



insights
to
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Media Feedback Report

Wine in South Africa

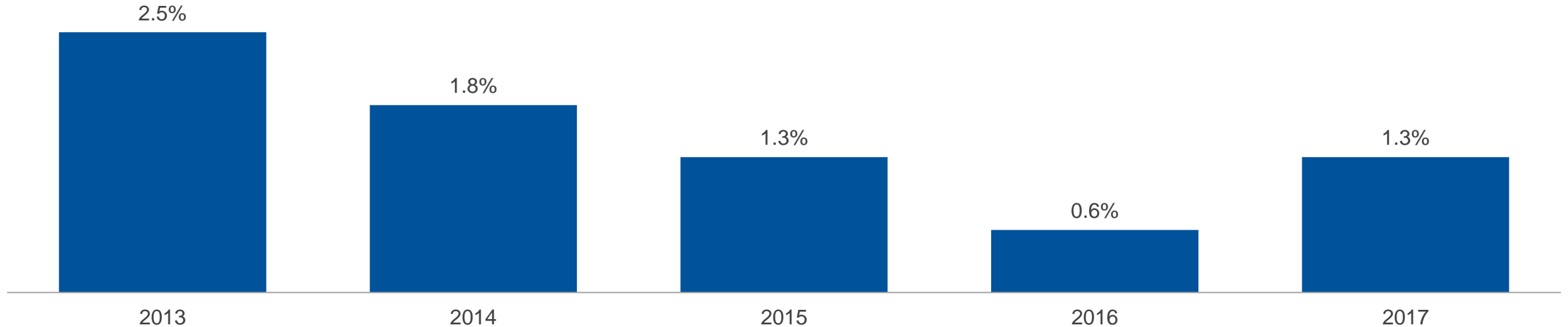
2018

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)

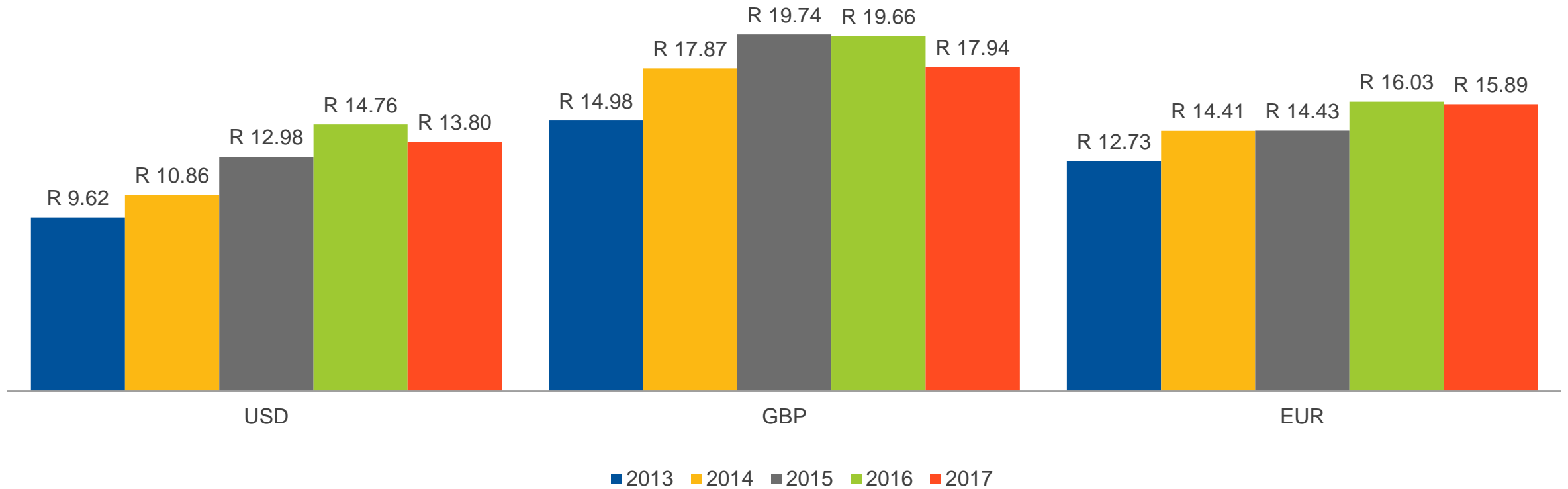


The South African economy grew by 1.3% in 2017, up by 0.7 percentage points compared to 2016. The wine industry outperformed the South African GDP and yielded a higher percentage growth rate for the same time period.

Source: Statssa, IMF

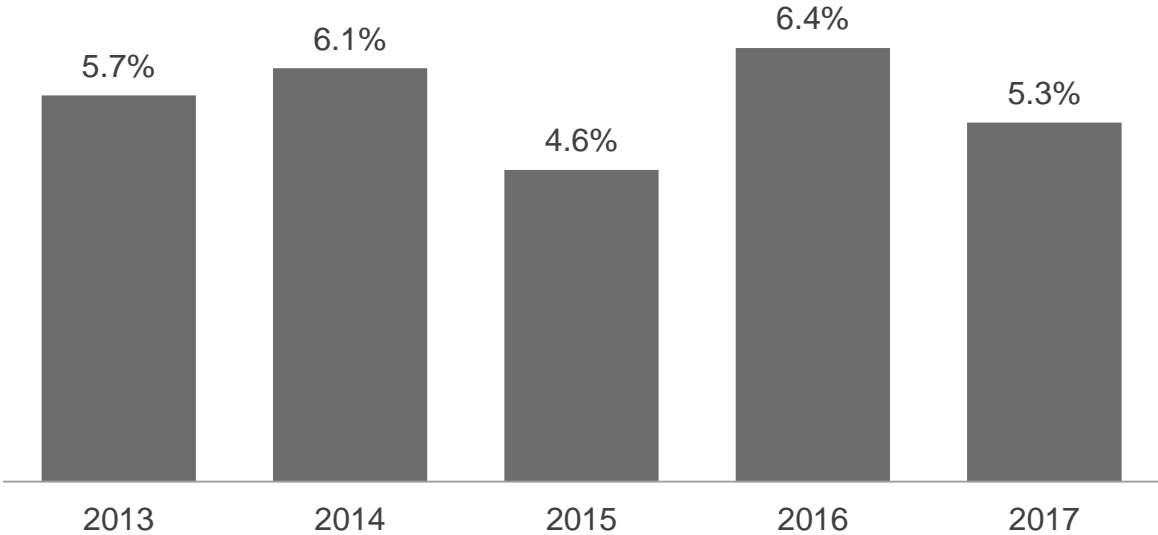
Currency

Performance of the South African Rand

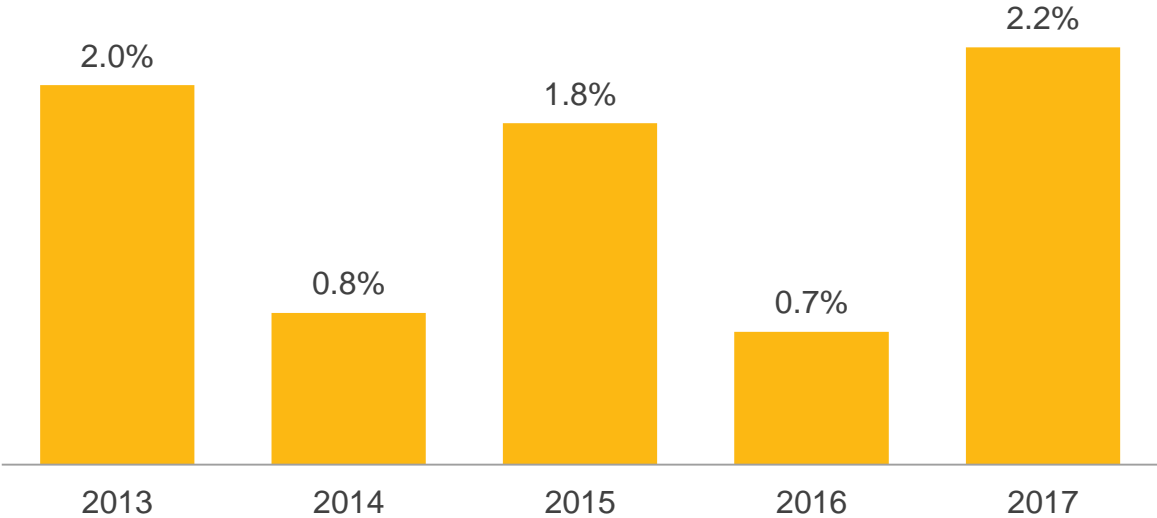


South African Economy

Consumer Price Index



Household Consumption Expenditure



Source: SARB, Statssa



Market Trends



Market Trends

The South African GDP increased by a minimal 1.3% in 2017 as the country faced economic challenges and the different industries struggled to achieve their anticipated profit margins. The crediting rating of the country was degraded to 'Junk Status' leading to an outflow of investors from South Africa. This led to a decrease in business confidence and uncertainty amongst business owners.

Despite the poor performance of the economy, the wine industry yielded a positive volume growth relative to the previous year. The growth in production may be attributed to farmers investing in improved irrigation systems as certain parts of the country have experienced drought for the past three years. The implementation of water quotas caused by the drought led to a spike in the costs of production, possibly hampering further production of wine.

The on-consumption and off-consumption channels both saw a decline in volume. The on-consumption channel experienced the largest drop, and a similar trend can be seen across other alcoholic beverages. Lower disposable income due to the weak economy may be one of the contributing factors to the reduced demand for wine in the on-consumption channel, as consumers may be going out less often than previously.

Exports saw a surge in volume during the base year, making up the majority share of the total volume share for 2017, as international demand for wine has increased tremendously over the past few years. The weak Rand exchange rate against other currencies made the export trade more attractive for local producers. It is also believed that certain parts of Europe experienced a bad harvest which led to a rise in imported wine from South Africa.

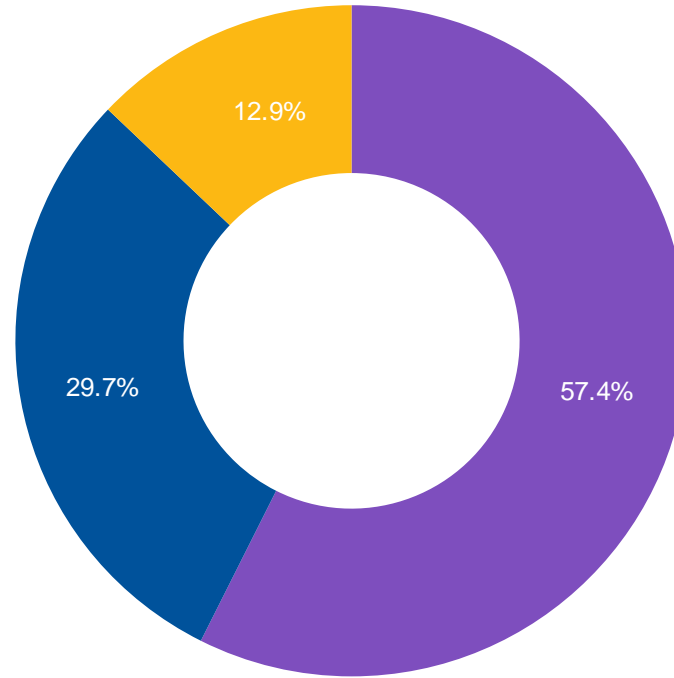
Locally the wine industry performed below par for 2017, as the volume declined compared to 2016. The only region that recorded a growth in volume for the base year was Gauteng. The poor performance of the category in other regions may be attributed to cheaper alcoholic beverages that offer greater value for money than wine. Wine has had to compete with other alcoholic beverages, such as beer, which saw an increase in volume for the same period.

Natural wine remained the mainstay of the wine category for 2017. Natural wine is believed to offer better value for money, as it is priced cheaper compared to other wine types. In times where consumers are looking for products that will stretch their budget, the purchase of more affordable products becomes a more attractive option.

Executive Summary



Channel Distribution



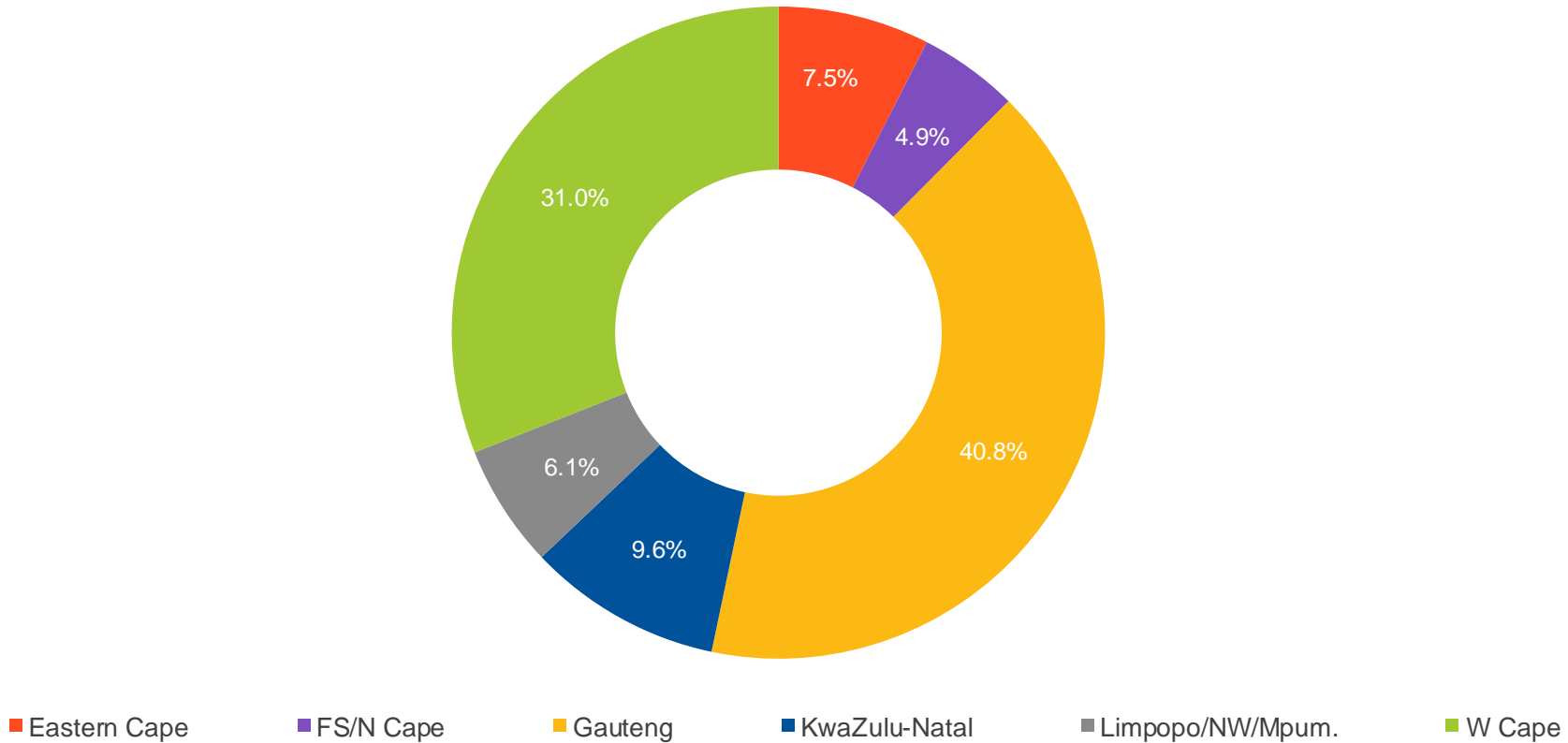
■ Export

■ Off-Consumption

■ On-Consumption

The export channel continued to dominate the wine market, making up the majority share of the total volume share for 2017. The category has received positive international recognition and is one of the major exporters of wine globally. The poor harvest experienced in parts of Europe is also one of the contributing factors to the growth in the South African export channel. The weak Rand against other currencies is an additional factor that may have bolstered growth in exports.

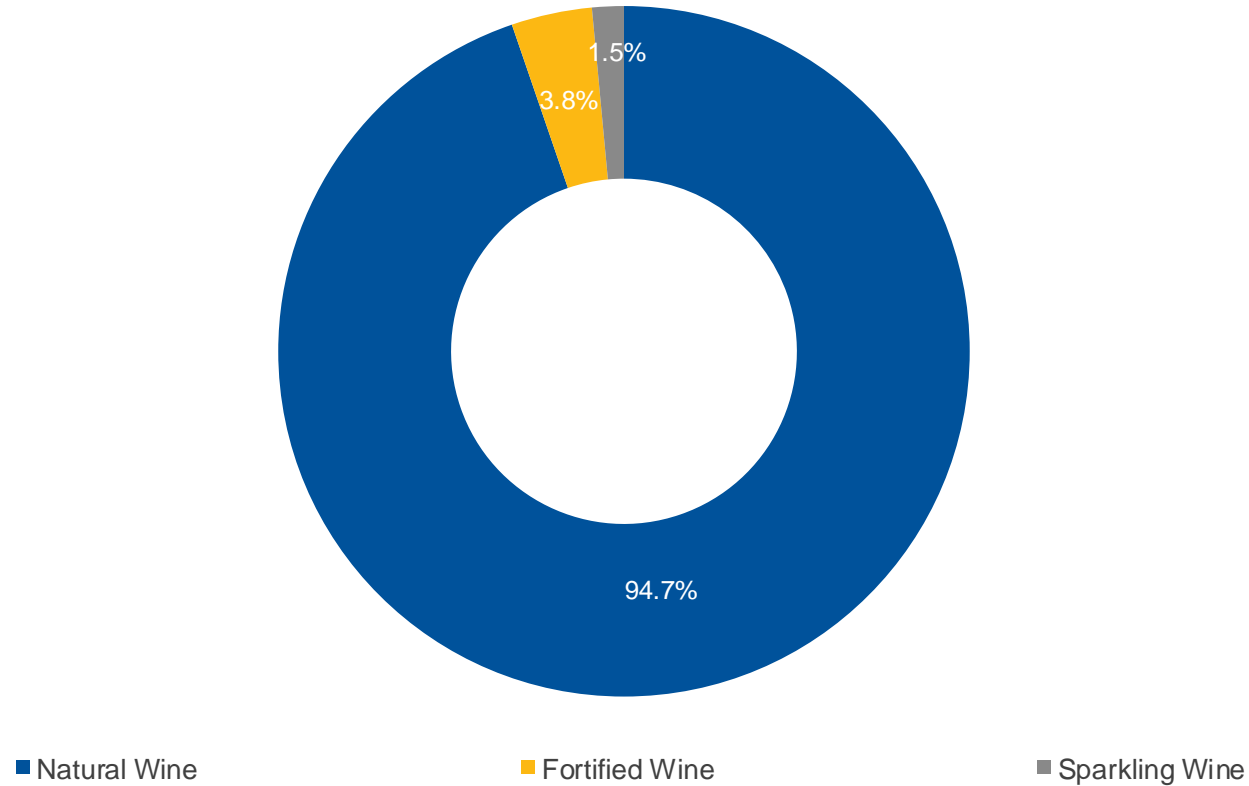
Local Regional Distribution



In contrast to the international market, the local distribution of wine decreased in volume in the base year. Wine has had to compete with other alcoholic beverages, such as beer, which saw an increase in volume for the same period. It is hypothesised that consumer may have opted to drink other beverages that were priced cheaper than wine for the period under review.

Excludes Exports

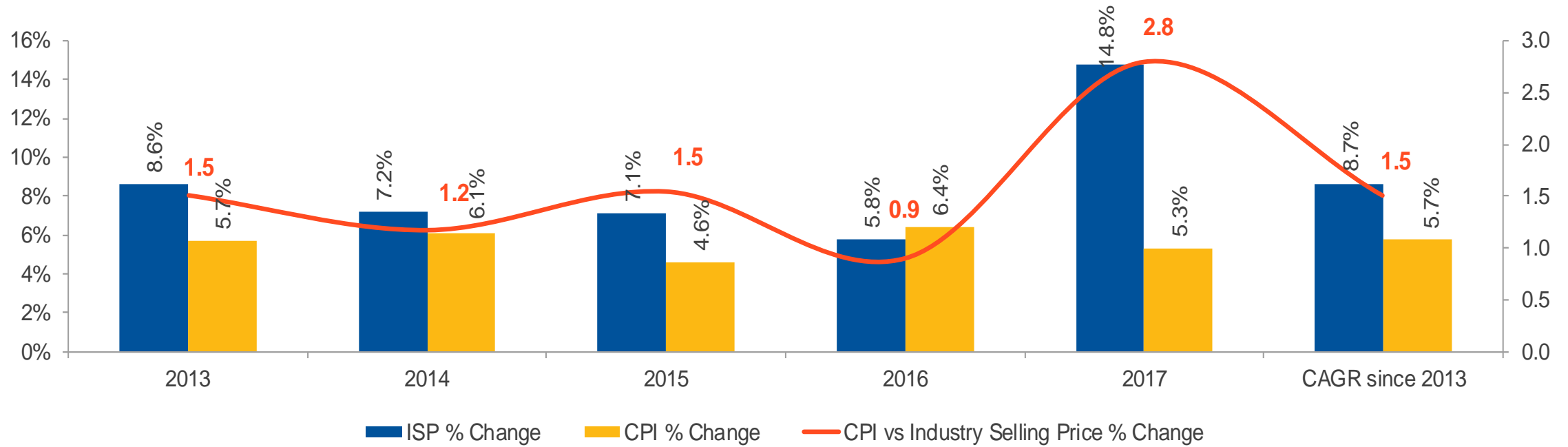
Product Breakdown 2017



Natural wine remains the mainstay for the wine category. Natural wine offers better value for money compared to the other two types of wines, and some associate health benefits with it.

Excludes Exports

Historical Industry Selling Price



The industry selling price increase in wine far exceeded annual CPI. It is said that the drought was a major driver of the price hike as many vineyards are situated in the areas that were hit the hardest. This had a knock-on effect on production costs.

The industry selling price represents a weighted average selling price across all channels
Pricing represents an average weighted Rand per Litre

Thought Starters...



South Africa is a major player in the international wine industry and the demand for exports is on the rise. Despite the drought, the wine industry still managed to yield positive returns in 2017. Should the drought persist will we continue to see positive returns? Will the export of wine be affected? What plans can be instituted to drive continued positive performance?



The price of wine is on the rise while consumer spending is declining. In a market where wine is competing with other cheaper alcoholic beverages will the local consumption keep declining in if the prices do not decrease?



Beverage manufacturers are slowly moving away from plastic packaging due to the negative connotations it has in terms of the environment. Will the same be seen in the wine industry? Will glass be the sole preferred packaging type for wine?



- Analytics Solution
- Dashboards

- Beverages
- Food
- Packaging



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

Advertising

Analytics

Category Quantification

Business Research B2B

- Business Insights
- Market Quantifications



Solutions

Print Ads



- 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



- Consumer Insights
- Shopper Insights



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

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