

WHAT DOES THE FUTURE HOLD?



What does the future hold? Plotting the way forward is not for the faint hearted. Here are some comments in respect of megatrends and megabrands as well as fruit juice matters.

1. MEGATRENDS

According to the well-known scenario planner Clem Sunter, one hundred years ago we would have made various predictions for the rest of that century. In 2019 we could well ask what we expect for the remainder of this century. Here is an extract of his suggestions:

- The first megatrend is the number of people living on the planet. This has surpassed 7.5b and is estimated to reach 11.2b by 2100. The “rich old millions” in developed countries are beginning to erect barriers to stop the mass migration of the “poor young billions” into their countries. It is worth noting that the second half of the last century was built on globalization which assumes the free movement of people and goods, whereas there is now a backlash and national interest is currently very popular.
- A second megatrend is the rising inequality between nations and within nations. Despite the immense benefits of uplifting the poor, capitalism as currently practised rewards the “big, rich and successful” more than the “middle class and poor”. Corruption has also been a factor. Hence, we have seen the rise of anti-establishment politicians and movements dedicated to creating a fairer world.
- Thirdly we are observing further extinction of species in the animal and plant kingdom as well as global climate change. At the moment there is no sign that the drive for economic improvement is being balanced against environmental sustainability.
- Fourthly there is the inevitable advance of technology. These include smartphones, social media, renewable energy sources, biotechnology and genetic engineering. In addition, digital platforms, automation, robots and artificial intelligence will continue to diminish the number of conventional jobs. And then what about cyber fraud and cyber terrorism? Education will certainly have to change.

Who knows what other surprises may be around the corner as we plan ahead?



2. MEGABRANDS

Drawing from a recent report from Euromonitor International

- The top 100 global FMCG megabrands include 9 beverage brands in the top 20 including Coca Cola, Pepsi, Red Bull and Sprite which have also largely maintained their positions.
- The relative lack of movement masks the negative retail sales performance of most brands. Driven by sugar consumption concerns, the poor performance of carbonates has been a major factor and is forecast to continue.
- In contrast, sports and energy drinks are a growth area with energy drinks the driver. This is shown by the performance of Red Bull and also Monster in the global rankings.
- The most significant area of growth is bottled water. However, as a fragmented, commoditized and often localized product, bottled water brands are not threatening the soft drinks megabrand rankings.
- The consumer turn against sugar has had a significant impact on the megabrands. The top 2 brands namely Coca Cola and Pepsi have had challenging years and now face a difficult future. Despite their past successes both have in recent years been adapting to changing consumer priorities and legislative action regarding the amount of sugar in drinks in some markets. Coca Cola is the world's largest FMCG brand by far and the company is responding by reforming itself as a "total beverage company" placing greater emphasis on tea, coffee, juice, plant-based beverages and bottled water. In South Africa for instance they have also reportedly reduced sugar content in drinks by 25%.
- The Asia Pacific region is the key for FMCG megabrands where retail sales value is the highest across all FMCG categories except "pet care".

3. JUICE FOCUS

Closer to home some comments in respect of fruit juice:

- Some of the top juice brands dominating the global juice market are Coca Cola (Minute Maid), Pepsi (Tropicana), Nestle (Libby), Hangzhou Wahaha (China), Dr Pepper, Del Monte, Welch's, Citrus World, Suntory and Ocean Spray.
- The health promoting benefits of juices are encouraging consumers to embrace fruit juices and are expected to continue to underpin the growth of the global juice market over the next 5 years. Industry experts predict that the countries in the APAC region will account for the major share of the global juice market.
- The GDP growth rates in the developed markets are low (USA 2.2% & Western Europe 1.7%). Conversely the growth in Asia is double (China 6.2% & India 7.6%). This is already revealed in the negative growth rates in developed Western fruit juice and nectar markets and volume growth of nearly 4% per annum for the last 5 years in Asia. In addition to income levels, population growth and the current relatively low levels of litre consumption per capita in Asia present huge opportunity for growth of the juice market.
- Technology will also play an important role in terms of for example smart packaging, growth of online groceries; processing technologies as well as product innovation. These will provide significant opportunities in both existing and emerging juice markets.

Planning ahead for long term sustainable profitability is indeed complicated. I have touched on the above issues, but another major area of complex analysis is the mega consumer trends. However, this we can leave for another edition.

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