2013 Annual Quantification Report:
Sugar Confectionery in South Africa
Media Feedback

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Product Definitions

Product	Definition
Boiled	Boiled sweets are produced from a mixture of sugar, glucose and/or invert sugar and fruit acids with various flavourings, colourings and centre fillings added as required.
Eclairs	Toffee-based sweets, usually with a chocolate centre
Gums and Jellies	Gums are manufactured from a gelatine-based mixture. The product requires flavour and acid additions. Jellies are a range of confectionery products with a jelly-like texture. They are normally sugar-sanded or lightly oiled with vegetable oil to prevent them from sticking together.
Liquorice	Liquorice is manufactured from wheat flour, starches, crude sugar, molasses, glucose syrup, sweetener blends, liquid caramel, colouring and flavouring. Salt is added to improve the final flavour of the sweet.
Lollipops	Lollipops are manufactured from sugar based syrup, hardened onto a stick. They often have a powdered filling, or bubblegum or yoghurt base in the centre.
Marshmallows	Marshmallow is a concentrated mixed solution, which contains a foaming agent. It is usually coloured in pastel shades and given a variety of flavours
Other Sugar Confectionery	All other sugar confectionery such as fudge, nougat and other types not elsewhere classified
Panned	Sugar panning is the application of sugar syrup to a centre in a revolving pan, by building up layers of sugar as the pan rotates. Panned goods can be divided into hard panning, soft panning and dragees
Toffees, Caramels and Chews	Toffees and chews are a high boiled mixture of sugar, fat, milk and glucose syrup with the addition of salt and other flavours poured onto a slab and marked into shapes. Caramels are a high boiled mixture of sugar, fat, milk and glucose syrup with the addition of salt and other flavours that forms a more viscous mass needing to be rolled out and cut into small pieces whilst still warm.

Market Trends

The boiled sweets market, which has been declining for the past two years, saw it's greatest drop in volumes during 2012. This decline was caused primarily by major players who are either no longer focusing on the product, or have close on stopped their production of this category. Category pricing saw a significant increase during the base year, this being the largest growth rate since 2008. However, even with the price increase, the drop in volume was too large to sustain the overall value for the category.

Boiled sweets saw a large drop in distribution into the foodservices sector. It is believed that the driver for this is the increase in usage of chewing gum as an after meal breath freshener. Retail however saw growth this year, as distribution was focused into this channel. Distribution into the Northern Cape was the only provincial growth in 2012, however the volumes moving into this region were still low compared to that of the more populated regions.

Eclairs saw growth during the base year, continuing on from the increase in 2011 for 2012. This growth is expected to slow down in the coming years, as the market has established itself well and high growth rates may not be sustainable. Given the pressures faced by the confectionery industry as a whole, a more conservative volume outlook is envisaged.

All channels of distribution for eclairs saw growth in 2012, with independent wholesalers receiving the largest focus. The Free State saw a decline in regional distribution, the only decrease seen in 2012.

Market Trends Cont.

The gums and jellies market, which covers products such as jelly tots, gum drops, wine gums and jelly babies, has seen a large push in production from companies in 2012. This comes as many other products in this market saw declining volumes in the base year. The average per kilogram pricing for this category increased for 2012, although at a reduced rate compared to the previous year.

Gums and jellies are distributed mainly through general retail and, to a lesser extent, via the wholesale sectors. This increased this year, as the remaining sectors felt less focus from distributors and manufacturers.

Liquorice saw a decrease in volumes for 2012, as prices were pushed up last year, with some producers stating they felt this caused consumers to slow their purchasing of this product. The base year pricing saw an increase but by far less than previously, as producers try grow demand within the market.

Lollipops saw a decrease in volumes during 2012. This may be primarily due to product shifts as players move into new markets, such as bubble gums. Some players were of the opinion that the market is dominated by several larger players, which makes for a very pressured, competitive market situation.

Market Trends Cont.

Marshmallows recovered lost ground during 2012 as the market regained volumes after a decline in 2011. The value for this market grew from 2011, aided by price increases given by manufacturers.

The more densely populated regions such as Gauteng, KwaZulu-Natal and the Western Cape continued to experience good growth in their gums and jellies distribution, but this did not affect the smaller provinces, which saw good growths as well due to the size of the growth in the total market. Marshmallows channelled into general retail lost share to the wholesale sector, where both independents and chains saw large increases in distribution. KwaZulu-Natal and Limpopo lost share to the large Gauteng, whilst the remainder of the market was flat moving into 2012.

Other sugar confectionery saw growth during the base year, and the category is expected to continue increasing in 2013. A relatively static market state is anticipated for 2014. This category includes popular, premium-type nougat and honeycomb type products, which gain popularity as gifts during the festive seasons. This has helped to maintain the popularity of this category.

The regional distribution for this category maintains good representivity throughout the country, though Gauteng holds a substantial share of the market.

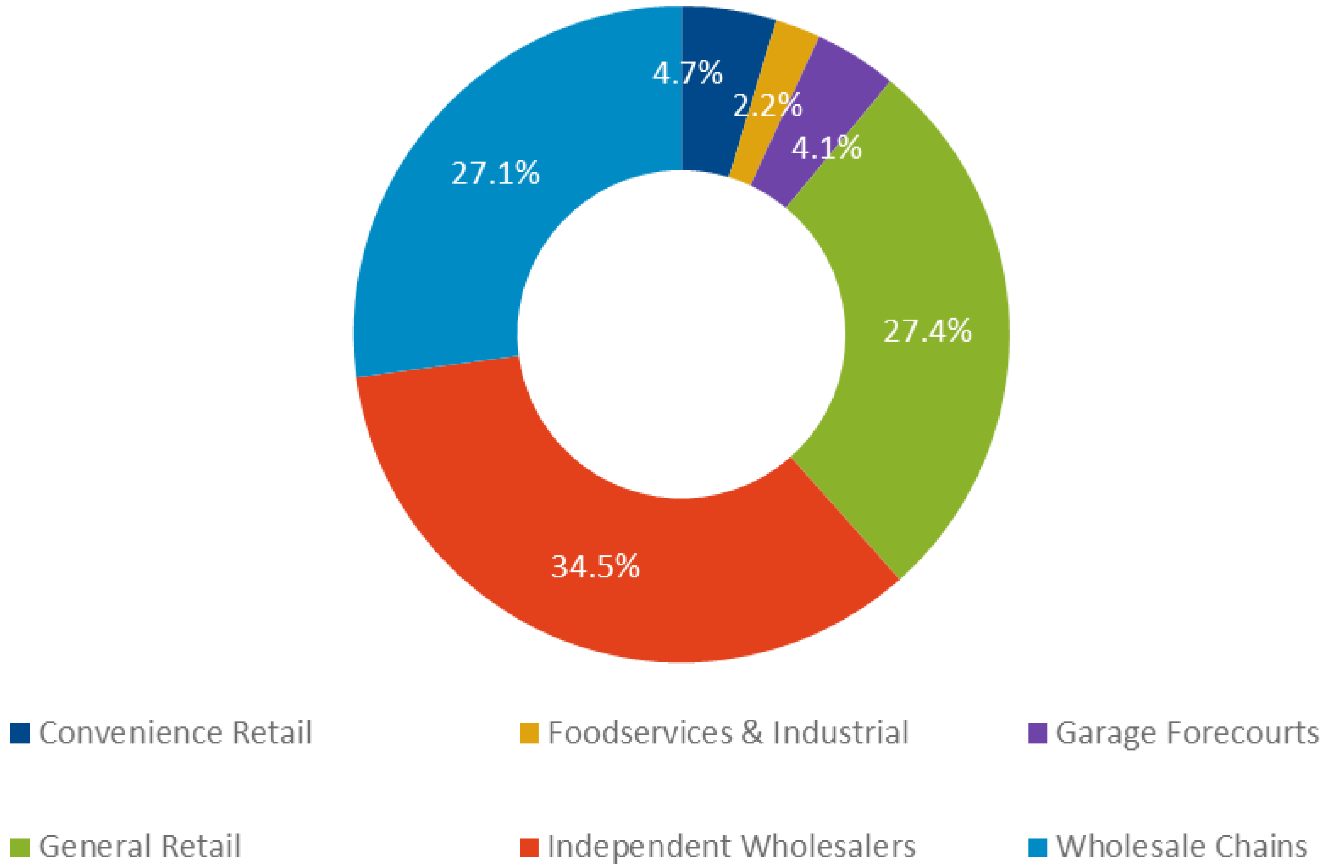
Market Trends Cont.

Panned confectionery is one of the smaller confectionery markets in volume terms, with only a few players contributing to the category production. The value for the market saw substantial growth as increases in both the pricing and volumes underpinned the overall market value.

The wholesale and retail sectors dominate the distribution of panned confectionery, though garage forecourts is beginning to take a greater share of the market as well, as some players began focusing on this sector during the base year. The larger provinces hold the larger share of the regional distribution of the category. The 2012 year saw erosion in share for KwaZulu-Natal, Limpopo and Northern Cape.

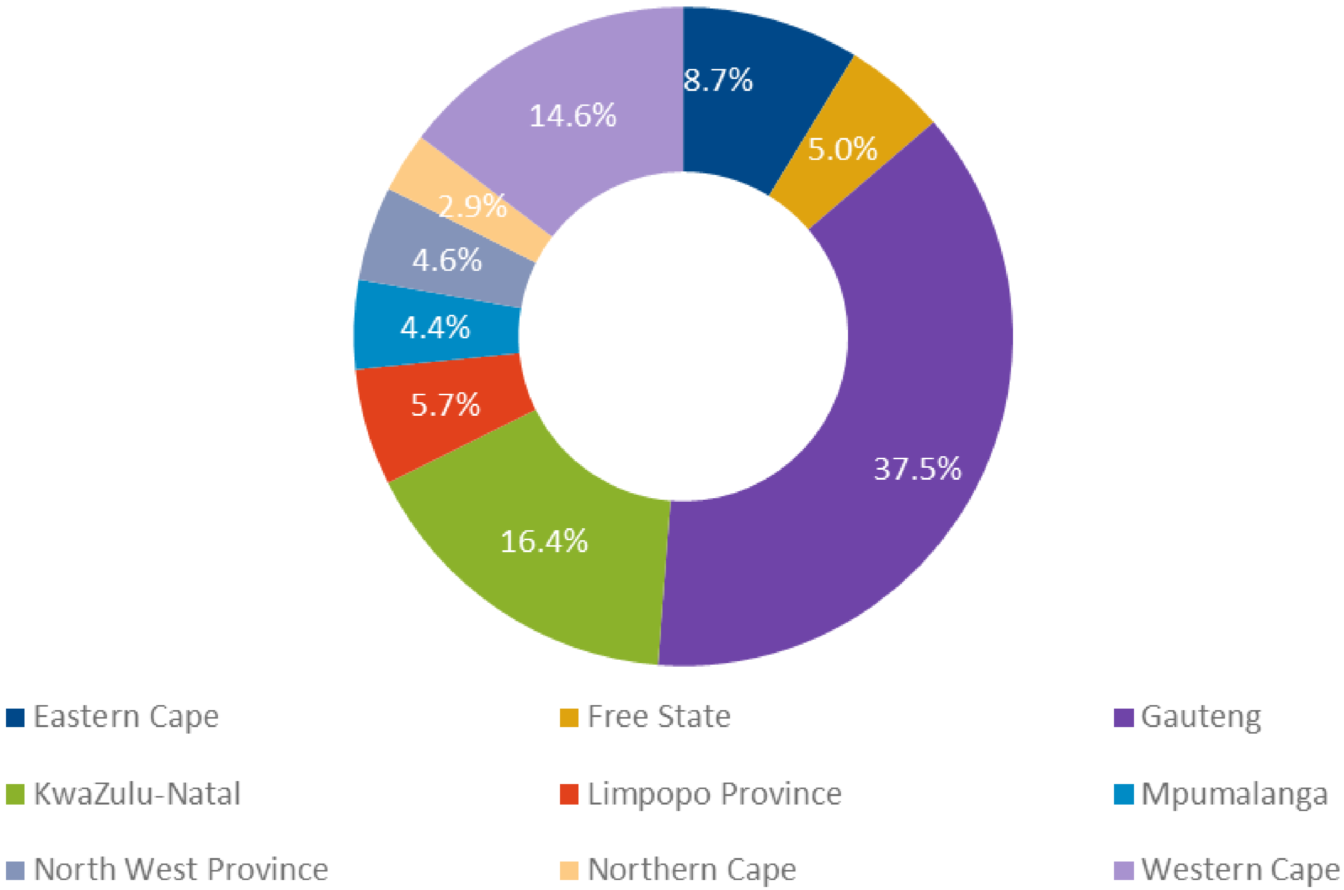
Toffees, caramels and chews saw a small decrease in production in 2013. This is relatively positive considering the substantial declines seen for alternative competing confectionery categories. The value for this market increased, though not as high as in previous years. This is due in part to the lower pricing increase felt in 2013.

Local Channel Distribution 2012



Excludes Exports

Local Regional Distribution 2012



Excludes Exports

BMi Research Services

Annual Quantifications

BMi Tracking Report Schedule 2013

In Store Observation Services & Liquor In Store Pricing

Print Ads Promotional Pricing and Share of Spend

Commissioned Research

Consumer Research

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Market Quantification involves sizing up markets annually to see volume, value and consumption trends. The service is available for most food, beverage, confectionery and snack products. We have more than 10 years of historical data in tracking each market. Using these insights, you're able to harness the potential in your market by understanding strategic category trends across the total market. A unique offering incorporating formal and informal market components.

Total market includes retail, wholesale, foodservices, industrial and exports.

Market Quantifications

Total market quantification for 140 CPG Categories

What are the latest market trends? And…

- Is the category growing or declining?
- What does the future hold for the category?
- What are packaging trends for the market?
- Are category sales growing or declining in retail, wholesale or export?
- How is your product performing in foodservices?

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BMi Tracking Report Schedule 2013

Packaging

All reports

- Packaging overview
- Paper & Board
- QPM
- Quarterly Import

Annual Beverage Publications

Full Report (All reports below)

Alcoholic Beverages

- Flavoured Alcoholic Beverages
- Malt Beer
- Sorghum Beer
- Spirits
- Wine

Non Alcoholic Beverages

- Bottled Water
- Carbonated Soft Drinks
- Cordials and Squash
- Energy Drinks
- Fruit Juice
- Iced Tea
- Mageu
- Sports Drinks

Dairy Beverages

- Dairy Juice Blends
- Drinking Yoghurt
- Flavoured Milk
- Maas
- Milk

Annual Food Publications

- Canned Protein
- Dairy
- Desserts
- F&C Beverages
- Pasta
- Rice
- Wheat and Grain

Confectionery & Snacks

- Ice Cream
- Packaging of Snack Foods
- South African Confectionery Market
- The Impulse Market in South Africa

On Request

- Biscuits and Rusks
- Breakfast Foods
- Baked Products
- Baking Aids
- Eggs
- Fats and Oils
- Frozen and Par-Baked Products
- Premixes
- Pre-prepared Meals
- Processed Meat Products
- Protein
- Sauces
- Soup and Condiments
- Sweet and Savoury Spreads
- Value Added Meals

For further enquiries please contact research@bmi.co.za

Gives first-hand insight into your brand's performance in-store. Monitor your products versus your competitors' to assess your performance and remedy gaps. Ensure accurate data which translates into tactical competitive advantages.

In Store Observation Services & Liquor In Store Pricing

ISOS/LISP

How is your brand performing in store? And…

- Is my product available on shelf?
- Does my brand have its fair share of shelf space?
- Is my product listed and available in all stores?
- Is my gondola end in store?
- Do I have promotional activity in that particular store?

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Covers all brands advertised in all regions by retailer by month. The analysis provides an inside picture of the retail promotional environment. Track competitor promotions and pricing, offering top line or granular data.

Assess whether your brand is gaining sufficient share, relative to your spend on promotional print advertising. Track competitor promotional pricing to tactically react on your own product pricing.

Print Ads Promotional Pricing & Share of Spend

Is your product visible enough in promotional print Media?

Daily, we answer questions like:

- What is the promotional pricing?
- What is the regional promotional pricing variance?
- What are competitors' pricing tactics?
- What Rand value is spent on our brand vs. competitor brands by retailers?
- Are we losing market share because of this?

Coverage:

- National daily and weekly newspapers
- Weekly community newspapers
- Consumer magazines
- In-store broadsheets

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Consumer Division has a passionate focus on consumer behaviour, combining professional skills with optimal technology and products to complement insights. Project teams are hand picked based on their knowledge and expertise of the subject matter and offers a range of research methodologies that aim to give you a multi-dimensional and insightful solution to the understanding of your product/brand. The division has the ability to draw on BMi Research's established experience in the retail and wholesale sectors, providing a unique and customized solution to understanding consumer behaviour.

Consumer Research

Getting into the hearts and minds of Consumers through interaction, stimulation and discussion

Qualitative and Quantitative solutions including…

- Focus groups
- Depth interviews
- Workshops
- Shopper Insights
- Store visits
- In home visits
- Consumer surveys
- Online research
- International project management

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If your research need is not covered by our standard set of services, we will tailor-make a study specifically for you.

BMI's Commissioned Research is designed specifically to answer your questions in your particular market. From industrial assessments to traditional consumer studies, we have the expertise to grow your business.

Commissioned Research

Need to investigate the market regarding other issues? Examples include

- Service Quality Measurement (SQM)
- Pack Type Testing and Preference
- Product Testing includes taste tests and new product development

Copyright and Disclaimer

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.

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