

# Revitalising alcoholic beverages

## Going forward with responsibility

As we head into summer and the festive season, it is safe to say that the Alcoholic Beverages industry has had a turbulent year. With the Covid-19 lockdown alcohol ban lifted (for good, we hope), the industry is assessing the damage and looking to the future. With producers and retailers working together to bring life back into the category, there is also a renewed focus on responsible drinking behaviour. Minister of Transport Fikile Mbalula is adamant that ...

“ A zero-tolerance approach to drinking and driving will be implemented by December 2020, so the traditional South African festive season looks set to be slightly more restrained than in previous years. ”

Added to that is the push by big producers, most notably SAB, for more responsible drinking habits. This is in direct response to increased road accidents and hospitalisations due to drinking-related incidents that have been reported since the lifting of the alcohol ban. SAB recognises the danger of irresponsible drinking causing another ban and is adamant that the industry simply



cannot survive such an event – which means it is up to local producers and retailers to support this initiative, without hurting sales. A tough ask, but not impossible.

Mbali Zondo, Group Marketing Manager for Norman Goodfellows, shared some insights into the current and future trends she expects to see in the industry, as well as what we can expect

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from the Alcoholic Beverages category this coming festive season and beyond. She says, “I believe we will see more consumers demanding alcoholic beverages that are either locally sourced or sourced responsibly. Low sugar alcoholic beverage and tonic options are also on the rise as consumers become more health conscious. Smaller alcoholic brands will also start actively committing to stand for something bigger than just alcohol consumption.”

## Trends to watch

### Health first

Reduced alcohol, less or no sugar, organic ingredients, fewer additives – even the Alcoholic Beverages category is getting a health-conscious makeover, as consumers demand healthier options that are still tasty and refreshing. This is particularly noticeable in the craft and artisanal spaces, and even wine farms are making a move towards more sustainable practices.

### Low or non-alcohol alternatives

‘Sparkling cocktails’ are a growing trend, according to Nielsen, as non-alcoholic cocktails gain popularity. Zondo says, “We are seeing a rise in the popularity of organic wines and beers, as well as de-alcoholised drinks. Some customers prefer to drink in a social setting, but without the hangover and adverse effects on health that come with alcohol.” She adds, “We can expect a greater variety in terms of offering in this growing category that is becoming more and more popular as people seek healthier alternatives.”



### Earth friendly

As in many other food and beverage categories, consumers are becoming increasingly aware of eco-friendly practices, carbon footprints, sustainability, and packaging. This includes canned wine – once thought to be a fringe trend, these products are firmly ensconced at an international level and can be expected to hit the local market, too. “We are starting to see a more educated consumer, and this consumer wants to know that what they are drinking has been responsibly sourced and has no adverse effects on the environment,” says Zondo.

### Premium products

From high-tech eco-friendly packaging to organic ingredients, celebrity-owned private labels, and top-end products, premiumisation is seeing a surge, despite tougher economic conditions. In a quality versus quantity situation, the mid- to upper end of the market is demanding higher quality products in every way.

### Handcrafted options

Artisanal and craft beverages may have reached their peak in some markets, but that’s not to say

the trend itself is going anywhere. Zondo says, "There will always be a market for craft beverages, because it adds something new and exciting to the existing alcohol categories. However, what we find is that once the novelty of the craft drink has worn off, people usually go back to drinking what they are used to or the brands to which they are loyal. The craft sector is also becoming saturated and consumers can sometimes get overwhelmed by the sheer volume of choices. In addition to this, some craft drinks do not last long in the market because they are just too niche. In addition, the price difference compared to 'regular' brands can be very steep, so this does play a role in an already squeezed economy."

### Whiskey in the jar

Spirits, particularly brown spirits, have a solid consumer base that has historically been dominated by mature male buyers, however, this category is gaining popularity amongst younger consumers of both sexes. "Whiskey is a loyalist category, often the people who buy whiskey spend a decent amount of time and money on investing in good quality whiskey because they are collectors," explains Zondo. "The category may not garner as much attention in the media as the gin category, because whiskey is an acquired taste, but it is still popular. The influx of Japanese brands adds an element of competition, as it introduces a new consumer and diversifies the category." She adds, "I don't foresee the influx of Japanese labels challenging existing brands, because each brand is unique and has a preferred customer."

### Festive features

Internationally, consumers are looking for new and innovative taste experiences, modern twists on traditional favourites, and more variety. For the local market, Zondo says, "As warmer weather hits our shores, white wines are going to be popular, as will bubbly – either Champagne or MCC, and gins. All of these can be consumed ice-cold, and gins in particular can be paired with refreshing flavoured tonics and garnished with freshly chopped summer fruits like berries." The ready-to-drink or pre-mixed category is gaining popularity, and due to the new zero tolerance drink-drive laws, ready-made mocktails and mocktail ingredients may also see some growth as we head into the festive season. As for consumer behaviour, Zondo says, "With the festive season period upon us, we can expect people to continue to buy their favourite alcoholic drinks, but volumes could decrease due to the financial impact Covid-19 has had on jobs, salaries and economic spend. In addition, consumers may opt for more online buying to take advantage of the convenience that comes with making online purchases over standing in long queues."

### Online orders

The ease and convenience of ordering online ensured that this consumer trend was already on the way to becoming a dominant sales force, particularly in the mid and upper markets, but thanks to lockdown and the alcohol ban, local consumers have increasingly turned to this method. Add to that the sometimes cheaper cellar

door rates offered by wine farms, as well as ban-inspired specials that were specifically aimed at maintaining online purchases (albeit with delayed delivery) during the alcohol ban, and you have a growing trend post alcohol-ban





### Local IS lekker

Sorghum beer is a traditional staple in South Africa, although, according to the most recent report from BMi Research, the category has been losing volume for several years. To counter this, producers have “invested more in innovation and marketing to promote their products.” It is believed that the loss is being “heavily driven by rural consumer migration to urban areas, and the consequent change to drinking behaviour is either as a result of an increase in disposable income, or challenges in finding areas where sorghum beer is sold in the cities and towns.” In contrast, dry-based sorghum beer has recorded a growth, mainly due to home- and micro-brewers increasing the frequency of their brewing. Due to the challenges of Covid-19 and the lockdown ban on alcohol sales, the category is expected to reflect a decline, however, it is expected to recover in the medium- to long-term, as consumers look for lower-priced options due to the economic climate.

Extracts from BMi 2020 Media Feedback Report

## Sorghum Beer Category



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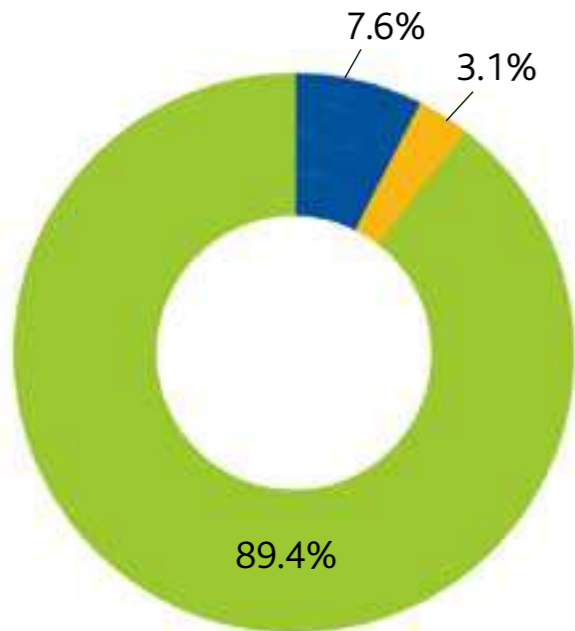




Extracts from BMi 2020 Media Feedback Report

# Sorghum Beer Category

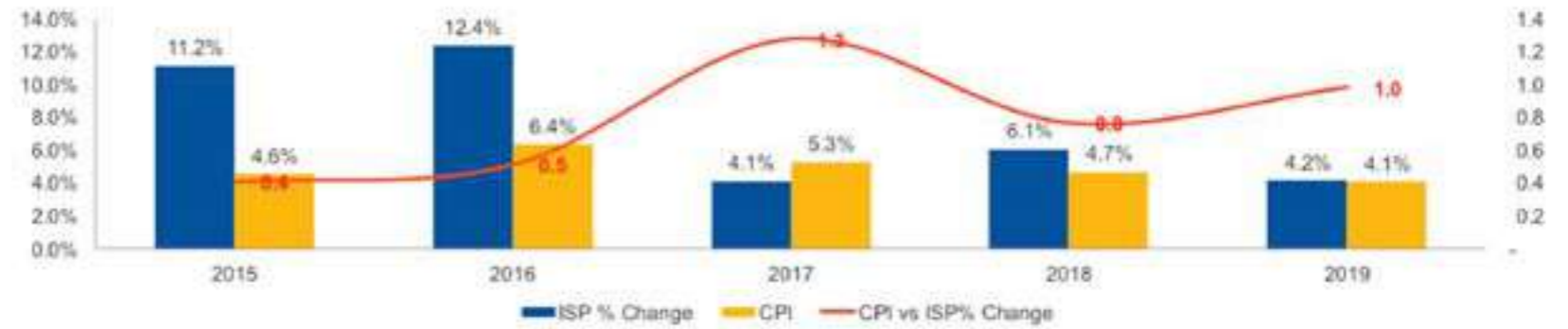
## Total Market Channel



- Bottom End Retail
- Top End Retail
- Wholesale/On-Consumption

Wholesale/On-consumption is the channel of choice for sorghum beer products. This channel is easily accessible to consumers that are purchasing ready to drink (wet based) sorghum beer and to the micro brewers that are purchasing for further processing. Top end retail is mainly used by brewers who live in urban or semi-urban areas and purchase dry based sorghum beer in smaller pack sizes.

## Dry-Based Market Selling Price



The average selling price of dry based sorghum beer increased by 4.2% whilst the CPI increased by 4.1% in 2019. The main driver was the increase in smaller pack sizes that cost more in Rand per kilogram terms.

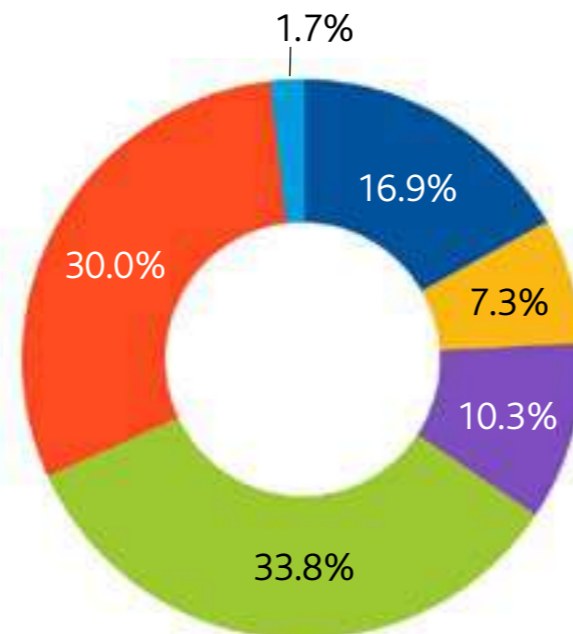
## Wet-Based Market Selling Price



Wet based sorghum beer price recorded 4.3% overall increase compared to the headline inflation (CPI) of 4.1% in 2019. The low price increase may be attributed to the producers decreasing margins where possible.

## Total Market Region

The product is mainly sold and used in regions that have a higher rural population. KwaZulu-Natal region continued to dominate the category at 33.8% volume share, followed by Limpopo/Mpumalanga/North West regions at 30.0% in 2019. Western Cape had the lowest volume share at 1.7% as this province has more access to more affordable alcohol products that compete with sorghum beer.



- Eastern Cape
- Free State/Northern Cape
- Gauteng
- KwaZulu-Natal
- Limpopo/North West/Mpumalanga
- Western Cape





### The alcohol ban

The Alcoholic Beverage category in 2020 cannot be looked at without taking into consideration the devastating effect the prolonged alcohol ban had on producers, as well as retailers. Norman Goodfellows' Mbali Zondo says, "The ban set the whole industry backwards in terms of sales targets for the year. Wine farms have been under immense pressure, as they have not been able to sell what has been harvested. As a distributor, we operate in the consumer and retail space, and not being able to sell to individual customers as well as to restaurants, hotels, pubs, clubs and so on has

impacted us immensely, so we have had to find ways to be agile during this time."

“ The long-term effects of the ban for us are that multiple restaurant establishments have closed down permanently, and that means a decreased list of retailers that we can supply to. ”

Exports were also banned for five weeks, directly impacting producers. A July article by Forbes ([www.forbes.com](http://www.forbes.com)) quoted a Wines of South Africa (WOSA) spokesperson as estimating that up to 80 wineries may have had to close their doors. South African Breweries (SAB) was vocal about the loss of jobs across the industry and the effect the ban was having on producers.

### How retailers can help drive the economy

Alcoholic Beverages are quite the powerhouse market in SA, so how can retailers help drive the recovery of the industry locally? Zondo says, "I think retailers, brands and government need to collaborate more to ensure every step of the value chain within this industry is stimulated, to ensure longevity and to ensure workers are enabled with new skills to cope with a changing landscape." Operating within a limited landscape and during a time of economic hardship, smart marketing will be key. Zondo explains, "Digital marketing has become increasingly important, along with



being able to connect with your audience through meaningful service over digital and social media platforms. Marketing has become specialised in its discipline, as it is no longer a 'spray and pray' approach. How you communicate with each segment of consumers needs to be personalised and unique. The messaging must be tailored to each customer group. Integration of traditional and digital disciplines has also become critical, as customers expect to be heard in both an offline and online space." With consumers becoming more informed, and demanding to be educated rather than pitched at, informative marketing is vital. Consumers also expect a far greater degree of communication from and with retailers, and at a deeper level than at any time previously. The impact of social media on how producers and retailers engage with consumers has grown exponentially. "Social media has narrowed the gap between consumer, retailer and producer, and you don't have to physically see someone to engage with them," says Zondo. "Using data and analytics to inform your communication to consumers is also becoming important, as this evolves into data-driven marketing that is purposeful." It all comes down to knowing your market and communicating effectively what they want to hear.

### Responsible drinking behaviour

With zero tolerance looking more and more like a festive season reality, and responsible drinking behaviour is gaining more traction than ever before. SAB has been active both in the news and on social



media, promoting responsible drinking across the board with their #ResponsibleTogether campaign. A recent article on IOL ([www.iol.co.za](http://www.iol.co.za)) revealed that the Beer Association of South Africa (BASA), which incorporates the Craft Brewers Association of South Africa, Heineken, and SAB, had threatened to cut supply to establishments flouting Covid-19 lockdown rules. BASA chief executive Patricia Pillay also went on to mention the negative effect

excessive alcohol consumption is having on the public health system. With the industry already concerned that another ban would result in irreparable damage to an already unstable industry, the call has gone out to both producers and retailers to support responsible drinking behaviour. Social Media campaigns, more direct marketing and direct engagement with consumers are all effective ways of supporting this initiative, ensuring not only a safer festive season for all South Africans, but also a more stable platform from where the Alcoholic Beverages industry can begin its recovery. **SR**



Ann-Baker Keulemans is a highly experienced business-to-business and business-to-consumer journalist and writer. She has been published in numerous print and online platforms, writing on topics related to business, lifestyle, and health, with extensive knowledge on the SA retail and wholesale landscape. She holds a Bachelor of Arts degree in English Literature (British and Commonwealth) and Media Studies and is a member of the Golden Key Honour Society. Contact Wilkins Ross Communications at [annbk@wilkinsross.co.za](mailto:annbk@wilkinsross.co.za).





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