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Media Feedback Report

2017 Spirits in South Africa

September 2017

Product Definitions

Product	Definition
Brown and Other Spirits	**Brandy**: Brandy (short for brandywine, from the Dutch brandewijn – burnt wine) is a general term for distilled wine. Usually 40 – 60% ethyl alcohol by volume. It is made from wine and can also be made from grape pomace or fermented fruit juice.
	Rum: Rum is spirit made from sugar cane by-products such as molasses and sugar cane juice by a process of fermentation and distillation. Light or white rums are clear and fairly flavourless. Dark or Demerara rums have some of the caramel colour and distinctive flavour of their sources.
	Creams and Liqueurs: Creams are a sweeter form of sherry. Liqueur is a spirit that is normally sweet and often served after dinners. It is produced by either mixing or redistilling spirits with natural ingredients, such as fruits, plants, flowers or chocolate. Sugar must be at least 2.5% of the contents by weight.
	Whiskey: Whiskey is a spirit, obtained from the distillation of a fermented mash of grain and aged in wood containers. It is produced in four countries: the United States, Canada, Scotland and Ireland.
White Spirits	**Cane:** Strong, clear spirit distilled from fermented sugar cane juice. It is produced in tropical climates ideal for growing sugar canes.
	Gin: A strong alcoholic beverage distilled from grain – barley, wheat and oats – and flavoured with juniper berries. Dry gin, or London gin, tends to be lighter-bodied than Dutch, Geneva or Holland's gin.
	Vodka: A clear spirit generally made from grain, but can be distilled from other starches such as potatoes, corn and beets, commonly flavoured with essences of citrus or other fruits, or spices such as pepper.

Market Trends

During 2016, the spirits category recovered the volume it lost in 2015. The category grew in volume and value in 2016 compared to 2015.

White spirits showed a substantial growth in volume whilst brown/other spirits showed a slight decline from 2015 to 2016. It is believed that the local white spirits capitalised on the revival of overall white spirits on an international level. Brandy, gin and vodka showed the most growth, this being at the expense of the cane and whiskey sub-categories. Some of the suppliers believe that the increase in brandy and vodka consumption was driven by the local, more affordable brands as the market cut down on imports. Whiskey suffered the most, driven by high pricing as the product is mainly imported. The category suppliers also indicated that there was a shortage of old scotch whiskey in the market and thus the product was sold at an overinflated price. South Africa also experienced a growth in flavoured vodka products, driven by the youth market, whilst gin products were driven by the increase in craft offerings.

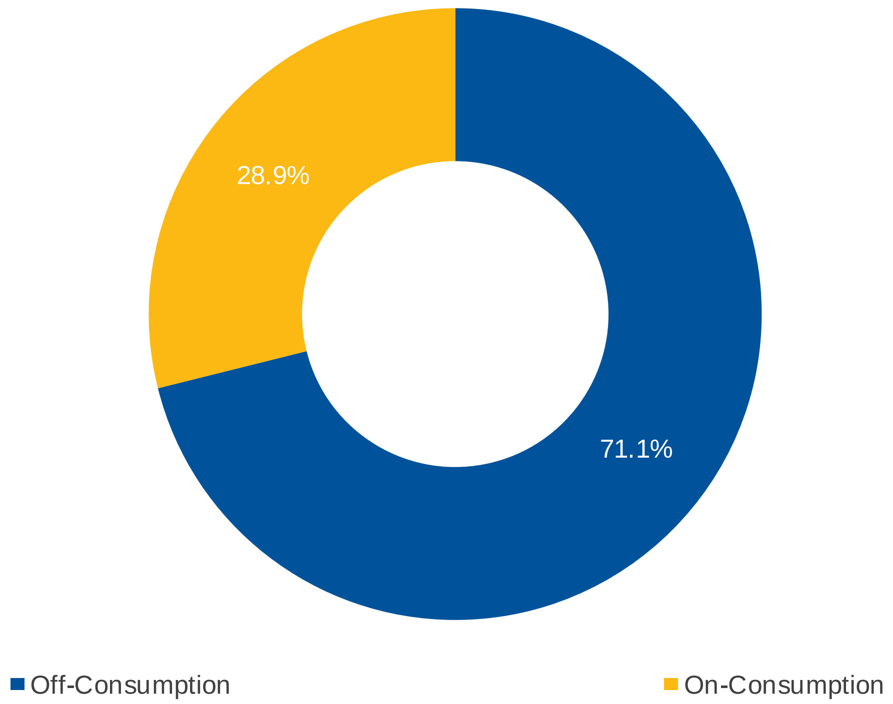
The spirits category was dominated by glass bottles as the primary packaging material. Glass bottles accounted for majority of the total volume packed in 2016, with the 750ml-1 litre pack range maintaining the highest levels of demand. A driver of majority share may be the perceived status attached to drinking spirits from glass bottles.

Market Trends Cont.

The three major metropolitan regions (Gauteng, W Cape and KZN) have higher population and are believed to have above national average disposable income and can afford to purchase these expensive beverages. To a lesser extent, most of the production plants are situated in these regions and customers are said to be favouring their local regional products.

The category is expected to continue growing in volume in future, driven by local brands that are gaining share on imports as well as artisanal products.

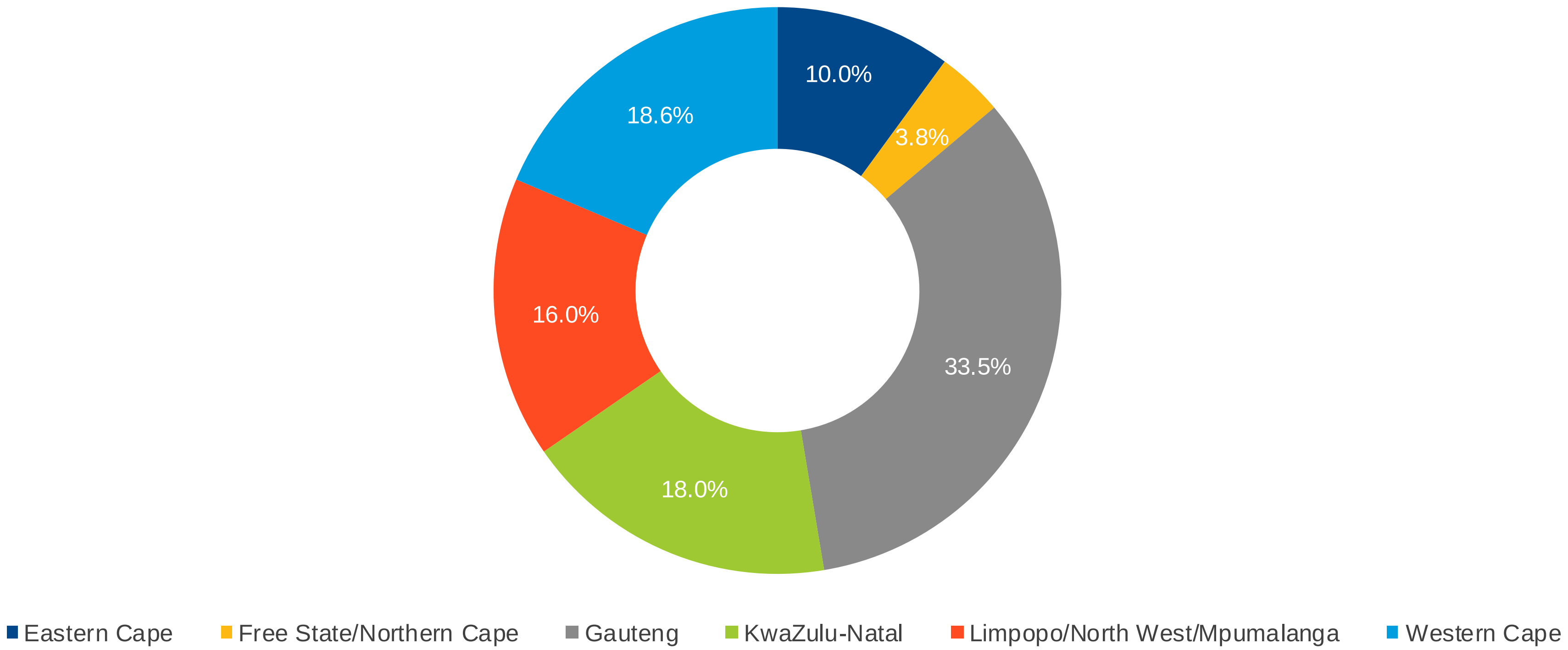
Channel Distribution 2016



The off-consumption channel continued to dominate the spirits category. The off-consumption sector is well known for marketing and promotional activities where consumers purchase the product on special for later consumption.

Exports has been absorbed into the remaining channels to keep player confidentiality

Local Regional Distribution 2016



The three major metropolitan regions (Gauteng, W Cape and KZN) continued to dominate the spirits category distribution in 2016. The three regions combined saw a notable increase in the number of print advertisements placed in the market from 2015 to 2016.

Exports has been absorbed into the remaining regions to keep player confidentiality

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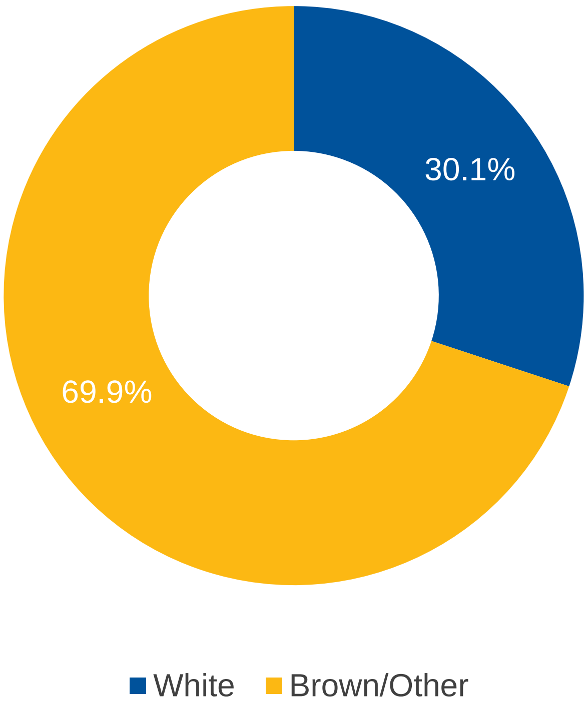
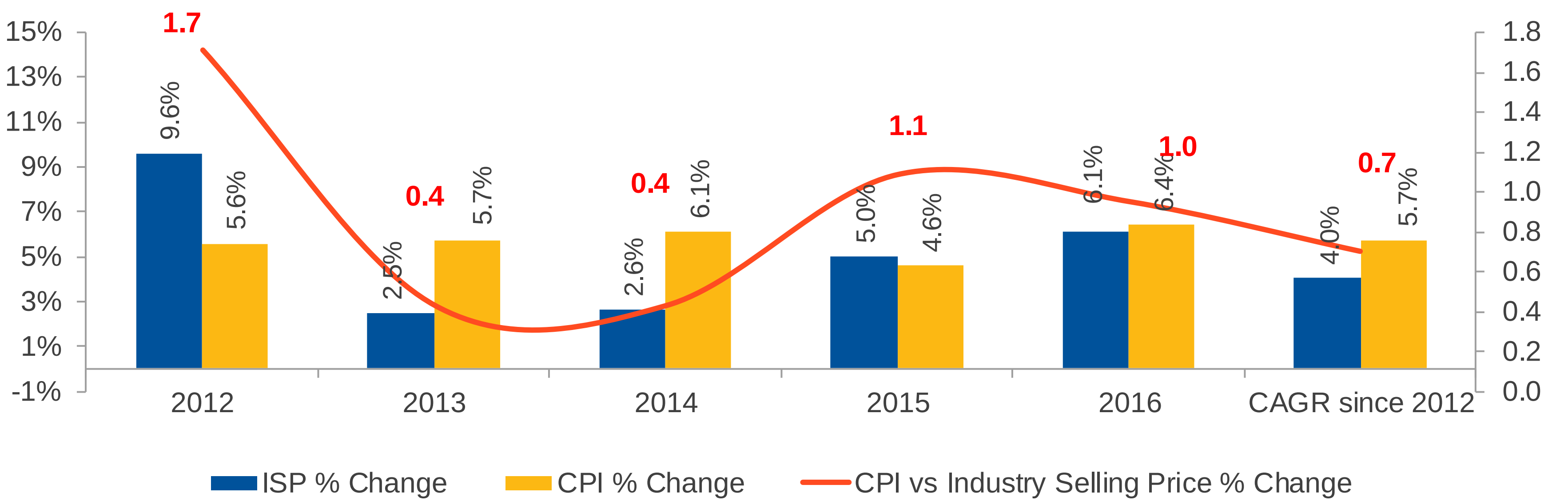
Product Breakdown 2016



The white spirits group accounted for almost a third of the total spirits volume sold in 2016, up from volume sold in 2015. The growth in share may be attributed to the revival of gin and vodka on an international level. The local market is believed to be capitalising on this movement.

Historical Average Industry Selling Price



The average industry selling price of spirits increased by a significant figure compared to CPI during the same period. The lower than inflation increase in the average industry selling price may be attributed to the increase in marketing and promotional activities that resulted in a lowering of the overall price.

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- Adspend Value
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- Promotional Effectiveness

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- Shopper Insights

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