



insights
to
grow

Media Feedback Report

Spirits in South Africa

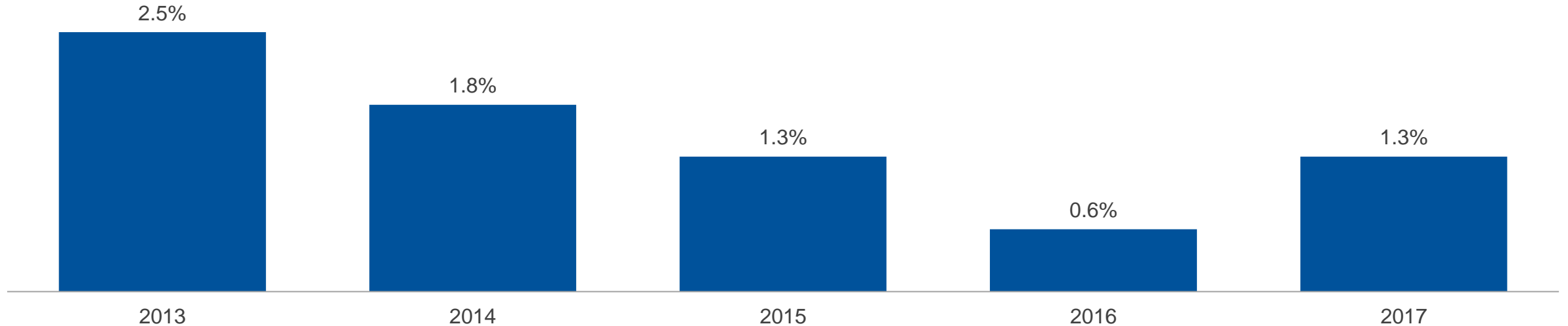
2018

South African Economy

South Africa's GDP

GDP is the market value of all officially recognised final goods and services produced within a country in a given period of time.

Growth rates in industry value added and GDP (constant 2010 prices)

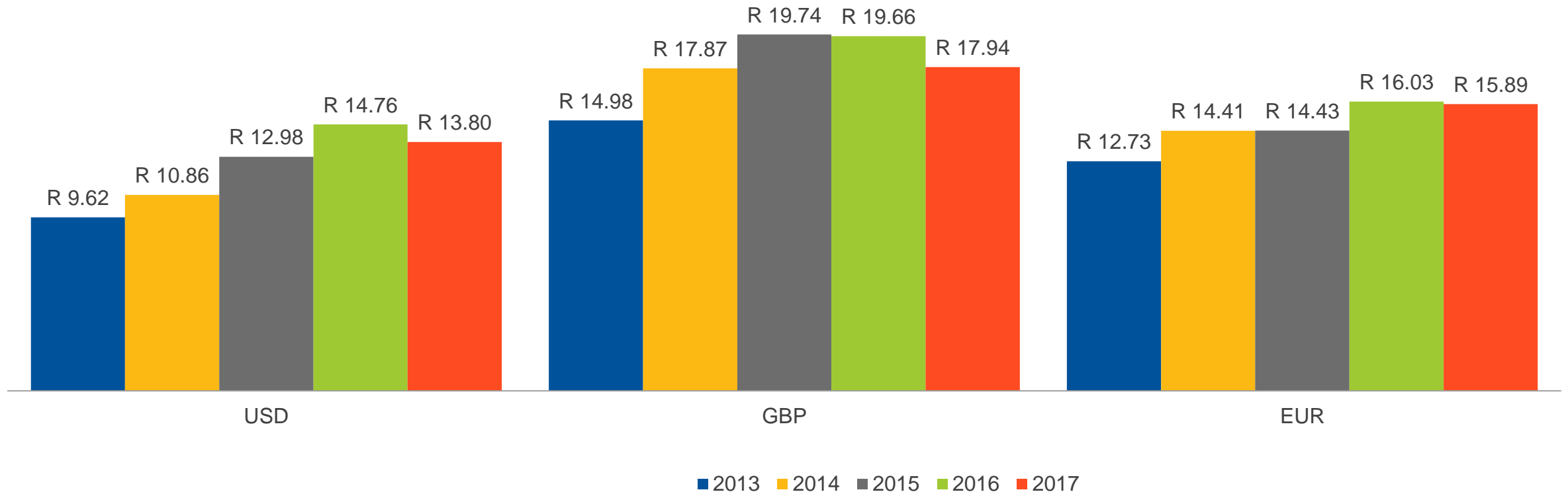


The South African economy grew by 1.3% in 2017, up by 0.7 percentage points compared to 2016. The spirits category outperformed the GDP by recording a positive volume growth for the base year.

Source: Statssa, IMF

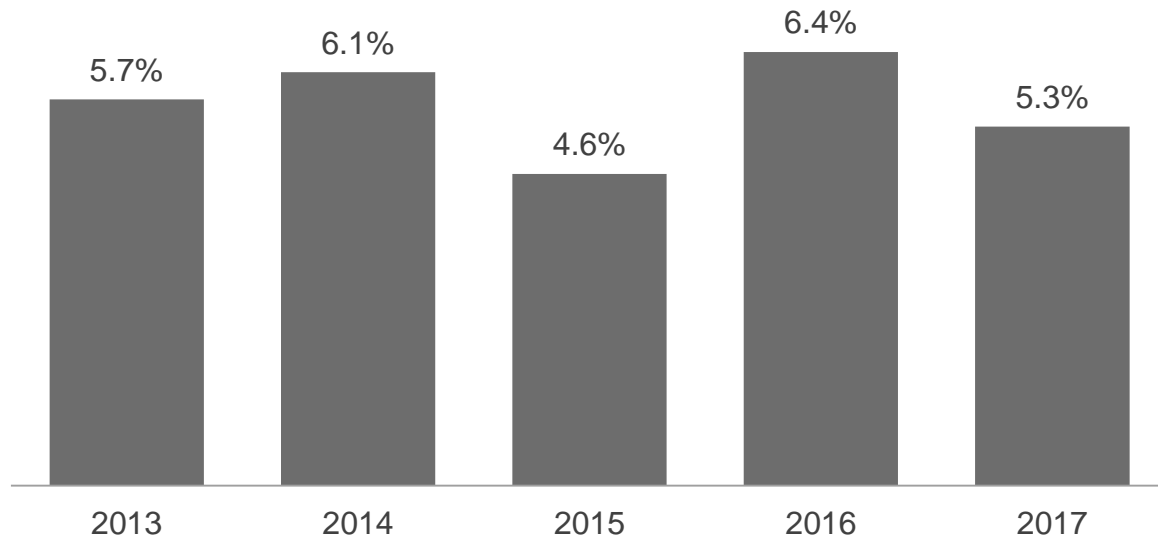
Currency

Performance of the South African Rand

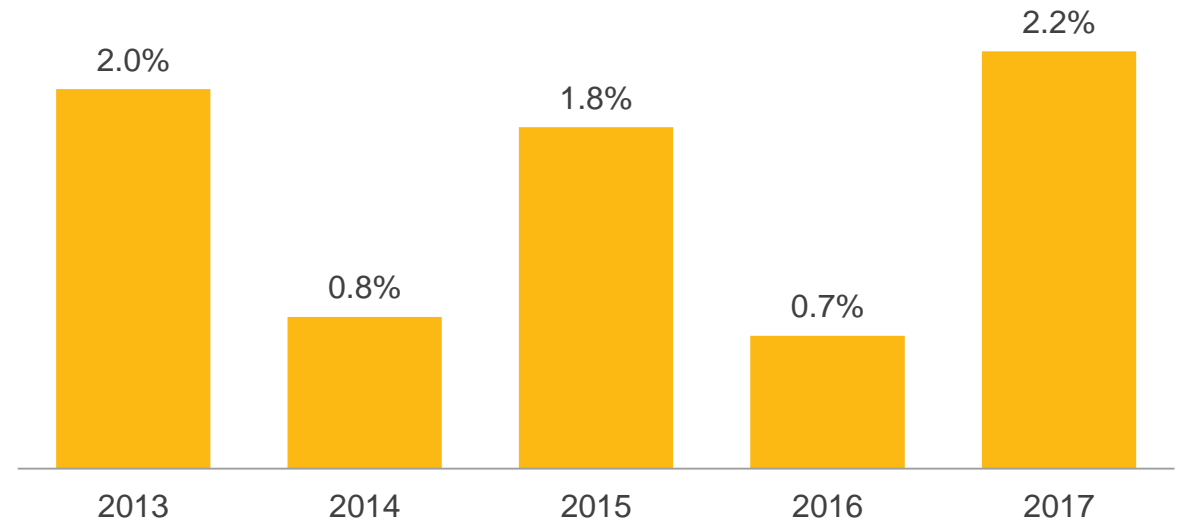


South African Economy

Consumer Price Index



Household Consumption Expenditure



Market Trends

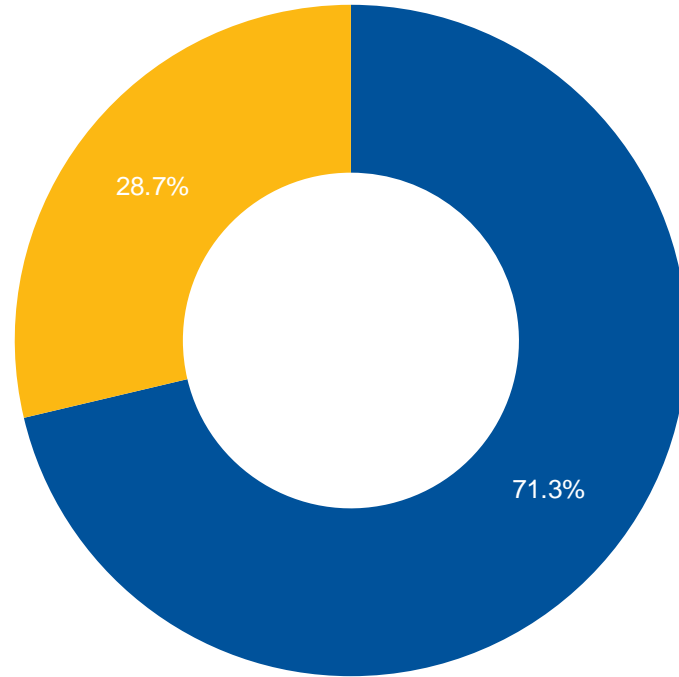
The South African annual GDP grew by a minimal value of 1.3% during 2017 compared to the previous year. The beverage industry was faced with many economy-related challenges that may have impacted volume growth in a number of ways. At the beginning of the year, South Africa's credit rating was dubbed as 'Junk Status', leading to some investments being pulled out from the country.

The Rand exchange rate against other foreign currencies was volatile throughout the year impacting the level of imports and exports. Surprisingly the spirits category did well amidst all the negative economic factors. White spirits was the major driver of growth for the category. The likes of gin and vodka were the main drivers for the growth experienced in the white spirits category, following the global trend.

Similar to other alcoholic beverage categories, the off-consumption channel performed better than the on-consumption channel for the spirits category as well. Promotional activity of spirits products in retail stores and wholesale channels (the off-consumption channel) may have driven the increased volume demand. Inasmuch as the spirits category is believed to be perceived as a premium product, the consumer may still be looking for products, that are cheaper, to make their money stretch a little more in tough economic times.

Gauteng remained the mainstay region for the spirits category. The region has a large population base that naturally drives demand for alcoholic beverages, spirits included. Gauteng is also the economic hub of the country with residents who have a higher level of disposable income and can afford to buy premium products such as spirits. The second largest region in terms of volume for the spirits category is the Western Cape, followed by KwaZulu-Natal.

Channel Distribution



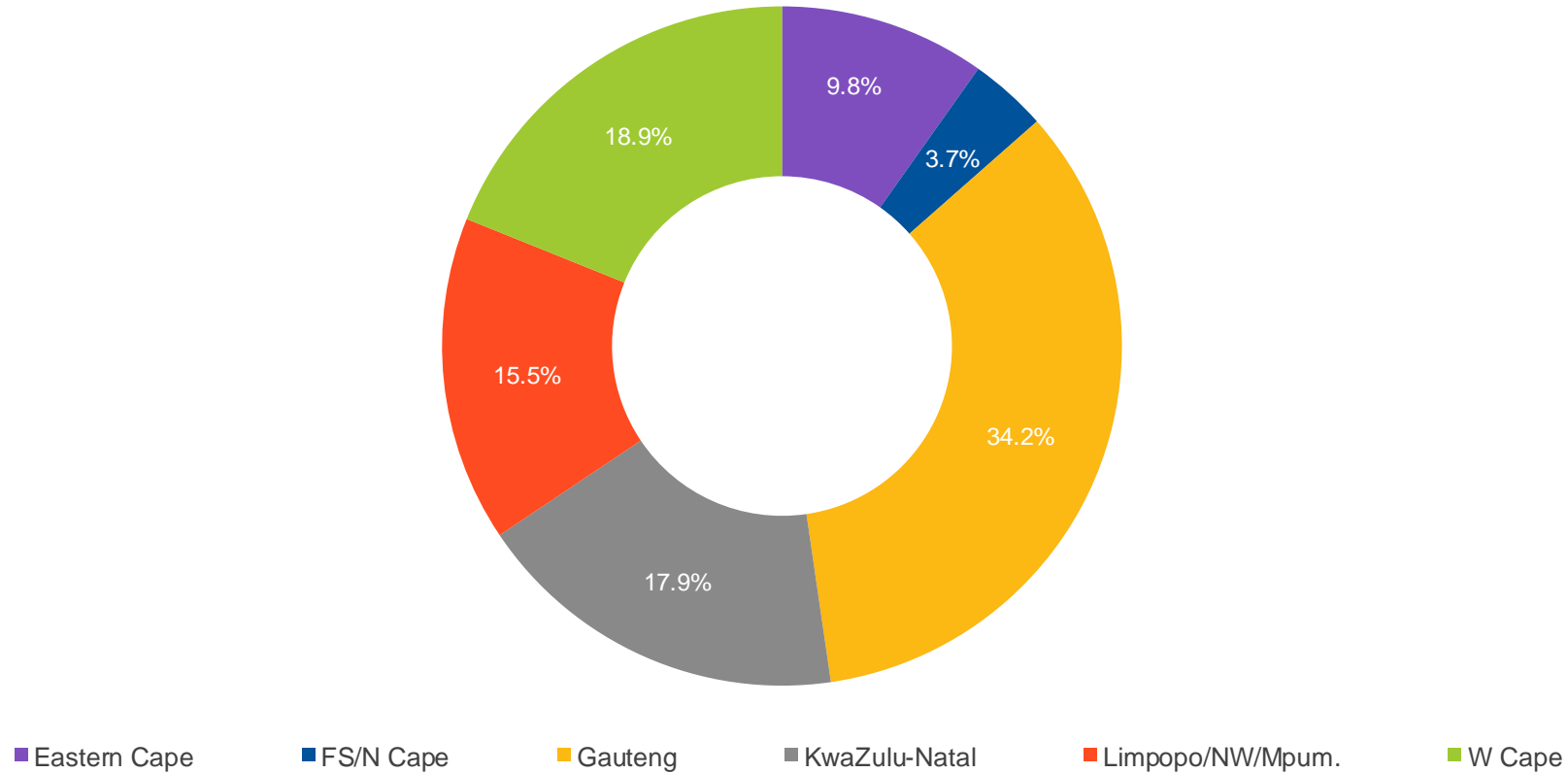
■ Off-Consumption

■ On-Consumption

The on-consumption channel is generally more expensive than the off-consumption channel. In an economy where consumers are looking for ways to stretch their income, they may be opting to purchase spirits from wholesale and retail channels. These channels are generally known to be more affordable compared to the on-consumption channel and have promotional activities in store to drive sales.

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

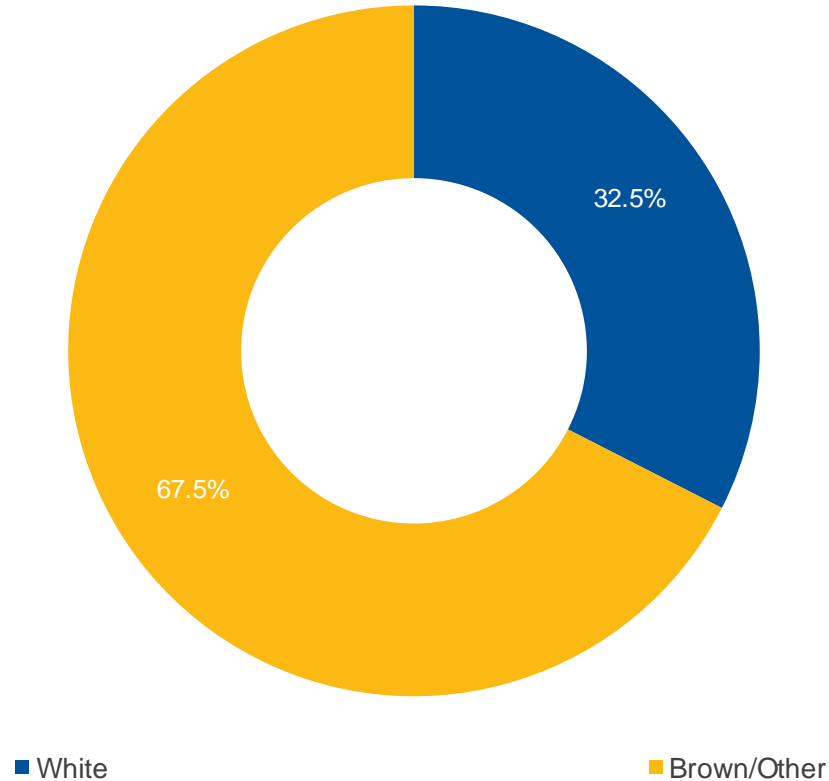
Local Regional Distribution



About a third of the spirits category was distributed to Gauteng in 2017, followed by the Western Cape and KwaZulu-Natal. There is a high population density within these regions, which may naturally translate to greater demand for spirits. In addition, the concentration of higher LSM consumers within these provinces means that the target market is centered here.

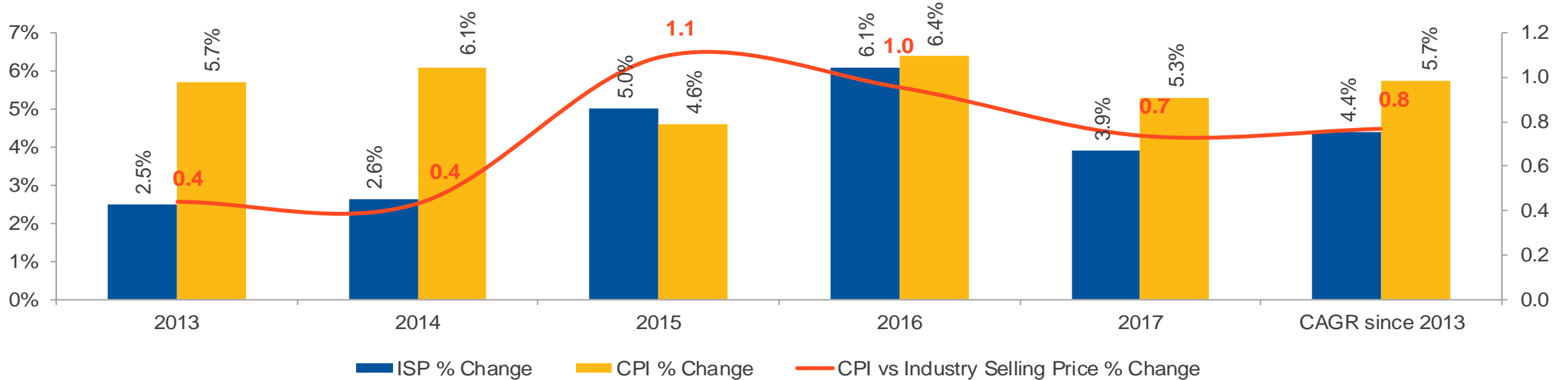
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Product Breakdown 2017



The brown spirits continued to dominate the spirits category. This subcategory is well established and has a large consumer base. However, over the years, the brown spirits sub-category has been losing share to the white spirits category. White spirits are gaining popularity amongst the younger generation, and bartenders and mixologists are inventing new drinks using white spirits which cater for this consumer base.

Historical Industry Selling Price



The industry selling price increased positively from the recorded price in 2016. The increase in price was lower than the headline inflation rate for the base year. A substantial number of brands in spirits category are imported and thus producers were not affected by the increasing local production costs.

Thought Starters...



A prominent player in the market launched a pink gin in a can in anticipation of luring new consumers and expanding their volume base. In a market where the packaging is entirely dominated by glass, will consumer be accepting of a packaging change? Will the packaging of spirits be more diverse in future?



White spirits are believed to be popular amongst the younger adult generation and have been increasing extensively over the years, with greater bartender innovation. Are white spirits posing a threat to the existence of brown spirits? Will white spirits surpass the brown spirit volume?



The Rand has been volatile over the past couple of years rattling the volume of products being imported in to South Africa. With the level of uncertainty around the Rand and depleting consumer spend, will consumers remain loyal to their accustomed imported brands or will they switch to cheaper locally manufactured brands?



- Analytics Solution
- Dashboards

- Beverages
- Food
- Packaging



- Advertising & Campaign Testing
- Brand Competitive Advertising Tracking
- Omnichannel

Advertising

Category Quantification

Business Research B2B

- Business Insights
- Market Quantifications



Solutions

Print Ads

Consumer Research

- Consumer Insights
- Shopper Insights



- Print Promotional Pricing Tracker
- Number of Promotional Ads
- Adspend Value
- Print Ads Mobile App
- Promotional Effectiveness

Mystery Shopping

Instore

- Category Ranging
- Compliance Tracker
- Shelf & Promotional Price Surveys
- Shelf Health



- Brand Compliance
- Store Compliance
- Staff Compliance
- Promotional Compliance

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