

From Dairy to Cheese to Ice Cream and Everything in between

The current dairy landscape in South Africa

MilkSA's Quarterly Reviews of the Performance of the Dairy Industry for 2020 Q3 and Q4 show that the demand for dairy products in South Africa held firm during, and in spite of, the last four consecutive quarters of negative economic growth in 2019/20, and the impact of the 2020 Covid-19 lockdown in SA. "This indicates a positive perception amongst consumers about the importance of dairy in their daily diet," says Bertus van Heerden, Project Manager, Milk SA Project – Economies and Markets, who compiled the report.

Dairy prices have increased. What consumers already know is borne out by the data. A comparison of December 2020 with January 2019 shows that product prices are significantly higher. Apart from the impact of the global Covid-19 pandemic, there are several prior factors coming into play.

Before the social and economic adversities of 2020, 2019 saw the largest economic decline in South Africa in 10 years. In addition, many of South Africa's primary agricultural producers were drained

The Dairy category is a favourite for many consumers

financially, due to adverse weather conditions in 2019 on top of prior years' climate challenges. Maize production in 2013, 2015 and 2016 took severe blows due to the drought conditions. This, as well as the foot-and-mouth disease outbreak in the first and last quarters of 2019, impacted directly on industry margins, and explains the rising prices of dairy prices in 2020. Milk Essay, Vol 12, no 2, 2020.

Despite these many challenges, the Milk SA Q4 reports says that growth in the quantity of dairy sales for the products being monitored are solid, with the exception of fresh milk and flavoured milk registering negative growth for all the time periods being measured.

– but it needs an agile, multi-pronged approach to maximise its potential



Feedback from Chantal van den Bergh, Marketing Manager at Lancewood, reinforces this finding, saying that Lancewood’s 2020 dairy sales were not affected that much ...

“2020 has obviously been a bit of a roller coaster, but in general the trends have been stable compared to previous years.”

Monitoring and maximising your dairy category

While price, quality and freshness are critical factors driving the success of dairy sales, there are other drivers within the many sub-categories that are important to consider when looking at ways to grow your sales.

Trip drivers. Some dairy sub-categories (butter, milk, standard Cheddar or Gouda cheese) are trip drivers – in other words, they feature on shopping lists and will activate a shopping expedition. Shoppers don’t like running out of these items, so it is essential that the retailer’s stock management system is able to fulfil essential dairy demands. While these traffic-driving sub-categories need a strong and consistent price proposition to keep them performing optimally, convenience also plays a major role.

Driving traffic through price point. Other sub-categories, such as yoghurt and cultured dairy, are driven more by price. This means yoghurt or cream cheese on promotion could take customers into another store – and while they are there, they’ll buy their dairy essentials.

Impulse purchases. A large proportion of total dairy products are purchased on impulse while the customer is buying their dairy must-haves. This includes speciality cheeses, on-the-go dairy- and dairy-based snacks, flavoured milks, cultured dairy, dairy desserts including ice cream and dips, and dairy-based smoothies. Impulse dairy can drive higher price points and shoppers don’t expect the deep discounts found on dairy trip drivers.



Sharing recipes that include cheese as an ingredient can help you move your stock.

Driven by conscience and concern. A large part of the dairy category is not dairy at all. Traditional dairy alternatives, including plant- and seed-based milk alternatives and lactose-free options, are increasingly gaining traction, although more so in the upper LSM consumer segment in South Africa, due to the price tag.

A three-pronged approach to pricing

A comparison between deep discounts and everyday low pricing as long-term pricing strategies for FMCG shows that, while deep discounts yield higher profits in the long run, consumers prefer retailers that consistently offer low prices

Deep Discounts or Everyday Low Prices: Which Strategy do Consumers Prefer?

To achieve success, retailers should consider following this three-pronged approach:

Pick a pricing strategy and stick to it

If you’ve chosen to go with everyday low prices, ensure that your store consistently delivers on this promise. On the other hand, if you plan on driving sales through promotional events and offers, make sure your products never lack quality.

This balance between the two pricing strategies can be seen in Checkers Xtra Savings loyalty programme, which introduces deep discounts of up to 25% off selected items, on top of their already low prices, with quality remaining consistent.

Let your consumers know

Make it clear to your customers on what your dairy marketing strategy focuses, whether it is everyday low pricing, discounts and offers,

a massive range of speciality brands and products. Your advertisements, official statements, promotions, advertising and public relations should communicate this promise clearly.

Never fail to deliver on the promised pricing

Market conditions are never constant, as 2020 and 2021 are clearly demonstrating. Customer behaviour can change, and so can pricing and competition strategies. It's essential to spend effort, time, and resources to ensure that you offer the promised pricing on your entire dairy and cheese product ranges.

The importance of advertising deep discounts in dairy to drive destination shopping

Two examples of traffic-driving deep discounts often utilised by many retailers in the dairy section is on salted butter and six-packs of long-life (UHT) milk.

- **Salted butter** at the normal lowest price of around R60 per 500g is a luxury for many consumers, but at a 25% discounted price of R45 it becomes a certain traffic driver.
- **Long-life milk** is an essential on most dairy consumers' monthly shopping lists, and a well-advertised deep discount on this product might well motivate a shopper to do their monthly shopping at your store instead of another.

Visually appealing displays and display cabinets

When putting together a dairy display, convenience and freshness are the two top factors to

consider. Regarding optimal dairy merchandising, Lancewood's van den Bergh advises...

“ Dairy products should be displayed on-shelf with sufficient facings that are able to change the perceptions of consumers. ”



Make sure you deliver on low prices and consistent quality to keep your customers coming back.

Photo by Jack Sparrow from Pexels

In a 2012 blog post by Rebecca MacKay, Vice President of Strategy, Insights and Planning at the Innovation Center for U.S. Dairy, MacKay looks at a variety of instore merchandising concepts focused on selling more dairy.

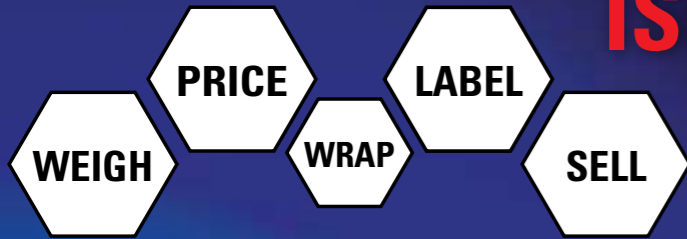
These display units group products together to provide meal solutions for customers from varying income groups and demographics. Thinking through these different display groupings based on the demographics of your customers and their lifestyles can also be helpful when choosing the range of products you stock.

Key points to keep in mind for displays aimed at selling dairy include the following:

- Convenience is king. Keep this benefit at the top of your mind when evaluating all aspects of merchandising meal solutions.
- Ensure displays are highly visible for shoppers – this will build consumer understanding of the meal solutions concept.
- Keep the product mix streamlined with only the most relevant Stock Keeping Units (SKUs); anything else is a distraction.
- Avoid overcrowding displays with too many products; the simpler, the better.
- View meal solutions merchandising as a long-term solution instead of a quick fix. It takes time and repeated exposure for consumers to adjust their behaviour.

Automatic weigh/wrap/label machine that can wrap an 80 tray perfectly every time.

ISHIDA WM-AI



Call us to discuss any weighing, labelling and barcoding applications:

Email: jim.pinder@avocetsa.co.za
wesley@avocetsa.co.za
 Website: www.avocetscales.co.za

Or call our branch nearest to you:

Johannesburg South – Tel: (011) 613 5838
 Johannesburg North – Tel: (011) 794 3463
 Cape Town – Tel: (021) 982 7321
 Durban – Tel: (031) 701 5225
 Bloemfontein – Tel: (051) 430 1198
 East London – Tel: (043) 726 7541
 Nelspruit – Tel: (071) 683 1285
 Port Elizabeth – Tel: (041) 364 0718
 Polokwane – Tel: (015) 293 2013



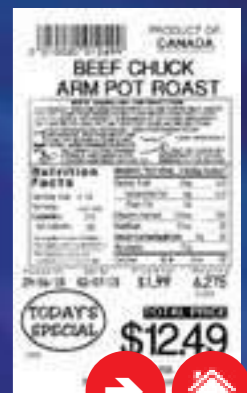
- 12.1 Colour touch screen offering user friendliness
- Small footprint – occupies 1.12m² of floor space
- Fast operation speed up to 35 packs per minute
- Hygienic design with stainless steel covers limiting the use of plastics
- Easy to remove and clean parts, increasing productivity and production
- 2 film operation wraps smallest to largest trays available (up to an 80 tray)
- Eye catching label designs
- Operator adjustable wrapping tensions
- No openings on the bottom of wrapped trays
- Auto tray detection and centering for accurate label placement
- Dual Labeller version available to label packs with ingredients or promo labels on demand

ISHIDA UNI-9 Range



ISHIDA UNI-5/7 Range

ISHIDA UNI-3 Label Printing Scale range



****Uni Series now available in Linerless**
 Simply a CUT above the rest**



The emotional impact of indulgence

Some dairy products, in particular ice cream, dairy-based desserts, and some cheeses, are thought of by consumers as an indulgence. With the uncertainty surrounding Covid this year, many people turned to their favourite and familiar comfort foods for consolation.

“Over the 52 weeks ending Sept. 6, 2020, dollar sales in the ice cream subcategory of the larger ice cream/sherbet category were up 13.4% to \$6,841.8m (±R1,509b), while unit sales increased by 8.4% to \$1,703.6m (±R2,530b), according to data from Chicago-based market research firm IRI.”

(<https://www.dairyfoods.com/articles/94642-state-of-the-industry-ice-cream-is-a-category-on-fire>)

In its “Ice Cream and Frozen Novelties: Incl. Impact of COVID-19 US April 2020” report, global market research company Mintel notes that the growth seen in the ice cream and frozen novelties category will most likely continue for the foreseeable future. “Looking back at past recessions indicates that in these types of circumstances people tend to nest (indulge at home) and reach for accessible indulgences such as like ice cream,” says the report.

Gut feel: the role of health in dairy choices

Health consciousness and related trends are influencing more and more consumers’ buying trends. Whether it is the calcium contained in full-cream milk or the probiotics in yoghurt, consumers do not just make choices based on taste, but on what their dairy consumption would mean for their overall health and well-being.



In difficult times people tend to turn to dairy indulgences such as ice cream for comfort.

Especially amongst younger consumers, who are more prone to selecting environmentally friendly solutions such as plant-based dairy alternatives, the question of what dairy can do for them becomes paramount.

To this end, MilkSA’s Consumer Education Programme Dairy Gives You Go has been focused on educating the youth on the health benefits of dairy for the past five years, through clever videos and a social media campaign aimed at engaging local teens.

Video: https://www.youtube.com/watch?v=n1_uDSC484

Plant-based dairy alternatives

Plant-based protein is probably one of the biggest trends driving product innovation in food globally. The dairy category is no exception. Innovation in plant-based milk and dairy alternatives continues

to grow at a rapid rate, and competes directly with dairy sales, especially among higher-income groups and younger consumers.

Sales of plant-based dairy alternatives are motivated by health- and environmental-concerns, and the variety it brings to these consumers’ diets.

While plant-based ‘dairy’ still has some way to go in terms of innovation in taste, texture, nutrition, and ingredients to compete with the variety of mainstream dairy, progress is well on its way.

One of the most popular dairy alternatives set to see growth is oat-based products such as cold brew coffee, spreads and chocolate snacks, as consumers are becoming more educated about the health benefits of oats, as well as its sustainability and clean label credential.

<https://retailbriefafrica.co.za/5-trends-shaping-the-global-dairy-industry-in-2020/>

Best known for their oat-milk, OkJa, a plant-based food and beverage business founded in 2019 by Rui Esteves and David Chait, now supplies retail in addition to the cafés and coffeeshops which used to be their target market before lockdown.

<https://www.bizcommunity.com/Article/196/70/208813.html>

Co-founder Chait explains that OkJa was borne out of a desire to provide a more sustainable alternative to dairy and other dairy alternatives currently on offer. Their marketing pitch encourages consumers to try it out: “We are aiming to transform the landscape through offering an environmentally-responsible, delicious, plant-based option, which is great for adding to your cereal, foaming up and pouring into your coffee, or enjoying on its own. We pride ourselves on the integrity of our product composition. With no unrecognisable or unpronounceable ingredients, OkJa offers a creamier, richer mouthfeel and a denser foam for your latte.”

Convenience vs. Price vs. Health

Convenience, time, and delicious goodness are key factors that brands are focusing on across the dairy snacking industry, such as reformatting traditional dairy products into drinkable cartons.

Within a market report conducted by Mordor Intelligence, the global dairy snack market is set to register a compound annual growth rate (CAGR) of 5.14% during the forecast period 2020-2024.

<https://retailbriefafrica.co.za/5-trends-shaping-the-global-dairy-industry-in-2020/>

Whether for the health benefits of smaller meals or the convenience of meal replacements, drinking yoghurt, mageu, amasi and other dairy snacks are massive sub-categories in dairy, and form a crucial part of many consumers’ daily diets.

Some producers have changed their formulation by lowering their sugar content or by using low sugar together with artificial sweeteners



‘Easy breakfast’ – displays focused on meal solutions concepts can help you sell more dairy. (Image source: <https://www.dairyfoods.com>)

to comply with the new sugar tax bill. The low calories may have encouraged some health-conscious consumers to purchase the product. It is also believed that some consumers were purchasing the product when it was on promotion to consume later.

According to South African market researchers BMI’s Media Feedback Report: Drinking Yoghurt Category – August 2020”, the drinking yoghurt category has gained volume, growing at 13.6% from 2018 to 2019.

“Players have focused on the category after it lost volume in 2017. This is also one of the reasons for the lower price in attempt to drive volume,” says the report.

Mageu is rich in cultural heritage and forms a base of the everyday diet of an estimated 55 million South Africans. After experiencing a significant decline in sales from 2017 – 2018, sales had grown 10.9% from 2018 – 2019.

Flavours have become an important driving factor for mageu as consumers seek a variety of different tastes. This trend has also been noticed across other dairy-based beverage categories where a consumer wants more flavour options.

Flavour innovation and introducing new dairy products to your customers

Young millennials are increasingly demanding new adventurous flavours in the dairy category, such as savoury and spicy yoghurt dips, flavoured butter, and alcohol-infused ice cream. In addition to new



plastic ideas
crates



**WE
NEVER LET
YOU DOWN**



Tel. +27 11 613 8587
Cell. +27 83 333 1224 (Gilda)
E-mail. crates@plasticideas.co.za
[www. PlasticCrates.co.za](http://www.PlasticCrates.co.za)

flavours, consumers are seeking texture-enhanced offerings that create a pleasurable experience and offer a greater feeling of indulgence. A study carried out by Innova Market Insights finds an average 45% of US and UK consumers are influenced by texture when buying food and drinks, while 68% share the opinion that textures contribute to a more interesting food experience.

<https://retailbriefafrica.co.za/5-trends-shaping-the-global-dairy-industry-in-2020>

Brian Dick, owner of Cheese Gourmet, a deli and adjoining restaurant in Linden, JHB, specialising in artisanal cheeses and fine food products, comments on consumer trends in the cheese department. "There is a definite trend towards fresh, soft cheeses, for example, the demand for Brie, Camembert, Chevre, Mozzarella and the washed rind cheeses such as Dalewood's Lanquedoc and Langbaken Karoo Sunset have all increased, but the leader in the pack is Burrata. The Covid-19 lockdowns have seen many more people are at home and so cheese purchases for lunches has increased, with the softer, milder cheeses more likely to appeal to families. The other noticeable trend is an increase in cheeses as ingredients. With more home cooking, time to look at recipes and plenty of online chefs, cheeses such as Parmesan, Pecorino and strong Cheddar have all increased sales."

However, creating awareness around new products and getting consumers to not only try the new products, but to incorporate them as a regular buy into their shopping lists, can be challenging.



Dairy and dairy alternatives companies who relied on the restaurant industry had to relook their business models due to the temporary loss of income during the 2020 lockdown in South Africa. One such company is Cape Town-based company OKja.

"A full 360 in terms of tastings, digital and social campaigns is needed to introduce new products and flavours," van den Bergh mentions.

While tastings are problematic due to the hygiene logistics involved in Covid-19 compliance measures, this leaves the door open for companies to focus on online campaigns.

Lancewood, which recently launched Cheese Melts, 1000 Island Dip, Blueberry Double Cream Yoghurt, and a 12-month Mature White Cheddar, amongst other products, has mastered the art of engaging consumers through their social media platforms. Through this engagement they have created awareness around, and a market for their products.

One example of their online activation campaigns is the Lancewood Quality Time Pledge that promotes the value of distraction-free quality mealtime for families. "Retailers can capitalise on the action needed for this campaign – families cooking and spending quality mealtimes together, and they can drive sales through recipe inspiration to facilitate this," says van den Bergh.

Packaging trends – how do dairy manufacturers move sustainably forward?

Environmental awareness is becoming a necessity across the board to maintain a strong position in the market. This goes for dairy manufacturers, and wholesalers and retailers.

In July 2020, Clover dramatically changed the colour of their milk bottles from white to blue, to, in their own words: "differentiate ourselves, to stand out, disrupt the fresh milk category and make fresh milk relevant again."

Clover's Blue Bottle Campaign – which some called an example of 'genius marketing' – sparked online debates about the colour choice,



Soft cheeses are a firm favourite with families.

and also about sustainable packaging, once again highlighting the fact that consumers are increasingly demanding eco-accountability.

Retailers looking to contribute to a circular economy should focus on proactively creating partnerships and collaborating with stakeholders to build sustainable recycling value chains (<https://www.tetrapak.com/sustainability/planet/recycling/building-recycling-value-chains>).

Some global initiatives include the following organisations:

- **The Consumer Goods Forum (CGF)** is an organisation that brings consumer goods retailers and manufacturers together globally to secure consumer trust and drive positive change, including greater efficiency.
- **3RI: The 3R Initiative**, is a platform to catalyse zero plastic waste leadership. This initiative is developing a market-based approach scales up recovery and recycling activities and increases accountability for plastic waste around the world.



KEY LEARNINGS

- Dairy outperforms most other departments with its profit-to-space ratio (almost double that of other produce).
- Dairy products are included in more grocery trips than items from nearly every other aisle.
- Milk, cheese and yoghurt are key meal-builders.

- **TSC: The Sustainability Consortium** is a global organisation transforming the consumer goods industry to deliver more sustainable consumer products, which offers tools and services to help companies address product sustainability in their supply chain.

Dairy, Cheese, and Ice cream poses many opportunities for retailers to drive dairy-motivated shopping trips – achievable through some category management, observation, careful planning and consistently delivering on your quality, convenience, and price points. **SR**



Marguerite Sanders is an autodidactic writer and designer with a passion for creative problem-solving. Nowadays she writes for business, and on business, specialising in retail and tech. Her writing and art have been published on various online platforms and in print. She holds a B.A. Fine Arts degree and has completed additional courses on the business and professional practise of art, and a few modules of philosophy. Contact Wilkins Ross Communications at marguerite@wilkinsross.co.za.

