

# Alcoholic beverages

## Insights, trends and the new favourites

The Alcoholic Beverages category is big, powerful, and full of innovations, but the industry took a hard knock in 2020 as the sale and distribution of all alcoholic beverages was fully banned on three occasions due to Covid-19 related restrictions. With a return to full alcohol bans in 2021, are we seeing an industry on the brink of disaster, or rebirth?

According to a report from Euromonitor, the industry is expected to take until 2023 to return to pre-Covid-19 value sales. Some producers, especially micro and craft breweries, were unable to sustain their businesses and closed their doors for good. Others were forced to lay off between 60% and 90% of their staff. Some capital investment projects were cancelled and put on hold, and packaging and glass companies also lost millions as production came to a standstill at various points during 2020. No producer or retailer was spared.

We have seen some positive developments, however. E-commerce experienced growth as many consumers preferred to purchase online when Covid-19 restrictions allowed, and grocery retailers also strengthened their dominance on market sales in 2020 due to consumers preferring



Image: Ketut Subiyanto, Pexels

to shop close to home and being unable to consume alcohol on-site. So where are we now?

### Lockdown – the story unfolds

A recent NielsenIQ report, *Recovering from a sobering situation – Covid-19 Impacts on the South African Liquor Industry*, found that after the first three alcohol bans, although recoveries were made, there was still an overall decline in alcohol sales for the same total time period in the previous year.

Pre- and post-lockdown stock ups of liquor did not negate the total loss of selling days.

The report goes on to show that after the end of the third ban, liquor categories benefitted differently from March growth. In the first quarter, liquor was growing across all categories except beer, which remained under pressure, driven by a decline in on-site consumption at licensed taverns, local bars, and pubs, which has resulted in less demand through the wholesalers.

NielsenIQ Sub-Saharan Africa MD Kelly Arnold says, "Beer remains the largest contributor to growth, despite smaller growth figures, but this is due to the absolute size of beer in the category. At a total market level (on- and off-site consumption), beer was undeniably under pressure."

This decline is partially driven by constrained consumers – people who have been affected by job and income loss – who are changing their buying patterns to reflect their decreased spending ability.

# GET YOUR BUZZ ON!

## PURA BUZZ HARD SELTZER



- ✓ LOW SUGAR.
- ✓ NATURAL FLAVOURS.
- ✓ NO COLOURANTS.
- ✓ REAL RUM.

**PURA**<sup>Buzz</sup>

livealittle  
**PURA**

**#NO18** aware!org  
www.aware.org.za

NO ALCOHOL MAY BE SOLD TO PERSONS UNDER THE AGE OF 18.





The NielsenIQ Consumer Insights Study 2020 found that a staggering 66% of local consumers are newly constrained.

On a positive note, however, wines and spirits have shown the most growth in the liquor categories, with box wine the biggest contributor to volume. Wine in a box is no longer the province of cheap brands and bottom of the barrel product, Woolworths sells well-known wines such as Spier, Pierre Jourdan, and Diemersdal by the (recyclable) box. In addition, consumers are moving to longer lasting liquor options as they perceive these to be better value for money and the right price point for stocking up. Stocking up can be precautionary (we may face future bans), but it can also be a safety measure as it reduces trips to the store. (See graph below)

**The duality of value and premiumisation**

Finding a balance between affordability and quality is going to become more challenging. Healthline (www.healthline.com) points to the growing trend amongst millennials as well as more mature consumers towards more mindful consumption. Moderation is becoming more popular, for both the health-conscious and the fashion-forward. With mindful moderation comes the ability to afford a more premium product – it’s easier to afford better quality when your aim is to consume quality instead of quantity. Albert Gumbo, co-owner of Off The Grid, a neighbourhood pub in Paulshof, Gauteng, says, “Consumers are price sensitive. They will take their business elsewhere if they think you



Image: Burst, Pexels

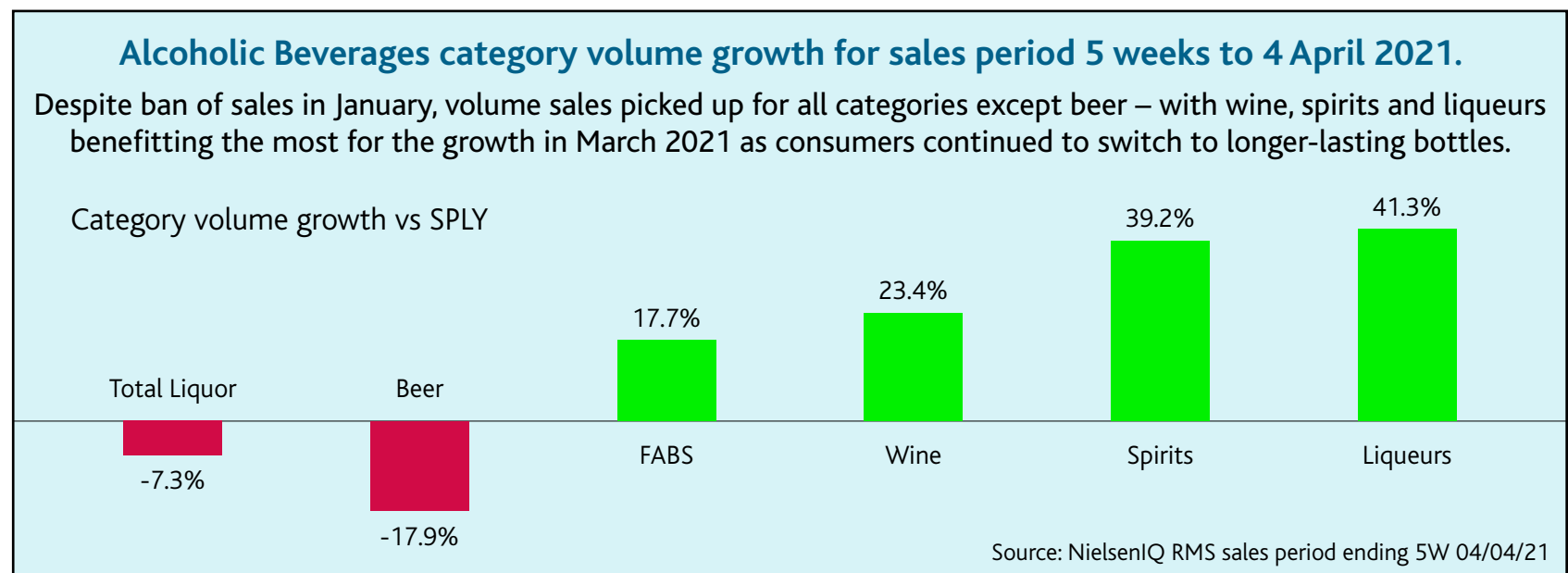
are charging more than you should, and yet higher LSM consumers know the value of money. They understand what they are spending their money on, and they make a conscious decision about how they spend it.” On the other side of the coin, the economic blow dealt by multiple lockdowns has had far-reaching effects. For many consumers,

cutting back on expenses means searching for affordable substitutes, and this includes alcoholic beverages.

**On the wine front**

South African wine is a big industry, and it has been sorely tested over the last year and a half, yet despite severe losses, all is not doom and gloom. Sustainability has been a growing trend in the wine world for quite some time, with vineyards turning to chemical-free pest and organic

farming processes. With the changing climate, grape farmers have also had to relook how they grow their grapes, and this has in turn lead to more producers embracing water-wise farming techniques. It’s good for the land, essential for their continued production, and popular with consumers.







# plastic ideas



Tel. +27 11 613 8587 • Cell. +27 83 333 1224 (Gilda) • E-mail. [crates@plasticideas.co.za](mailto:crates@plasticideas.co.za)  
427 Southern Klipriviersberg Road, Steeledale, Johannesburg, South Africa





Sustainability is also sought after in terms of packaging. Wine in a can, once looked down upon by oenophiles, is another growing trend. It's easy to carry, much more practical, and aluminium is one of the most widely recyclable materials.

Boxed wine, as we mentioned before, is gaining in popularity due to its value as a bulk-buy product. The added benefit here is that wine in the box lasts much longer than a bottle, which is in keeping with the move towards moderation. It also makes a better quality of wine more easily available for home consumption.

Better quality home consumption is another local trend that looks set to continue. Thanks to the lockdowns, alcohol bans, and continued restrictions on on-site consumption, South African consumers are looking for higher quality wines to enjoy at home, and this means they are also being more adventurous in their choices.

Dinner-at-home wine pairing has become another new normal, leading consumers to better understand the wines they are drinking, and buy wines that will complement their home-cooked meals.

Zoom and virtual wine tastings are gaining popularity – consumers are invited to try the wines, which can be ordered online, in the comfort and safety of their own home, whilst being guided through the tasting by a professional sommelier, winemaker, or producer.

The Woolworths WCellar hosts monthly virtual wine tastings, often pairing a members' special with the wines that will be tasted. This renewed



The increased availability, as well as the improved taste and quality of de-alcoholised wines, alcohol-free beers, and even alcohol-free gin, has garnered a new fan base in South Africa.

interest in wine tastings will hopefully carry over into live and in-person experiences once Covid has been sufficiently tamed.

Rosé came to the party in 2020, arriving with all the joy a pink wine should. And it seems it is here to stay. The meteoric rise has slowed significantly, but it has found its place between the reds and the whites and does not appear to be going anywhere. An easy drinking wine, it suits the South African outdoor lifestyle and is a perfect fit with our long, hot summers and penchant for pairing wine with braai meat. Another growing favourite is the lighter style of red. Easy drinkers such as pinot noir, grenache, cabernet franc, cinsaut, and zinfandel

(to name a few) are expected to make more frequent appearances in the near future.

Michael Fridjhon, noted wine writer and chairman of the Old Mutual Trophy Wine Show judge and renowned authority, says "There does seem to be a polarising effect in the industry: more boutique producers as well as some consolidation amongst the bigger cellars. I guess this means that there is a growing consumer demand for hand-crafted wines, and a growing demand for competitively priced wines (and this latter requires economies of scale)." He does go on to call into question the longevity of the craft wine industry, saying "In turn there has been a growth in craft and niche producers – at least until a few years back.

Even before Covid however that trend had come to an end and there was an attrition in terms of the number of smaller producers. Total crush cellars are now down to 529 – a decline of about 40 over a four-year period."

The effect of South Africa's repeated alcohol bans has been widely publicised, and they have hit the wine industry particularly hard as the initial ban included international exports – a crushing blow to the industry. Fridjhon, however, says that even before lockdown, change was coming.

"The attrition may have been exacerbated by the lockdowns, but the decline in growers' numbers has been a longer and more destructive process.



In twenty years almost half the grape growers have left the industry. Lockdown reduced fine wine consumption and those who are battling financially will seek out cheaper alcohol sources – including the illicit sector.”

The message is clear: support local or say goodbye to even more favourites.

Gumbo says he and his business partner invested in a high-quality red and white own-label wine for the pub just before the fourth ban, and the red has been moving exceptionally well during the colder months, particularly with local patrons.



Image: Christian Fridell, Pexels

**Craft gin – is the fairy tale over?**

“ Craft spirits are a strange beast. By all rights, they’re a fad that possibly should have faded by now, but they haven’t. ”

Internationally, gin and whisky sales are predicted to increase, and the hope is that we will see the same locally – at least from producers who have managed to withstand the repeated alcohol bans.

The post-Covid NielsenIQ report, however, points to a downward trend in ultra-premium gin consumption. This is seen to be because of the move towards eating in and entertaining at home decreasing the need to impress others or be seen drinking premium brands.

For Gumbo, craft gin has always been more about location and situation – it sells more in ‘trendier’ spots that cater to those who seek new experiences. In a pub setting, old favourites and

established A-brands are the more solid sellers, with gin drinkers tending to be brand loyalists.

According to the Spiritz (spiritz.co.za) website, “Experiential experiences were at the forefront of South Africa’s alcohol trends in 2018 and 2019, which was good news for local craft spirits manufacturers.” That all changed in 2020 with the first prolonged alcohol ban and national lockdown. Before that, distilleries flourished, producing top-quality craft spirits in new and innovative flavours such as citrus or wild cucumber. This popularity, along with online sales, allowed most distilleries to survive.

Unlike the wine industry, gin, for instance, is not seasonal and can be produced year-round, and fairly quickly. Spiritz goes so far as to predict “that the resilient craft spirits industry will grow steadily over the next year and go into 2022 stronger than before.” We can also expect to see increased innovation, in everything from flavour variants

**There’s a lot new with the same old tried and long-tested flavours**



Instagram



Facebook



LinkedIn and Twitter

**M&B Poppy Seed and Honey Mustard Dressings are new to the market.**



We are excited to launch these amazing salad dressings to give the consumer the same great taste at home as in our Mugg & Bean restaurants. The dressings are packed in a case of 12x250ml glass bottles.

**Contact ...**

Roger Snyman 083 630 9342  
or Shaneel Nunkha 082 854 8867



**Tel: 011 315 3000**

**famous brands LIMITED**



- Manage your field sales teams better.
- Understand your promotional compliance.
- Pull your own reports. Own your data.
- Understand trade insights in real-time.



*"ConnectFMGG has changed the way we understand our sales teams performance and promotional execution across all channels"*

*Nestle South Africa*



Geo-Tagging  
& Staff Attendance



SKU Audits  
& Category Presence



NPD, Pricing  
& Ad-Hoc Surveys



Call Cycles  
& Route Optimization



Promotion  
Strike Rates



Planogram  
Compliance



Offline  
Capability



Artificial Intelligence  
Image Recognition

BRANDS | AGENCIES | DISTRIBUTORS

Call Jane: +27(0)72 252 7718 | [weareconnect.co.za](http://weareconnect.co.za)

✓ powered by  MegaVision Media



to advertising and even packaging – an example of this would be the vibrant new offering from Bombay gin, Bombay Bramble. Hendrick’s Lunar is another exciting new offering for gin lovers. Alcohol-free and low-calorie options are also going to become more popular as consumers become more health conscious – as seen by the Abstinence range of alcohol-free spirits and aperitifs. The biggest challenge, besides the potential for new bans, will be keeping local products affordable enough to fend off international competitors, whilst also being profitable enough to survive.

## Beers and ciders to the fore

The Beer Association of South Africa (BASA), comprising the Craft Brewers Association, Heineken South Africa, and South African Breweries, has been firm in condemning the devastating effect of the alcohol bans imposed during the pandemic. It noted that the bans have “already resulted in over 7 400 jobs lost in the beer industry, R14.2 billion in lost sales revenue and more than a R7.8 billion loss in taxes and excise duties.” The Craft Brewers Association of South Africa reported in July 2020 that seven breweries had closed down and over 63% of craft brewers and brewpubs had to retrench staff.

That said, the international beer, craft beer, and cider categories are predicted to remain stable and, in some cases, realise growth as emerging markets increase their consumption. The IWSR predicts cider to make significant gains in South Africa in particular. Craft beer festivals are



The international beer, craft beer, and cider categories are predicted to remain stable and, in some cases, realise growth as emerging markets increase their consumption.

planned for 2022, and SAB has pledged to invest R2 billion in South Africa. Meanwhile Heineken has approached local producer Distell with an offer to buy the majority of their business, suggesting the beer market is on its way to making an almost-complete recovery.

At Off The Grid the three craft beers that are kept on tap sell well, particularly amongst middle-aged customers, with younger clientele preferring to stick to well-known brands. However, Gumbo says they are seeing growth in the cider category, with customers viewing it as an easier-drinking and more ‘fun’ option.

Deciding what to stock may be a retailer’s biggest challenge, as craft brewers move into the national market and ciders gain popularity. Online purchases mean most smaller brewers can reach a wider audience, leaving store-bound retailers to

stock known favourites, with the addition of one or two more niche brands. Online-only deals are also becoming more normal, allowing retailers to store stock of smaller brands and niche producers in warehouses instead of in-store.

## The spirit of a brand

Whisky, that most-revered spirit, remains in a class of its own despite challenges from the premiumisation of other drinks such as gin, tequila, and rum. You can actually invest in whisky casks, and expect a decent return, which suggests that even though the rarefied world of single malts is having to change to meet new consumer demands, it is still a force to be reckoned with in the alcoholic beverages category.

Drink Stuff South Africa ([www.drinkstuff-sa.co.za](http://www.drinkstuff-sa.co.za)) writes, “For many whisky producers, increased



demand from a growing middle class in markets like India and China is straining supplies of aged whiskies.” This, combined with a concerted effort to a younger LDA (legal drinking age) audience, has driven innovation in the whisky market. Instead of focusing solely on ageing and heritage, brands are looking at more socially responsible production values, changing up the whisky production process, investing in modern packaging and labelling to increase shelf appeal, and embracing social media.

No longer just for old men sipping whisky around the fire, the new target consumer is younger, male, or female, and not afraid to order their whisky in a premium cocktail or as a sipper on a night out with friends. Whiskies aged in XO cognac casks, experimentation with traditional ingredients, and the addition of new technology to save on wood and water in the production process are just some of the innovations we are already seeing in the whisky market.

Brand loyalty cannot be overstated, and some of the most serious whisky buying power amongst local consumers values the heritage and tradition associated with more established brands. The younger market, however, has embraced online shopping and are willing to be bold and adventurous with their choices. At Off The Grid, price is not an issue as whisky drinkers remain fiercely brand loyal – Jameson being their biggest seller, consistently.

Echoing this, the NielsenIQ report saw established ‘A-brands’ regaining strength in categories where they had been struggling. Arnold says, These



No longer just for old men sipping whisky around the fire, the new target consumer is younger, male, or female, and not afraid to order their whisky in a premium cocktail or as a sipper on a night out with friends.

A-brands provide trust and security for cash-constrained consumers who are more familiar with the big brands. They are now making choices based on cash-in-hand and simply don't have the cash to experiment.

Consumers are also spending less time browsing the shelves and are defaulting to brands that are easily recognisable. The bigger brands are also better able to maintain stock levels and therefore haven't lost out to the knock-on effect of being out of stock when consumers are already visiting stores less frequently. For Gumbo, sales of Jose Cuervo and Jagermeister are a case in point – they're amongst two of the most popular shooters amongst all age groups.

### Local and international trends on the horizon

#### Flavour first

Flavour innovations: Consumers are looking for unexpected and exciting flavour combinations, or

new twists on old favourites. NielsenIQ reports that Flavoured Alcoholic Beverages (FABs) saw growth in the last few weeks of the first quarter of 2021. FABs also saw innovation during the tail end of summer with new packaging – the introduction of 440ml cans and 660ml quarts provides a sharing opportunity at home.

#### The hero is zero

As moderation grows in popularity, so too do low-alcohol and alcohol-free alternatives. Repeated alcohol bans have also introduced a whole new category of consumer to these products, as people turned to alcohol-free beverages in desperation. The increased availability as well as the improved taste and quality of de-alcoholised wines, alcohol-free beers, and even alcohol-free gin, has garnered a new fan base, and producers are responding accordingly.

Noted South African wine maker Graham Beck recently released Allure, a de-alcoholised sparkling wine. In their release notes they have targeted soon-to-be and nursing mothers, teetotallers, vegans, fitness fanatics, and designated drivers, and anyone wanting to enjoy a sparkling wine 'at any time'. It's quite a telling demographic, and within the space of a year we have gone from a sparse-few alcohol-free options, to several major wineries offering a de-alcoholised option.

Alcohol-free gins, gin and tonic premixes, distilled spirit drinks, spritzers, and premade mocktails are all easily available online or at speciality stores, but are seemingly less popular in supermarkets and general retailers – possibly due to an overwhelming



SATO CL4NX Plus 4" Label Printer



SATO FX3 Portable Printer



SATO Judo Food Hand Labeller



6 009647 070012 6 009647 070012

# WHY YOU SHOULD ADD THESE PRODUCTS TO YOUR TROLLEY.

SATO is a global powerhouse in the retail, supermarket and food environments, offering a diverse array of robust, intelligent solutions to businesses everywhere. Here are four prime examples of their feature-packed products.

### SATO CL4NX Plus 4" Label Printer

The CL4NX Plus is the industry's leading industrial 4-inch industrial thermal printer for mid-range to high-end label printing environments:

- Ideal for retail, distribution & manufacturing
- Durable, industrial bi-fold casing
- Intuitive operation, set-up & maintenance
- Field installable parts & snap-in printhead
- Multiple connectivity & interface options
- View-at-a-glance status
- Wide range of labels, tags & tickets
- 30% more media per roll
- Compatible with SATO Linerless Labels

### SATO Judo Food Hand Labeller

This economical, user-friendly hand labeller is ideal for food and food safety labelling, and features:

- 13 Text Food Safety Rotary Cliché (top)
- Date/Time/Price indication (bottom)
- Greater usage flexibility
- Easy to use & maintain
- Higher cost-effectiveness

### SATO FX3 Label Printer

The compact FX3 solves many of the complex challenges faced in food factories and stores by providing secure and easy food labelling:

- Labels can include ingredients, prep info, nutrition, allergen and storage advice details
- Simple, easy & customisable operation
- Up-to-date data anytime, anywhere – error-free and secure
- Stand-alone & compact
- Anti-bacterial, splash-proof casing
- 305dpi print resolution

### SATO Linerless Labels

These pressure sensitive labels bring several benefits to users and the environment:

- More labels per roll (30-40%)
- No liner waste & less waste disposal overall
- Reduced carbon footprint
- Reduced transport costs
- Less storage space required
- Lower total cost of ownership



**kemtek**  
beyond technology

For more about SATO's supermarket and retail products, contact us on one of the numbers below or send an email to [autoid@kemtek.co.za](mailto:autoid@kemtek.co.za).



number of options in what is a growing but still niche market. This is beginning to change, however, as bigger retailers introduce a small but significant range of alcohol-free options to their liquor ranges.

### Premium is in

Premium rums and tequilas as sippers or as part of high-end cocktails attract a new consumer that is younger and more adventurous, and the spirits category has responded by providing premium-quality beverages as well as more exciting ways of drinking them.

### Boxed is best

Wine in a can (or a box) is convenient, sustainable, and easy to store. Wine in a can and wine in a box is gaining popularity and is no longer the province of cheap brands only, as more notable producers include these packaging options in their retail offerings.

### Convenience is king

Convenience is a watchword throughout the food and beverage industry. Consumers are short on time but are still demanding the same level of experience as before. Premade cocktails (and mocktails) are quick, easy, and convenient. They're also a lot easier to store for home consumption than all those glass bottles, cans, and shakers.

### Orange is the new black

No, it's not made from oranges, it is white wine that is made by letting the grape skins stay in contact with the juices for days or even months, creating an 'orange' or 'amber' wine. It's a very old



Allure is a de-alcoholised sparkling wine by renowned local MCC producer Graham Beck.

process that has recently been rediscovered, with glee, by producers looking to add something extra to the 'not white/not red' market.

### Sparkling fizz

Seltzer, or fizzy water, infused with alcohol and fruit juice or flavouring, is a low-calorie option that is becoming popular amongst younger and more health-conscious consumers. Flying Fish is the first big producer to make a concerted effort in this market locally, as others have remained firmly niche. Flying Fish Seltzer is produced by SAB. Topo Chico flavoured hard seltzers are also being marketed hard by Norman Goodfellows, suggesting South African consumers are developing a taste for this very American trend. Oh, and it comes in a can ...

### Sustainability is here to stay

What started as a trend is becoming a global movement. According to Spoonshot data, "References to sustainability in consumer media (blogs and articles written by influencers and consumers in consumer media channels) grew by 47% over the last 12 months (to May 2021)."

The report goes on to add, "Across food and drink categories, sustainability has gone from being a 'nice-to-have' claim to an 'absolutely necessary' claim. This is becoming true in the alcohol space as well, as more companies look to offer alcohol that's better for the planet."

From renewable energy to repurposing fruit-based by-products from production processes and tackling plastic waste, to land stewardship and water conservation, sustainability in the alcoholic beverages industry has become increasingly important.

Both The International Wine and Spirits Commission and the Distilled Spirits Council of the United States have recently released standards on what can and cannot be labelled as 'sustainable'. **SR**



**Ann Baker-Keulemans**, a highly experienced business and consumer journalist, is published in numerous print and online platforms, writing on topics related to business, lifestyle, and health, with extensive knowledge on the SA retail and wholesale landscape. She holds a Bachelor of Arts degree in English Literature (British and Commonwealth) and Media Studies and is a member of the Golden Key Honour Society. [ann@wilkinsross.co.za](mailto:ann@wilkinsross.co.za)

@Wilkins Ross Communications (Pty) Ltd

