

# Report: Cash-strapped shoppers seek value when buying alcohol

As inflation bites and consumers seek value when purchasing alcohol, retailers and brands are having to adapt and learn. A freshly updated report from Trade Intelligence reveals the complex dynamics at play in South Africa's liquor retail sector.



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South Africa is a nation that likes its liquor. Whether it's a case of beers by the *shisa nyama*, a *Klippies en Cola* for the game, or a glass of rosé at book club, alcohol is a major part of our culture.

But how are South Africans managing to indulge in their favorite drinks in this tough economic climate? Where are they shopping and what are they prepared to give up in the search for value?

## Value

"Value has long been a core consumer driver," says Caroline Short, research and advisory services lead at Trade Intelligence. "But in this market, value is seen by shoppers – even in the liquor category – as a necessity, driven by acute economic pressure."

She explains that as with groceries, the hunt for value is a key driver of liquor shopping decisions, including choice of channel, store, liquor category and brand.

Nevertheless, quality – or the perception of quality – remains important for shoppers in this category. Of shoppers surveyed, 79% stated they buy the best they can afford, while 61% say that they would drink less of their preferred drink before switching to something cheaper. And even for South African shoppers, liquor has become a serious business. “When I’m buying liquor, I really have to work on my budget,” says one consumer in the 25-20 age bracket. “Food and liquor have become so expensive. I have to choose between my liquor and food.”



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Liquor retailers are having to change their game to meet these new demands, increasing their promotional activity in store, and shouting ‘value’ across all categories, brands and formats. One key retail chain executive estimated a 20-25% increase in promotional activity since 2022 as the retailers fight for market share and to reach their sales targets. And this in turn has led to the rise of new shopper behaviours. Habitual promotions have led to shoppers buying almost exclusively on promotion – “We trained them to only buy on promotion because there will always be a promotion,” says one operations executive.

### Buying in bulk

One way of delivering value to shoppers is to provide them cost-effective ways of buying in bulk; this has seen the return of those South African icons, the quart bottle and box wine. “Retailers are cleverly tailoring their promotions to provide shoppers with affordable value offerings like quarts of beer and 5l box wines, with the focus directed to pack sizes as shoppers are doing ml for ml price comparisons,” explains Short.

All of this will necessarily have implications for suppliers. Retailers are continuing to negotiate with suppliers to get free stock, to pay for premium promotional space, to activate, and to remove stock close to expiry. “Retailers like suppliers who can provide figures to support and motivate the potential success of their promotions,” says Short. “They want suppliers to demonstrate an understanding of specific markets and tailoring promotions to them – opening doors for a mutually beneficial relationship.”

The need for value is just one of many trends shaping the South African liquor industry. Others include shopper-centric future-fit channels, conscious trading, and intelligent supply chains. All of these – together with essential insights on the dynamics at play in liquor retail – are covered in the *2023 Liquor Retailing in South Africa* report, published by Trade Intelligence. The report provides a comprehensive overview of liquor retailing in South Africa, starting from an outline of the economic context the industry currently trades in, to shoppers’ needs and behaviours and how liquor retailers (corporate, independent and informal) are responding.

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