

# LIQUOR CONSUMPTION PATTERNS IN SOUTH AFRICA

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## 1 FOUR YEAR OVERVIEW (2006/07 and 2010/11)

Table 1 – OVERVIEW OF THE ALCOHOLIC BEVERAGE MARKET

Year End June VOLUME = '000L	2006/2007		2010/2011	
	Volume	Value	Volume	Value
BRANDY	46,600	4,102,664	39,000	4,688,970
Gin	6,300	483,714	5,320	574,879
Cane	2,300	124,752	1,800	139,968
Vodka	13,925	960,547	16,750	1,637,983
WHITE SPIRITS	22,525	1,569,013	23,870	2,352,830
Liqueurs	10,200	892,500	9,500	861,650
Whisky	30,600	3,745,746	34,000	5,797,000
Rum	4,900	552,475	4,950	719,483
TOTAL SPIRITS	114,825	10,862,398	111,320	14,419,932
SPARKLING WINE	8,000	459,200	8,320	640,307
HP Natural	44,000	1,870,440	45,000	2,479,950
MP Natural	70,000	1,000,300	82,600	1,637,958
SP Still	121,000	999,460	91,000	1,093,820
Perlé	43,600	715,476	52,800	1,048,080
TOTAL NATURAL	278,600	4,585,676	271,400	6,259,808
TOTAL FORTIFIED WINES	29,660	889,800	28,595	1,163,817
RTDs	302,000	5,152,120	354,000	8,206,200
SUBTOTAL	733,085	21,949,194	773,635	30,690,064
BEER	2,778,600	25,007,400	2,937,000	35,831,400
<b>GRAND TOTAL</b>	<b>3,511,685</b>	<b>46,956,594</b>	<b>3,710,635</b>	<b>66,521,464</b>

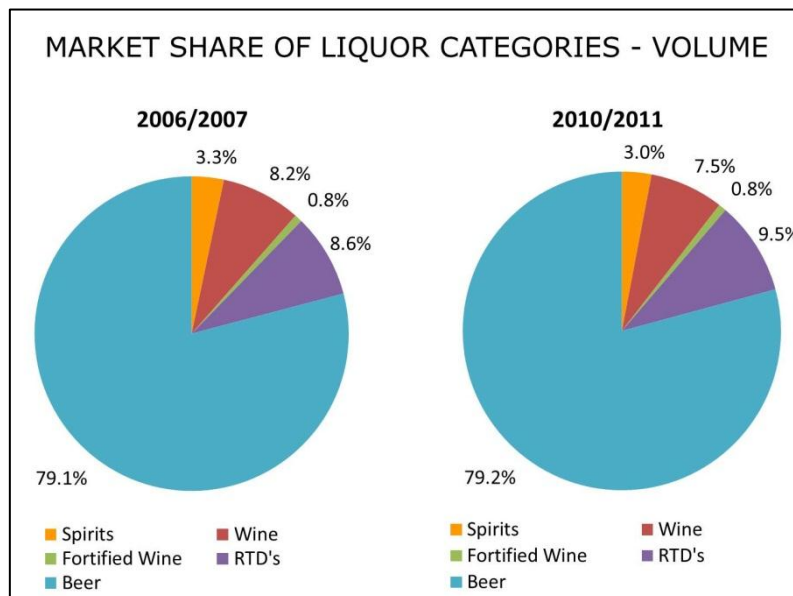
### 1.1 VOLUME

Beer in volume terms constitutes nearly eighty per cent of the market (Table 2 - Volume). Both wine and spirit volumes have declined slightly over the past four years. The RTD market has increased from 8.6% to 9.5% during this period. No reference is made to ales nor are ale volumes included. The current accepted volume estimate for ales is 70 000 000 litres. According to research recently conducted by Dr Andrew Charman more than 50% of the products sold in shebeens in the Western Cape are ales. Ales have to a certain extent replaced standard priced wine. If the estimated volume of 70 000 000 litres is added to the

wine market, the wine market would have increased from 8.2% in 2006/2007 to 9.2% in 2010/2011.

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

	Volume		Value	
	2006/2007	2010/2011	2006/2007	2010/2011
Spirits	3.3	3.0	23.1	21.7
Wine	8.2	7.5	10.7	10.4
Fortified wine	0.8	0.8	1.9	1.7
RTDs	8.6	9.5	11.0	12.3
Beer	79.1	79.2	53.3	53.9
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



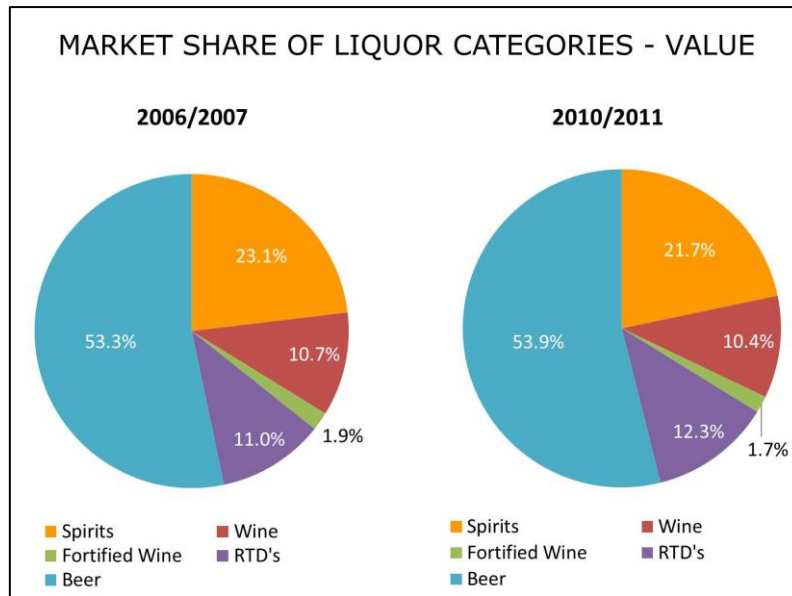
## 1.2 VALUE

Beer dominates the market in volume terms, but as we do not bank volumes, but money, the next pie chart shows the market in value terms. (Table 2 - Value)

In value terms beer has only slightly more than half of the market, and has increased its share only marginally.

The RTD market has increased substantially from 11.0% to 12.3% over the past four years.

The wine market has declined marginally, with the spirits market declining by 1.4 percentage points. The decline in spirits was mostly due to the declines in the brandy volumes.



### 1.3 SPIRITS MARKET

During 2006/2007 brandy made up nearly 41% of the spirits market. The share of brandy has now declined to only 35.0%. The major increases are in vodka (mainly Smirnoff) and whisky. The increases in the whisky market are throughout the price spectrum. At the upper end there is growth in Jameson's and Johnny Walker Black, and in the prop sector both Bells and J&B are increasing volumes. A premium whisky is a whisky selling at R150 and more per 750ml bottle and a prop whisky would sell at R100 to R149 per bottle. In the cut price sector (R99 and less per 750ml) products like First Watch, Harrier and Knights are growing due to the fact that they are selling at a lower price than the major cut price brandies like Wellington VO and Olof Bergh.

The whisky market is now fast closing in on the brandy market and the gap is expected to narrow even further during the next twelve months.

**Table 3 - SPIRITS CATEGORIES  
MARKET SHARE**

	2006/2007	2010/2011
Brandy	40.6	35.0
Gin	5.5	4.8
Cane	2.0	1.6
Vodka	12.1	15.0
Liqueurs	8.9	8.5
Whisky	26.6	30.5
Rum	4.3	4.4
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## 1.4 WINE MARKET

Over the past four years all the wine categories grew at the expense of the standard priced market. However, if ales had not been substituted for standard priced wine, the wine market would have been bigger and the structure slightly different.

**Table 5 - WINE CATEGORIES  
MARKET SHARE**

	2006/2007	2010/2011
Sparkling	2.8	3.0
Super Premium	15.4	16.1
Premium	24.4	29.5
Perlé	15.2	18.9
Standard	42.2	32.5
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## 2 PAST TWELVE MONTHS OVERVIEW AND FORECAST

### 2.1 LIQUOR MARKET

In total the liquor market grew by only 2.0% over the past twelve months (Table 4). With population growth higher than 2% and adding illegal immigrants, our per capita consumption has decreased year on year. This is expected to continue into the next year.

The beer market increased by 2.5% over the past year and the same growth is expected for the next twelve months.

The RTD market grew only marginally over the past year (0.4%) but is expected to increase by 3.7% over the next 12 months. This market is driven by innovation and new products. Last year the new range of Mainstay cocktails were launched in 3L boxes. These cocktails were so successful that they have now been launched in 1L prism packs, and a Smirnoff and Cranberry cocktail has now also been launched in a 3L box. Building on the popularity of the 'Zero' concept and the popularity of Hunters Extreme, a Hunters Extreme Zero has also been launched. These innovations will definitely fuel market growth.

During the past twelve months the spirit market grew by 1%. The growth came mostly from whisky (9%) with rum (3.1%) and vodka (1.8%) also contributing. This growth was mostly at the expense of the brandy market (-5.2%). This trend is expected to continue into the new year with whisky, rum and vodka (Smirnoff) taking volumes from the brandy market. Mainstay was re-launched earlier this year and the cane market should show growth in the

coming year. This will, however, lead to higher than normal sales and promotional activity on Smirnoff and will further increase the pressure on brandy.

The fortified wine market declined by 2% over the past year and is expected to regain the lost volumes during the next twelve months. This is the smallest sector of the liquor market and is dominated by the various Old Brown Sherry products. This market is made up of various smaller types of products and does not warrant further mention.

The sparkling wine market is dominated by JC le Roux; and furthermore all the sales action in this sector occurs around December and to a far lesser extent Valentine's Day and Mother's Day. During November and December, nearly 60% of all sparkling wine is sold into the trade with sales to the consumers occurring between 20 and 31 December. The market grew by 4% last year and another 4% volume growth is expected during the next year.

The wine market grew by just over 3% over the past twelve months and the trend is expected to continue into the next year. The super premium and premium markets performed best at 5.8% and 3.3% growth respectively, and the trend is expected to continue into the new year. All the action in this market occurs at the top end of the premium and bottom end of the super premium market. We also saw a structural change in the premium sector. This sector was previously dominated by 5L boxes and much lower volumes in the 2L boxes. Varietal wine was only available in the smaller 2L box market. The 5L boxes were made up of Rosé, Grand Cru, Late Harvest, Stein and Dry Red. This market has now changed with 3L boxes becoming very popular. These 3L boxes also have varietal wines like Chenin blanc, Cabernet and Sauvignon blanc and this has resulted in a higher average price per litre in the premium sector.

## **2.2 WINE BY TYPE (table 6)**

Until 2009 there was growth in the super premium rosé market. The percentage of the rosé market has since declined from 21.8 in 2009 to 19.3 in 2011. The reason for this decline is twofold, firstly the higher than normal growth in the red sector and secondly super premium rosé wines are being cannibalised by premium rosé wines. Super premium red wines have grown from 39.0% in 2009 to 43.1% in 2011. This huge growth has been at the expense of both the white and the rosé sector. The introduction and growth of sweet reds have definitely contributed to the growth in the red sector. In the premium sector the rosé sector has grown from 10.0% in 2009 to a whopping 17.7% in 2011. This growth has been at the expense of the white sector, with the red sector being fairly stable.

In the super premium and premium wine market the large grocer chains are continuously increasing their hold on the market. In the past five years they (Spar, Pick 'n Pay and Shoprite/Checkers) have increased their store numbers by 31.4% and currently sell 37.2% of all premium and super premium wine. If the next seven customer groups are added we end

up with the top ten groups selling 56% of all the premium and super premium wine. A customer group is a group of stores like Makro or Ultra.

A study was recently conducted by Elias Holtzkampf on price points at which various wines sell. The study was conducted on all super premium wines selling 20 000 litres or more and was based on January to March 2011 prices. In the rosé category 90% of wine is sold for R30 or less. In the white sector 37% of the wine is sold for R30 and less, and 57% of the wine is sold for R32 and less. In the grocer chains 60% of their white wine is sold for R30 or less. You will hardly ever see the grocer chains advertising a white wine for R40 or more. In the red sector 23% is sold for R30 and less, 43% is sold for R40 and less, and 65% is sold for R50 and less. In the grocer chains 50% of their red wine is sold for R40 and less.

**Table 6 - WINE BY TYPE**

<b>SUPER PREMIUM WINE</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
RED WINE	39.0	41.4	43.1
WHITE WINE	39.2	38.1	37.6
ROSÉ WINE	21.8	20.5	19.3
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<b>PREMIUM WINE</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
RED WINE	17.6	17.5	17.2
WHITE WINE	72.4	67.5	65.2
ROSÉ WINE	10.0	15.0	17.7
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Table 4 - LIQUOR MARKET**

Year End June VOLUME = '000L	2006/2007	2007/2008		2008/2009		2009/2010		2010/2011		2011/2012	
	Actual	Actual	Hist Trend	Actual	Hist Trend	Actual	Hist Trend	Act/Fcast	Hist Trend	Forecast	Hist Trend
BRANDY	46,600	47,000	100.9	43,750	93.1	41,150	94.1	39,000	94.8	37,500	96.2
Gin	6,300	6,015	95.5	5,600	93.1	5,410	96.6	5,320	98.3	5,380	101.1
Cane	2,300	2,150	93.5	2,050	95.3	1,890	92.2	1,800	95.2	1,850	102.8
Vodka	13,925	14,900	107.0	15,600	104.7	16,450	105.4	16,750	101.8	17,250	103.0
WHITE SPIRITS	22,525	23,065	102.4	23,250	100.8	23,750	102.2	23,870	100.5	24,480	102.6
Liqueurs	10,200	10,200	100.0	9,000	88.2	9,400	104.4	9,500	101.1	9,600	101.1
Whisky	30,600	32,900	107.5	31,250	95.0	31,200	99.8	34,000	109.0	36,000	105.9
Rum	4,900	4,840	98.8	4,800	99.2	4,800	100.0	4,950	103.1	5,100	103.0
TOTAL SPIRITS	114,825	118,005	102.8	112,050	95.0	110,300	98.4	111,320	100.9	112,680	101.2
SPARKLING WINE	8,000	8,750	109.4	8,650	98.9	8,000	92.5	8,320	104.0	8,650	104.0
Super Premium	44,000	45,000	102.3	44,750	99.4	42,520	95.0	45,000	105.8	47,500	105.6
Premium	70,000	72,000	102.9	73,500	102.1	80,000	108.8	82,600	103.3	85,500	103.5
SP Still	121,000	117,200	96.9	103,000	87.9	89,180	86.6	91,000	102.0	93,000	102.2
Perlé	43,600	44,800	102.8	48,500	108.3	51,300	105.8	52,800	102.9	54,300	102.8
TOTAL NATURAL	278,600	279,000	100.1	269,750	96.7	263,000	97.5	271,400	103.2	280,300	103.3
HP Ports & Sherries	480	475	99.0	460	96.8	450	97.8	440	97.8	430	97.7
HP Aperitifs & Vermouth	480	485	101.0	475	97.9	465	97.9	455	97.8	445	97.8
SP Fortified	20,000	19,800	99.0	19,000	96.0	18,900	99.5	18,600	98.4	18,900	101.6
Wine Aperitifs	8,700	8,900	102.3	9,150	102.8	9,360	102.3	9,100	97.2	9,300	102.2
TOTAL FORTIFIED WINES	29,660	29,660	100.0	29,085	98.1	29,175	100.3	28,595	98.0	29,075	101.7
AFBs		252,700		263,500	104.3	271,000	102.8	274,500	101.3	285,000	103.8
Spirit Coolers		68,000		73,600	108.2	81,500	110.7	79,500	97.5	82,000	103.1
RTDs	302,000	320,700	106.2	337,100	105.1	352,500	104.6	354,000	100.4	367,000	103.7
SUBTOTAL	733,085	756,190	103.2	756,635	100.1	762,975	100.8	773,635	101.4	797,705	103.1
BEER	2,778,600	2,859,000	101.9	2,831,000	99.0	2,865,000	101.2	2,937,000	102.5	3,010,000	102.5
<b>GRAND TOTAL</b>	<b>3,511,685</b>	<b>3,615,190</b>	<b>102.9</b>	<b>3,587,635</b>	<b>99.2</b>	<b>3,627,975</b>	<b>101.1</b>	<b>3,710,635</b>	<b>102.0</b>	<b>3,807,705</b>	<b>102.0</b>

## Notes on how to read table 4 – LIQUOR MARKET.

- This table represents an estimate of the liquor consumption in the RSA and does not include Namibia, Botswana, Lesotho and Swaziland (Southern Africa Customs Union countries).
- 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 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 during the same period sold 16 750 000 litres and this was at a growth of 1.8% versus the previous year (101.8 – 100).
- Super premium wine is classified as all wine selling at prices above R25 per 750ml. Graça and the Saints range would be the lower end of the market.
- Premium wine is classified as wines selling in the R14 to R24 (per 750ml) price range and most of the boxes. 5L boxes selling for less than R65 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. Ready to drink (RTD) refers to both AFBs and Spirit Coolers.

