

Sweet treats Insights into the sweets, chocolates and desserts categories in South Africa

The Confectionery Category, comprising Sweets and Chocolates, is intriguing. Hardly a necessity, sweets and chocolates proved quite resilient during the Covid-19 pandemic. Those that did struggle are already gaining back lost ground and, judging by some of the empty shelves we saw just before Easter, it appears that consumers are happily stocking up with sweets and chocolate treats once more.

Innovation, experience and nostalgia

With innovation, customer experience, and nostalgia driving the market, producers and manufacturers are also looking to meet the demand for environmentally friendly and sustainable ingredients, recyclable packaging, and products that are better for your customers.

Mindful snacking and portion-controlled offerings are gaining traction as consumers (sometimes) indulge responsibly. Budget constraints for many families mean value for money, resulting in on-promotion sweets and chocolates holding strong in the local market.

Chocolate still growing

Chocolate remains a consumer favourite in South Africa. According to Euromonitor International, the South African chocolate confectionery market will still see growth in the foreseeable future, but slower than in previous years.



Image courtesy of ekaterina-bolovtsova, Pexels

categories in South Africa

New flavours

Following the outbreak of the global pandemic in 2020, chocolate confectionery companies aimed to lift the mood of South Africans by adding new innovative flavours to their portfolios.

We also said goodbye ...

Nestlé South Africa caused a temporary upset when they announced that several brands will be discontinued by the end of 2020, among others their Chocolate Log brand.



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A rise in premiumisation and value for money offerings

The Covid-19 pandemic, together with the rising cost of production and an undeniable recession locally has impacted the industry. Euromonitor notes that the rise in premiumisation and value for money have blunted some of this impact, but a steep rise in cost due to higher electricity tariffs, the cost of raw materials, and inflation) means the demand for volume will decrease.

Steep unit price increases due to rising production costs

The market is seeing an increase in unit prices for chocolate confectionery. Inflation, the rising cost of electricity and raw materials have contributed to an increase in average unit prices for chocolate confectionery for the last several years.

Discounts and promotions, but at what cost?



Historically, consumers were brand loyal, with Mondelez South Africa and Nestlé standing out as leaders of the chocolate confectionery industry. However, in recent years, value for money options along with premium chocolate confectionery

products launched in South Africa, shaking up the status quo.

Even before the pandemic started, South Africa was already in a recession and many South Africans



Image courtesy of Elle Hughes, Pexels

have already changed their purchasing behaviour by looking for discounts and specials. To make ends meet, many consumers buy in bulk while others switch to cheaper supermarkets or trade down to economy brands. However, chocolate pouches, bags and tablets are expected to grow in the medium term in volume terms while seeing growth in retail value sales.

Players must stay agile and forward-thinking to stay ahead of the trends

Trends are ever-changing and since product research and development takes time, brands need to stay agile and forward thinking to remain competitive. Furthermore, cheap imports intensify the competition locally.

The consumer response

Retailers can expect to see one of two things in this instance – consumers who can afford to buy in bulk and take advantage of special offers, and consumers who shift brand loyalty to more affordable brands or stores. This hasn't dampened the demand for innovative flavours and a strong call for nostalgia.

Growth opportunities

According to an article by Philippa Larkin on IOL (www.iol.co.za/business-report/companies/), Mondelez International, the owner of global brands such as Cadbury Dairy Milk, Oreo and local brands like Chappies bubble gum, is aiming to accelerate its growth and share gains in sub-Saharan Africa and Africa. In the article, Alisdair Sinclair, MD South Africa at Mondelez International Sinclair said that like most companies, Mondelez has had to navigate Covid-19 and supply chain disruptions.

“But now that the world is becoming a little bit more stable ... we're going to drive our gum and candy brands ... with the primary focus on our chocolate brands in South Africa.”

Meanwhile another multinational, The Barry Callebaut Group, is expanding its cocoa and chocolate operations in South Africa, through establishing a regional direct distribution network for the country. As reported by the editor of Confectionery Production magazine Neill Barston, “The company's expansion in the region will see an increase the number of distribution points and establish its position as a master distributor for

South Africa and neighbouring countries with a wide range of products from its gourmet brands. This will include the likes of Callebaut, Mona Lisa, Cacao Barry, and Carma. By expanding its local product range and doubling the size of its local team, the company will meet the increasing demand for high-quality chocolate indulgence and support the growth within African markets.” The article states that GlobalData figures predict that the South African food and grocery retail market will grow at a CAGR of +4.9% between 2020 to 2025. This suggests real opportunities for the confectionery category.

The consumer response

In the current confectionery market, retailers can expect to see consumers who can afford to buy in bulk and take advantage of special offers, and consumers who shift brand loyalty to more affordable brands or stores. This hasn't dampened the demand for innovative and exciting flavours and a strong call for nostalgia – many consumers were not happy when Nestlé announced they were discontinuing the Chocolate Log!

While the Covid pandemic and supply chain disturbances did impact on chocolate and sweets, this is a resilient category. The re-opening of offices, a move to hybrid work set-ups, and schools returning to in-class learning are having an uplifting effect on convenience and impulse sales.

It's essential for retailers to manage their merchandising and stock and take advantage of new trends. This requires data collection and data analytics, an excellent customer-retailer relationship, and an agile approach to the category (quick responses to market developments, responding in real-time, being less strict and rigid about how the category is managed and not being afraid of an unorthodox approach).



Images courtesy of the Chocolate Academy



Making chocolate an everyday luxury

For Gauteng-based sweet and confectionery manufacturer Richester Foods, local is most certainly lekker. With the January 2022 launch of their first chocolate bar called Coco Bongo (milk chocolate with a creamy centre), Richester Foods is looking to attract consumers to an affordable luxury that has a price tag of R2.50.

Richester Foods MD Dr Hussein Cassim says, "Richester invested heavily into this chocolate bar, from consultations with Swiss chocolate

masters and research into texture and flavour, to a R20-million investment in a new chocolate manufacturing facility in Centurion [Gauteng]. With rising costs of living, we want Coco Bongo to be part of consumers' daily lives."

Chocolate trends to watch

Origins matter. Retailers can expect to see a renewed focus on origins as consumers are increasingly wanting to know exactly where their chocolate comes from, and if it is organic and fair trade certified. They also want to know what goes into their chocolate, with additives and 'unnecessary' ingredients treated with suspicion.



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Low sugar, diabetes-friendly, vegan. These are all keywords to watch for when it comes to product innovation and new offerings. South Africa has a massive obesity and diabetes challenge. Post-pandemic, consumers are starting to take their health a little more seriously. This means 'better-for-me' options with sugar-free sweeteners, low- or no sugar, dark chocolate varieties, and anything with a health benefit are on the consumer's radar – think blueberry or cranberry toppings, nuts in dark chocolate, and even CBD-infused chocolates

Novelty and seasonal offerings seem to be holding steady, and Easter sales appear to have exceeded some store's expectations, with far less post-season excess and sales in evidence, particularly when compared to the Covid-hit years of 2020 and 2021. Meanwhile Halloween has gained in popularity within some sectors of the South African market, a trend of which retailers in suburban areas should take note. The third 'chocolate occasion', Christmas, always sees a spike in chocolate sales, but competition is intense and many consumers will be looking for affordability.

Ultra-luxe options for gifting and special occasions are a niche but exciting opportunity. Top-quality chocolate gifts that can be customised, and those that offer unique or interesting flavour combinations, appeal to chocolate connoisseurs. Premium chocolates offering intense or exciting flavour combinations are guaranteed to attract consumers, but in limited numbers and for the right audience. The presence of Chcoloza, a boutique chocolatier providing a premium product in some revamped Checkers stores is proof of this concept.



Image courtesy of Markus Spiske, Pexels

Smaller sizes, pouches, bags, and tablets.

In some cases, mainly due to packaging and production costs, chocolate bar minis are more expensive than their full-size counterparts, but this is not always the case. These bite-size treats are perfect for mindful snacking and a favourite for school lunchboxes and work snack drawers.

Tablet slabs are easily sectioned into small bites and, for those consumers blessed with extraordinary willpower, a great option for portion-controlled consumption.

Mordor Intelligence identifies some interesting recent global developments in the chocolate category ...

- In February 2022, Hershey's created a chocolate bar to celebrate All Women and Girls. This limited-edition is called "Celebrate SHE" bars. The brand highlighted SHE at the centre of the milk chocolate bar.
- In January 2022, Mondelez International's brand Cadbury launched the Twist Wrap packaging solution for its Duos range, allowing consumers to snack in small portions by twisting and sealing the package after consuming half of the chocolate bar.
- In September 2021, Ferrero pre-launched the new Ferrero Rocher Tablets into the travel-retail channel in partnership with Lagardère. The new product introduced Ferrero into the chocolate tablet category, available in three flavours: milk, dark 55% cocoa, and white.

● In January 2021, Mars expanded its vegan range with two brand new chocolate bars just in time for Veganuary. After launching its first free-from chocolate with Galaxy Vegan in 2019, it has released a vegan version of two of its most iconic chocolate bars, Bounty and Topic.

Sweet satisfaction – candies and confectionery weather the storm

For many, price matters. The sweets, candies, and confectionery category is vast. Local manufacturers and well-known international brands are facing stiff competition from cheaper imports, particularly from Asia and Indonesia. Usually sold in bulk, these imports may be less expensive but often at the cost of quality. Their popularity, however, suggests that for many, cost is the absolute defining factor when it comes to making a purchase.

On the whole, the category has remained relatively stable. This year saw the Sweets & Snacks Expo in North America celebrate its 25th anniversary with attendee levels that almost matched pre-pandemic levels. John Downs, president and CEO of the National Confectioners Association, says, "There's something for everyone trending this year, whether you are looking for a new twist on a classic favourite or something brand new altogether."

“ Innovation and product development continue to drive growth, as consumers seek out intense, interesting, exotic, and unexpected flavours and experiences. ”



Nostalgia has ensured traditional sweets and tastes either remain stable or, in some cases, even make a comeback.

Gum and mints

Mondelēz International announced in May 2022 its plans to divest itself of its gum and mint business, ostensibly to allow these brands a chance to grow and develop. Their press release even stated that the long-lived Halls brand "has the potential for greater value under new

ownership." According to Food Stuff South Africa, "Cookies and chocolate made up 79% of Mondelēz's net revenues in 2021, while gum and candy comprised 10%. Gum and mints were one of the hardest-hit categories during the pandemic, as masked consumers were less self-conscious about their breath."

That said, Mondelēz has also announced plans to retain their gum and mint brands in developing markets, suggesting the potential for growth outweighs the current economic burden.

Overall gum and mints are looking to recover and even grow their market share, particularly now the mask mandate has been lifted in

South Africa and many consumers are back to a hybrid or fulltime in-office work situation. Sugar-free gums and mints have long been popular but now we can also expect to see more vegan options entering the market, as well as more intense flavours and even caffeinated gum.

Sweets and candies

Richester Foods offers a diverse range of sweets, and their strategy focuses on launching new products, while also bringing back nostalgic favourites and childhood treats. Richester MD Dr Cassim says, "Something changed in all our lives post-Covid. Nostalgia is a link to a good memory from the past and we feel that we are



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Ways to save

With energy costs rising and food retailers looking to improve the shopping environment for customers, Insulated Structures has developed an effective solution to reduce the cost of in-store refrigeration while enhancing the customer experience.

Insulated Structures doors are easy to retrofit on in-store cabinets to reduce the energy required to keep chilled foods at the correct temperature.

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helping bring moments of happiness back with the traditional toffees, chocolates, and mints that people love.”

Innovation is also key, and Cassim says, “We can expect to see a range of innovative confectionery with unique fusion flavours and some combinations of different ingredients to create new products, particularly items such as vegetarian vitamin gummies, vegetarian marshmallows, and so on.”

His take on the industry is cautiously optimistic. Covid-19 impacted the market significantly, and although it is stabilising, it hasn’t recovered its full potential yet. The repercussions of the pandemic and subsequent lockdown on production and consumers have created a challenging environment, to say the least, but the potential for growth is there.

“ A further challenge, however, is the current socio-political-economic climate as the prices of raw materials increase, the supply chain comes under pressure again, and raw materials are not always readily available. ”

For Cassim, the effect on consumers is clear. “They want to buy smaller on-the-go packs and affordable options for immediate consumption. For many consumers, it’s more about impulse buying in the moment, so shelf visibility and distribution are key to making your product a success.”



a mantra that is growing across the globe – and producers and manufacturers must adapt to new legislation and to consumer demands. Reduced and recycled packaging, and sustainable processes and materials are inescapable.

Sweet trends

- Existing and upcoming trends noted at the Sweets & Snacks Expo include intense flavours in sweet, salty, and even sour or spicy treats. ‘Newstalgia’, a fresh and innovative twist on the classics.
- We all enjoy chocolates and sweets a little differently, meaning different flavours, pack sizes, and products appeal to different consumers, which explains the multitude of SKUs in these categories. Bulk purchases, individual portions, family-size packs and combo deals provide even more choices for the multitude of consumer preferences.
- CBD lollies, hydration jellies (perfect for children, the elderly, and those who may struggle to remain hydrated using liquids), caffeinated chewing gum, and international taste inspirations– think matcha, yuzu, Fuji apple and white peach – will make a splash in the coming year.
- Packaging is a question that every market player must face. Reduce, reuse, and recycle is

Social media sneak peek – trends to watch

- Don’t underestimate the power of social media to create trends and promote them to the local market. Dessert boards, mini desserts, checkered desserts, vintage tea parties, and vegan remakes of traditional favourites are all notching up the likes.
- In person, people are engaging their senses when it comes to food – sight, smell, and even touch is important to a consumer base that was forced to learn to appreciate the little things in lockdown.
- The mindful eating movement has inched its way into the dessert category and people are determined to savour every aroma and mouthful.

Catering to particular diets, from sugar-free, diabetic friendly, vegetarian, vegan, kosher, and halaal, right through to keto options, gluten-free alternatives, and ingredients with reputed health benefits, the dessert category has embraced innovation and product development to meet the changing needs of consumers.



Image courtesy of tastetomorrow.com

Desserts are here to stay

Ready-made, heat-and-eat, innovative flavours, convenient premixes, traditional favourites – desserts are very popular with South Africans. Due to the current economic climate, value for money is key for most consumers as they buckle their belts and hope to weather rising food and fuel costs. Lazola Dali, Marketing Manager for Local Icons, Danone Southern Africa, says, “The Covid-19 pandemic has resulted in more consumers looking for escape and treat moments. The dessert market is stable and should weather both the post-Covid-19 pandemic situation and the looming inflation storm.”

Traditional desserts offer comfort in tough times

Traditional desserts are front and centre for South Africans. Think malva pudding, sticky toffee pudding, crème brûlée, and traditional loaf cakes served with custard or cream (or both!).

Dali says, “Consumers continue to look for treats for themselves and their families. Even in these hard times, we all need something to lift our spirits.” That said, innovation is driving the market, even when it comes to well-loved brands such as UltraMel.

Having recently launched UltraMel milkshakes in “three delicious full cream shelf-stable flavours,” says Dali, “Retailers can expect more exciting innovations that will build love for one of South Africa’s iconic brands. UltraMel milkshake is just the beginning of this exciting journey.”



Bite-sized perfection

Miniature versions of decadent desserts deserve a special mention. Ideal for dessert platters and boards, these little sweet treats pair well with mindful eating, portion control, and savouring little luxuries without overindulging. They are also an excellent way of reducing waste and splurging on something luxurious without breaking the bank.

Healthier options

Simple Truth at Checkers offers several vegan, reduced sugar jelly powders, and traditional favourites like Moir’s instant chocolate pudding mix is available in a reduced sugar option. Gluten-free alternatives are also gaining in popularity.

Vintage high teas

Vintage high teas are on the rise as tea offerings increase and more consumers look to this traditional beverage for a more affordable tea break. Consumers can choose from healthier or caffeine-free hot beverage alternatives, and the incredible range of flavours offered by international teas and tea pairings.

Tiny desserts, exotic cupcakes and vintage-inspired treats are an ideal fit for this trend. Tea ceremonies are also on the rise, which are complemented by Asian-inspired options such as Burma kadayif, a Turkish sweet baklava made with shredded dough rolled around ground or whole pistachio nuts, baked, drenched in a lemon-flavoured syrup, cut into bite-size pieces and sprinkled with ground pistachios before serving.



Image courtesy of tastetomorrow.com

Top dessert trends in South Africa 2022

Nostalgic desserts: Malva pudding, melktert, aartappel (potato) pudding, hertzoggies, sticky toffee pudding, pumpkin fritters, melkkos, asynpoeding (vinegar pudding). Boeber (Cape Malay pudding with sago, vermicelli, milk, rose water, cinnamon and cardamom), koeksisters, amagwinya (vetkoek), oat crunchies, peppermint crisp tart, pannekoek (pancakes). Spice cookies, queen cakes, trifle, rusks, Bombay crush (falooda topped with vanilla ice cream), fridge tart, Cape brandy pudding (tipsy tart).

South African desserts are a multicultural mix of flavours, ingredients and taste sensations that have stood the test of time and remained firm favourites through generations. You can’t go wrong if your store’s dessert selection includes any of these.

New generation desserts: Gelato, anything with berries: frozen berry yoghurt cake, lime cake, coconut and lime panna cotta with strawberry coulis, berry crumble. White chocolate custard, exotic milkshakes, desserts incorporating superfoods, apple crème caramel, coconut crème brulee, rose infused desserts, desserts that replace standard white flour with rye, sorghum, buckwheat or oat flour. Younger consumers are especially willing to try new flavours and tastes, but you must let them know they can find these options in your store. **SR**

Image: Ella Olsson, Pexels

Image: Valeria Boltneva, Pexels



Sources:

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