Wine Business Solutions

Wine On-Premise

SOUTH AFRICA 2021

Credit – Fat Fish Restaurant - Plettenberg Bay

Credit – The Bungalow - Clifton

We conduct this On-Premise research in six of the world's top seven markets for imported wine as well as New Zealand, having originally started with Australia twelve years ago. This is the first time, however, that we have undertaken this research into the South African On-Premise market.

So, why South Africa and why now? For years, we have been told by our South African based clients that it is a market effectively monopolised by two players and that there would therefore be little interest in such a product.

Is that true? If you are reading this now, then that probably answers the question. With COVID 19 shutdowns and alcohol bans having had such a devastating effect on the hospitality sector, the On-Premise remains critical to re-establishing tourism in South Africa. It is the first place to which people will want to return once restrictions are lifted. We have seen that everywhere.

Most importantly, it is the place beyond all others, where wine brands are built. Understanding competition, paths to market and likely future growth opportunities is vital for businesses looking to compete in what will be a fast-moving sector going forward.

The Purpose of this Research

The primary purpose of the On-Premise distribution effort is to attain listings. That is what WBS's 'Wine On-Premise South Africa 2021' measures. To do this, we used over 18,000 individual listings on wine lists (by-the-glass, by-the-bottle etc).

We'll look at who the best distributors are, what the most listed wine brands and styles are, the performance of supplier countries and regions, what restaurants charge as well as how much wine business owners and distributors can expect to make from On-Premise sales.

Why are On-Premise listings so important?

- People buy what they try.
- It enables your wine to be seen and consumed in the best possible surroundings.
- It's a chance for you to be remembered, recommended and bought again, later.
- It's one of the only true 'brand building' opportunities many wineries will ever experience.

About the Sample

This survey covers the full range of possible On-Premise wine consumption occasions including suburban restaurants, fine dining, hotels, pubs and clubs etc. Our sample of wine lists used is drawn completely at random but in proportion to the South African adult wine drinking population.

Our objective is to accurately reflect what the consumer sees when presented with a wine list anywhere in South Africa. At a minimum, we require 95% confidence that we have less than 4% error.

We would achieve this if each list in the survey had only one supplier. As each South Africa restaurant works with an average of 8 distributors, we can do better than that when we are discussing gross numbers, such as national distribution and the performance of regions, brands and wine styles.

(Note - there was no evidence of any single supplier being able to monopolise a list as has been suggested to us. Distell do routinely pair up with as few as one other major supplier, but this mainly happens in more remote locations.)

Naturally, when we start breaking the database down into smaller segments, we lose some of this accuracy. We are careful not to claim any insight beyond what reliable data confirms. With 12 years spent analysing this type of data taken using consistent methodology, we can quickly identify, correct or explain anomalies.

Figure 1 - Share of Wine Lists Used, Based on Share of Adult Wine Drinking Population (sources - KLA, Brand Atlas 2019)

Region	Share
Gauteng	46%
Western Cape	17%
Kwazulu-Natal	14%
Other Regions	
Eastern Cape	7%
Free State	5%
Mpumalanga	5%
North West	3%
Limpopo	1%
Northern Cape	1%

How big is the market?

Altogether, 34 Million 9 litre cases of wine were drunk in South Africa in 2020 according to the OIV. That was 19% down on the previous year, the biggest fall of any major wine consuming country, reflecting lockdowns, alcohol bans and resultant logistical challenges faced by the industry.

Of that, around 7.5 Million cases or 22% is consumed in the On-Premise. This figure is the mean of estimates by four of the biggest supplier companies. This is the same figure as for New Zealand, for example, but higher than more developed markets including Australia, Germany, the UK and the USA who all sit around 19% during 'normal' times. On-Premise sales have, of course, been heavily impacted in South Africa during COVID.

Some other key observations about the South African On-Trade, ex Distell, include that:

- New restaurant concepts emerge constantly. Restaurant goers are spoiled for choice. (Note that this is typical and a perennial problem for cities the size of Cape Town, Singapore, Auckland, Adelaide etc but not so much the problem in the biggest cities where solid concepts tend to survive for longer).
- More at home consumption due to COVID (consistent across all markets).
- The illicit trade continues to increase (unique to South Africa amongst markets that we measure).

The question ultimately becomes how best to address this most important opportunity for wine producers? Who are the best distributors, which are the best paths to market, what are the most popular wines styles, which regions / countries / brands / suppliers are having the most success and how much money is there to be made from On-Premise sales?

LIST OF FIGURES

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