

# Navigating opportunities for alcohol brands in an economic slowdown

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Redefining success in a diverse alcoholic beverage market demands innovation.



South Africans love their alcohol, as do many consumers around the world. It forms a big part of our celebrations; a welcoming drink at a wedding reception, the drink of choice at a braai or around the family dinner table, memorials and after tears gatherings. We find any excuse to indulge in some alcoholic beverages. Today, South Africans rank sixth-highest consumers of alcohol globally, according to the 2018 global status report on alcohol and health published by the World Health Organisation (WHO). Even though alcohol is a marker for many of our special moments, it is apparent that we might have a little problem. The strict regulation on sensational alcohol advertising bears testament to this.

## The Impact of the Alcohol Industry on the South African Economy

With that said, it is equally important to note that the alcohol sector in South Africa supports approximately one million jobs and contributes significantly to tax revenues, with a total of R72bn, along with an additional R173bn to the country's GDP. The question arises: Is the liquor industry a curse or boon to the South African economy? During the ban on alcohol back in the pandemic era, our health sector experienced relief from trauma cases, shifting focus to Covid patients and undeniably improved the well-being of our high percentage of binge drinkers (despite the outcry and illegal trading). In the same light, the economy dwindled.

## The current state of the South African economy

Fast-forward to the present, South Africa is facing a gloomy growth outlook in the short term, with a real possibility of experiencing flat or no growth in 2023. There is even a chance that the country might already be in a technical recession in the first quarter of 2023. The SARB Monetary Policy Committee (MPC) announced a 50 basis points increase in the REPO rate, pushing it from 7.75% to 8.25% and diminishing the consumer's buying power further.

## Opportunities for alcohol brands in an economic slowdown

The current state of the economy should not be a death sentence for our beloved brands. It is important to remember that

even during an economic slowdown, there are opportunities for brands to grow. Brands need to be innovative and have the correct mix and understanding of their consumers, products, and services, as well as their brand message and that of their competitors. Even more, the financial strain on consumers due to inflation can contribute to depression, and sadly, in some cases, the alcoholic industry seems to benefit from this.

However, we cannot solely blame the industry for this, we often see brands adhering to the long-published advertising guidelines and placing warnings that every so often, take up most of the ad creative, leaving minimal space for marketing. So, what does this mean? Alcoholic brands must develop a strategy based on their understanding of market trends, competitors, consumers (both existing old and potential), [media](#), social trends and health trends, among other factors. Combining these insights helps brands understand their unique selling points, reputation and customer buying journey, enabling them to increase their market share, explore new markets and maintain overall sustainability.

Social norms in a multicultural country like South Africa are diverse. We mentioned earlier that South Africans use alcohol for various occasions, but there is also a growing trend of non-alcoholic drinks. This trend allows non-drinkers to join in on the 'South African-ness', and simply enjoy themselves without being stigmatised or being asked the infamous 'Why not?'

In recent years, we have witnessed a positive shift where consumers are opting for no-alcohol or low-alcohol (known as 'NoLo') beverages over traditional alcoholic drinks in the name of health and well-being. Today, our young generation is transitioning towards healthier, natural, organic, and non-GMO lifestyles. With the rising demand for wellness and sustainability, Alcoholic beverage brands that effectively communicate their commitment to these values and provide evidence to support their claims will stand out in the market.

Achieving success in today's diverse and fragmented alcoholic beverage market requires significant deviation from the past era of relying solely on established, profitable brands. Ongoing adaptation and innovation are essential to capture the attention of consumers who seek a balance between full-strength and NoLo beverage options. Additionally, traditional non-alcoholic beverage brands are increasingly encroaching upon the territory traditionally dominated by beer and liquor brands. This necessitates a transformation in brand perception and marketing strategies to remain competitive in the evolving landscape.

The alcoholic beverage industry is becoming increasingly fragmented and diverse with each passing year. Like any industry, success can only be achieved through innovation and continuous evolution. Consumer needs will continue to evolve, and brands will constantly compete to capture their attention. This calls for a transformation in brand perception and marketing strategies to stay competitive in this changing landscape. To do this, brands must stay informed about what is happening in the micro and macro environments.

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