



Cigarette Retail & Wholesale Price Research

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Commissioned by British American Tobacco South Africa

Table of Contents

1. Governance Statement	3
2. Methodology.....	4
3. IPSOS Fieldwork	5
4. Questions asked by IPSOS field worker	6
5. Research retail price point definitions.....	6
6. Research Scope	7
7. Analysis model	8
8. Key Research Results	9
8.1 Results of purchased products in total sample at defined price points:	9
8.2 Provincial Split:.....	9
8.3 Sales channel penetration	9
8.4 Manufacturer penetration.....	10
8.5 Brand Incidence	11
8.6 Carton purchase incidence	13

1. Governance Statement

We herewith confirm the results of the study to be an Ipsos Pty Ltd body of work. Ipsos was commissioned by British American Tobacco South Africa (Pty) Ltd (“BAT”) to carry out research into the cheapest purchase prices in the tobacco cigarette market.

The study is free of interference from the commissioning company. BAT had no role either of oversight or influence in the selection of the sample stores, researchers employed for the study, any part of the quality control process, nor in the analysis of the data. All data, and associated research intellectual property remain the sole property of Ipsos Pty Ltd.

For purposes of preservation of purchased items for any legal challenges or requirements, all samples and proof of purchase invoices have been placed in sealed evidence bags for future use. The samples have been stored in a secure location.

In order to address bias in the study, all results tabled in the executive summary and mini report cover all manufacturers of products found in the market for the study. No specific brand, manufacturer, retailer, or wholesaler was discriminated against, and all were within the scope of the study by virtue of its design. The only limitation applied for the study was that the retailer must be a tobacco retailer in either a form of a branded retail chain or forecourt, or an independent retailer not linked to any organized branded retail chain.

2. Methodology

In order to answer the research question British American Tobacco had posed, having considered other potential approaches to answering the research question, Ipsos Pty Ltd selected the Mystery Shopper methodology as the most appropriate approach.

The mystery shopper approach is a widely used research approach, which has been applied in many scenarios requiring mimicking shopper experience across the globe. The approach is generally used to understand brand metrics such as pricing, promotional items, and consumer experience of product in store or the store experience. Various sectors use the approach for a myriad of market research questions related to consumer experience.

Mystery shopper as a research approach can be utilized to answer the following instances and business questions:



Applying the method, the responsibility of the researcher is as follows:

Mystery shopping approach to price checking studies:

- Shopper poses as an actual consumer at retail location
- Shopper enquires at retailer for brand/s availability and price options
- Shopper requests cheapest pack price

The process of the research explained.

For the study it was important that the process followed be governed Ipsos' strict market research guidelines, as defined within the Ipsos Pty Ltd approach to market research, and subject to quality assurance. The following research process was applied:

- Sample stores, representing the universe for both modern and informal trade across South Africa, were identified;
- Ipsos field interviewers conducted a mystery shop at the sampled stores and posed as a regular consumer and gathered the information for the research by:
 - Casually enquiring about the cheapest selling cigarette brand available in the store, without specifying any brand preference
 - Purchasing the cheapest cigarette brand available at the time of the visit;
 - Only one pack/carton was purchased per store thus meaning that throughout store = pack/carton
- Once the interviewer left the store, they recorded the price, region and name of the store on a CAPI device. The purchased cigarette product was then labelled and placed in a sealable bag and the bag was labelled with the following details: date, store details, region, product, price, interviewer name and signature;
- These products were then delivered to Ipsos head offices, matched back to the store visited, verified, and kept in a secured room as proof of purchase; and
- Throughout the fieldwork process, Ipsos had the following quality control checks in place:
 - Local & regional supervisors did control checks on prices paid and specific products purchased;
 - The data collected on the platform was run through a scripted quality control check to highlight any omissions, anomalies or inconsistencies'
 - The acceptable pricing parameters formed part of the script checks;
 - Regions and areas were matched backed to the original sample selection to ensure that the sample spread will ensure representation of the total market; and
 - 10% spot checks done on products purchased vs data collected.

3. IPSOS Fieldwork

Total Duration: 11-16 February 2021

Field days: 11-14 February 2021

Quality check and re-shop days: 15-16 February 2021

Analysis of data: 22 – 26 February 2021

Reporting date to British American Tobacco South Africa: 3 March 2021

4. Questions asked by IPSOS field worker

Researchers were briefed to ask the following question:

"I want to buy the cheapest 20 pack available"; and
"I want to buy the cheapest carton available".

No price negotiations were allowed.

5. Research retail price point definitions

Excise rates 11-16 Feb:

R17.40 for 20 sticks (1 pack), or R174.00 for 200 sticks (1 carton)

[Sec 37 of the Customs and Excise Act, No. 91 of 1964 – Schedule No 1, Part 2A, Tariff Item 104.30.07]

MCT = Minimum Collectable Tax (Excise rate +15% VAT)*

R20.01 for 20 Sticks (1 pack) or R200.10 for 200 Sticks (1 carton)

**[Sec 7 of the Value-Added Tax Act, No. 89 of 1991]*

Research price points ranges

1. R20.00 and below for a pack of 20 sticks – R200.00 and below for a carton of 200 sticks
Price break down 20 sticks: R20 is below the MCT of R20.01
Price break down 200 sticks: R200 is below the MCT of R200.10
2. R22.00 and below for a pack of 20 sticks – R220.00 and below for a carton of 200 sticks
Price break down 20 sticks: Excise R17.40; VAT R2.87; Total Net Margin** R1.73
Price break down 200 sticks: Excise R174.00; VAT R28.70; Total Net Margin** R17.30
3. R25.00 and below for a pack of 20 sticks – R250.00 and below for a carton of 200 sticks
Price break down 20 sticks: Excise R17.40; VAT R3.26; Total Net Margin** R4.33
Price break down 200 sticks: Excise R174.00; VAT R32.60; Total Net Margin** R43.30

**Total Net Margin must cover Manufacturer margin and all costs related to production, leaf, material, supply chain, Retail and Wholesale margins.

6. Research Scope

Total national retail universe comprises 151,002 stores. The sample of the total national universe used for the research (the “Representative Sample”, identified in the tables below under the heading “in scope”) was modeled based on the national retail universe.

Channels	In scope	National	Standard Error
Total	4,586	151,002	1.3%
Non Organized Informal	3,207	136,968	1.6%
Modern Trade Forecourt	421	3,747	4.1%
Modern Trade – Grocery	444	4,111	4.0%
Wholesale	514	6,176	3.8%

For better understanding of the non-organized informal sector:

Sub-Channels	National	Actual sample	RSE Actual
Non Organized Informal	136,968	3,207	1.6%
Independent Superette/Corner Cafe	25,358	646	3.5%
Spazas	72,648	1,676	2.2%
Tabletop/Hawker	38,962	885	3.0%
Wholesale	6,176	514	3.8%

Sub-channel definitions:

- Modern Trade: branded organized trade (Grocery)
- Forecourts: branded forecourts (Petrol Retail Stores)
- Non organized informal: corner café/ convenience; spaza; tabletops / hawkers
- Wholesale – wholesale; semi wholesale / informal general dealer; cash and carry

Sample process:

- A sample was designed to represent the South African cigarette universe at a provincial level as well as at major channel level.

Sampling approach:

- Universe information available based on an earlier sample census conducted by Ipsos was used to establish a representative sample.
- Standard errors at all reporting levels were below 8%.

Both general trade and modern trade stores were covered to ensure a national view of low prices on cigarettes.

7. Analysis model

All price points were allocated to specific price groups based on the segmentation referred to in Section 5 above.

From the data gathered, the price points were arranged from lowest to highest price point recorded. This was done for packs and separately for cartons.

Furthermore, the number of times each price point presented itself in the study was noted.

Each brand was analyzed individually to record the proportion of occurrences at each price point as defined in Section 5.

These occurrences were aggregated at a provincial and channel level to provide a holistic view of the distribution of low(est) price point for different brands of cigarettes across SA.

Due to the shopper behavior in the Tabletop/Hawker channels (where most of the purchases are done per stick), higher than average pack prices were captured.

This was a result of the conversion ratios (by store owners) used to determine a pack price (sticks x 20) on the per stick pricing strategy.

DISCLAIMER: "Brand manufacturer identification was determined by on pack descriptor and where required through online GTIN barcode searching."

8. Key Research Results

8.1 Results of purchased products in total sample at defined price points:

- R20.00 and below **41%** or 1,849 Retail stores
- R22.00 and below **46%** or 2,077 Retail stores
- R25.00 and below **64%** or 2,887 Retail stores

8.2 Provincial Split:

In four of the nine provinces in South Africa, purchases at R20.00 occurred at more than 50% of the retail stores sampled: Free State province at 76% Western Cape at 73%, Gauteng 62%, and North West, 50%.

Table: Provincial incidence by price category

REGION	R20.00 and below	R22.00 and below	R25.00 and below
Eastern Cape	17%	28%	65%
Free State	76%	78%	87%
Gauteng	62%	66%	79%
KwaZulu-Natal	29%	33%	56%
Limpopo	24%	48%	80%
Mpumalanga	0%	1%	7%
North West	50%	51%	70%
Northern Cape	36%	37%	61%
Western Cape	73%	73%	78%
Grand Total	41%	46%	64%

8.3 Sales channel penetration

Research displays a significant leaning towards the traditional trade, with channels wholesale and non-organized having high incidence. Low pricing is prevalent in the Modern Trade, a feature of the trade not previously found.

Table: Channel availability by price category

	R20.00 and below	R22.00 and below	R25.00 and below
Non organized informal	48%	54%	74%
Modern Trade	5%	5%	33%
Branded Forecourts	1%	1%	8%
Wholesale	71%	73%	79%

8.4 Manufacturer penetration

Gold Leaf Tobacco Corporation has the highest prevalence of cheapest price in a store with their brands being mentioned over 2,396 times.

Brands from neighboring countries had the highest incidence of product selling at and below the R20.00 price mark, with nearly all product sold in South Africa below R20.00. Of the local manufacturers, Afroberg and Carnilinx were the brand owners with the highest number of purchases of cheapest product below R20.00.

GLTC brands were purchased as the lowest price pack available in 2,396 stores out of the total sample of 4,487. 904 stores (37.7% of 2,396) sold at R20 and below. 1021 stores (42.6%) sold at R22 and below. 1503 (62.7%) sold at R25 and below.

Table: Lowest price incidence by Manufacturer

Manufacturer	Total National incl. Wholesale	R20 and below		R22 and below		R25 and below	
		Store count	%	Store count	%	Store count	%
Gold Leaf Tobacco Corporation	2,396	904	37.7%	1,021	42.6%	1,503	62.7%
Carnilinx Tobacco	734	352	48.0%	413	56.3%	594	80.9%
Mango Investments (ZAMBIA)	180	160	88.9%	165	91.7%	170	94.4%
Olomide (Zim)	130	81	62.3%	108	83.1%	129	99.2%
Protobac	186	35	18.8%	50	26.9%	120	64.5%
Afroberg Tobacco	110	93	84.5%	93	84.5%	107	97.3%
Best Tobacco	90	45	50.0%	48	53.3%	67	74.4%
Folha Tobacco	41	27	65.9%	27	65.9%	38	92.7%
BARCO (ANGOLA)	36	36	100.0%	36	100.0%	36	100.0%
GLOBAL TOBACCO	35	34	97.1%	34	97.1%	35	100.0%
Other	39	30	76.9%	30	76.9%	31	79.5%
VAWDA AMALGAMATED HOLDINGS	17	17	100.0%	17	100.0%	17	100.0%
SAVANNAH (ZIM)	17	14	82.4%	14	82.4%	14	82.4%
ATM	9	9	100.0%	9	100.0%	9	100.0%
Mastermind TOB	8	6	75.0%	6	75.0%	8	100.0%
BAT	396	2	0.5%	2	0.5%	4	1.0%
JTI	43	2	4.7%	2	4.7%	3	7.0%
KTNG	1	1	100.0%	1	100.0%	1	100.0%
Amalgamated Tobacco	2	1	50.0%	1	50.0%	1	50.0%
PMI	16		0.0%		0.0%		0.0%
Grand Total	4,486	1,849	41.2%	2,077	46.3%	2,887	64.4%

8.5 Brand Incidence

There is a clear penetration of foreign brands, selling at the lowest price point found in the market, albeit at a small store base. Remington Gold was found to be the foreign brand most widely available as the cheapest purchase. Amongst the local manufacturers and multinational companies, Gold Leaf Tobacco Corporation was the brand owner the highest incidence of the cheapest product purchased in the study.

Table: Brand incidence by price category – total sample

Brand	Manufacturer	Total National incl. Wholesale	R20 and below		R22 and below		R25 and below	
			Count	%	Count	%	Count	%
REMINGTON GOLD	Gold Leaf Tobacco Corporation (ZIM)	931	533	57.3%	594	63.8%	717	77.0%
SAHAWI	Gold Leaf Tobacco Corporation	491	162	33.0%	188	38.3%	289	58.9%
SAVANNAH	Gold Leaf Tobacco Corporation	289	185	64.0%	208	72.0%	240	83.0%
SHASHA	Carnilinx Tobacco	275	99	36.0%	126	45.8%	228	82.9%
VIP	Carnilinx Tobacco	275	120	43.6%	139	50.5%	191	69.5%
WISH	Mango Investments (ZAMBIA)	180	160	88.9%	165	91.7%	170	94.4%
RG	Gold Leaf Tobacco Corporation	346	9	2.6%	15	4.3%	152	43.9%
KYRO	Protobac	169	18	10.7%	33	19.5%	103	60.9%
EXPRESS	Olomide (ZIM)	86	37	43.0%	64	74.4%	85	98.8%
VOYAGER	Gold Leaf Tobacco Corporation	282	2	0.7%	2	0.7%	85	30.1%
CAPE	Afroberg Tobacco	80	73	91.3%	73	91.3%	77	96.3%
CAESAR	Best Tobacco	90	45	50.0%	48	53.3%	67	74.4%
STIX	Carnilinx Tobacco	45	45	100.0%	45	100.0%	45	100.0%
CHELSEA	Olomide (ZIM)	44	44	100.0%	44	100.0%	44	100.0%
WESTLEIGH	Folha Tobacco	41	27	65.9%	27	65.9%	38	92.7%
MEGA	Carnilinx Tobacco	35	35	100.0%	35	100.0%	35	100.0%
RICHMAN	GLOBAL TOBACCO	35	34	97.1%	34	97.1%	35	100.0%
YES	BARCO (ANGOLA)	30	30	100.0%	30	100.0%	30	100.0%
DERBY	Carnilinx Tobacco	26	26	100.0%	26	100.0%	26	100.0%
ATLANTIC	Carnilinx Tobacco	31		0.0%		0.0%	23	74.2%
JFK	Carnilinx Tobacco	24	4	16.7%	19	79.2%	23	95.8%
BASTILLE	Protobac	17	17	100.0%	17	100.0%	17	100.0%
Red and black	Afroberg Tobacco	15	15	100.0%	15	100.0%	15	100.0%
SHARP	Gold Leaf Tobacco Corporation	48	8	16.7%	9	18.8%	15	31.3%
KINGS	VAWDA AMALGAMATED HOLDINGS	14	14	100.0%	14	100.0%	14	100.0%
PREMIUM	CARNILINX	14	14	100.0%	14	100.0%	14	100.0%
777	Other	11	11	100.0%	11	100.0%	11	100.0%
GOLDEN	Afroberg Tobacco	11	1	9.1%	1	9.1%	11	100.0%
F1	Carnilinx Tobacco	9	9	100.0%	9	100.0%	9	100.0%
MALIMBO	Amalgamated Tobacco	9	9	100.0%	9	100.0%	9	100.0%
PEGASUS	SAVANNAH ZIMBABWE	8	8	100.0%	8	100.0%	8	100.0%
STYLE	Other	7	7	100.0%	7	100.0%	7	100.0%
LEGENDS	Mastermind Tobacco SA	6	6	100.0%	6	100.0%	6	100.0%
PACIFIC	SAVANNAH (ZIM)	9	6	66.7%	6	66.7%	6	66.7%
SUPERMATCH	BARCO (ANGOLA)	6	6	100.0%	6	100.0%	6	100.0%
CHICAGO	Gold Leaf Tobacco Corporation	9	5	55.6%	5	55.6%	5	55.6%
CHELE CHELE	Other	4	4	100.0%	4	100.0%	4	100.0%
OSSUM	Afroberg Tobacco	3	3	100.0%	3	100.0%	3	100.0%

Brand	Manufacturer	Total National incl. Wholesale	R20 and below		R22 and below		R25 and below	
			Count	%	Count	%	Count	%
PALL MALL	BAT	335	1	0.3%	1	0.3%	3	0.9%
FORUM	Mastermind Tobacco SA	2		0.0%		0.0%	2	100.0%
KINGSGATE	VAWDA AMALGAMATED HOLDINGS	2	2	100.0%	2	100.0%	2	100.0%
ADMIRAL	Other	1	1	100.0%	1	100.0%	1	100.0%
ASPEN	JTI	3		0.0%		0.0%	1	33.3%
CHEEKY	Other	1	1	100.0%	1	100.0%	1	100.0%
LD	JTI	7	1	14.3%	1	14.3%	1	14.3%
MC	Other	1	1	100.0%	1	100.0%	1	100.0%
MS	Amalgamated Tobacco	1	1	100.0%	1	100.0%	1	100.0%
OTHER	Other	1	1	100.0%	1	100.0%	1	100.0%
OXFORD	Other	1	1	100.0%	1	100.0%	1	100.0%
PETER STUYVESANT	BAT	10	1	10.0%	1	10.0%	1	10.0%
PINE	KTNG	1	1	100.0%	1	100.0%	1	100.0%
PRINCETON	Other	9	1	11.1%	1	11.1%	1	11.1%
RAINBOW	Afroberg Tobacco	1	1	100.0%	1	100.0%	1	100.0%
RB	Other	1	1	100.0%	1	100.0%	1	100.0%
SOBRANIE	JTI	1	1	100.0%	1	100.0%	1	100.0%
VIVA	Other	1	1	100.0%	1	100.0%	1	100.0%
WEPSTER	Other	1		0.0%		0.0%	1	100.0%
JPS Kings	VAWDA AMALGAMATED HOLDINGS	1	1	100.0%	1	100.0%	1	100.0%
BENSON & HEDGES	BAT	21	0	0.0%	0	0.0%	0	0.0%
CASPIAN	Benson Craig (BOTSWANA)		0	0	0	0	0	0
CHESTERFIELD	PMI	16	0	0.0%	0	0.0%	0	0.0%
CK	Amalgamated Tobacco	1	0	0.0%	0	0.0%	0	0.0%
DUNHILL	BAT	7	0	0.0%	0	0.0%	0	0.0%
ROTHMANS	BAT	5	0	0.0%	0	0.0%	0	0.0%
STUYVESANT EVOLVE	BAT	18	0	0.0%	0	0.0%	0	0.0%
WINSTON	JTI	32	0	0.0%	0	0.0%	0	0.0%
TOTAL		4,486	1,849	41.2%	2,077	46.3%	2,887	64.4%

8.6 Carton purchase incidence

Lowest price points below the R200 were widely available within the wholesale channel, at 91% incidence of the total wholesale sample. The lowest price point collected during the study was at R63.00 albeit an outlier, with the frequently mentioned lowest price being R67.00. As a channel, below and equal to R200.00 a carton is a strong price feature across multiple manufacturers both local and foreign.

Table: Carton price incidence by brand and price range grouping for wholesale channel.

Brand	Manufacturer	Wholesale Cartons	R200 and below		R220 and below		R250 and below	
			Count	%age	Count	%age	Count	%age
REMINGTON GOLD	Gold Leaf Tobacco Corporation (ZIM)	13	13	100%	13	100%	13	100%
SAHAWI	Gold Leaf Tobacco Corporation	13	13	100%	13	100%	13	100%
SHASHA	Carnilinx Tobacco	11	11	100%	11	100%	11	100%
SAVANNAH	Gold Leaf Tobacco Corporation	9	7	78%	8	89%	8	89%
VOYAGER	Gold Leaf Tobacco Corporation	6	1	17%	3	50%	5	83%
CAPE	Afroberg Tobacco	3	3	100%	3	100%	3	100%
CHELSEA	Olomide (ZIM)	3	3	100%	3	100%	3	100%
GOLDEN	Afroberg Tobacco	3	3	100%	3	100%	3	100%
KYRO	Protobac	3	3	100%	3	100%	3	100%
Red and black	Afroberg Tobacco	3	3	100%	3	100%	3	100%
PINE	KTNG	2	2	100%	2	100%	2	100%
PREMIUM	Carnilinx Tobacco	2	2	100%	2	100%	2	100%
SUPERMATCH	BARCO (ANGOLA)	2	2	100%	2	100%	2	100%
WESTLEIGH	Folha Tobacco	2	2	100%	2	100%	2	100%
777	Other	1	1	100%	1	100%	1	100%
CAESAR	Best Tobacco	1	1	100%	1	100%	1	100%
CASPIAN	Benson Craig (BOTSWANA)	1	1	100%	1	100%	1	100%
EXPRESS	Olomide (ZIM)	1	1	100%	1	100%	1	100%
KINGS	VAWDA AMALGAMATED HOLDINGS	1	1	100%	1	100%	1	100%
LEGENDS	Mastermind TOB	1	1	100%	1	100%	1	100%
MEGA	Carnilinx Tobacco	1	1	100%	1	100%	1	100%
OSSUM	Afroberg Tobacco	1	1	100%	1	100%	1	100%
SHARP	Gold Leaf Tobacco Corporation	1		0%	1	100%	1	100%
STIX	Carnilinx Tobacco	1	1	100%	1	100%	1	100%
VIP	Carnilinx Tobacco	1	1	100%	1	100%	1	100%
YES	BARCO (ANGOLA)	1	1	100%	1	100%	1	100%
Grand Total		87	79	91%	83	95%	85	98%

Table: Carton price incidence in wholesale by manufacturer grouping

Manufacturers	Wholesale Cartons	Below R200.10		Below R220		Below R250	
		Count	%age	Count	%age	Count	%age
Gold Leaf Tobacco Corporation	42	34	81%	38	90%	40	95%
Carnilinx Tobacco	16	16	100%	16	100%	16	100%
Afroberg Tobacco	10	10	100%	10	100%	10	100%
Olomide (ZIM)	4	4	100%	4	100%	4	100%
BARCO (Angola)	3	3	100%	3	100%	3	100%
Protobac	3	3	100%	3	100%	3	100%
Folha Tobacco	2	2	100%	2	100%	2	100%
KTNG	2	2	100%	2	100%	2	100%
Benson Craig (BOTSWANA)	1	1	100%	1	100%	1	100%
Best Tobacco	1	1	100%	1	100%	1	100%
Mastermind Tobacco	1	1	100%	1	100%	1	100%
Other	1	1	100%	1	100%	1	100%
VAWDA AMALGAMATED HOLDINGS	1	1	100%	1	100%	1	100%
Grand Total	87	79	91%	83	95%	85	98%

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For detail data for advanced modeling, available upon request and on authorization from data owners.