



## TRADE FAIR INTELLIGENCE REPORT

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### Southern African International Trade Exhibition (SAITEX) Johannesburg, South Africa 2012

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## 1. INTRODUCTION

The Southern African International Trade Exhibition (SAITEX) is one of the leading exhibitions and a popular multi sector international trade fair which has been held in South Africa for the past 18 years.

SAITEX is co-located with South Africa's largest food & beverage industry event, Africa's Big 7, a leading exhibition in agri-processing, banking, beverage, catering, food, retail and meat.

Eight companies representing various sectors, such as Porcelain tableware, Ceylon black tea, Green tea, Organic tea, Spices, Desiccated coconut, Rubber based value added products (bicycle tyres & tubes, floor covering, mud flaps etc.), Electrical cables, Electrical switches, sockets & enclosures, Automobile components (airbag sensor switches, seat belt sensor switches etc.) exhibited at the Sri Lanka pavilion.

## 2. TRADE FAIR SPECIFICATIONS

### a. Relative Importance

SAITEX is a multi-sector event which is the largest and the most important business event in the African region. The exhibition serves as a strategic platform where buyers and sellers conduct direct business face to face. SAITEX 2012 focused four primary industry sectors namely; General retail & light industrial, House-wares & home-wares, Tools, hardware & building supplies and BRICS Africa Export Import Forum.

Sri Lanka has participated in several occasions in the past and its participation in 2012 was a success.

SAITEX is co-located with the continent's largest Food & Beverage sector event, Africa's Big Seven (AB7). The two events taking place simultaneously on the same floor is advantageous in attracting more visitors and enables the visitors, buyers and exhibitors to explore more trade opportunities, interact, and network with industry peers.

### b. Number of visitors

SAITEX 2012 had attracted 6,523 trade visitors. The visitor profile included the following.

Entrepreneurs	17.97%
Distributors	16.95%
Importers	16.74
Manufacturers	15.30%
Retailers	14.22%
Wholesalers	10.43%
Exporter	10.08%
Agent	9.13%

**c. Number of exhibitors**

The exhibitors of 590 companies from 41 countries had attended the exhibition.

**d. Main countries represented**

Region	Countries
Africa	South Africa, Zambia, Zimbabwe, Kosovo, Lesotho, Lithuania, Namibia, Nigeria, Botswana, Ghana
Asia	China, India, Indonesia, Hong Kong, Sri Lanka, Korea, Malaysia, Pakistan, Singapore, Taiwan, Thailand, Vietnam.
Europe	Germany, Finland, Latvia, Poland, Portugal, Scotland, Spain,
The Americas	Argentina, Brazil, USA, Mauritiou, Mosambique,
Middle East	Turkey, Uganda, United Arab Emirates, Oman

### 3. NEW TRENDS OBSERVED

**a. Product and packaging trends**

SAITEX, being a multi-sector event in South Africa exhibits all categories of products including FMCG. Different packaging styles in relation to various product categories noted at the exhibition.

**b. Promotion trends**

A fair amount of value added products were there. A rigorous competition among country pavilions in terms of price, promotion, and packaging was seen among all product categories

**c. Price trends**

The products exhibited in the Sri Lanka pavilion were of good quality in all categories. The prices of the products in other country pavilions were comparatively low. The pricing is a very sensitive factor in placing orders. The regional countries as well as China and India offer very competitive price range. This affected to some extent for receiving orders and negotiations considering the cost of manufacture.

### 4. OBSERVATIONS AT MAIN COMPETITORS

**a. product offer and presentation**

The Asian countries such as India, China, Pakistan and Indonesia exhibited differentiated products with value addition.

Certain exhibitors, mainly the South African exhibitors had used low price methods to market their products without many efforts. Also the regional companies and South African companies are in a position to finalize negotiations since they fulfill market requirements such as SABS Certification. (South African Bureau of Standards) Our companies need certain time to obtain the SABS.

**b. Promotional efforts**

India, China and Thailand seemed huge players in the event. These countries had the benefit of obtaining spacious areas for their country pavilions. Due to large floor area they were able to set their pavilions attractively displaying different categories of products such as garments, spices, toys, handicrafts etc.

The tea promotion carried out in Sri Lanka pavilion attracted an excessive crowd to the pavilion which helped the exhibitors to make new contacts. One of the tea companies participated had already done a shipment to the South African agent with whom they had negotiations at the exhibition.

**d. Prices**

The South African market is a strange mix of first and third world. Although consumers demand quality, they are also price conscious. This is evident in the fact that much of the volume of sales in the retail sector is made to the middle and to lower-income groups.

The lower end of the market is extremely price sensitive and most imported foodstuffs would not be marketed at this level.

The middle and upper income groups are more like European or North American consumers. They are sophisticated, well-travelled and have an appetite for foreign tastes and flavours. They are less price sensitive as far as luxury products are concerned and would be a target for imported exotic spice packs, seasonings and ready to use. As consumers at these income levels demand variety, retailers catering to their needs tend to have a wide range of products available.

**e. Visitor traffic**

The visitors admired the designs and the quality of the Sri Lankan porcelain tableware. Strong interest was shown for Pure Ceylon Tea and the visitors used to taste flavored tea which was in several varieties. Health conscious visitors and buyers were too keen to inquire about green tea. Remarkable responses were received for rubber products and electrical components too. The automobile components (airbag sensor switches, seat belt sensor switches etc.) which were exhibited for the first time at the Sri Lanka pavilion received attention of buyers.

## **5. NEW ENTRANTS**

**a. What do they offer?**

The new entrants mainly can be seen from the regional markets and BRICS countries. The trade agreements and the G-G policies give impetus to boost trade between those countries. It gives an opportunity to see the market gap for all possible areas such as agriculture, industrial and service sectors.

**b. How do they promote themselves?**

The market entry has been facilitated by various channels and most popular strategy is for opening a branch office of such companies in South Africa or in other Southern African countries.

**c. Are they a threat for the Sri Lankan exporters?**

The South Africa's trade policy is more on a development policy towards African continent and among BRICS nations. All the policy directions are in par with SACU and SADC region. The framework of the import tariffs is given preferential treatments within Southern African Development Community (SADC).

The Member States of the Southern African Customs Union (SACU) and SADC enter duty free.

Where goods are imported from within the SACU region, no customs duties are applicable. South Africa is a member of the Southern African Customs Union (SACU) along with Botswana, Lesotho, Namibia and Swaziland. Goods are traded within the customs union free of duty.

South Africa is also a member of the SADC. Under the SADC Trade Protocol implemented in September 2000, South Africa agreed to reduce tariffs on goods originating in SADC Member States to zero over a period of eight years. The tariffs on goods originating in SADC are therefore currently zero.

The EU/SA Free Trade Agreement came into effect in January 2000. Under the agreement, the European Union (EU) undertook to reduce its import tariffs to zero over a period of seven years.

The SACU agreement with the European Free Trade Association (EFTA) member countries came into effect on 1 January 2007. The Agreement covers trade in industrial goods and processed agricultural products. Trade in basic agricultural products is covered by individual bilateral agreements with SACU States.

Sri Lanka has made several attempts to enter into PTA or FTA with South Africa and it has to be with Sri Lanka and SACU. However, the trades volumes between Sri Lanka and SACU are still at low in order to consider for enter into a negotiation process. As such the prevailing tariff rates are affecting the trade between Sri Lanka and South Africa when compared to the existing competitors.

## **6. BUYERS' OPINIONS**

**a. Market developments**

With regard to the food products such as tea, spices, rice, coconut based products, processed food and ingredients, the south African market is highly dominated by India, China, Thailand and African regional suppliers such as Tanzania, Zimbabwe, Malawi and Kenya. The food service industry in South Africa is well developed and is the fastest-growing sector of the food market, middle class and tourism. There are around 25,000 outlets consisting of hotels, restaurants, fast-food franchises and contract catering companies. The industry is often overlooked by foreign suppliers.

The processed food sector in South Africa has become increasingly competitive with many international brands and products entering the market. Retailers and importers look for products that are different or that compete with existing basic products on price.

There are few trends and growth areas in the food ingredients market that point the way to future opportunities for suppliers. Consumers are looking for convenience foods, health and freshness is a huge trend among food consumers, and both manufacturers and retailers are moving to address the demand thus created by introducing healthy meals for busy people. The products include ready-made spice packs containing all the spice ingredients necessary to make a variety of curries.

Retailers have been turning to the use of private labels to focus attention on their merchandise. Private labels are growing in popularity and importance in the South African retail sector. Spar has the highest share of the private label domestic retail market, and it is also the fastest growing private label retailer in the country.

Few leading super markets marketed variety of local and imported products are given below:

- Pick n Pay Group
- Shoprite Holdings Ltd
- SPAR Group Ltd
- Woolworths (Pty) Ltd
- Checkers

**b. Product trends**

The second opening lies in the supply of raw materials for the food processing sector. South Africa has an extremely strong agri-processing sector. Rising domestic demand and the inability of domestic producers to meet demand in certain areas bode well for external suppliers of raw materials like dried beans, dehydrated vegetables and nuts. The keys to selling to this market are good quality products, consistency in both product quality and availability, and competitive pricing.

The third opportunity relates to the manufacture of products carrying the private or own brands of South Africa's large retailers and major importers. The number of private labels available in supermarkets is increasing. It seems that retailers have understood the value of differentiation and compete on price through meaningful private label offerings. A number of these products are manufactured internationally in response to the demand of retailers and importers for competitively priced products. Products that could be targeted for private labels include canned vegetables, canned beans, counter-season fruits, fine vegetables and specific spice mixes.

The fourth opportunity is for the supply of spices to South Africa. The country produces very little spice domestically and imports virtually all its requirements. Annual imports of spices are between 19 000 and 22 000 tons. Imports are dominated by chili, turmeric, peppers and cumin. Developing country exporters

could break into this market in a meaningful way provided they are in a position to offer what the market requires. The spice importers report that they will not procure from companies offering a single product. Spice exporters therefore need to put together a range of products with which to approach the South African market.

It is essential for exporters to take care of the barriers to entry first.

**c. Opportunities**

The event was a good opportunity for the exhibitors to get exposed to major agents, distributors, leading buyers, exporters and importers, trade associations & chambers, and other leading industrial leaders and influential business people.

For the first timers, it was the best opportunity for market exploration and familiarization. The experience obtained could be used in designing and adapting their products to suit the requirements of the market.

The exhibitors who had participated in previous years have shown keen interest to continue their participation in future events of SAITEX.

Interaction with South African entrepreneurs, industry peers and trade visitors helped the exhibitors to gather information in relation to the market trends, prices, distribution, designs and packaging.

**d. Price Developments**

The South African market is a strange mix of first and third world. Although consumers demand quality, they are also price conscious. This is evident in the fact that much of the volume of sales in the retail sector is made to the middle- to lower-income groups.

The lower end of the market is extremely price sensitive and most imported items would not be marketed at higher prices.

The middle and upper income groups are more like European or North American consumers. They are sophisticated, well-traveled and have an appetite for foreign tastes and flavours. They are less-price sensitive as far as luxury products are concerned and would be a target for imported exotic packaging and ready to use. As consumers at these income levels demand variety, retailers catering to their needs tend to have a wide range of products available.

As for the Sri Lankan products most are suitable for higher income categories but still there should be a room for price negotiations. The prices of porcelain tableware of competitors were too low and the buyers too preferred to buy at low prices. In view of high cost of manufacturing, Sri Lankan exhibitors were not willing to reduce their prices.



**e. Buyer Preferences and Specifications**

The products such as electrical accessories of Sri Lankan exhibitors did not conform to the general specifications in the South African market. Hence those participants had to adjust their products to suit the different segments of the market.

The buyers were more interested in consuming green tea and Sri Lankan spices. They preferred more the aroma and the taste of Pure Ceylon Tea to the tea of the other countries.

A remarkable response was received for the automobile accessories such as car seat belt safety sensors. Successful negotiations were made leading to confirmed orders.

Though Sri Lankan companies comply with all international Standards such as ISO, BIS etc still they need to obtain the South African Bureau of Standards to market their products in South Africa.

**f. Opinion about Sri Lankan offer and suppliers**

The participants at the SAITEX 2012 exhibition were able to meet new buyers and obtain considerable amount of enquiries. They had the opportunity of participating at a B2B meetings program held in Cape Town which was held coincide to the SAITEX 2012, where they had excellent trade relationships with potential buyers.

They have met their existing buyers and were able to maintain regular supplies adhering to the international standards especially in terms of quality of the products. They keep negotiating with new buyers in order to get the orders confirmed.

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