Economic Environment

Liquid Lunch: Lessons Learned from Emerging Markets

Softness in emerging market economies has weighed on consumption and created a drag on beverage company financial results for the past several years, but 2017 results are generally turning positive.

“Emerging market economies getting back to growth mode,” says Stephen Rannekleiv, Global Strategist – Beverages. “A quick review of the most recent earnings results of a number of major beverage companies suggests that emerging markets are once again playing a critical role in driving growth. So those in the beverage industry can also move forward in a smarter and more experienced way.” Highlighted below are a few of the lessons learned that can be applied to future investments in emerging markets.

- Innovation is a two-way street: Emerging markets are generators, not just receivers, of innovation, creative new ideas, and M&A opportunities.
- Take a long-term view: Emerging markets will see volatility and short-term setbacks, which do not take away from their long-term attractiveness.
- Look for under-penetrated demographics: As an example, women as a demographic group represent good growth prospects in emerging markets.
- Step it up: Emerging market consumers are increasingly demanding more premium brands and services.

Global Competitiveness Index 2017-2018 edition

Switzerland, USA, Singapore, Netherlands and Germany lead the pack. South Africa down to 61/137 position.

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Global Trends - Wine Industry Key Elements

Volatility creates opportunity in global drinks market

The IWSR Press Release, 26 September 2017

The global drinks market is changing at an unprecedented rate with consumption swings and market preferences both unpredictable and surprising. The recently-released IWSR Global Trends Report 2017 highlights some of the key trends that are creating both opportunities and challenges for industry executives. These include ever-changing consumer tastes, the role of digitization in driving both preference and purchase, up-trading and down-trading in key markets, an increase in healthy lifestyles, and a rise in at-home consumption affecting the on-premise. These underlying consumption drivers are affecting the overall global drinks landscape. A few key insights include:

Category Convergence: In a continuation of the trend already seen in recent years, the lines between categories are being increasingly blurred. Many consumers no longer think in terms of distinct drink types or occasions, making choices based on personal inclination at the time, rather than loyalty to a certain category. As a result, alcoholic drinks companies are increasingly finding themselves competing for share of stomach across the entire beverage space.

Health and Wellness: With growing awareness of the health implications of excessive drinking, many people are opting to reduce their alcohol intake. For some this involves choosing products that are lower in alcohol. Consequently, low-ABV and non-alcoholic drinks are growing rapidly and producers are introducing ever-more varieties in order to tap into the trend. For others it means drinking less but of better quality, helping to fuel the premiumisation trends seen across a growing number of categories in regions such as North America, Key Europe* and Australasia. Other health trends filtering down from the food industry, including an increased demand for gluten free, dairy free, organic or vegan products, are leading to innovation and new launches.

Trading Up and Down: The premium-and-above segment generally continues to grow well. While in some cases this is simply due to consumers having more money and therefore the means to trade up, it is also related to increasing knowledge. The rise of professional bartenders and popularity of drinks apps, among other factors, is helping to educate people about alcohol and leading them to make more discerning drinks choices. Simultaneously however, the mainstream segment is growing in many parts of the world. In major developing regions such as Asia and Africa this is due to the ongoing growth of the middle classes, which is encouraging consumers to trade up from lower-priced traditional and local products.

Digitalization: Technology is becoming increasingly involved in the sales cycle from building awareness to point-of-sale. Increased access to the internet, social media and digital technology is exposing consumers to more brands and categories, adding pressure on marketers to get their brand to stand out. Websites and apps are becoming increasingly influential in consumer choice by providing drinkers with information, recommendations and even price comparisons. Perhaps even more significant is the rise of the e-commerce channel, which is growing fast and quickly spreading to new markets. Online giants like Amazon are competing with more established grocery retailers, changing not only the way in which consumers purchase alcohol, but also which products and brands they buy.

Authenticity: Consumers are using price less as a definer of quality, instead focusing on the quality of the liquid itself as well as brands’ back stories and values. They are also increasingly seeking out unique and interesting products that reflect their values, focusing on attributes such as quality, authenticity and provenance. As a result, the craft trend continues to grow and spread geographically, making its influence felt across most alcoholic drinks categories although volumes remain small, with the exception of beer in the US.

While some are continuations or evolutions of previous trends, others are still developing and their full impact has yet to be seen.