

# LIQUOR CONSUMPTION PATTERNS IN SOUTH AFRICA

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## 1. OVERVIEW (2006/07, 2012/13 and 2013/14)

**Table 1 - OVERVIEW OF THE ALCOHOLIC BEVERAGE MARKET**

Vol = '000L

Val = R'000

<i>CATEGORY</i>	<i>2006/2007 VOLUME</i>	<i>2006/2007 VALUE</i>	<i>2012/2013 VOLUME</i>	<i>2012/2013 VALUE</i>	<i>2013/2014 VOLUME</i>	<i>2013/2014 VALUE</i>
<i>Brandy</i>	46 600	4 102 664	33 400	4 762 840	30 600	4 692 510
<i>Gin</i>	6 300	483 714	5 100	667 135	5 200	757 744
<i>Cane</i>	2 300	124 752	1 500	144 465	1 300	134 589
<i>Vodka</i>	13 925	960 547	18 800	2 291 908	18 200	2 482 480
<i>White Spirits</i>	22 525	1 569 013	25 400	3 103 508	24 700	3 374 813
<i>Liqueurs</i>	10 200	892 500	9 870	1 058 721	9 900	1 141 584
<i>Whisky</i>	30 600	3 745 746	40 000	7 766 053	40 800	8 512 920
<i>Rum</i>	4 900	552 475	5 850	952 536	5 900	1 042 707
<b>TOTAL SPIRITS</b>	<b>114 825</b>	<b>10 862 398</b>	<b>114 520</b>	<b>17 643 657</b>	<b>111 900</b>	<b>18 764 534</b>
<i>Sparkling Wine</i>	<b>8 000</b>	<b>459 200</b>	<b>8 075</b>	<b>725 620</b>	<b>7 600</b>	<b>727 320</b>
<i>Super Premium Wine</i>	44 000	1 870 440	48 000	2 931 840	50 800	3 173 984
<i>Premium Wine</i>	70 000	1 000 300	91 150	2 014 415	100 000	2 354 000
<i>Standard Price Wine</i>	121 000	999 460	91 000	1 285 830	88 500	1 355 820
<i>Perle</i>	43 600	715 476	56 350	1 431 854	57 500	1 509 950
<b>TOTAL UNFORT's</b>	<b>278 600</b>	<b>4 585 676</b>	<b>286 500</b>	<b>7 663 939</b>	<b>296 800</b>	<b>8 393 754</b>
<b>FORTIFIED WINE</b>	<b>29 660</b>	<b>889 800</b>	<b>28 175</b>	<b>1 256 042</b>	<b>27 770</b>	<b>1 318 520</b>
<b>RTD'S</b>	<b>302 000</b>	<b>5 152 120</b>	<b>410 000</b>	<b>11 147 268</b>	<b>432 000</b>	<b>12 279 810</b>
<b>Sub-Total</b>	<b>733 085</b>	<b>21 949 194</b>	<b>847 270</b>	<b>38 436 524</b>	<b>876 070</b>	<b>41 483 938</b>
<i>Beer</i>	<b>2 778 600</b>	<b>25 007 400</b>	<b>3 025 000</b>	<b>45 242 353</b>	<b>3 070 000</b>	<b>49 129 456</b>
<b>GRAND TOTAL</b>	<b>3 511 685</b>	<b>46 956 594</b>	<b>3 872 270</b>	<b>83 678 877</b>	<b>3 946 070</b>	<b>90 613 394</b>

### 1.1. VOLUME

During the last part of 2013 SAB beer was launched in a 12 x 330ml pack with a very well designed handle to carry. This pack has become very popular and is in line with a trend in the liquor industry to buy less, but more regularly.

Another new trend is the new 440ml can in the RTD category. In 2013 it was just about non-existent, but now contributes 11.6% to that market. It did cannibalise the 330ml pack, but it substantially enlarged the can sector.

Another new development is flavoured beer. SAB launched Flying Fish and this product already makes up 0.5% of the beer market. SAB have now extended Castle Light with a Lime version. Bearing in mind the Brandhouse advertising/promotion of the “Reinheidsgebod” the question is whether they will fight this new trend with their Spirit Coolers.

The stars of the year were definitely Smirnoff Double Black Guarana and Skyy vodka. Skyy has doubled its market share in the Vodka market over the past year and now has 4.2% of the Vodka market. Smirnoff Double Black Guarana has doubled in volume over the past year. After Hunters Dry, Hunters Gold and Savanna Dry it is already the fourth largest product in the RTD market.

The downtrend in Brandy and the subsequent growth of Scottish Whisky have a negative influence on employment in the Western and Northern Cape. Both grape and therefore Brandy production are labour intensive. Also, this trend has a negative effect on the ‘Balance of Payment’.

**Table 2 - MARKET SHARE OF ALL LIQUOR CATEGORIES**

	Volume %			Value %		
	2006/2007	2012/2013	2013/2014	2006/2007	2012/2013	2013/2014
<i>Spirits</i>	3.3	3.0	2.8	23.1	21.1	20.7
<i>Wine</i>	8.2	7.6	7.7	10.7	10.0	10.1
<i>Fortified Wine</i>	0.8	0.7	0.7	1.9	1.5	1.4
<i>RTD's</i>	8.6	10.6	11.0	11.0	13.3	13.6
<i>Beer</i>	79.1	78.1	77.8	53.3	54.1	54.2
<b>TOTAL</b>	100.0	100.0	100.0	100.0	100.0	100.0

From the above table, it is clear that Beer represents 78% of liquor volumes in the RSA. Beer declined from 79% seven years ago due to a growth in the RTD sector. Market shares can sometimes give a wrong impression. RTD volumes did increase by 43% over the last seven years, with Beer up by only 10.5% over the period. BUT, RTD volumes increased by 132 million litres and Beer volumes increased by a whopping 292 million litres.

Spirit volumes declined year on year and they also lost share in value terms.

Wine in value terms remained fairly stable over the past year.

‘Ales’ are excluded from this discussion because there are no trustworthy data on these products. However, the Western Cape police estimated the volumes at 120 million litres. Furthermore, during research that SAWIS conducted in various bottle stores on price levels of Lower priced wine, a few bottle stores replied ‘we only sell ales at the lower price level’.

## 1.2. VALUE

In value terms Beer has only slightly more than half of the market and increased its share marginally. The growth is due mostly to growth of the premium beer sector.

The RTD market has shown the most growth; increasing in share from 11.0% to the current 13.6%.

The Spirits market, in value terms, declined by 2.4% over the past seven years, with most of the losses coming from Brandy. Let us therefore look at this market in more detail as Brandy is such an integral part of the wine industry.

## 1.3. SPIRITS MARKET

**Table 4 - RSA SPIRITS MARKET**

	Volume %			Value %		
	2006/2007	2012/2013	2013/2014	2006/2007	2012/2013	2013/2014
<i>Brandy</i>	40.6	29.2	27.3	37.8	27.0	25.0
<i>Gin</i>	5.5	4.5	4.6	4.5	3.8	4.0
<i>Cane</i>	2.0	1.3	1.2	1.1	0.8	0.7
<i>Vodka</i>	12.1	16.4	16.3	8.8	13.0	13.2
<i>Liqueurs</i>	8.9	8.6	8.8	8.2	6.0	6.1
<i>Whisky</i>	26.6	34.9	36.5	34.5	44.0	45.4
<i>Rum</i>	4.3	5.1	5.3	5.1	5.4	5.6
<b>TOTAL SPIRITS</b>	100.0	100.0	100.0	100.0	100.0	100.0

Brandy volumes were at their highest in 1998 and 1999, when 53.3 million litres were sold, subsequently losing 23 million litres. The volume losses were due to growth of Vodka (mostly Smirnoff) and Whisky. One of the fastest growing Spirits brands is still Skyy vodka. In 2010/2011 it had a share of only 0.6%, increased to 1.8% in 2011/2012 and now increased further to 4.2%. It sells at R170 per 750ml bottle versus the R90 for Smirnoff. Also, we now regularly see Skyy and Ciroc Vodka in broadsheet advertising. In both the Vodka and Gin markets we have also seen a structural change over the past two years, with an increase in 'Super Premium' products. These products sell at R170+ per 750ml bottle.

Another development over the past few years is structural changes in the Whisky market. Brandhouse has very successfully grown Johnnie Walker Red and it is now the number two Whisky after Bells. Also, two years ago on broadsheet advertising, you could get Vat 69 and Black and White at R1 more than Richelieu and Klipdrift. Last year they moved these products on a par with the two Brandies and over the past year they have taken Vat 69 and Black and White to R1 less than Richelieu and Klipdrift. Due to the above, Brandy is

therefore still in a price squeeze, with First Watch and Harrier selling at prices below the well-known cut-price Brandies like Wellington VO and Olof Bergh.

In volume terms the biggest Spirits products are (in that order): Smirnoff, Richelieu, Klipdrift Export, Bells, Johnnie Walker Red, Black and White, J & B Rare, First Watch, Vat 69, Gordons Gin, Harrier and Olof Bergh. In volume terms Smirnoff is slightly bigger than the three largest Brandies, namely Richelieu, Klipdrift Export and Olof Bergh. The 12 biggest Spirits products in volume terms are therefore 1 Vodka, 1 Gin, 7 Whiskies and 3 Brandies.

In value terms the products are (in that order): Smirnoff, Bells, Richelieu, Johnnie Walker Red, Klipdrift Export, J & B Rare, Jamesons, Johnnie Walker Black, Black and White, First Watch, Viceroy and Wellington VO. Therefore, 1 Vodka, 4 Brandies and 7 Whiskies.

#### 1.4. WINE MARKET

**Table 5 - RSA WINE MARKET**

	Volume %			Value %		
	2006/2007	2012/2013	2013/2014	2006/2007	2012/2013	2013/2014
<i>Sparkling Wine</i>	2.8	2.7	2.5	9.1	8.6	8.0
<i>Super Premium Wine</i>	15.4	16.3	16.7	37.1	34.9	34.8
<i>Premium Wine</i>	24.4	30.9	32.9	19.8	24.0	25.8
<i>Standard Price Wine</i>	42.2	30.9	29.1	19.8	15.3	14.9
<i>Perle</i>	15.2	19.1	18.9	14.2	17.1	16.6
<b>TOTAL UNFORT's</b>	100.0	100.0	100.0	100.0	100.0	100.0

Over the past seven years the Standard priced market has declined due to 'Ales'. Year on year both the Super Premium and Premium Wine Markets have increased in volume terms. In value terms the Super Premium segments remained stable with an increase in value for the Premium segment. The reason for this is that all the action in the wine market is at the top end of the Premium sector and the lower end of the Super Premium sector. Think of products like 4<sup>th</sup> Street, Tall Horse, Obikwa, Four Cousins and The Saints range.

Sparkling wine is only 2.5% in volume terms, but a massive 8.0% in value. The Sparkling Wine market declined in volume and value terms over the past year.

#### 1.5. RTD MARKET

We mentioned previously that this market is driven by innovation and new products. Another trend that developed over the past three years is the growth of the can market. The trend was started by Hunters Gold and then also spread to Hunters Dry and Hunters Extreme. The latest trend is the 440ml can. There are seven products in this packaging, namely Redds Premium Cold and Dry and Bold Crisp and Cold; Hunters Dry and Gold;

Klippies and a newly launched Brutal Fruit Mango Goji. The 440ml cans already make up 11.3% of the market. Savanna, the second biggest product in this market, launched a new variant called Angry Lemon and according to the trade, the product was well received. SAB launched a new Brutal Fruit called Mango Goji in a 275ml can and a 440 ml can. Of interest is the fact that these product are available in cans only.

The Energy sector is still growing well, due mostly to the growth of Smirnoff Double Black Guarana.

All the new launches and developments will definitely fuel the growth of the RTD sector.

## 1.6. BEER MARKET

There were some interesting moves in the Beer market. One was the move to flavoured beers, already mentioned earlier. Flying Fish in a lemon and orange flavour was launched during the last part of 2013 and in the three months to September 2014 held a market share of 0.7%. This percentage of the Beer market is not small in volume terms.

Castle Light increased in market share from 10.0% to 12.0% over the past 12 months. This is a very good performance in a very stable beer market.

Also Windhoek Draught increased in share from 3.2% to 3.6%.

Bavaria doubled its volumes (from a low base) over the year.

## 2. PAST TWELVE MONTH OVERVIEW AND FORECAST

### 2.1. LIQUOR MARKET

The total liquor market grew by only 1.5% last year and we expect the growth for the next year to be even less at 1.3%. As we mentioned in the 2013 article, population growth is in excess of 2.0% and bearing in mind the numbers of illegal immigrants, our per capita consumption of legal products continues to decline. Our per capita alcohol consumption was estimated to have been 22.5 litres per annum in 2005/2006. This has now declined to only 16.5 litres per annum.

The Beer market increased by 1.5% last year and we expect an even lower increase over the next year at only 1.0%.

The RTD sector grew by 5.4% last year, with most of the growth generated by the Cider market and Double Black Guarana. With all the developments and new launches mentioned earlier, we still expect growth for the next year, but at a lower level with only 3.5% growth.

The Fortified wine market declined by 1.4% last year and we expect a further decline of nearly 1% over the next twelve months. The biggest sector is the Standard Priced Fortified wine market lead by Sedgwick's Old Brown. This sector will remain stable, but the Wine Aperitif market will decline due to the growth of illicit Spirit products. Also HP Ports &

Sherries and HP Aperitifs & Vermouths is a dying sector, with very little consumer or trade support. These two categories will continue to lose volumes.

The Sparkling wine market is expected to be flat over the next year, but the price war in December among the three major grocer groups could increase the sales.

The Wine market grew by 3.6% over the last year and we expect growth of 2.8% over the next 12 months. Similar to last year, the growth will mostly be in the Super Premium and Premium sector, with some growth coming from the Perlé sector.

The spirits market declined by 2.3% last year, mainly due to strike action and the generally poor performance of the economy. The biggest decline was due to the Brandy market and to a lesser extent Cane and Vodka. Over the next 12 months we expect the Brandy market to lose another 5.2% or 1 600 000 litres, the Cane market to lose 7.7% volume and the other markets to be flat, with low growth in the Whisky sector. The total spirits market is therefore forecast to decline by a further 0.8%.

## 2.1 ILLICIT LIQUOR

In the research conducted this year, we estimated the illicit Cane sector to be at least 12.0% of the market. The lowest price at which the 'Legal' producers can sell a product is at R100.88 per litre for Cape to Rio. However, Nielsen found Blue Island Cane at R73.69 per litre. This product is currently the 4<sup>th</sup> largest Cane on the market, for obvious reasons. The lowest price at which a 1L Cane product can be produced is R82.16, with no distribution and overhead costs. How to sell it at this price point is to smuggle cane from Swaziland and not pay any excise.

Illicit products in the Brandy market remain small but increasing. The lowest price product picked up by Nielsen was Ashbury brandy at R66.90 per litre. The lowest price at which you can legally produce Brandy is R91.68 per litre.

## 2.3 WINE BY TYPE

**Table 6 - SUPER PREMIUM WINE**

	Volume %					Value %			
	2010	2011	2012	2013	2014.0	2011	2012	2013	2014
Red	41.4	43.1	43.2	44.2	45.6	50.6	51.2	52.3	53.2
White	38.1	37.6	36.1	35.9	35.8	34.1	34.5	34.2	34.1
Rose	20.5	19.3	20.7	19.9	18.6	15.3	14.3	13.5	12.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

**Table 7 - PREMIUM WINE**

	Volume %				
	2010	2011	2012	2013	2014
Red	17.5	17.2	16.1	18.1	18.1
White	67.5	65.2	63.5	61.3	57.3
Rose	15.0	17.7	20.4	20.6	24.6
Total	100.0	100.1	100.0	100.0	100.0

**Table 8 - PREMIUM WINE BY CONTAINER**

Category	M/s Volume				RSP
	2011	2012	2013	2014	2014
<b>Bottle</b>	10.6	11.2	9.2	9.2	34.59
<b>Jug</b>	1.5	2.1	1.8	1.7	26.40
<b>5L Box</b>	50.9	50.0	50.6	48.6	19.45
<b>3L Box</b>	20.8	21.7	25.0	28.7	23.96
<b>2L Box</b>	9.2	8.1	7.5	6.2	30.76
<b>Tetra</b>	6.8	6.7	6.0	5.6	
<b>TOTAL</b>	100.0	100.0	100.0	100.0	23.81

In the Super Premium market, red wine now makes up 45.6% of the volumes and more than half (53.2%) of the value. The rosé sector declined in both volume and value terms. Distell is still the market leader by far, with the wine distributor Vinimark in second place, followed by DGB. In brand terms it is still the same as last year, with Four Cousins the market leader, followed by Robertson's, Douglas Green and Nederburg. The Four Cousins market share has declined year on year (see note on Rosé later). In value terms the leader is still Four Cousins, with Nederburg slotting in in second place.

Also of note in this sector is the emergence of more and better Chenin blancs and new white blends, as well as the growth of Sweet Red wine. We believe this trend is driven by new consumers and this augurs well for the wine industry.

Distell and Namaqua dominate the Premium wine market with Vinimark (Robertson's) in third spot. The brands are Namaqua in first spot, followed by Robertson's, Overmeer and 4<sup>th</sup> Street. The star of the show was definitely 4<sup>th</sup> Street over the past year. The market share of 4<sup>th</sup> Street increased from 4.5% to 10.1%. Namaqua is the biggest distributor in this market, with Distell in a close second place and Vinimark in third spot.

In the Super Premium sector the share of Rosé declined, but in the Premium sector Rosé increased substantially. The reason for this is that the volumes of Four Cousins (Super Premium sector) were cannibalised by 4<sup>th</sup> Street (Premium sector). In total the Rosé sector (Super Premium and Premium) gained share and volumes increased by 15%.

In the Premium sector boxes make up 83.5% of the market in volume terms. 5L Boxes and 2L boxes lost share to the 3L boxes.

November 2014



**Table 9 - RSA LIQUOR MARKET**

Year End June	2008/2009		2009/2010		2010/2011		2011/2012		2012/2013		2013/2014		2014/2015	
	Actual	Actual	Hist Trend	Actual	Hist Trend	Actual	Hist Trend	Actual	Hist Trend	Actual	Hist Trend	Forecast	Hist Trend	
<b>VOLUME = '000L</b>														
<b>BRANDY</b>	43 750	41 150	94.1	39 000	94.8	37 100	95.1	33 400	90.0	30 600	91.6	29 000	94.8	
<i>Gin</i>	5 600	5 410	96.6	5 320	98.3	5 200	97.7	5 100	98.1	5 200	102.0	5 300	101.9	
<i>Cane</i>	2 050	1 890	92.2	1 800	95.2	1 700	94.4	1 500	88.2	1 300	86.7	1 200	92.3	
<i>Vodka</i>	15 600	16 450	105.4	16 750	101.8	17 100	102.1	18 800	109.9	18 200	96.8	18 200	100.0	
<b>WHITE SPIRITS</b>	23 250	23 750	102.2	23 870	100.5	24 000	100.5	25 400	105.8	24 700	97.2	24 700	100.0	
<i>Liqueurs</i>	9 000	9 400	104.4	9 500	101.1	9 600	101.1	9 870	102.8	9 900	100.3	9 900	100.0	
<i>Whisky</i>	31 250	31 200	99.8	34 000	109.0	35 700	105.0	40 000	112.0	40 800	102.0	41 500	101.7	
<i>Rum</i>	4 800	4 800	100.0	4 950	103.1	5 900	119.2	5 850	99.2	5 900	100.9	5 900	100.0	
<b>TOTAL SPIRITS</b>	112 050	110 300	98.4	111 320	100.9	112 300	100.9	114 520	102.0	111 900	97.7	111 000	99.2	
<b>SPARKLING WINE</b>	8 650	8 000	92.5	8 320	104.0	8 320	100.0	8 075	97.1	7 600	94.1	7 600	100.0	
<i>HP Natural</i>	44 750	42 520	95.0	45 000	105.8	47 000	104.4	48 000	102.1	50 800	105.8	53 000	104.3	
<i>MP Natural</i>	73 500	80 000	108.8	82 600	103.3	87 500	105.9	91 150	104.2	100 000	109.7	105 000	105.0	
<i>SP Still</i>	103 000	89 180	86.6	91 000	102.0	92 400	101.5	91 000	98.5	88 500	97.3	88 500	100.0	
<i>Perle</i>	48 500	51 300	105.8	52 800	102.9	55 600	105.3	56 350	101.3	57 500	102.0	58 500	101.7	
<b>TOTAL NATURAL</b>	269 750	263 000	97.5	271 400	103.2	282 500	104.1	286 500	101.4	296 800	103.6	305 000	102.8	
<i>HP Ports &amp; Sherries</i>	460	450	97.8	440	97.8	410	93.2	390	95.1	370	94.9	350	94.6	
<i>HP Aperitifs &amp; Verm</i>	475	465	97.9	455	97.8	435	95.6	415	95.4	400	96.4	380	95.0	
<i>SP Fortified</i>	19 000	18 900	99.5	18 600	98.4	19 500	104.8	20 200	103.6	20 200	100.0	20 200	100.0	
<i>Wine Aperitifs</i>	9 150	9 360	102.3	9 100	97.2	8 350	91.8	7 170	85.9	6 800	94.8	6 600	97.1	
<b>TOTAL FORTS</b>	29 085	29 175	100.3	28 595	98.0	28 695	100.3	28 175	98.2	27 770	98.6	27 530	99.1	
<b>AFB's</b>	271 250	279 000	102.9	282 600	101.3	300 600	106.4	328 000	109.1	339 000	103.4	349 000	102.9	
<i>Spirit Coolers</i>	75 750	84 000	110.9	81 800	97.4	84 400	103.2	82 000	97.2	93 000	113.4	98 000	105.4	
<i>RTD's</i>	347 000	363 000	104.6	364 400	100.4	385 000	105.7	410 000	106.5	432 000	105.4	447 000	103.5	
<b>SUB TOTAL</b>	766 535	773 475	100.9	784 035	101.4	816 815	104.2	847 270	103.7	876 070	103.4	898 130	102.5	
<b>Beer</b>	2 831 000	2 865 000	101.2	2 937 000	102.5	2 980 000	101.5	3 025 000	101.5	3 070 000	101.5	3 100 000	101.0	
<b>GRAND TOTAL</b>	<b>3 597 535</b>	<b>3 638 475</b>	<b>101.1</b>	<b>3 721 035</b>	<b>102.0</b>	<b>3 796 815</b>	<b>102.0</b>	<b>3 872 270</b>	<b>102.0</b>	<b>3 946 070</b>	<b>101.9</b>	<b>3 998 130</b>	<b>101.3</b>	

## Notes on how to read Table 9 – RSA LIQUOR MARKET

- This table represents an estimate of liquor consumption in the RSA and does not include Namibia, Botswana, Lesotho and Swaziland.
- All volumes are in thousands of litres.
- The twelve months are from July to June.
- The historic trends are year on year indices and if lower than 100, reflect a volume decline and if over 100, reflect a volume growth. For instance in the twelve month period from 1 July 2010 to 30 June 2011 we estimate that 39,000,000 litres of Brandy were consumed. This was a decline of 5.2% on the previous year (94.8 – 100). Likewise, Vodka over the same period sold 16,750,000 litres and this was at a growth of 1.8% vis à vis the previous year (101.8 – 100).
- Super Premium wine is classified as all wine selling at prices above R30 per 750ml. Graca and the Saints range would be the lower end of the market.
- Premium wine is classified as wines selling in the R17 to R29 (per 750ml) price range and most of the boxes. 5L boxes selling at less than R77 are classified as Standard price. The top end of Premium wine would be Drostdyhof and Obikwa.
- AFBs are products such as Savanna and Hunters. Spirit Coolers are products such as Smirnoff Spin and Klippies and Cola.