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Working paper 2008



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Leading Minds

Increasing Domestic Consumption of South African Wines: Exploring the market potential of the “Black Diamonds”

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Abstract

Although South Africans are not predominantly wine drinkers, the industry is looking for ways to develop the local market to balance exports. The black middle class, increasingly referred to as the Black Diamonds are the most powerful marketing trend in the last 10 years as they have emerged as the strongest buying influence in the economy and making inroads in understanding this market presents a good opportunity. The data used in this paper was collected from an integration of a consumer behaviour survey; as well as personal interviews and focus group discussions. The paper asserts that the key factors influencing the South African consumers' behaviour are age, gender, income, race and wine drinking history. The paper also asserts that not only are the black middle class different from the white middle class but within the Black Diamonds different segments exist. The industry should particularly focus on marketing to the women and the “Start me up” age group in the group as there is limited consumer knowledge about wines, but a high willingness to experiment. The paper also suggests various new brand communication platforms that can be explored to reach this market as well as co-opetition between industry stakeholders.

Keywords: Black Diamonds, wine consumer behaviour, alcoholic beverages

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1. Introduction

For the largest part of the 20th Century the industry was subject to a system of statutory control and cooperative structure, while it was largely isolated from the international market due to political sanctions. During this period, the South African wine industry's main concern became getting rid of surpluses, instead of developing market-oriented export strategies. The market remained an abstract concept, removed from the primary producer on the farm. As a result, the South African wine industry developed into an industry with an inward production-oriented focus (Meissenheimer, Karaan & Vink, 2004:7).

The marketing and distribution of South African wine has changed dramatically in the past 15 years prompted by new opportunities and challenges mainly due to the political liberation of South Africa and the ending of sanctions. With the removal of statutory control and sanctions, combined with a global shift to free international trade during the 1990's, the value chain in the South African wine industry suddenly found itself in a new operational environment, an environment which exposed the industry to new opportunities and threats (Kruger, Du Toit & Ponte, 2006; SAWIC, 2007:7).

Stakeholders in the South African wine industry are increasingly under pressure because although exports are growing, the strong rand erodes the profits; there is a global over supply of wine; there is an influx of new brands; large retailers are densely concentrated and wield the power against a fragmented supply side; and prices are perpetually under pressure (Meissenheimer, *et al.*, 2004:6). Although the local market for wine has significantly stabilized, the growth of the South African wine industry relies heavily on exports. This resulted in a sustained increased competitive performance since 1990. However, in 2006 the industry experienced a temporary fall in exports as a result of the strength of the rand and the global over supply of wines. This is also in light of the fact that the industry is structured for the production of large quantities of what is perceived to be lower priced wine for which demand is declining. In light of these recent developments, the South African wine industry recently averted some of its focus towards the local market (van Rooyen, Esterhuizen & Vink, 2008; Kruger, *et al.*, 2006; SAWIC, 2007:8).

Objective of the paper

This paper seeks to develop a framework of reference to assist with the formulation of marketing strategy recommendations for South Africa in terms of the generally untapped emerging black middle class market by identifying and characterizing existing and potential wine consumers and their preferences in order to shift more consumers from beer, and other beverages, to wine consumption.

2. Trends in the market for alcoholic beverages

Global market for alcoholic beverages

The global wine market is becoming more and more saturated as beer consumption continues to increase. AC Nielson data (2006:11) reveals that beer, lager and ales continue their global dominance as evidenced by their having the largest absolute growth in market share as shown in Figure 1. Beer increases around the world are due to several factors, including price increases, focus on more premium or craft beers in some markets and the introduction of “healthy” (non-alcoholic or light) beers (AC Nielson 2006:27). In spite of this general trend, wine has experienced a noticeable increase, as shown in Figure 1.

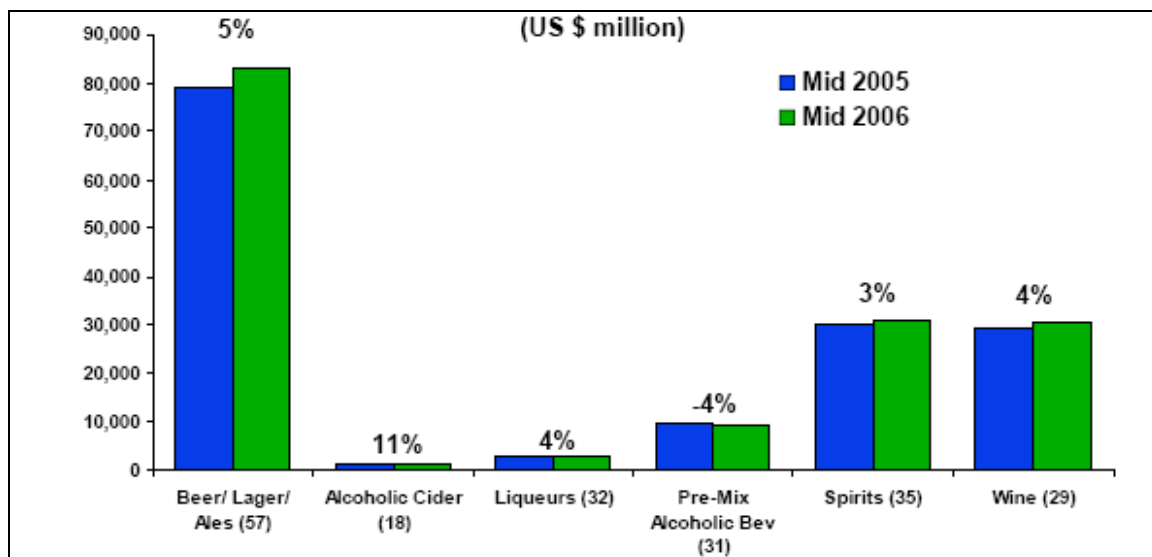


Figure 1: Global Growth of Alcoholic Beverages

(Number of markets in parentheses)

Source: AC Nielson, 2006:27

South Africa's domestic market for alcoholic beverages

Both the local and export market for wine have stabilized since 2006 (SAWIC, 2007:8). The industry is tasked with finding ways of filling the export profit gaps because while exports have soared, domestic per-capita consumption has slumped from 337 400 hectolitres in 2001 to 295 200 hectolitres in 2006. For the first time in the industry's history, export sales far outweigh domestic sales. The industry is now ranked 35th in terms of world domestic consumption rankings with current per capita wine consumption at 8 litres per annum. For the wine industry to be successful, a strong domestic market is critical. An opportunity exists to increase domestic consumption of wine through the inclusion of the urban black majority (van Rooyen, *et al.*, 2008; Van der Merwe, 2006:21; Rands, 2007). A detailed breakdown in the trend of domestic consumption is illustrated in Table 1.

Table 1: Domestic Market – Wine and Brandy

DOMESTIC SALES	2005 MILLION litres	2006 MILLION litres	2007 MILLION litres	2007/2006** TREND
Natural wine*	299.8	298.6	312.1	104.5
Fortified wine	32.0	33.5	34.2	101.9
Sparkling wine	8.3	8.6	9.5	109.9
Brandy @ absolute alcohol	19.7	20.2	20.0	98.8

* Includes wine used in grape-based liquor and alcoholic fruit beverages

** 2006 is the baseline and therefore 2006=100

Source: Wait: 2008:4

SAWIS and Distell are optimistic about the local wine market because wine sales volumes are finally picking up in South Africa and the data shows an encouraging trend. SAWIS expects better growth in wine sales by both volume and value for 2008 compared to 2006 and 2007 levels. The domestic demand for natural wine is expected to increase each year by 0.9% from 2007 to 2011 (De Kock, 2007; Van der Merwe, 2006:2).

This growth in domestic demand is in spite of the fact that South Africa has no dominant wine culture. In 2006, the market share of sorghum and malt beers combined were nearly 68%, but while the wine sector has been meagre in comparison to brown spirits, premium beer and ready-to-drink alcoholic beverages in the growth stakes so far in South Africa's ongoing economic boom, producers have reason to be a bit more optimistic this year. The trends in the domestic market shares are shown in Figure 2 (Clare *et al.*, 2004:51-53; Wait, 2007:29).

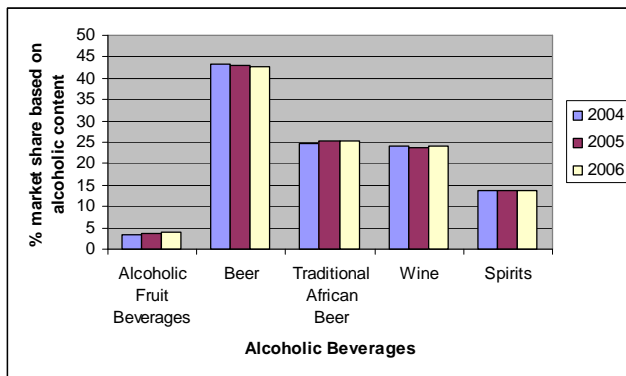


Figure 2: Domestic Market Share for Alcoholic Beverages

Source: Wait, 2007:29

3. An overview of the South African wine industry

The history of the South African wine industry is blemished by racism and discrimination. White power was embodied and entrenched in the structures of local government and in the development of agro-institutional linkages. Political and cultural power was exercised and reproduced in the form of membership and control of local cellars, producer co-operatives, the boards of credit institutions and banks, schools, estate agents and the circuits of white rural civil society itself. Deep linkages existed between political, economic and cultural power (Kruger, *et al.*, 2006).

During the apartheid years, the sale of liquor in black communities was strictly controlled by laws that prevented black entrepreneurs from obtaining liquor licenses and severely limited the supply of liquor in places where black people could buy it. Raids on shebeens² were common. In many places, beer drinking was restricted to vast beer halls, the profits of which were used to fund Bantu Administration Boards, while workers in the wine industry were controversially paid partly in wine through the "tot" system and this created an endemic alcoholism problem (Kruger, *et al.*, 2006; Wait, 2007:29).

The government now seeks to empower previously disadvantaged persons to acquire a meaningful stake in the multi-billion-rand industry. Thirteen years into majority rule; the wine industry is only 1.5 percent black-owned. A variety of approaches have been tried, including allocating shares of established vineyards to employees and parcelling off land for them to cultivate under their own brand. However, wine production is a highly skilled,

² Informal liquor sale points, commonly in townships.

extremely competitive industry with high cost entry barriers (Zavis, 2005). At the turn of the century, the agricultural sector's transformation agenda shifted from the initial focus on land and labour reforms that would benefit farm workers, to 'black empowerment in all sectors of the agri-food sector'. This created opportunities for 'black' investment in the wine industry, in land and primary agriculture, as well as in wine making, branding, marketing and distribution. In 2007, South African Wine Industry Council (SAWIC) submitted the Wine Transformation Charter and Scorecard directing different aspects of BEE to government (Ngwako & Ndanga, 2007; Kruger, *et al.*, 2006; van Rooyen, 2007).

Brand ownership models have helped to redress some of the inequalities because these models are in line with government's BEE initiatives. These firms represent the new generation of the SA wine industry through the empowerment of not only black people, but also women. They also seek to vanquish the illusion of wines as a drink for white people by focusing on young upcoming black professionals as a target market (Zavis, 2005; SAWIC, 2008:52).

South Africa's wine production industry is currently worth around R16.3 billion, produces 3.4% of the world's wine and is ranked 8th in the world. The trend in wine production is shown in Table 2.

Table 2: Total Wine Production

Wine Production	2006	2007	2008	2009
	Million litres			
Drink wine	710	709	699	680
Rebate wine*	82	84	84	84
Fruit juice**	73	91	85	76
Distilling wine	148	144	144	144
Total	1013	1028	1012	984

*Wine for brandy

**Grape juice concentrate and grape juice

Source: BFAP, 2007:44

Although production keeps growing, South African wine exports experienced a temporary hiccup in 2006 when sales dipped by almost five percent after twelve consecutive years of growth. In 2006, for the first time since the advent of democracy, South Africa's wine export volumes dipped. Prior to this drop, the industry experienced an impressive growth trajectory in which volumes rose from 22 million litres in 1992 to 282 million litres in 2005. However,

despite that temporary setback, wine exports are back on track, as total exports across all markets for the first seven months of 2007 were 10 percent higher than the same period in 2006; exports of natural wine for the twelve month period from November 2006 to October 2007, increased by a remarkable 14.3 percent; and for the first time ever in the history of winemaking in South Africa, in 2008, exports of wine outstripped domestic sales in terms of volume (NDA, 2007:41). In the last 15 years exports have risen from a modest 22 million litres in 1992 to approximately 317 million litres in 2007. Earlier data from the SA Wine Industry and Information System (SAWIS) showed that South African wine exports recorded a 16 percent increase in volumes sold for the first 11 months of 2007, as compared to the same period in 2006 and sales figures for the first quarter of 2008 show an increase of 35 percent compared to the same period the previous year (SAWIS, 2008; Erasmus, 2008).

4. The South African wine market

The South African wine market is undergoing some changes at both the producer and consumer levels, such as the influx of the new brands and styles, including a number of new BEE brands and new consumer demands with respect to health, biodiversity concerns and ethical issues (SAWIC, 2007:8). Developing the domestic market for wines is integral, with the emerging market being of utmost importance. However, not much research has been done into the marketing potential of the domestic market (Rands, 2007). Producers in the wine industry face a challenge to deliver wine offerings that are aligned with wine consumers' needs and preferences because culture is one of the foremost differentiators between races, and it is a principal factor which cannot be discarded when marketing to South Africa's multi-cultural population. A full understanding of wine consumers' needs, preferences, attitudes and buying behaviour is needed in order to identify market segments and to try to contribute to present and future business profitability (Bolin, 2007).

Thus, implications for management in terms of the development of effective marketing strategies for emerging wine producers are vast. The quest is to close this "offerings-wants gap." To achieve this strategic goal, we need to acquire knowledge about what wine producers are offering on the one hand and the preferences of black consumers on the other hand. Undifferentiated marketing appears to be an unrealistic approach to the expansion of the wine market. A completely differentiated strategy, on the other hand, is not possible as promotion costs are almost unaffordable for most wine companies as the companies are quite

small and produce wine of varied quality (Gil & Sanchez, 1997). The total liquor spending of the different segments are shown in Table 3.

Table 3: Liquor Media Advertising Spend

	2005 (R million)	2006 (R million)	% change
Total Wine spend	40	40.5	+1.25
Total Spirits spend	269	303	12.6
Total Beer spend	163	178	9.2

Source: Rands, 2007

Beer companies spend four times more on Media Advertising Spend than wine companies and ChivasRegal & Johnnie Walker together spend more money on advertising than the entire Wine Industry. It is therefore not surprising that authors such as Rands (2007) postulate that “It is not that the consumer does not have the money to spend, but rather that the wine industry has failed to communicate an exciting and desirable message effectively”.

Despite these assertions, industry leaders believe that the number of black wine consumers is increasing, with women leading the way (Morris, 2006). When the Black Middle Class took over from their white counterparts, they inherited the positions left by the Europeans; and decided they wanted a better taste of what the Europeans were tasting in their own countries. This has seen the propagation of a westernized culture in local communities (Onyeani, 2005:4). There is an overwhelming desire among black African South Africans to have access to a lifestyle they believe is their right (Naidoo, 2007: 5). However, it is still socially unacceptable in some black communities to have a bottle of wine with your family and there is still a cultural block against black women buying wine openly off a shelf. However, this is changing.

The macro-environment

Real GDP per capita is a key variable driving the demand for food. Real GDP per capita is projected to increase as a result of stable monetary and fiscal policy, a relatively stable world economy, and the emergence of a new black middle socio-economic class. This stimulated consumer demand has led to strong growth patterns in some consumer sectors of the economy (BFAP, 2007:7). With the South African government, the BFAP Baseline Study and other researchers, forecasting continued robust economic growth of around 5% for 2007,

the sustained higher incomes being generated are likely to support a more rapid rise in wine sales, and a more intensive and more effective local marketing effort can only help the cause (Bolin, 2007).

Authors such as Laden, (2003:197) have argued that the fundamental drive to consume 'things' in South Africa is not so much a manifestation of existing notions of individualism but a way of prefiguring new social options for fashioning new 'individual' and collective concepts of selfhood and identity. The black market has not been a marketing priority within the local South African wine market for many years and firms would like to expand their business into this market and in so doing become a part of the new multi-cultural South Africa. Producers are trying to grow the domestic market by wooing an emerging black middle class because they believe this is where the future of the wine industry lies and wine is making inroads as the drink of choice among South Africa's growing "black diamonds". In South Africa, black nationals make up the majority of the population. So the potential for them to make up a bigger percentage of sales is far greater. Part of the reason for the growth in black wine consumers is that there is a growing pool of black South Africans with a "decent disposable income" (Morris, 2006).

The new black wine drinkers have to overcome individual families' traditional attitudes to wine drinking. People want to have wine socially and there is a trend toward black women openly going into supermarkets to buy wine (Morris, 2006). It is high on the industry's agenda to swing the emerging middle-class black market from high-end whiskies, cognac and beer, to wine while at the same time promoting the wine culture because this market is still hugely untapped. They also seek to vanquish the illusion of wines as a drink for white people by focusing on young upcoming black professionals as a target market (Birch, 2007:20; Zavis, 2005).

The consumer market

South Africa has a multi-cultural society made up of diverse ethnic groups and cultures with a wide variety of wealth groups and cultural denominations spread over urban and rural areas. The overall population size is 45 million people. The ethnic population is split into 74% blacks, 14% whites, 9% mixed race and 3% Indian. South Africa's society is undergoing significant changes following the end of apartheid in 1994, when white minority rule was

abandoned and a black majority rule was accepted. There are 8,837,178 people in Gauteng Province, which is the province with the highest economic activity concentration (BFAP, 2007:46; PlanetRetail, 2007).

The Universal Living Standard Measures (SU-LSM) is a market segmentation tool developed by the South African Advertising Research Foundation (SAARF) to partition the consumer market on the basis of socio-economic status of consumers. The poorest consumers are in the segment SU-LSM 1 and the richest are SU-LSM 10. 59.3% of South African consumers fall within SU-LSM 1 to SULSM 5. The most powerful marketing trend in the South African economy in the last 10 years has been the emergence and growth of the black middle class. They are mostly in SU-LSM 4 to SU-LSM 6. They currently constitute about 43% of the South African population, make a 37% contribution to retail shopping and have the highest retail shopping frequency (BFAP, 2007:47). TNS Research Surveys and the UCT Unilever Institute coined the term “Black Diamonds” to describe the South Africans that comprise the country’s fast-growing and affluent black middle class (Mawers, 2006).

South Africa's black middle class, increasingly referred to as Black Diamonds, has grown by 30 percent per annum in the past 5-6 years and an astonishing 35% in the past year. This growth has been stimulated by a combination of factors which include job opportunities, constitutional freedom, greater access to education, relatively low inflation and interest rates, and more spending power to buy goods and services (Naidoo, 2007:1). The black middle class citizens currently constitute an estimated 2.6 million South Africans, compared with 2 million in 2005. There is not only growth from new entrants into the Black Diamond segment, but also from within its ranks as people move up the ladder and establish themselves in the middle class (I-Net Bridge, 2007).

The contribution of this group to total buying power has grown considerably in absolute terms, reflecting an increase of R50-billion in just over a year (2006-7). Their combined annual spending power has grown tremendously from R130 billion at the end of 2005 to R180 billion at the beginning of 2007. In comparison, white South Africans' annual collective buying power increased from R230-billion to R235-billion and that of black South Africans collectively from R300-billion to R335-billion over the same period (SouthAfrica.info reporter, 2007). It is noteworthy that 12 percent of South Africa's Black Diamonds account for 54 percent of all black buying power (I-Net Bridge, 2007). The black middle class has

emerged as the strongest buying influence in the South African economy. Making inroads in understanding this market presents a good opportunity since this is an important economic group (SouthAfrica.info reporter, 2007).

There is need to increase domestic consumption of wine through the inclusion of the urban black majority. Producers endeavour to grow the domestic market by wooing an emerging black middle class because of the growth in black wine consumers due to the increase in black South Africans with a "decent disposable income" (Morris, 2006). The emerging Black Middle Class is showing itself to be a formidable force in the South African economy both in terms of earning and spending. The rise in the spending power of black consumers is boosting key retail sectors. A report by the Financial Mail (as cited by SouthAfrica Info, 2007), reiterated earlier indications that there was measurable growth in the number of black middle class South Africans as a result of a combination of factors, including the government's black economic empowerment drive. The growth has been driven by a sharp increase in the number of black employees in white-collar public sector jobs, a marked increase in the number of blacks employed in the private sector and the development of black business enterprises.

5. Market Segmentation of the Black Diamonds

The aforementioned Black Diamonds are not a homogenous group and consist of a number of different segments defined by life-stage, age, occupation, education and income. Four super-segments have been identified by both TNS Research Surveys and the UCT Unilever Institute that can be further divided into seven sub-segments (UCT-Unilever, 2006; Muyambo, 2006; Mawers, 2006; African Response, 2007). It is not surprising that much of this buying power lies in the hands of an older, more established super-segment:

1. **The Establisheds** - mainly 35 to 49, married with school-going children, the wealthiest and best educated, they consist of about 39% of the Black Diamonds and contribute 58% of the Black Diamond buying power. There are two-sub-segments:

a. Those preferring the *status quo* - the oldest group, with strong township roots (though 19% live in the suburbs), comfortable and settled, and the most conservative in their money management. They consist of 44% of the Established and 17% of the Black Diamonds. They contribute 22% of the buying power and have an average monthly personal income of about R6900.

b. Those with a *future focus* - the most affluent group with many professionals, highly optimistic and driven, with a greater propensity to invest in property and be more financially active; they have the highest car ownership and consist of 56% of the Established and 21% of Black Diamonds and contribute 36% of the buying power with an average monthly personal income R10 000. A third live in the suburbs.

2. **Young families** - most of this more female group have young children, mostly under the age of six; half are single, a third live with their parents; they consist of 22% of Black Diamonds and contribute 20% of the segment's buying power. This group illustrates the immense economic potential of the “bappie” group. Again, two sub-segments emerge:

a. Those preferring the *status quo* - the group with the strongest township roots (though 18% live in the suburbs), the least financially savvy and least well-educated with a strong female skew, they consist of 55% of the Young family segment and 12% of the Black Diamonds, contributing 7% of the buying power with an average monthly personal income of R3400.

b. Those with a future focus - they are better educated, mostly in full-time employment and are the most goal-orientated segment with the highest propensity for financial risk and interest in (suburban) property; they have the highest need for credit and consist of 45% of the Young family segment and 10% of Black Diamonds and contribute 13% of the buying power. They have an average monthly personal income of R7 200. 81% still live in the townships but many of these will move to suburbia as soon as they can.

3. **Start-Me-Ups** - these are youngsters starting out and on the way up: most are single and childless and in the 18 to 29 year age group with a male and white-collar job bias - they like fun and parties; they make up 21% of Black Diamonds and contribute 19% of buying power. This is the mostly “buppie” group. The two sub-segments here are as follows:

a. Those preferring the *status quo* - a strongly male group, 78% live in the townships and will probably stay there (even suburb dwellers have a strong township orientation); they are the least optimistic group and are less well-educated with a strong Johannesburg bias; they consist of 63% of the Start-Me-Ups and 14% of the Black Diamonds, contributing 11% of the buying power with an average monthly personal income of R4 700.

b. Those with a *future focus* - gender is more even in this group; they are better educated with better jobs - most work full-time - and are very positive about their future, with a understanding of investments and financial risks. They consist of 37% of the Start-Me-Ups

and 8% of Black Diamonds. They contribute 8% of the buying power and have an average monthly personal income of R6 000.

4. Mzansi youth - this last segment is primarily young, single students with low incomes of about R800 and live with their parents. However, they are very optimistic, physically the fittest and the most active with clear plans to further their education. They like the lack of restrictions that they find in the townships. They make up 18% of Black Diamonds but contribute just 3% of the buying power - nonetheless, they are the future.

6. Analytical framework: Factors influencing consumer behaviour

Black Diamonds are the market of the future, and marketers need to understand its heterogeneity and different mindsets as it will probably become more complex and fragmented in the future. Nearly 50% of Black Diamonds feel that they are misrepresented in the media by local marketers and advertisers. In order to gain the competitive edge, marketers must understand what is in the mind of the black middle class consumer, as well as their culture, ethnicity, social and economic background, faith, language, values and customs (Mawers, 2006).

Previous research suggests that the black middle class has both unique characteristics, as well as similarities to the white comparative group and further shows that the black middle class differentiates themselves from the white middle class by their culture and roots. Black people are more influenced by traditions, customs, laws and social purpose. Self-respect and dignity was also found to be of great importance to black respondents, all of which will influence buying decisions, and therefore the manner in which products and services should be marketed to a black middle class. An understanding of what the needs of the black middle class are will ensure a connection with the customer (Mawers, 2006).

Complex factors influence consumer behaviour toward wine. Consumer behaviour is defined as a set of activities that people perform when they look for, evaluate, use and dispose of goods with the object of satisfying their needs and wishes. These activities include not only mental and emotional processes but also physical actions (Palau, *et al.*, 2006:2). Together, these factors share geographic, demographic, and use-defined markets. Most of the factors are demographic, concerning consumers' location, income, gender, education, and age

(Engels, *et al*, 2004:9). Many theories have been developed to explain consumer behaviour and predict consumer preferences.

According to Kotler & Keller (2006), the Consumer Behaviour Model, (as shown in Figure 3) is a stimulus-response model. The characteristics of the buyer influence the way in which he perceives and reacts to stimuli. The decision process of the buyer itself affects the conduct of that buyer.

There are characteristics that affect the behaviour of consumers: cultural, social, personal and psychological factors. In general, these factors cannot be controlled but must be taken into account. Cultural factors exert a wider and more profound influence on consumer behaviour. Culture is the most basic origin of people’s desires and conducts. Consumption patterns and the choice of different products will depend on the consumer’s culture. That culture in turn has more reduced subcultures, which are groups of people who share value systems based on common experiences and situations (Kotler & Keller, 2006: 174-183).

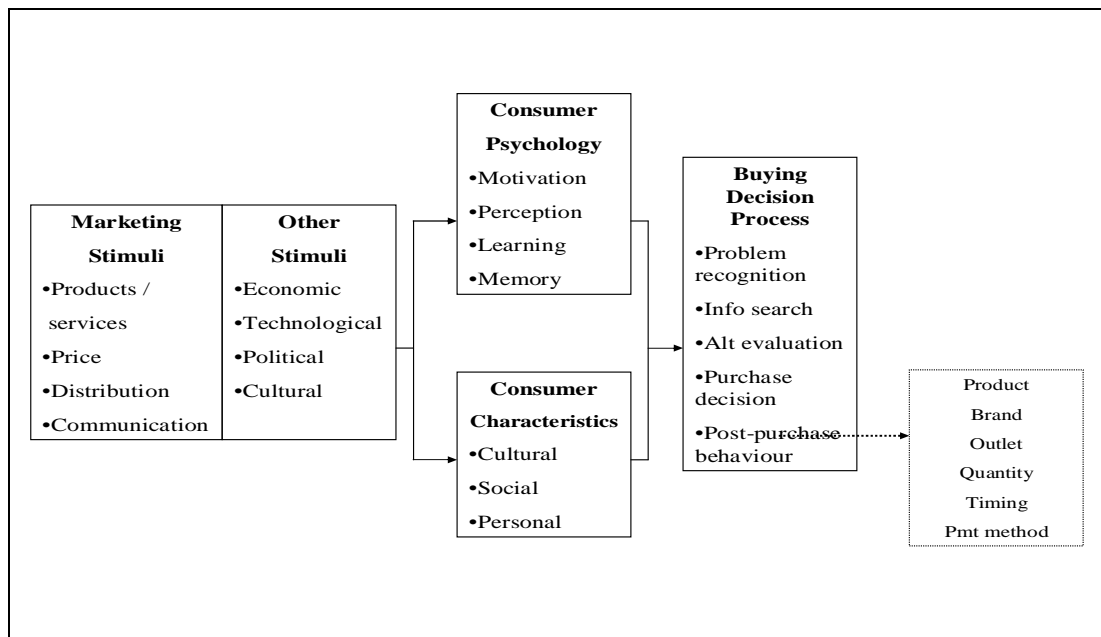


Figure 3: The Consumer Behaviour Model

Source: Adapted from Kotler & Keller, 2006: 184

Regarding the social factors, social classes are relatively permanent and organized divisions of a society, whose members share similar values, interests and conducts. They are not determined by a single factor, but are measured as a combination of occupation, income, studies, wealth, family and other variables. Regarding the personal factors, one of the

components that most influences the purchasing behaviour is the economic situation that determines the lifestyle, a person's life pattern. In order to understand these forces, the main AOI (areas of interest) of consumers must be measured: activities (work, leisure, shopping, sports, and social events), interests (foods, fashion, family, recreation) and opinions (Palau, *et al.*, 2006:2).

Phillips & Peterson suggest several different types of customer characteristics may be used as the basis for identifying a group of target buyers. Marketers have used demographic characteristics (e.g., age, income, gender, etc.) both broadly and narrowly to group potential customers into segments. Marketing researchers have proposed other customer characteristics besides demographic traits to segment markets. Sissors (in Phillips & Peterson) identifies a number of customer characteristics including usage patterns, brand loyalty, and readiness to buy, among others. Another method, called lifestyle segmentation, was developed by integrating demographics with psychographics (attitudes and values).

Due to the fact that consumers are not homogenous, it is also important to establish branding as a quality signal and to build brand loyalty for wines. In food markets, where unobservable product quality has gained rising importance, reliable quality signals, such as brands, prices, warranties, therefore, are fundamental instruments in consumer marketing. Brands are considered to be important drivers of food quality. Brands enhance product recognition and serve as communication instruments. As quality signals, brands are especially useful to communicate and guarantee a high level of unobservable product quality as brand producers make several investments to build brand equity, i.e. advertising, public relations, product design or packaging (Luth & Spiller, 2005).

Table 4: Typology of Attributes and Quality Signals

Typology of Attributes	Search Attributes	Experience Attributes	Credence Attributes
Suitable Quality Signals	Packaging, Design, Appearance	Brand, Price, Reputation	Brands, Guarantees, Test Labels

Source: Luth & Spiller, 2005

Although the wine market seems predisposed to branding and drinkers seem comfortable with the notion of a highly differentiated product. Branding begins with the realization that consumers buy ideas of quality associated with products and not products. Wine is considered

a lifestyle beverage. These ideas and assumptions are not imaginary, and must be anchored to a brand (Atkinson, 1999:229).

Senauer *et al* (1991) discuss a lifestyle-based segmentation scheme used by the Pillsbury Company. It divides food consumers into five categories: the Chase and Grabbits, the Functional Feeders, the Down Home Stokers, the Careful Cooks and the Happy Cookers. Research Surveys has identified four super-segments for Black Diamonds that can be further divided into seven sub-segments. The four super-segments are the Establisheds, Young families, Start-Me-Ups and Mzansi Youth (UCT Unilever Institute, 2006). A number of other lifestyle-based segmentation systems are also described in detail in Senauer *et al*. The final class of customer characteristics that may be used to create market niches are behavioral factors. Yankelovich (in Senauer *et al*, 1991) suggests seven bases for behavioral segmentation. They are value, susceptibility to change, purpose, aesthetic concepts, attitudes, individualized needs, and self confidence.

South Africa is echoing the US, where recent research showed that African-Americans spent more on wine than white consumers (Mayen & Marshall, 2005). In recent years, an effort has been made to increase wine consumption and to provide further information about "typical wine" to consumers and market segmentation in Australia (Johnson, *et al.*, 1991), Spain (Gil & Sanchez, 1997), Greece (Tzimitra-Kalogianni, 1999), New Zealand (Thomas & Pickering, 2003), Armenia (Engels, *et al*, 2004), the Czech Republic (Chládková, 2004), New Mexico (Alimova *et al*, 2006), India (Jha, 2007), Italy (Segheiri, *et al.*, 2007) and the USA (Anonymous, 2007). In South Africa, the industry has contracted WOSA to develop a generic marketing strategy for the local wine market in the hopes of achieving growth of the MP (medium price) and HP (high price) wine categories to ensure the whole industry benefits and generic to avoid duplication of activities by local companies (Birch, 2007).

It should be noted that various organization continue to undertake consumer behaviour studies on a larger scale than that of this paper and provide perhaps more reliable data due to their superior sample size. The US Wine Market Council conducts annual consumer surveys to delve into the underlying attitudes and perceptions of wine consumers (wine market council, 2007). Private firms, such as the American firm, Tragon and South African firms, such as Nederburg and Robertson, also partake in consumer surveys. Smaller firms, such as Yammé, hold focus group meetings for their target markets in an attempt to better understand

and penetrate this market (Personal Communication: J Fletcher, 2007); and others fall within the wine route and have visitors to the wineries fill out a “Winelands Experience” form for Wine.co.za. The same organization also conducted a consumer survey at the 2006 Soweto Wine Festival.

7. Research methodology

The data and information used in this paper is based on research by Ndanga (Ndanga, Louw & van Rooyen, 2008), and was collected from an integration of a consumer behaviour survey as it was in the study by Engels, *et al* (2004); as well as personal interviews with industry stakeholders and focus group discussions, as in the annual US Wine Market Council consumer surveys and the study by Schmidt (2001). Consumer behaviour questions and subsequent analysis will provide answers related to peoples’ behaviour and attitudes towards wine; the interviews will determine industry stakeholders’ perceptions on the current state and future outlook of the South African wine industry; and the focus group discussions will provide a basis for the analysis for qualitative data. A summary of the conceptual framework and implementation plan is illustrated in Figure 4.

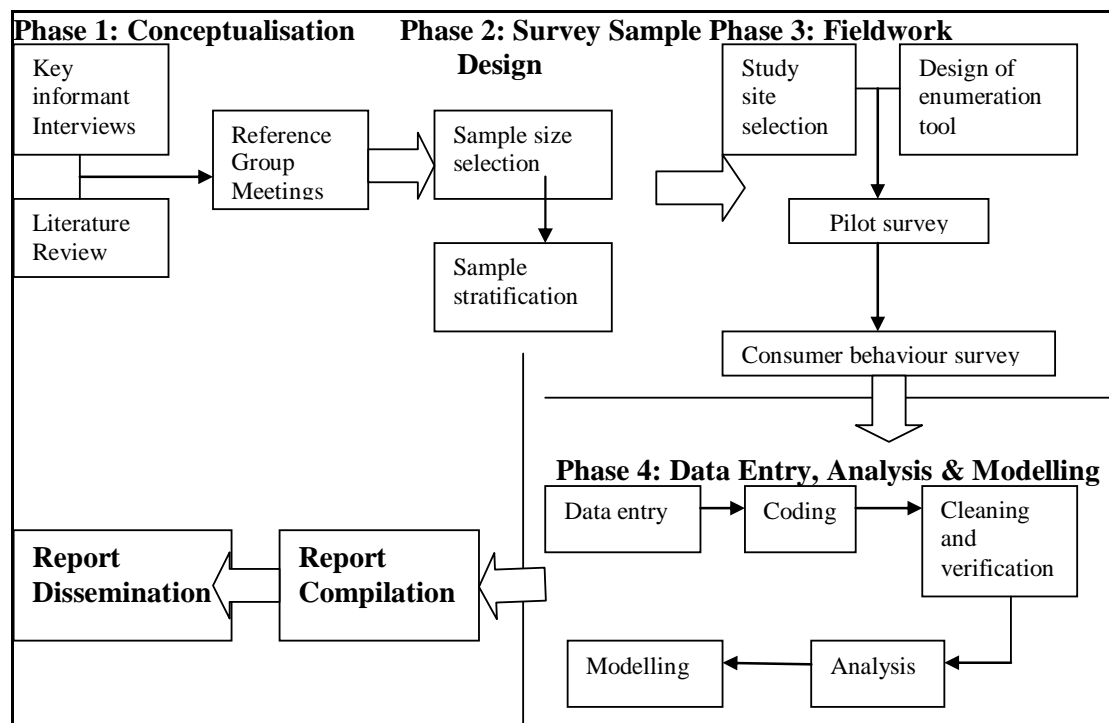


Figure 4: Conceptual Framework

Source: Research findings

This paper will integrate all of the previously discussed consumer behaviour segments. The target population was selected on the basis of age, gender, income, race and wine drinking history. The paper asserts that the black middle class are different from the white middle class and within the Black Diamonds different segments exist on the basis of factors selected. The sample represents a cross section of the black emerging middle class in South Africa (Tzimitra-Kalogianni, *et al*, 1999:886; Engels *et al.*, 2004). Gauteng is the chosen province for the consumer behaviour survey as various studies have shown it to be the province with the highest concentration of “Black Diamonds”. This paper sought to test the aptness of the aforementioned Black Diamonds’ market segments. It will also attempt to determine consumer purchasing behaviour, lifestyle preference, brand inclination and wine choice decisions. This is in a bid to draft a marketing strategy specifically for the Black Diamonds based on their unique characteristics, behaviour and preferences.

Table 5: Sampling unit requirements

Criteria	Specific Requirements
Race	Black
Age	Must fall into any one of the 4 distinct super-segments for Black Diamonds
Gender	An equal number of Females and Males
Income	Must be either be a student (receiving an allowance) or have some form of income – formal or otherwise
Wine Drinking History	Must have tasted white, red and “pink” wines at least once

Source: Research findings

8. Findings and Discussion

In terms of demographics, the sample was relatively evenly distributed with regards to age, gender and income. However, there were slightly more respondents who earned more than R15000 per month which corresponds with the prevalence of white collar employees.

Most of the sample was to all intents and purposes amateur wine drinkers and the sample generally consisted of beer drinkers. The sample preferred red, white and sparkling wines in that order. There were limited levels of brand awareness. Most of the consumers are irregular wine drinkers and women drink wine less often than men.

The local supermarket and the liquor store were identified as the most preferred retail outlets by over 70% of the sample. Wholesalers were a popular option for consumers that buy wine

in bulk infrequently, the older age groups and the higher income groups. Specialty stores were only identified by wine connoisseur type consumers and convenience stores by students.

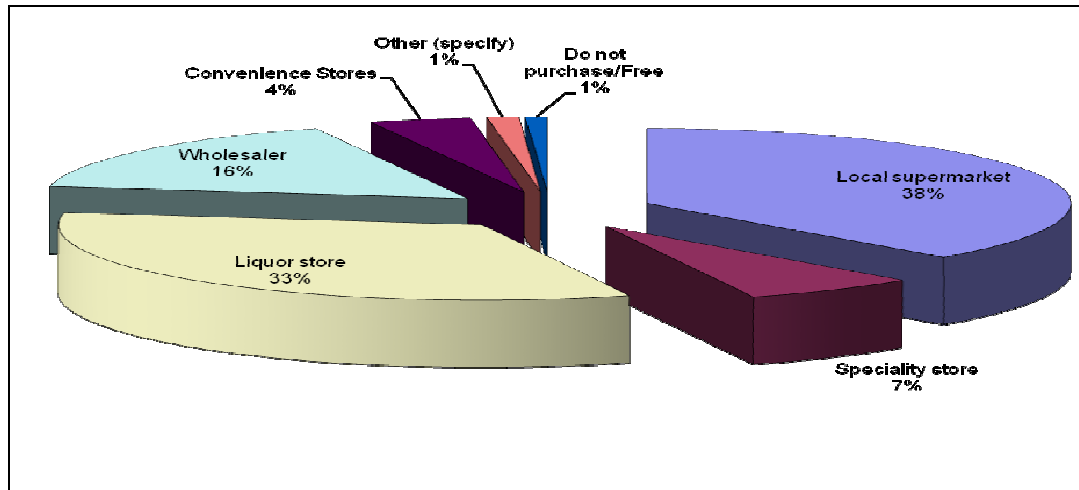


Figure 5: Preferred Retail Outlet Choice

Source: Own study

Social networks were identified as the most important influencer of wine choice and radio and print media were the most important media influences. It is worth noting that social networks also dominate as the most important external influence. The dominance of social networks as an influencer is due to the fact that the educated wine consumers are perceived as the major "influencers" amongst family and friends. The study findings validate the assertion that these "influencers" are the "holy grail" for today's marketers.

Print media, such as magazines, newspapers and fliers, and radio were the strongest media influences with television and the internet ranking lowly.

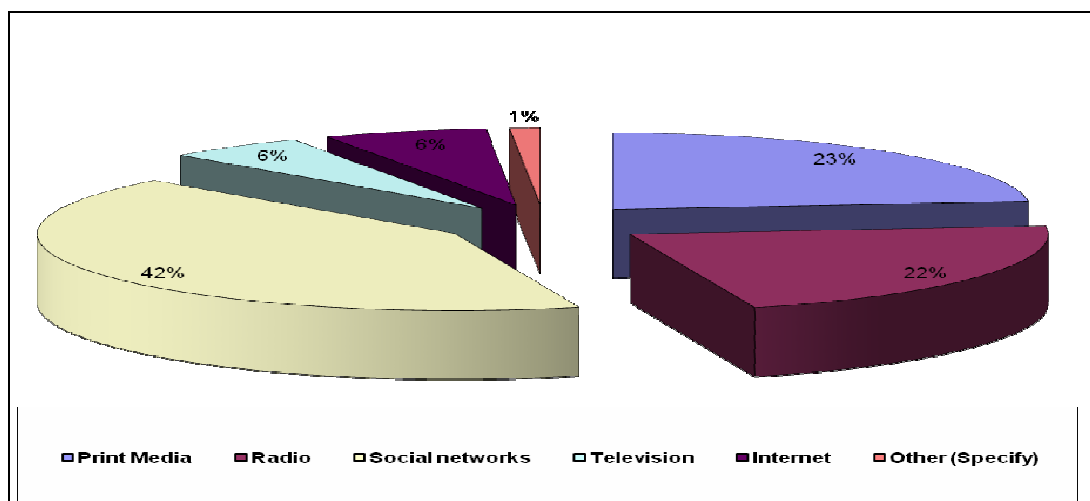


Figure 6: Most Important Media Influence in Wine Choice

Source: Own study

The consumers were found to be adventurous and receptive to the “wine culture”. The study findings assert that women are significantly more adventurous than their male counterparts in terms of learning about wines and experimenting with new wines although the latter exhibit a higher willingness to pay for what they consider to be “premium” wine brands (wines which cost more than R100). Figure 8 shows that although males have a higher willingness to pay for wines which cost more than R100, more females are willing to pay for all the other ranges, especially the R50-R100 range.

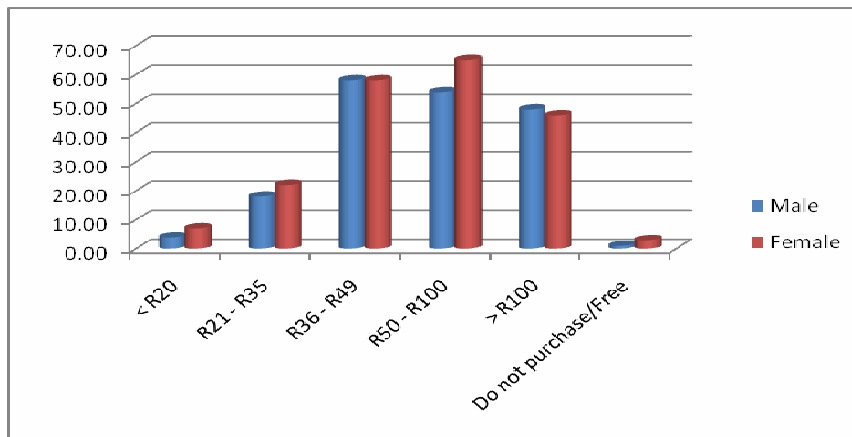


Figure 8: Black Wine Consumers Willingness to Pay for Wine

Source: Own Findings, 2007

The study confirms previous research findings regarding choice of alcoholic beverages. It found that red wine is the preferred wine of choice as illustrated in Figure 7. Shiraz, Merlot and Pinotage were among the highly rated red wines.

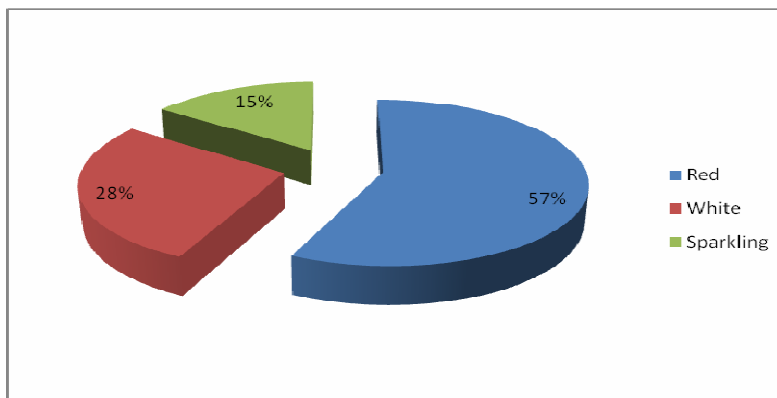


Figure 7: Black Wine Consumers Favourite Wine

Source: Own Findings, 2007

The model sought to test preconceptions and assertions made by prior literature such as the assertions that women prefer white wines and black consumers are brand conscious and prefer wines such as *Nedérburg Baronne*. The model found that women prefer red wine and white and sparkling wine drinkers are willing to spend less for a bottle of wine. It also found that lifestyle conscious consumers who follow the media hype and are therefore *Baronne* wine drinkers; prefer white and sparkling wines whilst educated wine drinkers prefer red wine.

The paper concludes that South African “Black Diamonds” are mimicking the USA where it has also been found that black consumers are increasingly shifting preferences and positioning wine as the beverage of choice. Black consumers are still unsure about what wine attributes are important in choosing a wine. However, brand and packaging/label (i.e. the bottle shape and size, the label design and the closure), were deemed to be more important as compared to price, which was the least important attribute. Almost all the sampled consumers prefer the 750ml bottle. This is illustrated in Figure 9.

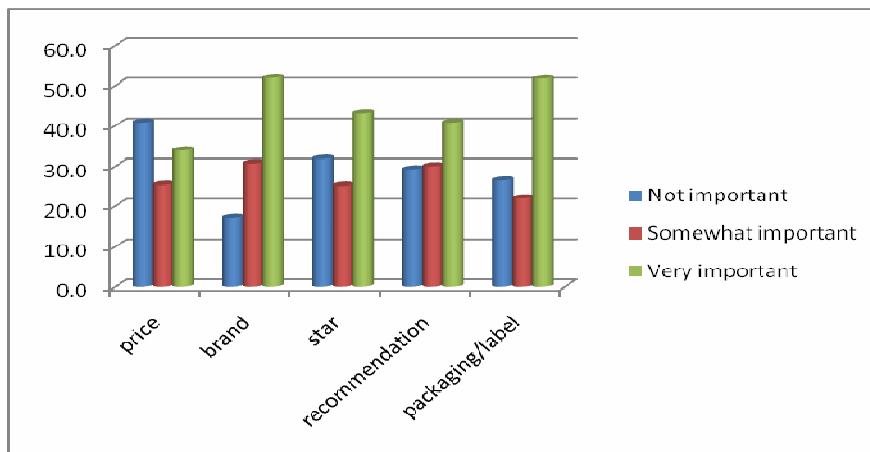


Figure 9: Black Wine Consumers Importance Ratings of Wine Attributes

Source: Own Findings, 2007

9. Conclusions and Recommendations

The paper found that although there is limited consumer knowledge about wines and low levels of brand awareness, black consumers are willing and yearning to learn more about wines as they view them as an aspirational lifestyle beverage. The study confirms previous research findings regarding choice of alcoholic beverages. The study also asserts that women are significantly more adventurous than their male counterparts in terms of experimenting with wines although the latter exhibit a higher willingness to pay for what they consider to be

premium wine brands. The study concludes that South African “Black Diamonds” are mimicking the USA where it has also been found that black middle class consumers are increasingly shifting preferences and positioning wine as the beverage of choice.

In any society, a vibrant, significant middle class is an essential pre-requisite for sustainable long term economic growth. In most societies, it takes four to five generations for a person to rise from poverty to affluent middle class, however, in contemporary South Africa, this is happening within a few years. This thrust out of poverty raises concerns about acceptance and social practices and explains why black consumers are still unsure about what wine attributes are important in choosing a wine. The industry needs to increase its efforts in educating and understanding this diverse market as the cultural attitudes towards wine are indeed changing.

This study illustrates the role of entrepreneurial universities, research institutes and public-private partnerships in leading agri-food research & development as it is anticipated that it will contribute to industry decisions. Of utmost importance is for the industry to integrate the afore-mentioned institutions into their plans. SAWIS must be expanded to address the information requirements of the entire industry and value chain; WOSA must be expanded to address the overall marketing requirements of the industry, local as well as international and VinPro should play a critical role by integrating the requirements of the consumer with production.

Beer is currently growing in the market at the expense of wine, mainly because that industry is making a substantial investment in brand and lifestyle promotion. It is critical that WOSA, together with universities and private firms, undertake market research and make this available to wine producers which should enable the industry to develop brands that will connect with the consumer. Only then can there be promotional activity. With regard to the latter, there is need for fresh innovative marketing campaigns that speak directly to the target market and this requires more focused in-depth research into the consumer preferences of the target market. Word of mouth recommendation is still the most valuable for wine owners and therefore promotions and tastings are more effective than adverts.

The findings of this paper assert that the industry’s target market should be focused especially on women and the “Start me up” age group as they show the highest willingness to learn

about wines and pay for brands that they consider to be premium brands. These two groups are viable markets due to their purchasing behaviour and receptiveness to the wine lifestyle, as well as their favourable financial positions. This has also been the case in all new wine markets such as the USA and China. A recent American study showed evidence of both a generation and gender gap in relation to wine and with this in mind one wine merchant in France has decided to follow-up this new line of thought with a line of nearly thirty wines developed just for women. Apparently, the fairer sex prefers more subtle, supple and elegant wines. A Japanese study has also identified gender, price and consumer behaviour segments.

Traditionally, marketing is based on the 4 Ps of marketing, product, pricing, promotion, and placement and their concomitant areas in wine marketing, such as branding, new product development, pricing, public relations, managing the sales force, and distribution. It is impeccable, and non negotiable, to maintain the quality of the product (wine). The industry should therefore promote a product offering that still simulates high quality wines but at a competitive price in supermarkets and liquor stores in upcoming suburban areas and new neighbourhoods that the Black Diamonds are moving into, as well as in up-market township malls where black consumers thrive.

Brand building is also of critical importance as it involves the influencing of consumer perceptions about the different aspects of the product. This implies that brand building and consumer communication goes hand in hand. Marketers must thus find new ways and angles to communicate their brand messages to the consumer; such as cooptation, extended service offerings, wine tourism and E-marketing. Wine tourism has definite potential because through festivals such as the one at which the consumer behaviour study was undertaken, winemakers have the opportunity to tap into a new wine tourist – black professionals who may then be tempted to come to the Cape on holiday and visit the winelands. By associating wine with having a good time and positioning it in social contexts the industry demystifies wines and helps to shed its pretentious and snobbish image, which has cast wine as a drink only affluent educated people can enjoy. Visiting the Western Cape's wine route could also stimulate their interest and hopefully lead to a higher purchase recall and an urge to undertake wine education. However in terms of e-marketing, compared with mobile phone penetration and the reach this medium has had across all ethnic groups as well as urban and rural areas, the internet still has a great deal of ground to cover within the South African population.

The success of the industry will be determined by the consolidation of buyers, national and international. There is need for sharing facilities in the operational environment and joint marketing initiatives as they will become necessary in future. With an 8000t production capacity and domestic wine consumption in South Africa dropping from 9.1 to 8.7 litres per person per year, not exploring the potentially large local market for wine would be ludicrous. While it is important to maintain the current wine drinkers, it is integral to increase the number of new wine drinkers. In this regard, Black Diamonds are definitely the market of the future and the industry stakeholders need to make a more concerted effort to delve into these untapped markets.

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