

# LIQUOR CONSUMPTION PATTERNS IN SOUTH AFRICA 2015

Article written by Elias Holtzkampf in collaboration with SAWIS

## 1 OVERVIEW (2006/07, 2013/14 and 2014/15)

**Table 1 - Overview of the Alcoholic Beverage Market**

Vol = '000L

Val = R'000

CATEGORY	2006/2007 VOLUME	2006/2007 VALUE	2013/2014 VOLUME	2013/2014 VALUE	2014/2015 VOLUME	2014/2015 VALUE
Brandy	46 600	4 102 664	30 600	4 692 510	30 150	4 836 060
Gin	6 300	483 714	5 200	757 744	5 750	892 400
Cane	2 300	124 752	1 300	134 589	1 200	134 796
Vodka	13 925	960 547	18 200	2 482 480	22 000	3 153 040
<b>Total White Spirits</b>	<b>22 525</b>	<b>1 569 013</b>	<b>24 700</b>	<b>3 374 813</b>	<b>28 950</b>	<b>4 180 236</b>
Liqueurs	10 200	892 500	9 000	1 141 584	9 000	1 210 079
Whisky	30 600	3 745 746	40 800	8 512 920	36 300	8 179 842
Rum	4 900	552 475	5 900	1 042 707	6 100	1 164 307
<b>TOTAL SPIRITS</b>	<b>114 825</b>	<b>10 862 398</b>	<b>111 000</b>	<b>18 764 534</b>	<b>110 500</b>	<b>19 570 524</b>
Sparkling Wine	8 000	459 200	7 600	727 320	7 900	818 598
High Priced Wine	44 000	1 870 440	50 800	3 173 984	53 600	3 509 728
Medium Priced Wine	70 000	1 000 300	100 000	2 354 000	115 000	2 818 650
Standard Price Wine	121 000	999 460	88 500	1 355 820	89 800	1 437 698
Perlé	43 600	715 476	57 500	1 509 950	59 000	1 633 120
<b>TOTAL NATURAL WINE</b>	<b>278 600</b>	<b>4 585 676</b>	<b>296 800</b>	<b>8 393 754</b>	<b>317 400</b>	<b>9 399 196</b>
<b>FORTIFIED WINE</b>	<b>29 660</b>	<b>889 800</b>	<b>27 770</b>	<b>1 318 520</b>	<b>27 630</b>	<b>1 351 107</b>
<b>RTD'S</b>	<b>302 000</b>	<b>5 152 120</b>	<b>432 000</b>	<b>12 279 810</b>	<b>424 500</b>	<b>12 634 555</b>
<b>Sub-Total</b>	<b>733 085</b>	<b>21 949 194</b>	<b>875 170</b>	<b>41 483 938</b>	<b>887 930</b>	<b>43 773 980</b>
Beer	2 778 600	25 007 400	3 070 000	49 129 456	3 100 000	52 734 950
<b>GRAND TOTAL</b>	<b>3 511 685</b>	<b>46 956 594</b>	<b>3 945 170</b>	<b>90 613 394</b>	<b>3 987 930</b>	<b>96 508 931</b>

### General Trends

The South African alcoholic beverage market is a mature market with little changes between beer and the other liquor categories. With a population growth of +2% and annual volume growth of only 1% the per capita consumption is declining by at least 1% per year.

However, during the past 12 months the domestic wine market has increased by 7.7% (12 months to October 2015) and another year like this will result in some small changes in the

liquor category structures. This increase is due to new consumers in the sweet red and rosé sector and will be discussed further in the wine section.

The spirits market has been turned on its head. For the past few years whisky was the star performer and taking volumes from the brandy market. This changed in 2014/2015 with whisky losing volumes and brandy volumes stabilising.

Beer represents nearly 80% of the market in volume terms and 55% of the market in value terms. This situation has been stable over the past few years.

Feedback from the market place is that more and more Chinese couples are buying liquor stores.

**Table 2 - Market Share of all Liquor Categories**

	Volume %			Value %		
	2006/2007	2013/2014	2014/2015	2006/2007	2013/2014	2014/2015
<b>Spirits</b>	3.3	2.8	2.8	23.1	20.7	20.3
<b>Wine</b>	8.2	7.7	8.2	10.7	10.1	10.6
<b>Fortified Wine</b>	0.8	0.7	0.7	1.9	1.4	1.4
<b>RTD's</b>	8.6	11.0	10.6	11.0	13.6	13.1
<b>Beer</b>	79.1	77.8	77.7	53.3	54.2	54.6
<b>TOTAL</b>	100.0	100.0	100.0	100.0	100.0	100.0

### Specific Events

Two company moves were significant in 2015:

- The SAB/Anheuser-Busch merger.
- Brandhouse has been split into two separate entities. The three beers namely Windhoek, Amstel and Heineken will go their own way under Heineken (Beer Sector) and the spirit products under the name of the parent company, Diageo. The head office will move to Johannesburg.

In the beer sector SAB made two important moves. They have entered the craft-beer market with an unpasteurised beer called Castle Tank beer. Unpasteurised beer has a short shelf life, but a pleasant taste. SAB also launched a Carling Blue Label single malt beer in the same style as Johnnie Walker Black and Blue.

## 2 SPIRITS MARKET

In the previous article brandy was under pressure from mostly whisky. During the latter part of 2015 this trend was completely reversed.

**Table 3 - RSA Spirits Market**

	Volume %			Value %		
	2006/2007	2013/2014	2014/2015	2006/2007	2013/2014	2014/2015
<b>Brandy</b>	40.6	27.3	27.3	37.8	25.0	24.7
<b>Gin</b>	5.5	4.6	5.2	4.5	4.0	4.6
<b>Cane</b>	2.0	1.2	1.1	1.1	0.7	0.7
<b>Vodka</b>	12.1	16.3	19.9	8.8	13.2	16.1
<b>Liqueurs</b>	8.9	8.8	8.1	8.2	6.1	6.2
<b>Whisky</b>	26.6	36.5	32.9	34.5	45.4	41.8
<b>Rum</b>	4.3	5.3	5.5	5.1	5.6	5.9
<b>TOTAL SPIRITS</b>	100.0	100.0	100.0	100.0	100.0	100.0

During 2014 whisky was the only category to gain volumes, with brandy volumes down by 5% and the other categories flat. This has changed during 2015 with brandy +1% and whisky down by -7%. Gin is well up mostly due to Gordon’s and Old Buck and with good growth from Smirnoff vodka. The growth of the premium vodka’s has tailed off somewhat, but Skyy volumes are still on an increase.

**Table 4 - Spirit Trends 2014/2015**

	2014	2015
<b>Total Spirits</b>	-2.8	-1
<b>Brandy</b>	-5	1
<b>Gin</b>	0	10
<b>Vodka</b>	0	5
<b>Whisky</b>	2	-7
<b>Rum</b>	0	0

Distell took a brave decision in February 2015 not increasing the prices of three brandy products namely Klipdrift Export, Commando and Viceroy. All these products are popular in the Mainstream market and good growth on Commando and Viceroy is the reason that the brandy market volumes stabilised. Such actions are however, not sustainable in the long run and the subsequent effect of a price increase remains to be seen.

Regarding retail prices of products popular in the mainstream spirits market products like Johnnie Walker Black and Jack Daniels have become very expensive. The price of a premium vodka like Skyy equals the price of Johnnie Walker Red. With the rand/dollar and rand/pound exchange rate at the current rate these products will get even more expensive, resulting in the growth of the more affordable products like Viceroy, Commando, Gordon’s, Old Buck and Smirnoff.

**Table 5 - Product prices per litre**

Product	RSP
Johnnie Walker Black	402.09
Jack Daniels	292.94
Johnnie Walker Red	237.17
Skyy	247.55
Smirnoff 1818	125.79
Gordons	134.26
Old Buck	126.94
Tanqueray	269.73
Commando	142.75
Viceroy	145.01

Smirnoff in volume terms is still the largest spirit product and bigger than the next two products, namely Richelieu and Klipdrift. In value terms Smirnoff is also the largest and bigger than the next two products, namely Bells and Johnnie Walker Red.

### 3 WINE MARKET

The RSA domestic wine market increased in volume terms by 7.7% for the 12 months to October 2015. This is mainly due to new entrants into the sweet red and rosé sector driven by female consumers in urban areas.

**Table 6 - RSA Wine Market**

	Volume %			Value %		
	2006/2007	2013/2014	2014/2015	2006/2007	2013/2014	2014/2015
<b>Sparkling Wine</b>	2.8	2.5	2.4	9.1	8.0	8.0
<b>High Priced Wine</b>	15.4	16.7	16.5	37.1	34.8	34.3
<b>Medium Priced Wine</b>	24.4	32.9	35.4	19.8	25.8	27.6
<b>Standard Price Wine</b>	42.2	29.1	27.6	19.8	14.9	14.1
<b>Perl�</b>	15.2	18.9	18.1	14.2	16.6	16.0
<b>TOTAL</b>	100.0	100.0	100.0	100.0	100.0	100.0

According to spokesperson, Carina Gous, marketing director wines for Distell, extensive market research indicated that there was an opportunity in the market for sweeter style wines. Distell believed that the route to go is with a sweet ros , targeting females 20 to 40 years old who aspired to a sophisticated urban life style. These women did not want to drink spirits or beer. 4<sup>th</sup> Street was originally launched in a 750ml and 1.5L pack, but growth was

slow. A 3L and 5L box was added and then volumes really exploded. During 2014 4<sup>th</sup> Street had half of the sweet red and rosé market in the medium price (MP) wine sector. During 2015 4<sup>th</sup> Street grew by 150% and all the other brands increased by only 24%. Therefore 4<sup>th</sup> Street now commands 66% of that market. In total the MP wine market in the sweet red and sweet rosé sector increased by 86%, mostly due to 4<sup>th</sup> Street. The growth in the wine market currently is therefore female consumer biased, in urban areas and in the sweet red and rosé sector.

For those who can cast their minds back to the early sixties Lieberstein was a case in time. At the start of 1962 Stellenbosch Farmers Wineries (SFW) increased the advertising budget of Lieberstein substantially and marketed the product on a national level. For the first time the white population north of the Orange and Vaal Rivers consumed wine. From Lieberstein these new consumers moved onto Nederburg Stein, Grunberger Stein and Bellingham Johannesberger and later ended up consuming Graca and then Chenin blanc and Sauvignon blanc.

**Table 7 - Lieberstein Volumes**

	Volume (litres)
1960	705 136
1961	4 545 027
1962	12 790 350
1963	22 309 434
1964	31 212 625

Carina says that what SFW and Lieberstein did for the wine market in the 60's, can be repeated with 4<sup>th</sup> Street in the current market by introducing new consumers to wine through an uncomplicated yet sophisticated brand and a taste profile that appeals to them. The opportunity now is probably ten times bigger than what it was in the 60's.

As far as the main brands are concerned in the high price (HP) sector, Four Cousins is ahead of Robertson, Douglas Green and Nederburg in volume terms. In value terms it is still Four Cousins, then Nederburg, Robertson and Douglas Green. Distell is the largest producer/distributor followed by Vinimark in both volume and value terms.

In the MP market 4<sup>th</sup> Street was only the sixth largest volume brand in 2014. It is now number 1, followed by Robertson, Namaqua and Rusthof. The major producer/distributors are Distell followed by Vinimark and Namaqua.

### 3.1 WINE BY TYPE

**Table 8 - High Priced Wine**

	Volume %			Value %		
	2010	2014	2015	2011	2014	2015
<b>Red</b>	41.4	45.6	46.8	50.6	53.2	53.4
<b>White</b>	38.1	35.8	35.6	34.1	34.1	34.3
<b>Rose</b>	20.5	18.6	17.6	15.3	12.7	12.3
<b>Total</b>	100.0	100.0	100	100.0	100.0	100

**Table 9 - Medium Priced Wine**

	Volume %		
	2010	2014	2015
<b>Red</b>	17.5	18.1	20.1
<b>White</b>	67.5	57.3	53.2
<b>Rose</b>	15.0	24.6	26.7
<b>Total</b>	100.0	100.0	100

**Table 10 - Medium Priced Wine by Container**

Category	M/s Volume		RSP
	2014	2015	2015
<b>Bottle</b>	18.1	17.1	34.69
<b>Jug</b>	1.3	1.4	36.67
<b>5L Box</b>	39.0	37.8	24.65
<b>3L Box</b>	26.3	29.5	27.29
<b>2L Box</b>	7.7	5.4	36.66
<b>Tetra</b>	7.6	8.8	24.91
<b>TOTAL</b>	100.0	100.0	

## CONCLUSIONS

The major events during 2015 in the liquor market have been the SAB/Anheuser-Busch merge and splitting Brandhouse into a spirit section (Diageo) and a beer section (Heineken).

The biggest success story for 2015 is the growth of the domestic MP sweet red and rosé sector wine market driven by 4<sup>th</sup> Street, trebling its volumes year on year and by far the biggest brand on the domestic market.

Further good news is that new consumers - mainstream females 20 to 40 years old who aspire to a sophisticated urban lifestyle - are entering the wine market.

December 2015

**Table 11 - RSA Liquor Market**

Year End June	2006/2007	2010/2011	2013/2014	2014/2015		2015/2016	
VOLUME = '000L	Actual	Actual	Actual	Actual	Hist Trend	Forecast	Hist Trend
<b>BRANDY</b>	43 750	39 000	30 600	30 150	98.5	30 150	100.0
Gin	5 600	5 320	5 200	5 750	110.6	6 000	104.3
Cane	2 050	1 800	1 300	1 200	92.3	1 000	83.3
Vodka	15 600	16 750	18 200	22 000	120.9	23 600	107.3
<b>WHITE SPIRITS</b>	23 250	23 870	24 700	28 950	117.2	30 600	105.7
Liqueurs	9 000	9 200	9 000	9 000	100.0	9 000	100.0
Whisky	31 250	34 000	40 800	36 300	89.0	34 200	94.2
Rum	4 800	4 950	5 900	6 100	103.4	6 200	101.6
<b>TOTAL SPIRITS</b>	112 050	111 020	111 000	110 500	99.5	110 150	99.7
<b>SPARKLING WINE</b>	8 650	8 320	7 600	7 900	103.9	8 100	102.5
HP Natural	44 750	45 000	50 800	53 600	105.5	56 000	104.5
MP Natural	73 500	82 600	100 000	115 000	115.0	127 000	110.4
SP Still	103 000	91 000	88 500	89 800	101.5	90 000	100.2
Perl�	48 500	52 800	57 500	59 000	102.6	60 500	102.5
<b>TOTAL NATURAL</b>	269 750	271 400	296 800	317 400	106.9	333 500	105.1
HP Ports & Sherries	460	440	370	350	94.6	330	94.3
HP Aperitifs & Vermouth	475	455	400	380	95.0	360	94.7
SP Fortified	19 000	18 600	20 200	20 200	100.0	20 200	100.0
Wine Aperitifs	9 150	9 100	6 800	6 700	98.5	6 600	98.5
<b>TOTAL FORTIFIED</b>	29 085	28 595	27 770	27 630	99.5	27 490	99.5
AFB's	271 250	282 600	339 000	332 000	97.9	332 000	100.0
Spirit Coolers	75 750	81 800	93 000	92 500	99.5	92 500	100.0
RTD's	347 000	364 400	432 000	424 500	98.3	424 500	100.0
<b>SUB TOTAL</b>	766 535	784 035	875 170	887 930	101.5	903 740	101.8
Beer	2 831 000	2 937 000	3 070 000	3 100 000	101.0	3 131 000	101.0
<b>GRAND TOTAL</b>	<b>3 597 535</b>	<b>3 721 035</b>	<b>3 945 170</b>	<b>3 987 930</b>	<b>101.1</b>	<b>4 034 740</b>	<b>101.2</b>

**Notes on how to read Table 11 – 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 2014 to 30 June 2015 it is estimated that 30 150 000 litres of brandy were consumed. This is a decline of 4.5% on the previous year (95.5 – 100). Likewise, vodka over the same period sold 22 million litres at a growth rate of 20.9% vis à vis the previous year (120.9 – 100).
- High priced wine is classified as all wine selling at prices above R33 per 750ml. Graca and the Saints range would be the lower end of this market.
- Medium priced wine is classified as wines selling in the R19 to R32 (per 750ml) price range and most of the boxes. The top end of this market would be Drostdyhof and Obikwa. 5L boxes selling at less than R77 are classified as Standard Price wine.
- AFBs are products such as Savanna and Hunters. Spirit Coolers are products such as Smirnoff Spin and Klippies and Cola.