

# Cold beverages

# Pack a Punch

As the weather gets warmer and the festive season and school holidays approach, Cold Beverages come into their own. From waters and soft drinks, to fruit juices, iced coffees, smoothies and functional beverages, this powerhouse category is highly competitive with plenty of options for consumers. With shelf space at a premium and a host of innovative products arriving on the scene, it's up to retailers to make the most of this category.

As always, the most important thing when it comes to allocating space to products and brands is to know your market. Your consumers will dictate whether you stick to tried and tested household names, dedicate more space to new and exciting products, or look to generic brands for a more price-conscious buyer. Sustainability issues such as plastic waste and recycling also play a role in marketing, product placement and changing consumer habits.

Locally, the recent lockdown-related alcohol ban have had an impact on buying trends, while the proposed new drink-drive laws are also expected to have some influence on buying trends, but it may



be too soon to tell what the long-term outcome will be, leading to slightly more uncertainty in the market than would usually be expected.

## Five big trends to look out for

### 1. Keeping it clean

Free-from beverages means drinks that are free from preservatives, excess or added sugar, and any ingredients that may be deemed unhealthy. Drinks with fewer ingredients, locally or naturally sourced, and with health benefits if possible, are becoming more and more popular.

Still or sparkling waters, with or without natural flavourings, botanical-based drinks, cold-pressed pure fruit and vegetable juices, and plant-based protein drinks are just a few examples of this growing category, and this particular segment of the market has a strong celebrity and 'influencer' fan base helping sales along. Even Henry Cavill, Superman himself, dutifully punts No. 1 Rosemary Water, a botanical drink that apparently offers age-defying benefits.

Drinks with active health claims, such as stress relief or improved memory, or that promise

a powerful antioxidant effect to aid sleep, assist digestion, and even combat wrinkles (new-to-the-market collagen drinks all fall into this category, although they are also considered functional beverages.

The same can be said for gut-health drinks such as kombucha, fermented soft drinks and probiotic-enriched beverages. Once assumed to be a passing fad, the kombucha trend has instead grown from strength to strength. Due to the Sugary Beverages Levy that came into effect in South Africa in 2018, many of the larger beverage brands reacted by bringing out smaller beverage sizes, as well as an increased number of low-sugar and sugar-free options, adding yet more diversity to the market.

## 2. Functional beverages

In this day and age, convenience is key. Being able to drink your snacks, or even your meals, on-the-go, is an attractive option. The rise of smoothies, meal replacement drinks and high-protein drinks is slow but steady.

Low-fat high-protein chocolate milkshakes are being touted as the next best thing in the world of post-workout recovery drinks, as 'active nutrition' informs the quest for the new generation of super drinks. Previously a card-holding member of the dairy aisle, these drinks are becoming more popular with restrictive diets like vegetarianism and veganism, as well as lactose intolerant consumers, as plant-based dairy alternatives move to the fore. According to [www.usatoday.com](http://www.usatoday.com), the Starbucks milk-alternative offerings are growing, with many



locations offering soy, coconut, and almond milk as a dairy-free alternative, and three non-dairy drinks being added to the permanent menu in 2020.

Skinny is no longer the only option for eco- and health-conscious buyers, thanks to the benefits of plant-based dairy alternatives. Which brings us to ready to consume cold teas and coffees – a growing industry all on its own. Iced coffee is

still king – popular brand Ricoffy embraced this trend by launching Ricoffy n' Ice Iced Coffee, but cappuccinos and lattes (flavoured or straight) are also catching on fast. Flavoured iced teas, particularly iced tea mixed with various fruit juices, answers the need to be refreshing as well as healthy – think Rooibos and Apple juice or Green tea and Mint, for example.

## 3. Mix and match

CBD-infused drinks, hemp milk, and traditional flavours with a twist are all trends to look out for. While the CBD industry is growing, and certainly appeals to younger consumers, it still needs to prove itself to a certain sector of the buyer's market.

Many health claims are as-yet unproven, and the industry appears to be mostly unregulated at this point. However, its popularity is certainly on the rise and we can expect to see collaborative products from big brands

in the near future. Market researchers are also seeing an increase in consumer requests for 'traditional with a twist', such as blood orange instead of regular orange, citrus flavours with more zing or tang, sour options with a bit of bite such as sour cherry, and certainly less sugary and overly sweet flavours. Gourmet flavours in traditional beverages, such as salted caramel or

Belgian chocolate milkshakes appeal to older consumers who are nostalgic for the treats of their youth but who now have more sophisticated palates. Internationally, markets are also seeing 'mash up' or 'collab' drinks with household favourites introducing limited edition flavours and collaborations with other brands. Whether this mix 'n' match trend makes it to South African shores this year remains to be seen, but if it does it is sure to catch the attention of younger consumers and consumers who enjoy new tastes and experiences.

#### 4. Plastic revolution

Packaging is a hot topic for many reasons, from sustainability to modernising brands, retaining brand loyalty, and enticing new buyers. In a long-awaited move, many big international brands, including Coca Cola and Nestlé, are looking for ways to ditch single-use plastics, up their recycling, and increase sustainability. This also means doing away with excess plastic packaging and even developing eco-friendly alternatives made from plant-based fully biodegradable 'plastics. Coca-Cola works with PETCO and similar organisations to encourage and increase recycling of all their soft-drink packaging, which is one of the goals of its Let-us-recycle campaign, part of their World Without Waste vision that was launched in 2018. Coca-Cola launched aims to collect and recycle every bottle or can they sell globally by 2030.

Easy recycling options, such as clearly labelled bins, stocking cold beverage products and brands that promote sustainable or recycled packaging,



and offering more 'reusable' packaging options such as refillable water containers can increase your foot traffic and your reputation as an environmental champion,.

#### 5. Make the most of mocktails

Thank you, alcohol ban, for reminding us that you can still make a decent 'cocktail' when you've run out of booze. Happily, this was already a global

trend, so ready-made mocktails and mocktail ingredients are already on the menu. But in the meantime, flavoured and artisanal tonics, fresh juices and non-alcoholic mixers have made their way onto consumer shopping lists and as temperatures rise (hello summer) and tolerance drops (courtesy of serving Minister of Transport, Fikile Mbalula), the festive season may see a rise in the consumption of non-alcoholic beverages.



### And one for the locals...

#### Waterbars

Bottled water is a must for health-conscious consumers – refreshing and undeniably good for you, it is the ultimate hydrator. So how do retailers capitalise on this directly? Enter the waterbar, an attractive option for consumers that can also provide a new revenue stream for retailers. Water purification companies such as Water2go and RO Water Bars are putting years of water purification knowledge to good use, designing in-store dispensers that provide purified, ready-to-bottle water. Local retailers have been slowly but surely embracing this trend and we do expect to see the growth continue.

### Understanding your market

Tailoring your product offering to make the most of shelf space, while also taking advantage of trends and innovations requires an in-depth understanding of your customer profile, something that comes with market surveys, observing and gaining insight into your community and location, and taking the time to understand and learn the shopping habits of your customer base. Once you have that knowledge, you can use it to perfect your consumer experience.

The top five trends mentioned previously will have some multi-generational appeal as they speak to lifestyle habits, personal preferences and behaviour traits that fall outside simple consumerism. But two more to consider are specialised or age-appropriate drinks, and soft drinks for adults.

Drinks targeting children or the elderly are becoming increasingly health aware. Traditional sparkling soft drinks are unlikely to go anywhere. According to a BMi Research report from August 2020, the category “enjoyed good growth in both volume and value terms in 2019”, however free-from beverages that are healthier and that provide active nutrition for both age groups are also gaining popularity amongst parents and caregivers. In addition, as Millennials get older, they are starting to demand soft drinks that are healthier, such as non-alcoholic options that are not too sugary or heavily flavoured, as an alternative to traditional sodas. Pura Soda is one of the locally available examples of this growing trend.

Cold Beverage marketing is an essential tool for retailers and covers everything from in-store banners, signage and leaflets and newspaper inserts, to online advertising and social media. According to marketing website Convince and Convert ([www.convinceandconvert.com](http://www.convinceandconvert.com)), generational marketing is make or break for online advertising and content.

Targeting specific generations according to their similarities and dissimilarities means tailoring the same message for specific markets. It should be noted, however, that any generation before Baby Boomer (born between 1946 and 1964) still relies on traditional advertising, usually doesn't have huge spending power as they tend to be retired and either living on pensions or grants, and have more set spending habits anyway. They are receptive to sales and deals and may be tempted to abandon favourite beverage brands in return for significant savings.

Convince and Convert note that social media marketing is important, but mainly for younger generations. Millennials and Gen Z – your younger consumers – prefer to learn before buying and want to be 'educated, not pitched'. Older generations take longer to make buying decisions, but also often have more disposable income so may be tempted by “new” and “improved” products. All three of these generations are increasingly health conscious, convenience driven, and demand more sustainability and accountability from their chosen brands in the Cold Beverage category.

New packaging is worth advertising, particularly if it is recyclable or more sustainable, as it increases or rejuvenates brand awareness and attracts eco-conscious consumers who are trying to minimise their environmental footprint. Sustainable practices on the part of manufacturers and suppliers is also worth marketing.

Many Cold Beverage brands are associated with sport, and this has built them into global phenomenon that extends far beyond the contents of the can or bottle.

Take Red Bull, for example, the champion of extreme sports and associated in the minds of millions with modern day gladiators who take on cliffs, track, sea and air in their quest to be the best. The power of marketing can clearly be seen here, and retailers can take full advantage of the marketing efforts of big brand manufacturers. Retailers running their own Cold Beverage marketing campaigns will be utilising Facebook, Instagram, and Twitter as powerful platforms, but must be willing to engage with consumers.

Younger generations tend to react badly to social media accounts that do not fully engage, are not able to provide satisfactory answers, or take too long to respond.

It is again important to know the economic demographic you are targeting, as SMS marketing, newspaper inserts and in-store leaflets are certainly more effective for lower income brackets whose access to online advertising and digital marketing may be limited.



## Market trends

### Ready to drink fruit juice

According to an August 2020 report by BMi Research, the ready to drink (RTD) fruit juice category has been under pressure. The report states that, "Players in the industry are aware that the pricing is much higher than alternative beverage categories and feel that it is one of the reasons the category is struggling to grow more.

The other challenge is that many feel the category is lacking innovation and excitement to

take it forward." Yet another concern is packaging, as RTD fruit juice is dominated by single use plastic and carton types – while the industry expects consumers to move towards more environmentally friendly packaging.

Larger pack sizes provide better value for money and the extended Covid-19 lockdown affected consumer behaviour, taking a toll on the under 280ml pack sizes. These are expected to come under the most pressure, as the BMi report says they have shown declining volume sales from 2019 to 2020 in most packaging types. The report says, "The category is expected to fall by volume of 7.7% from 2019 to 2020. This is primarily due to the lockdown and restrictions on businesses, as well as the large unemployment numbers that leave consumers shifting to cheaper beverages.

Players do feel that any further restrictions could put the economy in a position from which it will take years to recover. Many players with multiple categories are also choosing which products to focus on during this challenging time and some say that RTD fruit juice is not one of them. Long life juice is expected to lead in category growth in the future."

### Iced tea, sports drinks and energy drinks

RTD Iced Tea has been on a constant decline over the last few years, with the BMi report stating, "The category has been struggling to compete with other non-alcoholic beverages in a challenging economy. Depleted consumer spending has led consumers to tighten their budgets and purchase more affordable products."

“The RTD Sports Drinks category continued to grow in both volume and value from 2018 to 2019,” states the August 2020 BMi report. This increase is attributed to consumers living more active lives and taking part in more organised exercise and sporting events. However, in 2020, it became another victim of the Covid-19 lockdown thanks to cancelled sporting activities and events. However, the category is expected to pick up in 2021 as the economy recovers and sporting events gain momentum.



In terms of volume, RTD Energy Drinks remain the fastest growing beverage category in the market. Specifically targeted at consumers who lead busy lives and engage in sporting activities, prices have been declining as competition in the sector increases. Predominantly presented in can packaging, the proposed ban on single use plastic is of little concern to this category. The BMi report says, “Garage forecourts are said to drive the volumes for consumers who are on the go and lead a busy lifestyle, where this channel is easy to stop at and make quick purchases without long queues, as well as being conveniently located.” It goes on to add that, “The category is expected to lose volume in 2020 due to recession and loss in jobs caused by Covid-19 and regain the volume by 2022.”

### Mageu

Known as Mageu, Maxau, maHewu, amaRhewu or amaHewu, this traditional non-alcoholic and non-dairy drink made from fermented mealie pap (maize meal) is part of the everyday diet of over 59 million South Africans. Recovering from previous losses experienced in 2017 and 2018, this category grew by 10.9% in volume from 2018 to 2019.

The BMi report on Mageu says, “The category value grew by 15.2%, after experiencing a decline in value from 2017 to 2018.” This is for several reasons, namely producers refocussing on the product, and a population increase of almost 1 million people from 2018 to 2019, thus increasing demand. Also noted was the demand for new and interesting flavours, a similar trend that has been seen across various other beverage categories.

The report also says, “The category is expected to suffer another decline in the year ahead, with the economy entering a challenging time, where consumer spending is highly depleted due to the Covid-19 virus. Players remain hopeful that the economy will recover closer towards 2024 but are bracing themselves for a challenging year.”

### Drinking yoghurt and dilutables

After losing volume in 2017, producers refocussed on the product and have seen rewards in volume growth from 2018 to 2019. BMi reports that some producers changed their formulation by lowering their sugar content, or by using low sugar together with artificial sweeteners, to comply with the

new sugar tax bill. This may have contributed to increased interest from more health-conscious consumers. Concerning news, according to BMi, is that “Some players are now very sceptical about the future of business, with many players in various industries suffering from volume declines due to Covid-19. Drinking yoghurt is no exception, as it is also estimated to fall in volume in 2020.

However, other players in this category feel that drinking yoghurt will begin to grow, as increased health benefit awareness has now sparked the need to eat and drink healthier.” Growth is expected as early as 2021.

The dilutables category has been mainly driven by dilutable dairy juice blends, cordials, and squashes. The BMi report notes that, “During the current difficult economic times, consumers are said to have purchased brands that yield a higher reconstitution rate, which offer value for money and will last longer during weak economic activities.

### The countdown to summer is here...

And the Cold Beverages category is ready. The consensus is that economically we may be facing a tough period, possibly until 2024, but growth is expected, and the South African consumer is resilient. Cold Beverages may benefit from increased alcohol prices and the proposed new drink drive laws, and the category is also being driven by innovation and exciting new trends, giving it potential for growth despite adverse economic conditions.

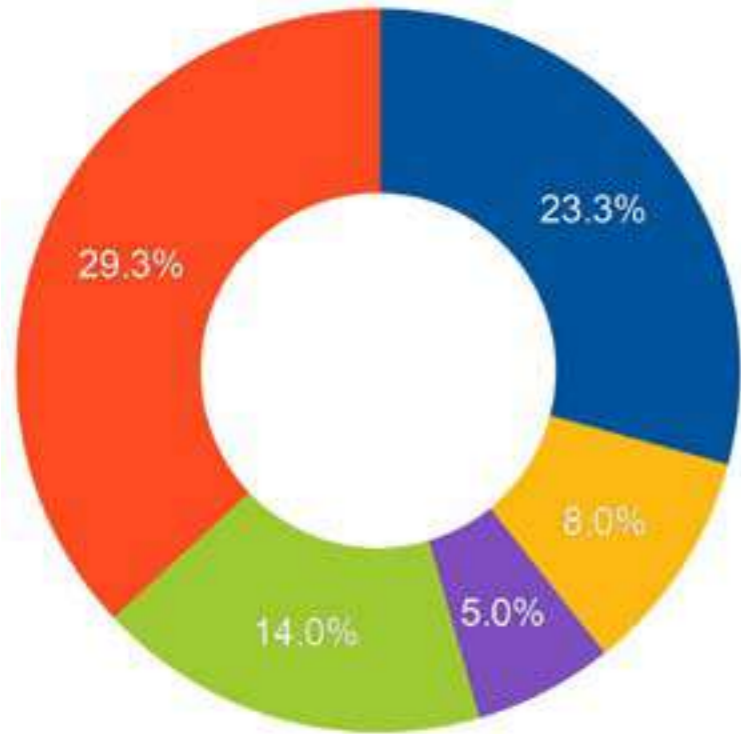
Extracts from BMi 2020 Media Feedback Reports

BMi is a full-service research house providing quantitative and qualitative research solutions in multiple sectors. Contact BMi on +27 11 615 7000 or visit [www.bmi.co.za](http://www.bmi.co.za)



Mageu

Channel distribution

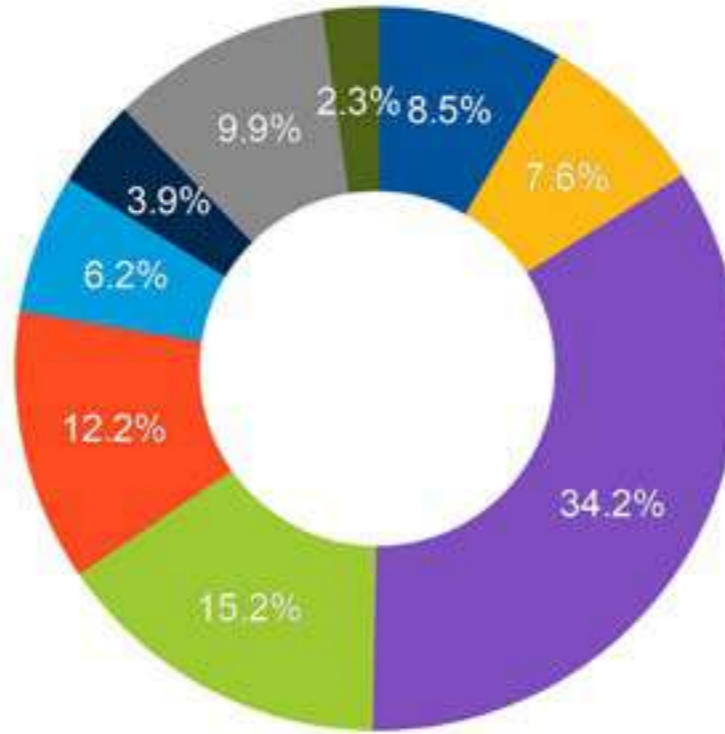


- Bottom End Retail
- Export
- Garage Forecourts
- On-Consumption
- Top End Retail
- Wholesale

Top end retail remained the primary channel for Mageu as it is known to be the most active in promotional activity and selling a wide range of brands. This is similar for most categories and not just Mageu. The channel is followed by bottom end retail and this channel is known for its convenience.

Mageu

Regional distribution

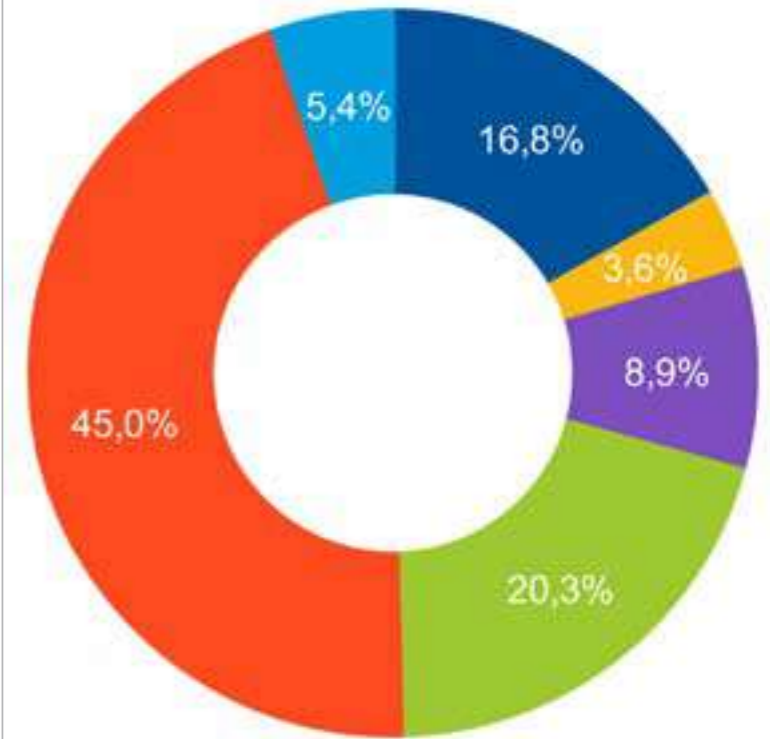


- Eastern Cape
- Free State
- Gauteng
- KwaZulu-Natal
- Limpopo
- Mpumalanga
- Northern Cape
- North West Province
- Western Province

Gauteng, which is the largest region, experienced a 10.0% growth in volume from 2018 to 2019. It is noted that this is the region that still contributes to majority of the GDP share in South Africa. There is no sign with the current infrastructure that Gauteng will lose its shareholding to other regions in the near future.

RTD Iced Tea

Channel distribution

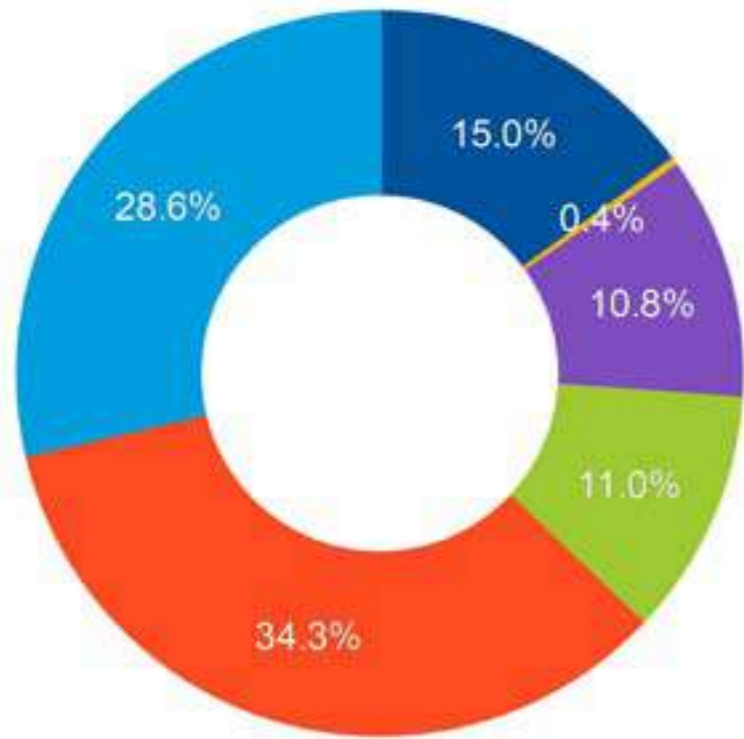


- Bottom End Retail
- Export
- Garage Forecourts
- On-Consumption
- Top End Retail
- Wholesale

Top end retail held the major volume share for the year and historically. The channel is known to cater for a wider variety of needs and offers the convenience of getting multiple items from one location, which helps a customer save time and travel costs. Garage forecourts experienced the largest decline of 5,9% from 2018 to 2019 compared to other channels. There are however expected changes as players are looking at driving volumes into both these channels going forward.

## RTD Sports Drinks

### Channel distribution

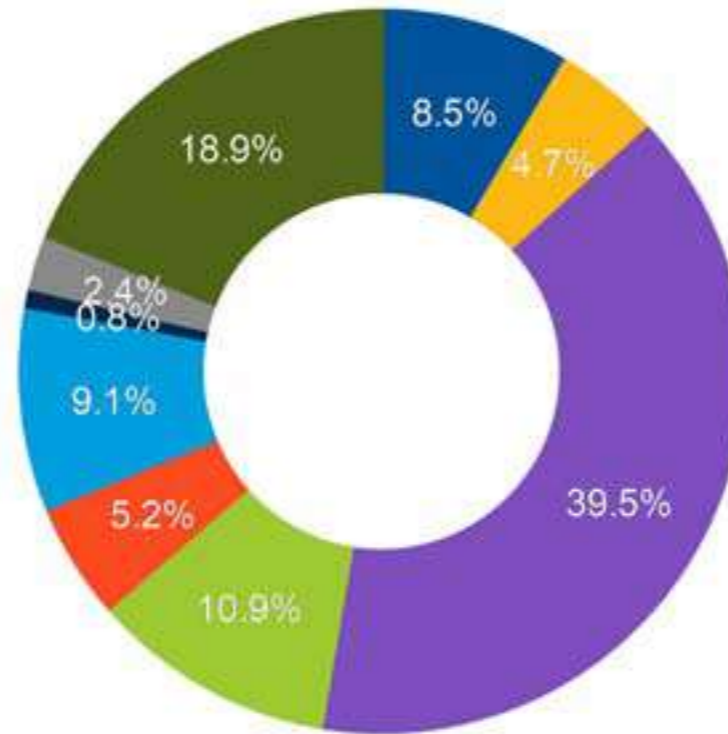


- Bottom End Retail
- Export
- Garage Forecourts
- On-Consumption
- Top End Retail
- Wholesale

Top end retail was the channel of choice for many customers in the market. The channel accounted for over a third (34.3%) of volume distributed in 2019, followed by wholesale channel at 28.6%. These channels are easily accessible to customers and also sell other sports supplements that customers purchase together with RTD sports drinks.

## Drinking Yoghurt

### Regional distribution

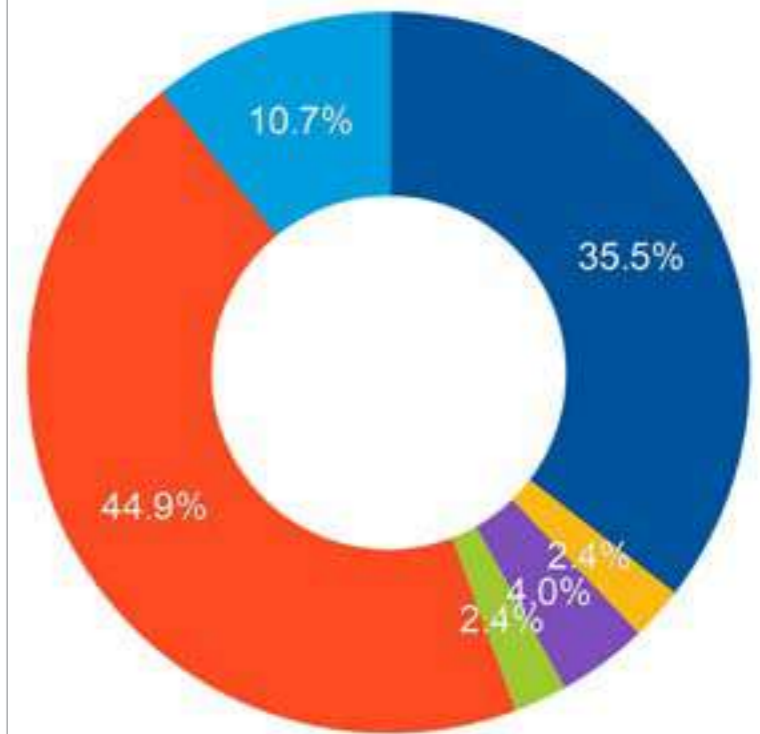


- Eastern Cape
- Free State
- Gauteng
- KwaZulu-Natal
- Limpopo
- Mpumalanga
- Northern Cape
- North West Province
- Western Province

Gauteng, which is the largest region, experienced a 10.0% growth in volume from 2018 to 2019. It is noted that this is the region that still contributes to majority of the GDP share in South Africa. The three major metropolitan regions (Gauteng, KwaZulu-Natal and the Western Cape) accounted for 69.2% of the volume sold in 2019. These regions were dominated by both the national and the regional brands and have a wide range of products and packaging to select from. These regions are expected to drive the category share during the tough economic times as they have above national average disposable income in Africa. There is no sign with the current infrastructure that Gauteng will lose its shareholding to other regions in the near future.

## Drinking Yoghurt

### Channel distribution

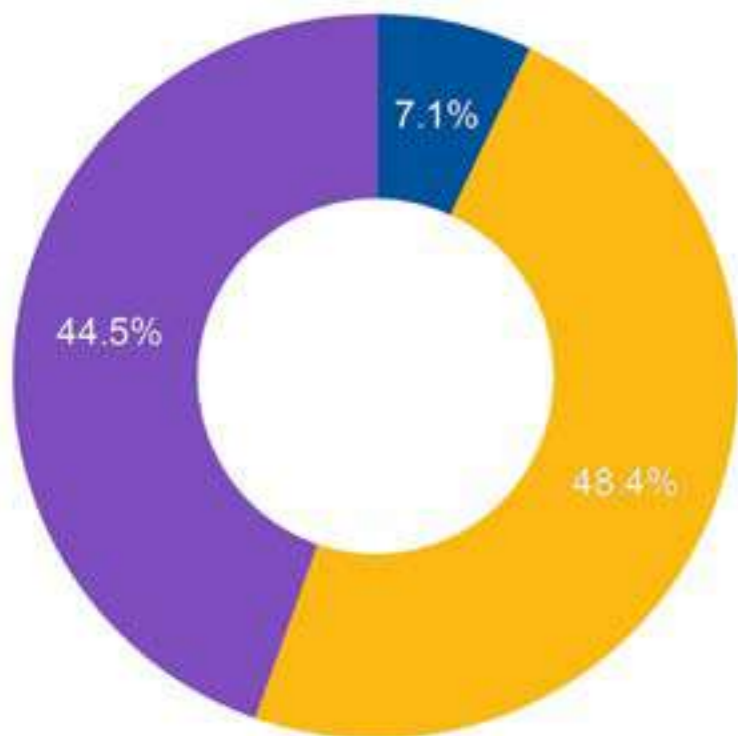


- Bottom End Retail
- Export
- Garage Forecourts
- On-Consumption
- Top End Retail
- Wholesale

Top end retail channel is the dominant channel and this is closely followed by bottom end retail. Top end retail is known for its aggressive promotional activity and it is expected to continue growing and taking away share from competing outlet types. The channel is also known for online shopping and that is also expected to grow. This is a similar trend seen in many countries around the world.



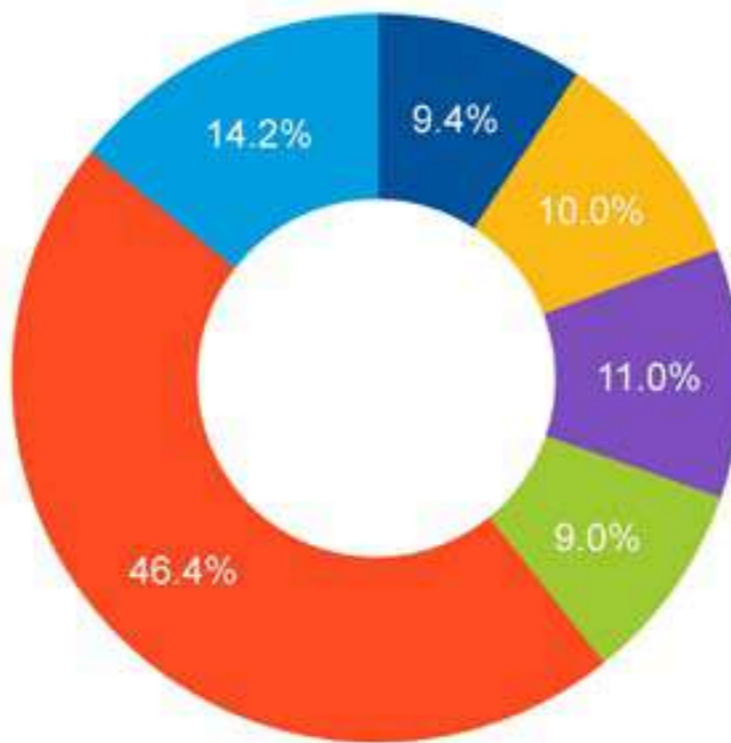
## RTD Fruit Juice Product Breakdown



- Long Life Aseptic (Carbonated/Other)
- Long Life Aseptic (Pure/Nectar/Fruit Drinks)
- Short Life (Pure/Nectar)

Long life aseptic juice accounted for 48.4% of volume sold in 2019, up from 47.6% in 2018. Volume growth was attributed to pure juice that was driven through promotional and marketing activities. Carbonated juice is considered an expensive product as it is dominated by small pack sizes that yield high value in Rand per litre terms.

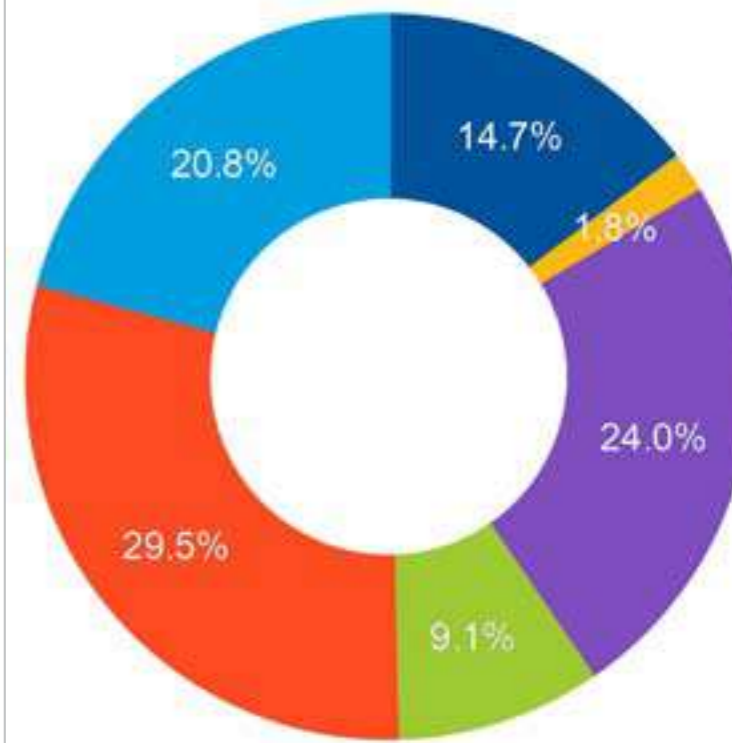
## RTD Fruit Juice Channel distribution



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

The product distribution was dominated by the top end retail sector at 46.4% volume share. The channel experienced an 3,4% volume increase from 2018 to 2019. The growth in this channel is expected to continue as it takes away more share from alternative channels. The channel is also known to be very large in the 1 litre and above pack size and promotes family size and future consumption packaging very aggressively. As consumers make the shift from smaller to larger pack sizes, this channel is expected to drive that volume.

## RTD Energy Drinks Channel distribution



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

Garage forecourts and top end retail were the two largest channels for 2019 similar to the previous year, accounting for 24.0% and 29.5% volume share respectively. This is followed closely by wholesale channel at 20.8%. Garage forecourts are said to drive the volumes for consumers who are on the go and lead a busy lifestyle, where this channel is easy to stop at and make quick purchases without long queues as well as being conveniently located. The channel is also expected to grow a lot more in volume in the years ahead as major retailers now own some of the outlets. **SR**

# STOP



Sanitise hands & surfaces

## medi-wipes®

**100 x 80% alcohol**

paper based biodegradable wipes

hand and surface sanitiser



Small enough for school and gym bags, fits into a cup holder.  
Ideal for cell phones, electronic & gym equipment,  
sanitising without leaving equipment wet.



[info@sanitouch.co.za](mailto:info@sanitouch.co.za)  
[www.sanitouch.co.za](http://www.sanitouch.co.za)

don't just touch,  
**sani-touch®**