Media Feedback Report

2017 Flavoured Alcoholic Beverages in South Africa

May 2017

Definitions

Product Definitions	
Flavoured Alcoholic Beverages (FABS)	The flavoured alcoholic beverage (FAB) market consists of traditional alcoholic fruit beverages, like ciders and wine-based fruit ales, as well as spirit coolers or premixed products.

Channel	Definition
On-Consumption	Includes restaurants, hospitality and pubs. These could be at work or recreational. Examples are quick service restaurants, full service restaurants, accommodation establishments and sports clubs
Off-Consumption	Sale of beverage for consumption elsewhere, not at point of purchase Usually associated with alcoholic beverages

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Market Trends

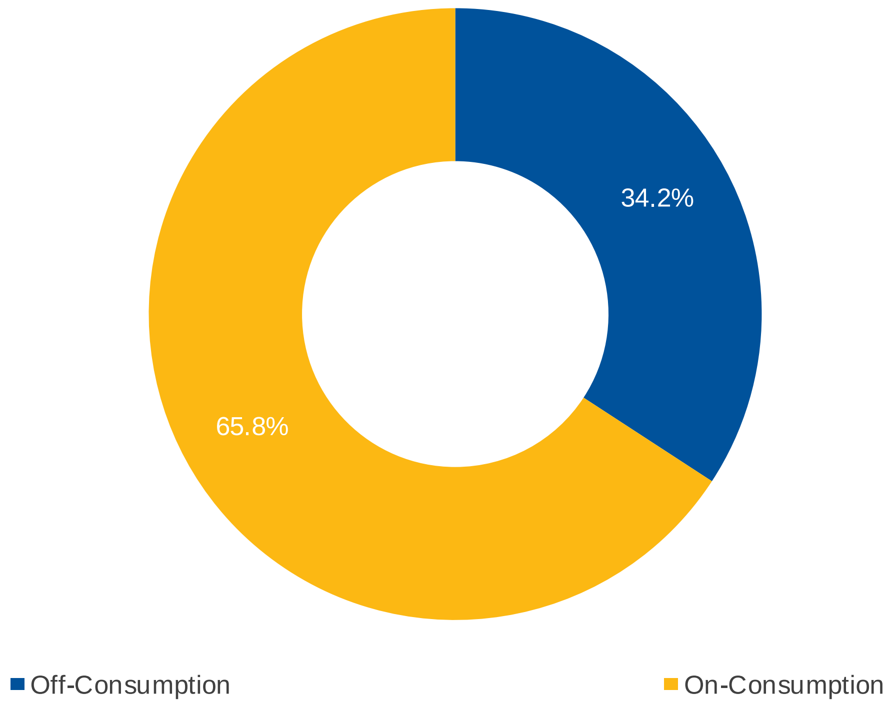
Following historical volume growth from 2012 to 2014, flavoured alcoholic beverages saw a decline in 2015. This was followed by a further contraction in volumes in 2016. The category's value increase for 2016 was attributed exclusively to an increase in the average product pricing rather than an increase in volume.

The recent erosion in category volumes may be attributed to consumer traffic from flavoured alcoholic beverages to more affordable alcoholic drinks, such as homebrewed products. Congruent with this dynamic, there appears to be a general feeling in the industry that depleted consumer spending on luxury products is undermining category growth. The above average price increases for flavoured alcoholic beverages continue to make the category a less attractive option for consumers. These price increases, for imported products in particular, have been driven by fluctuations in the Rand value on international markets.

The off-consumption channel continued to gain volume share within this category from traditional on-consumption outlets. It is believed that an increase in the number of retail or wholesale liquor outlets, as well as a decrease in consumers, frequenting on-consumption outlets eroded the relative on-consumption channel share.

Volumes packed in smaller denominations saw decline during 2016. It is believed that given the on-going annual price increases for flavoured alcoholic beverages, consumers looked for better value-for-money offerings; this benefit was found in larger volume packs. Glass and bag-in-box pack formats noted softer declines in volume demand compared to smaller glass and can packs.

Channel Distribution 2016



The on-consumption channel accounted for 65.8% of the total volume sold in 2016, compared to 66.6% sold in 2015. This channel is losing share to sectors such as retail and wholesale as customers are believed to be purchasing the product to drink at a later stage.

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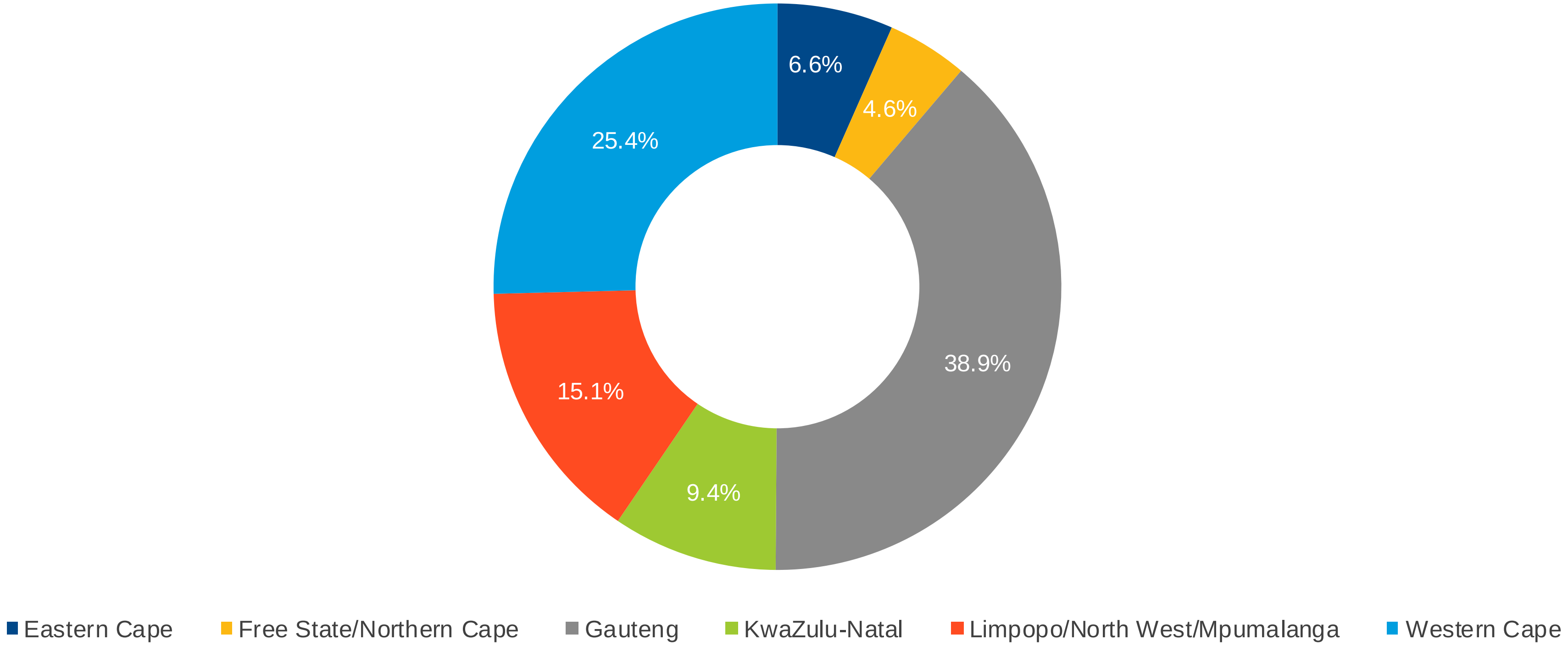
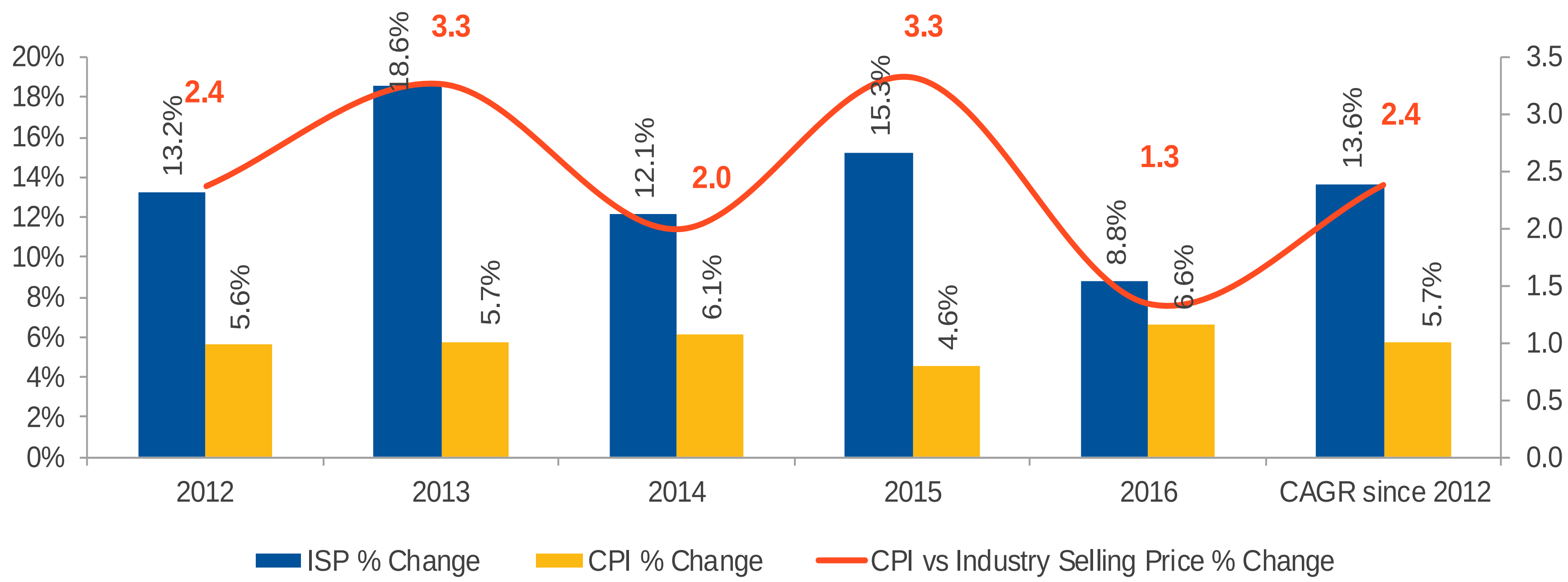
Local Regional Distribution 2016



Gauteng remained the largest region in terms of volume sold in 2016. Most of the players are situated in this region and it is more profitable for them to distribute locally, thus volumes are promoted and distributed in this area.

Historical Average Industry Selling Price



The average industry selling price for this category grew at a higher rate than the CPI index in 2016. However, the 2016 difference was limited compared to the significant CPI versus ISP differences seen in previous years. The smaller difference in 2016 may be attributed to stiff competition amongst brands and players, who kept price increases conservative in an attempt to gain share.

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