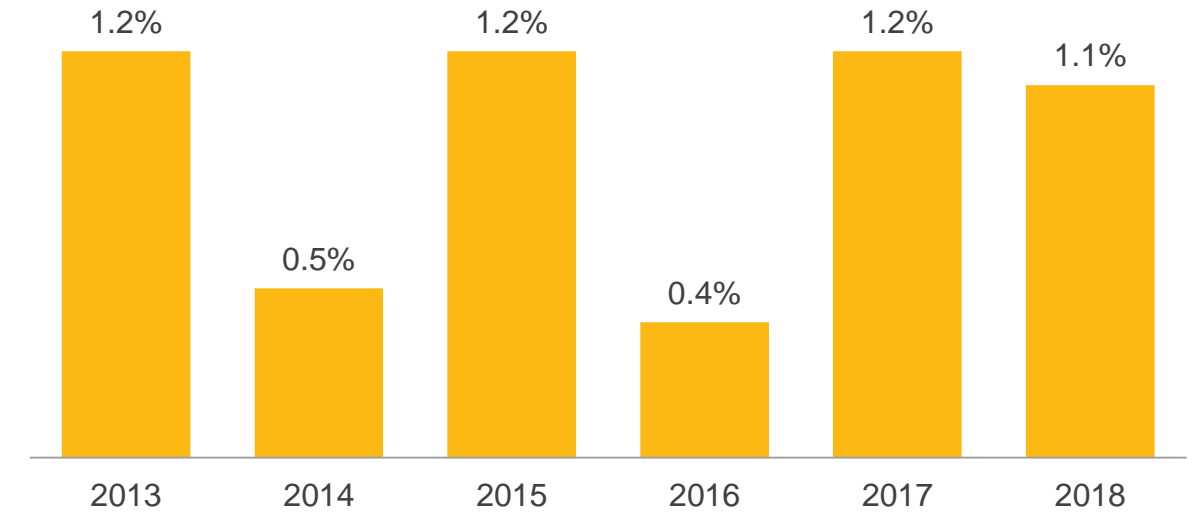
## Consumer Price Index (CPI)

Dec 2016=100



## Household Consumption Expenditure (HCE)

Constant 2010 Prices



# Market Trends

---

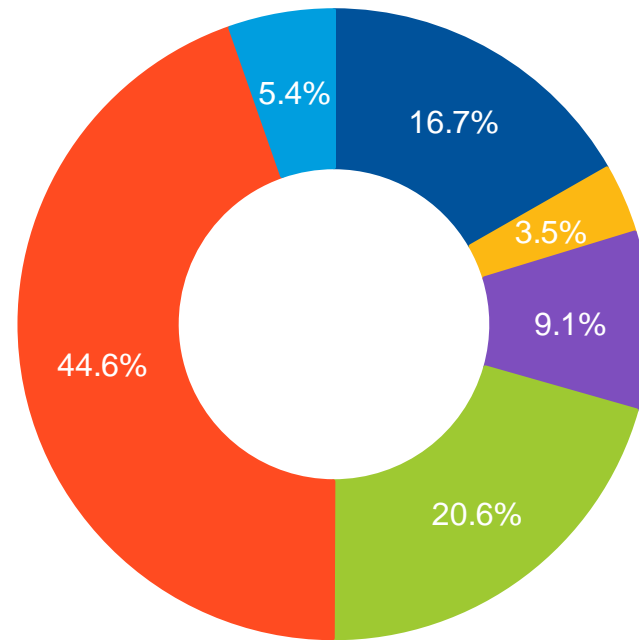
The RTD iced tea category recorded the second consecutive decline since 2017. It is believed that the category is losing share to other non-alcoholic beverages which are relatively cheaper on a Rand per litre basis. The strained economy is also hypothesized to have impacted the performance of the category by reducing the disposable income of consumers. Therefore, consumers are looking for alternative ways to stretch their budgets by substituting certain expensive products for more affordable ones.

The category value showed a positive growth in 2018 compared to the previous year. The value growth was largely attributed to the average industry selling price which recorded an increase for the base year. The average industry selling price increased at a higher rate than the headline inflation rate for the year which stood at 4.7%. The category price was affected by the constant rise of fuel prices which lead to increases in transportation costs. The effect can be seen in the surge in the average industry selling price. The increase of VAT to 15% in 2018 and the implementation of the sugar tax are some of the drivers for the high increase in the average industry selling price.

Top end retail held the lion's share of the category volume in 2018. The channel is dominated by major brands, and these manufacturers are believed to have strong relationships with major retail players. Although this channel did not increase in volume in 2018, this sector is also known for its aggressive promotional campaigns and marketing strategies that naturally drive sales, reinforcing the dominant position for the sector. All outlets declined in volume in 2018, with bottom end retail showing the highest drop in 2018 compared to the previous year. RTD iced tea is losing share to other non-alcoholic beverages that are cheaper and offer better value for money.

Whilst the local RTD iced tea market may have faced a number of challenges in 2018 that have hampered growth. However, players in the market say that the outlook for the category is positive. It is estimated that 2019 will show a minimal growth as the category recovers from the downswing. In the medium to long term the category is forecasted to grow positively.

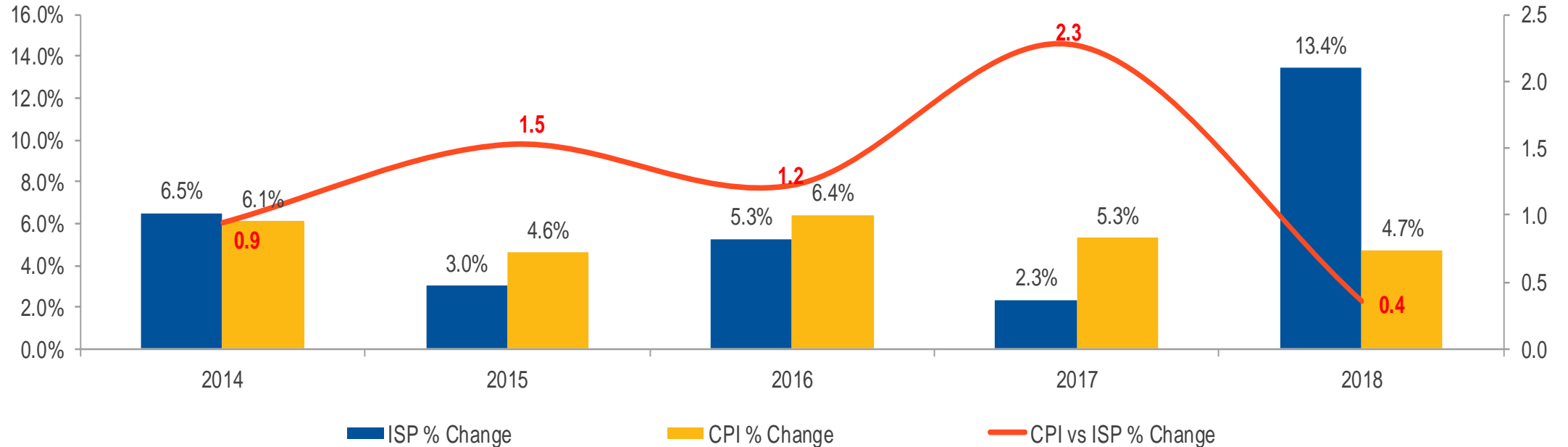
# Channel Distribution



■ Bottom End Retail ■ Export ■ Garage Forecourts ■ On Consumption ■ Top End Retail ■ Wholesale

*Top end retail continues to hold the largest volume share in RTD iced tea accounting for 44.6% of the total volume share in 2018. RTD iced tea is generally perceived as a premium product and is largely targeted at the middle class to upper middle class, hence the large focus from manufacturers in top end retail and on consumption channels. The top end retail sector also has a large customer base as consumers do their grocery shopping there.*

# Historical Industry Selling Price



*The average industry selling price for RTD iced tea increased at a higher rate than the headline inflation rate. VAT and fuel increases as well as the implementation of sugar tax on sugary drinks are some of the attributing factors to the large increase in price.*

# Thought Starters...

---



*Considering that players in the beverage industry have invented re-sealable cans to cater for future consumption. Will players in the RTD iced tea category launch their products in these cans in future or will PET continue to dominate the category?*



*The local market for RTD iced tea is on a spiral decline whereas the global market is growing in volume. The category is declining despite innovation (shifts into rooibos and green tea). Has RTD iced tea reached its maturity phase in the product life cycle or will launching further new products make up for the volume lost over the past few quarters?*



*There is a demand for green tea/healthier drinks worldwide and players in the South African market are launching rooibos RTD iced tea offerings. In addition, globally there has been a spurred demand for kombucha so in the future will we be seeing this product offering on South African shelves?*





- Analytics Solution
- Dashboards

- Beverages
- Food
- Packaging



- Advertising & Campaign Testing
- Brand Competitive Advertising Tracking
- Omnichannel



- Business Insights
- Market Quantifications



- Print Promotional Pricing Tracker
- Number of Promotional Ads
- Adspend Value
- Print Ads Mobile App
- Promotional Effectiveness

- Consumer Insights
- Shopper Insights



- Brand Compliance
- Store Compliance
- Staff Compliance
- Promotional Compliance

- Category Ranging
- Compliance Tracker
- Shelf & Promotional Price Surveys
- Shelf Health



# Copyright & Disclaimer

All rights reserved. No part of this publication may be reproduced, photocopied or transmitted in any form, nor may any part of this report be distributed to any person not a full-time employee of the subscriber, without the prior written consent of the consultants. The subscriber agrees to take all reasonable measures to safeguard this confidentiality.

Note:

Although great care has been taken to ensure accuracy and completeness in this project, no legal responsibility can be accepted by BMi for the information and opinions expressed in this report.

Copyright © 2019

BMi Research (Pty) Ltd

Reg No. 2008/004751/07



## Contact us:

Cleide Tinga  
Research Analyst  
cleide@bmi.co.za

t: +2711 615 7000  
f: +2711 615 4999  
research@bmi.co.za  
bmi.co.za  
@BMi\_Research



insights  
to  
grow

