Top 6 alcohol landscape trends emerging in SA

By Maijaliina Hansen-Chipps

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It has been described as the beginning of the end or the end of the beginning, but the world certainly changed over the last three years as a result of the global pandemic and the war in Ukraine.

Maijaliina Hansen-Chipps, marketing category lead for RTDs at Distell. Source: Supplied

The impact on the alcohol industry in South Africa has been lockdowns and associated trade restrictions, global supply chain challenges, rising import and input costs, route-to-market and channel shifts, and significant changes in both consumer behaviour and key occasions.

2022 was the first year of the ‘new normal’, and after an extended period of social isolation, and the wearing of sweatpants, there is a new generation of consumers desperate for connection, real-world experiences, and the chance to dress up and be out and about. In some ways many consumers have defaulted to pre-pandemic behaviours, but there are some economic and cultural shifts that have entrenched key trends in the SA market.

Here are the key trends that have emerged in the SA alcohol landscape for 2023.

1. Affordability is king

South Africans have been impacted by the rising cost of living, exacerbated by soaring interest rates, increasing petrol prices, consumer price inflation on goods and services which has resulted in reduced disposable income. Consumers are spending more on each shop, but able to buy less, so they are trading down and cutting back.

According to a recent IWSR study almost half of South Africans will wait for their preferred alcohol brand to be discounted before they buy it.

2. Trusted brands dominate

The pandemic and trade restrictions resulted in bulk purchase behaviour, and South Africans looking for more value for money.

> *With the increase in illicit trade during lockdown, consumers are more loyal to trusted household brands that deliver value beyond price.*

This value is connected to brand equity, through-the-line brand experience, premium liquid credentials, and overall bang for buck in terms of pack size, ABV and ingredients. With an economic recession, consumers have become savvier and there is a need for value and quality assurance across all categories.

3. Accessible status is resilient

South Africans have an emotional connection to certain categories that deliver a level of indulgence and reward. It feels contradictory, but these 'small luxury' categories like clothes, toiletries, and alcohol are said to have the 'lipstick effect' as they are recession proof.

In SA, the alcohol category has proven to be resilient, and whilst there may be some switching across repertoire between spirits, wine and LADs categories, consumers are looking for the accessible status and badge value of their favourite brands, and the chance to 'live a little' or 'carpe diem' even in tough times.

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4. Occasions and channels shift

The lockdowns led to a forced increase in at-home consumption occasions, with consumer needs ranging from the desire to relax, escape and disconnect from the reality of the situation. This also led to a decrease in traditional male only beer occasions, and an increase in unisex occasions with spouses, partners and friends hanging out together, with a broader repertoire of categories and brands, with men more open to sweeter ciders, FABs and wines in these shared occasions.

Digital purchase and delivery gained traction in certain demographics, and formal retail channels gained significant ground for purchase for at-home or intimate hangouts. But the on-trade channel is back, and bigger than ever with more formal and mainstream outlets opening than prior to the pandemic.

> *South Africans are highly social and looking for that connection and real-world experience, and restaurants, bars and taverns are starting to thrive as a result.*

5. Innovation and experimentation

South African consumers can be fickle, and fad-driven. Shoppers in the trade environment are looking for new news and novelty through pack or product innovation which is critical to drive visibility, shelf share and interest. But to maintain and grow brand equity and market share, brands need to innovate beyond the bottle.

Creative brand engagement across all touchpoints and cut through digital or virtual experiences are also key to driving the halo image and growth of the core brand.

6. Brand purpose at the core

The next generation is becoming more conscious and aware of health and well-being post the pandemic. They are interested in moderation, self-expression, and choice, seeking 'better' products and experiences that match their values, as their choice of brand says a lot about who they are as individuals.

These consumers are more aware of what brands offer credible, authentic messages and actions.

> *In SA, consumers are less motivated by sustainability and the environment due to other factors like the rising cost of living. They are far more attuned to how brands focus on upliftment and empowerment within their communities.*

Brands that develop their USP with consumer needs at the very core, will have a powerful purpose, establish credible societal impact, gain brand equity, and long-term value share and growth momentum.

ABOUT MAIJALIINA HANSEN-CHIPPS

Maijaliina Hansen-Chipps is the Marketing Category Lead for RTDs at Distell, managing growth and performance of a brand portfolio including Savanna, Extreme and Bernini. Her focus is on long-term portfolio marketing and innovation strategies, and developing brands with purpose and distinct USPs, by understanding the core needs of consumers and their communities. Her focus is the use of impactful creativity, that is hyper-relevant to SA consumers, to build powerful brand equity and sustainable brand market share.

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