

Cheers to choice!

Key trends and opportunities in the SA Cold and Alcoholic Beverage market

South Africa's beverages industry is burgeoning. Having survived the prospect of stalled production – and even temporary prohibition in the case of alcohol sales – the good times are back in a big way.

But the lockdowns and slowdowns have had a lasting effect on consumer confidence and have also changed consumer behaviour in many ways. Economic uncertainty continues due to the Rand exchange rate, interest rate increases, high unemployment, significant price increases on grocery items and the fear of recession.

On top of all these challenges, the impact of persistent load shedding in South Africa has had a visible and lasting effect on the beverages market, from production to storage and distribution. Thankfully, many companies have found innovative ways to mitigate this impact, and even use the crisis to their advantage.

The good news is that there has been some internal stabilising, with South Africa's consumer confidence improving in the third quarter of 2023, according to an article from Reuters.

Lockdowns also impacted how consumers shop, with online sales of alcohol exploding, making touch-and-feel sales less prominent, and virtual branding more important. Many consumers, especially younger generations, are also increasingly looking for healthier alternatives, with alcohol in some instances no longer as big a draw card as it was for previous generations.



Image courtesy of <https://livealittlepura.com>

Cold beverages

One of the standout trends in the cold beverages market, especially the carbonated soft drinks (CSD) portion of the market, is the shift away from sugary drinks towards healthier alternatives. For example, according to Insight Survey's South African Carbonated Soft Drinks Industry Landscape Report 2023, reduced and low sugar

carbonates have seen a CAGR (Compound Annual Growth Rate) of 9.4% between 2017 and 2022 compared to regular carbonated drinks.

Greig Jansen, founder and CEO of PURA Beverages, says the trend towards healthier cold beverage alternatives is being driven by a surprising section of the market: teenagers and young adults.

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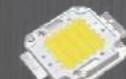
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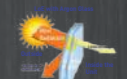
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Trust the Experience

“The most noticeable shift is in the level of awareness in teens when it comes to assessing and scrutinising what is in the beverages and snacks they consume,” says Jansen. He says ...



“Teenagers in particular are more aware of what is in products, they’re doing research and educating themselves on how to read and understand labels, and they are moving toward more health-conscious decisions and habits.”

Greig Jansen, founder and CEO of PURA Beverages

“This has led to an increased focus on health and wellbeing, scrutiny of ultra-processed ingredients, and the knock-on increase in the number of articles and research available regarding the consequences these products have on health concerns and sugar overload.”

Jansen adds that the highly processed, refined or ‘liquid sugar’ ingredients that are in many soda and energy drink options on the market are now under the microscope, with natural sugar alternatives rapidly increasing in popularity.

“We continue to see an increasing demand for more natural flavours and lower sugar alternatives, with a particular move away from artificial sweeteners and ingredients like aspartame,” he says.

“Instead, many South Africans – and many international markets – are looking for more real, all-natural flavours and alternatives that use natural ingredients, moving away from overly sugared and overly flavoured beverage options.”

This change in consumer preferences seems partly as a consequence of the World Health Organisation’s assessment on the potential carcinogenic consequences of some sweeteners, as recently reported by Fortune Magazine.

Form follows function

The shift away from sugar isn’t the whole story, as the move towards natural rather than processed and artificial sweeteners suggests. It has also led to an uptick in the ‘functional beverage’ category, cold beverages that go beyond refreshment with additional health-based ingredients.

FMCG’s Guru Report on ‘The Future of Naturalness’ suggests the global functional beverage market will be worth upwards of \$208.7 billion by 2027. More importantly, it points at consumers’ willingness to not only seek out healthier beverage alternatives, but also pay more for them, as the basis for its forecast.

This global trend is mirrored in South Africa, with research by McKinsey & Company highlighting that South African consumers continue to prioritise their health, wellness and wellbeing, as they focus on quality over quantity across the board.

PURA’s Jansen says that with this consumer shift guided research and development, PURA has developed a new electrolyte hydration alternative that offers a natural, healthier way for consumers to hydrate.”

He goes on to highlight how sugar substitutes are generally split into two ingredient grounds – natural and artificial sweeteners.



Image courtesy of www.schweppes.com/

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“Sugar provides the body with calories that are either absorbed as fat or utilised by the body for energy,” says Jansen. “Natural sugars – usually derived from plant sources – are considered to be better from a nutritional standpoint, whereas artificial ingredients provide little to no nutritional value.”

This trend has also resulted in a spike in natural alternatives that, as reported by healthline.com, encourage consumers looking to avoid processed ingredients to question the contents of the food and beverages that they ingest and remove unnecessary artificial compounds in their diets. As such, Jansen expects consumers to continue moving away from refined sugars and cut down their intake, switching to options found in nature like Stevia and monk fruit sweetener.

Jansen also notes that consumers are looking to support and engage with brands that have a conscience. “This could be environmentally focused, community-driven, or just generally focused on well-being. We know that consumers continue to look to purpose-driven brands that align with their personal values, which includes interrogating what the brands stand for, and to

feel that they are supporting responsible brands that drive change in the world and everything they do,” he says.

“This has also led to calls for sustainable packaging, for-good societal initiatives, and scrutiny of brand business practices, all of which are important shifts for retailers and manufacturers to look out for in the coming months and years.”

Four effective strategies for cold beverage sales

Building a win-win relationship between retailers/wholesalers and manufacturers

When stores and suppliers work collaboratively, the result is a win-win for all. These back-to-basics insights from a beverage manufacturer are easy to align with the goals and objectives of any store. Suppliers and manufacturers that understand the strategies of their retail/wholesale customers will reap the rewards. Ultimately, most brands and stores want the same thing – to sell products, forge customer loyalty, build a winning reputation, increase sales, provide a solution, be appealing to their target audience and offer an experience that keeps the consumer coming back.

- 1. Make sure your cold beverage products are easily available in the stores that you service.** Ensuring your cold beverage products are readily accessible to consumers is key. Out of stocks remain one of the main reasons consumers move to another store or ecommerce site.
- 2. Create a brand story and tell people about your product.** Sell a solution that consumers are looking for – meeting their direct need and what your product delivers. Make yours a product or brand that retailers and wholesalers want to stock.
- 3. Make sure your packaging (for retailers – shelf displays and signage) stands out and is easy for the consumer to understand.** Invest in distinctive and eye-catching packaging, as appealing designs capture consumer attention and set your product apart from competitors, potentially boosting sales through increased visibility and perceived value.
- 4. Make sure that your product is placed in a space that makes sense.** Always ensure that your product is merchandised in the space where consumers expect to find them. For example, beverages offering health benefits may perform better in the health foods department, rather than with the carbonated soft drinks.

Image by www.schweppes.com/



Energy Drinks

Energy drinks abound in the cold beverages market, with established brands and new entrants building this popular category. According to www.glanbianutritionals.com, energy drinks are evolving to meet the needs of a broader consumer base than teenagers and young adults through flavour innovations, cleaner formulations with less sugar and more natural ingredients. Functional health is also gaining momentum, with energy drinks adding ingredients such as zinc, iodine, selenium and protein.



Image by www.monsterenergy.com/

Flavour profiles 2023

Currently, cold beverage flavours in vogue are citrus, including orange, grapefruit, lime and berries. Switch Energy Drinks have just released a new orange and bubblegum flavour while Coca-Cola has released Schweppes Mixer in grapefruit flavour. Strawberry, cherry, apple, fig and chilli flavours are also finding favour amongst consumers. Citrus with spices such as cardamom, ginger and turmeric, or lime/lemon with ginger, cucumber or honey, and sweet/sour/spicy combinations give beverage manufacturers the opportunity to be stand out in a highly competitive market.



Image by <https://drinkprime.com/>

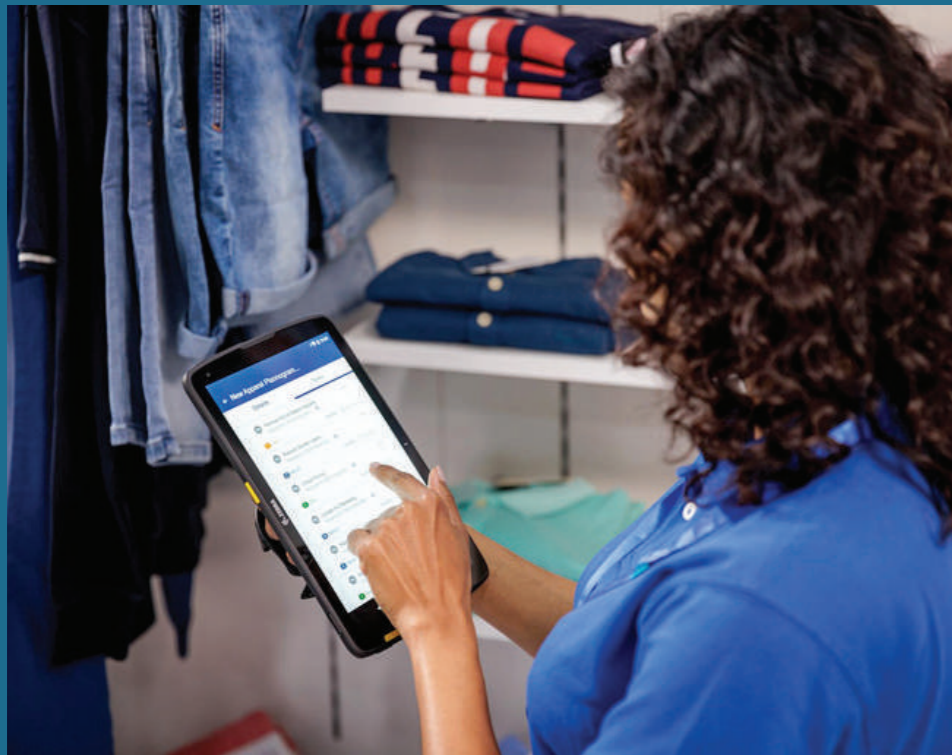
Marketing strategies for market disruption

Prime Hydration LLC (part of Congo Brands, also the manufacturer of energy drink 3D) demonstrated the power of social media, influencer marketing, perceived exclusivity, status and 'limited' availability when the brand was launched in April 2023. As the hype increased and availability decreased, the price point shot up, with consumers paying between R350 and R800 for 500ml. It was an elaborate and highly successful campaign but with the price point now around a much more realistic R39.99-R45.99 it will be interesting to watch how the brand performs in the medium-to long term.



From Zero to Hero: Transform Operations with Task Management

Equip your teams with a task management system that enhances efficiency and simplifies work processes, enabling them to accomplish more with ease. Provide the upcoming generation of colleagues with the user interface necessary for optimising communication and swiftly executing tasks with efficiency.



Task Management enhances and optimises on-site implementation and correspondence by offering a comprehensive, up-to-the-minute, prioritised outlook of tasks awaiting completion at your branch premises. This empowers associates to concentrate on the most critical projects.

Simplify work for on-site associates

- Equip managers and associates with a unified, mobile-centric perspective of tasks, notifications, and essential data.
- Simplify communication with on-site colleagues by offering a centralised platform for accessing all assignments.
- Guarantee that managers and associates are consistently present where and when needed, engaged in pertinent tasks to optimise customer interaction.
- Deliver timely notifications to on-site team members, along with actionable instructions to promptly resolve unexpected matters.

Enable Intelligent Task Management Processes



01

Prioritise the most impactful corporate-generated and real time system-generated tasks.

02

Optimise workflows to intelligently direct tasks evenly and equitably across available associates.

03

Improve field management's live-of-sight into store-level execution, giving the ability to manage by exception.



With 15 members and a loan of £10 000, the Wellington Co-operative Winery Limited was founded on 26 February 1906. The cellar was built on a slope in order to use gravitation to move the must or grape juice from the winepress to the fermentation tanks. The shareholders provided firewood for the boiler before they started to use coal for this purpose. The cellar originally produced wine, sweet wine, brandy and jam from the must. Image courtesy of <https://wellingtonwines.com/>

Alcoholic beverages

The shift towards healthier alternatives isn't limited to the cold (non-alcoholic) beverage market. The alcoholic beverages market has also seen a marked shift towards healthier options – not just less sweetened, but also fewer alcoholic beverages – notably in the younger adult demographic.

The so-called NoLo (non-alcoholic/low alcohol) market is being driven by the creatively-named 'sober curious' movement, a category defined by consumers wanting a different drink experience to the usual alcoholic fare, especially at social gatherings.

The two most prominent trends that seem to be shaping the post-pandemic alcoholic beverage market are affordability and branding, and the two

go hand-in-hand. Cash strapped South Africans are already pushed to the limit, with the compound effects of load shedding (and the mitigation thereof) adding to the pressure on disposal income and discretionary purchases like alcohol.



Xania van der Merwe

Xania van der Merwe, Consumer Specialist at the Great Big Wine Survey and a trainer at wine.co.za's DTC Academy, says that apart from affordability, consumers are concerned about their consumption levels when it comes to alcoholic drinks.

“ In a recent survey that we ran, consumers indicated that any reluctance on their part to drink alcoholic beverages, particularly wine, stems primarily from a fear of over drinking and 'getting drunk too quickly' ”

Xania van der Merwe



Image by <https://wellingtonwines.com/>

“That said, alongside water, wine is still South Africa's go-to beverage when it comes to social occasions and dining, preferred over every other type of alcoholic, low-alcohol and non-alcoholic beverage for all but public events and casual time at home,” she says. “The picture changes, however, when the sample data is focused on younger consumers (18–24), where water, carbonated and non-carbonated soft drinks, and occasionally beers and ciders, are preferred to wine.”



A premium proposition

An interesting trend in the alcoholic beverages market closely follows the brand premiumisation we've seen in other retail categories, especially where well-known, storied and luxury brands proliferate. The trend is driven by younger affluent consumers, and the changing behaviours of work-from-home consumers. However, unlike the premiumisation in the cold beverages industry related to the rise of healthy and functional beverage alternatives, alcohol beverage premiumisation is more brand-specific, with premium 'luxury' brands dominating the sales charts.

This is understandable in many ways, especially where products like wines are often married to the stories of their origins. Younger consumers are becoming more attuned to these differences, and are increasingly valuing brands with legacy and history over mass-produced alternatives.

"Premiumisation dovetails with other socially conscious trends like sustainability, especially among younger consumers," says Van der Merwe. "Only 11% of our research sample indicated that they are not willing to pay more for wines which are ethically produced, for example, while 42% indicated that they will, and 47% indicated that they might," she says. "My takeaway from the current research suggests that consumers are looking to 'drink better, not more', and so retailers should be focused on increasing the quality of alcohol they stock, as opposed to the quantity. It also follows that in-store education of staff is vital to make it work."



Four effective strategies for alcoholic beverage sales

Image by <https://wellingtonwines.com/>

- 1. Competitions to drive sales.** Hosting engaging contests and competitions can boost sales by creating excitement and encouraging customers to make purchases for a chance to win prizes or special discounts, driving higher engagement and foot traffic to your alcoholic beverage department.
- 2. Sign up your customers to receive SMS marketing with daily/weekly promotions.** Encouraging customers to opt in for SMS marketing allows you to directly reach them with timely promotions and special offers, keeping your brand top-of-mind and driving repeat purchases.
- 3. When it comes to wine, well trained staff who can provide support on the floor is always a win.** Knowledgeable and trained staff members enhance the customer experience by offering guidance, recommendations, and information about the wines, which can lead to increased customer satisfaction and higher sales.
- 4. Use of technology to assist consumers.** Leveraging technology like QR codes and virtual wine info sessions enhances consumers' understanding of the products, making it easier for them to make informed choices and potentially increasing sales. Additionally, using visuals like Winelands images on screens can create an immersive and enticing atmosphere, encouraging patrons to explore and make purchases.



The dark side

And so we get to the elephant in the proverbial room: load shedding. While the impact of load shedding on the transport and point of sale of cold beverages can be mitigated to some degree, the impact seems to be far greater for alcoholic beverage makers, and specifically wine producers.

Wellington Wines' Yvonne Blom says wineries need reliable electricity to run machinery, manage temperature, and assure quality.

"For wine producers like us, power interruptions can delay production, damage output, and raise operational expenses," says Blom. "Power outages can also delay product delivery to merchants and customers via delivery trucks and refrigerated storage facilities, and also impair temperature control systems, which harms temperature-sensitive products like wine."

PURA's Jansen takes a more pragmatic approach: "Load shedding impacts all businesses in South Africa, with many looking for ways to mitigate against the negative consequences that it brings," he says. "As a community-driven brand with our consumer at the heart of what we do, we work hard on line cost, and to find ways to not let extra operational costs bleed over into increased prices on shelves."

Whatever the answer and approach, it seems beverage makers are taking a similar route to retailers: mitigate where you can, work around what you can't. In true South African fashion, it seems local businesses are 'making a plan', and making sure that temporary load shedding doesn't get in the way of a long-established industry with enough challenges – and opportunities – of its own.

Closing thoughts

With so many quality brands offering a range of products to suit every taste, age group and budget, the local beverages industry is in good shape – as good as it's been for many years. Future prospects are equally bright, with R&D being invested into the development and sale of healthier alternatives, driven both by government initiatives and consumer demand.

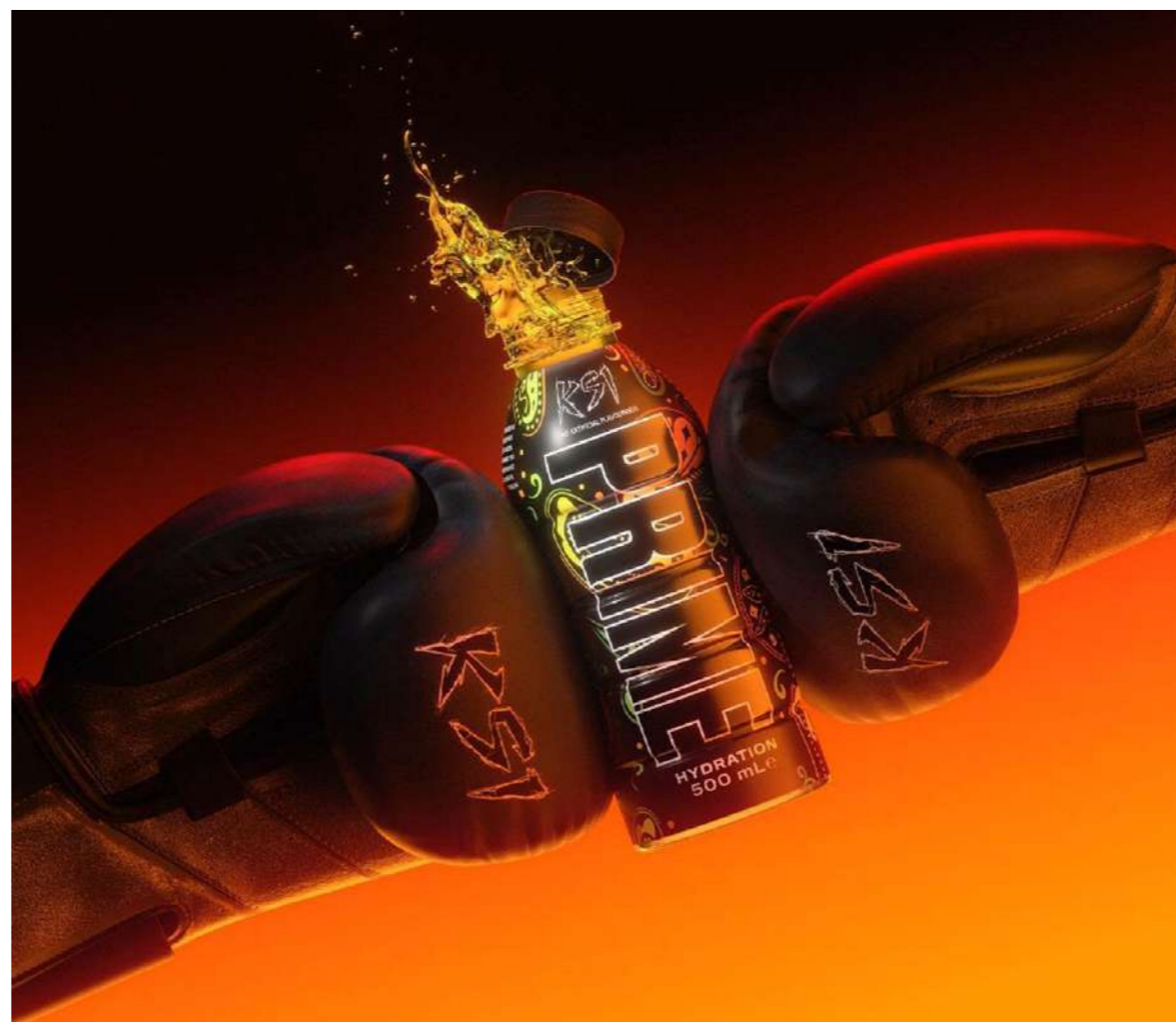


Image courtesy of <https://drinkprime.com/>

Whether your customers prefer a glass of good red wine after a long day's work, sparkling water, or a boost of naturally sweetened soda, never before have the choices been so broad and plentiful. As a retailer, your shelves are literally your oyster. With the right strategies for stocking up your displays and fridges, here's a toast to making this festive season – going into 2024 – the biggest one yet. **SR**

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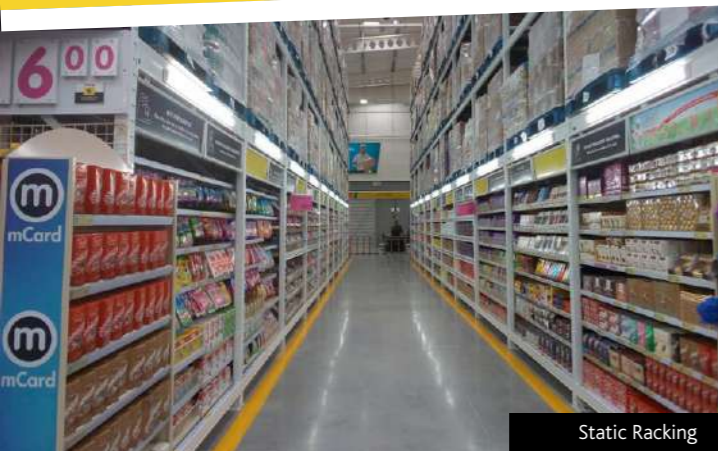
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