

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 exploring 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 during 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 is the black middle class different from the white middle class, but that different segments exist within the “Black Diamonds”. The industry should particularly focus on marketing to women and the “Start-me-up” age 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 competition between industry stakeholders.

Keywords: Black Diamonds, wine consumer behaviour, alcoholic beverages

1 INTRODUCTION

For the greater part of the 20th century, the South African wine 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 wine industry’s main concern became getting rid of surpluses instead of developing market-oriented export strategies. The market remained an abstract concept, far 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 and Vink 2004, p.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 1990s, the value chain in the South African wine industry suddenly found itself in a new operational environment, which exposed the industry to new opportunities and threats (Kruger, Du Toit and Ponte 2006; SAWIC 2007, 7).

Stakeholders in the South African wine industry are increasingly under pressure – although exports are growing, the strong rand erodes profits; and there is a global oversupply of wine; 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 stabilised, the growth of the South African wine industry relies heavily on exports. This has resulted in a sustained increase in 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 oversupply 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 turned some of its focus towards the local market (Van Rooyen, Esterhuizen and Vink 2008; Kruger *et al.* 2006; SAWIC 2007, p.8).

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 characterising existing and potential wine consumers and their preferences, in order to shift more consumers from beer and other alcoholic beverages to wine.

2 SOUTH AFRICA'S DOMESTIC MARKET FOR ALCOHOLIC BEVERAGES

Both the local and export market for wine have stabilised since 2006 (SAWIC 2007, p.8). The industry is tasked with finding ways of filling the export profit gaps because, while exports have soared, domestic per capita consumption slumped in 2006. In that year, for the first time in the industry's history, export sales far outweighed domestic sales, with the industry ranked 35th in terms of world domestic consumption rankings, with a per capita wine consumption of 7.29 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 by targeting the growing, increasingly affluent, urban black consumer market (Van Rooyen *et al.* 2008; Van der Merwe 2006, p.21; Rands 2007).

South Africa Wine Industry Information & Systems (SAWIS) and Distell are optimistic about the local wine market, because wine sales volumes are finally picking up in South Africa, and the domestic demand for natural wine is expected to increase each year by 0.9 per cent from 2007 to 2011 (SAWIS 2007; Van

der Merwe 2006, p.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 was nearly 68 per cent, while the wine sector has been meagre in comparison to brown spirits, premium beer and ready-to-drink alcoholic beverages in the growth stakes. The trends in the domestic market shares are shown in Table 1 (Clare *et al.* 2004, p.51–53; Wait 2007, p.29).

Table 1: Domestic market share for alcoholic beverages*

Year	Alcoholic fruit beverages	Beer	Traditional african beer	Wines	Brandy	Whisky	Other spirits	Total
2004	3.4	43.3	24.7	15	6.5	2.7	4.4	100
2005	3.7	43	25.4	14.3	6.6	2.9	4.1	100
2006	4.1	42.6	25.3	14.2	6.7	3.2	3.9	100

* Percentage market share based on alcoholic content

Source: Wait 2007, p.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 deep linkages existed between political, economic and cultural power (Ngwako *et al.* 2007, p.7; Kruger *et al.* 2006; Ponte and Ewert 2007, p.5; SAWIC 2007, p.7). The same restrictive environment existed in urban areas in the years following the adoption of the 1923 Natives (Urban Areas) Act.

During the apartheid era, the sale of liquor in black communities was strictly controlled by laws that prevented black entrepreneurs from obtaining liquor licenses, and severely limited places where black people could buy liquor. Raids on shebeens⁴ were common and, in many places, beer drinking was restricted to vast beer halls, the profits of which were used to fund Bantu Administration Boards. Blacks were prohibited from purchasing and consuming clear liquors as these were deemed “European liquors” and therefore, forbidden. In rural areas, workers in the wine industry had access to clear alcohol as they were controversially paid partly in low quality wine through the *tot* system,⁵ and this created an endemic alcoholism problem (Kruger *et al.* 2006; Ponte and Ewert 2007, p.34). Both these factors, and particularly the illegality of the sale of wine to urban black South Africans, have negatively influenced black South Africans’ attitudes and led to the current low levels of interest in wine.

Efforts have been made to redress this situation since the end of apartheid, through the creation of opportunities for ‘black’ investment in the wine industry, in

land and primary agriculture, as well as in wine making, branding, marketing and distribution (Ngwako *et al.* 2007, p.6; Ngwako and Ndanga 2007; Kruger *et al.* 2006; Van Rooyen 2007). There have also been endeavours by the wine industry to vanquish the illusion of wines as a drink for white people by focusing on young, upcoming black professionals as a target market, as well as urban black South Africans' involvement as investors in brand ownership models of empowerment (Zavis 2005; SAWIC 2007, p.52).

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 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, p.8). Developing the domestic market for wines is integral, with the emerging market being of utmost importance. However, limited 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 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 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 one hand and the preferences of black consumers on the other. 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 due to their small size and because they produce wine of varied quality (Gil and Sanchez 1997). 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). There is an overwhelming desire among black South Africans to have access to a lifestyle they believe is their right (Naidoo 2007, p.5).

4.1 The macro-environment

Real GDP per capita is a key variable that drives the demand for food, and it is projected to increase in the aftermath of the economic recession. This stimulated consumer demand has led to strong growth patterns in some consumer sectors of the economy (BFAP 2007, p. 7). The 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).

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. 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” (Laden 2003, p.197; Morris 2006).

4.2 The consumer market

South Africa’s society has undergone significant changes following the end of apartheid in 1994. During the period 1998 to 2003, some acute changes were experienced in the population dynamics of the country (Van Aardt 2005; BFAP 2007, p. 46; Planet Retail 2008). 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. Exactly 59.3 per cent of South African consumers fall within SU-LSM 1 to SU-LSM 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 per cent of the South African population, make a 37 per cent contribution to retail shopping and have the highest retail shopping frequency (BFAP 2007, p. 47). TNS Research Surveys and the UCT Unilever Institute coined the term “Black Diamonds” to describe South Africans that comprise the country’s fast-growing and affluent black middle class (Mawers 2006).

South Africa’s black middle class has grown by 30 per cent per annum in the past five to six years, and an astonishing 35 per cent in the 2006 to 2007 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, p.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 from the end of 2005 to the beginning of 2007. Their combined annual spending power grew 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. The black middle class has emerged as the strongest buying influence in the South African economy (SouthAfrica.info reporter 2007).

5 MARKET SEGMENTATION OF THE BLACK DIAMONDS

The Black Diamonds are not a homogenous group, but 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, which can be further divided into seven subsegments (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 Established** – mainly 35 to 49, married with school-going children, the wealthiest and best educated, they consist of about 39 per cent of the Black Diamonds and contribute 58 per cent of the Black Diamond buying power. There are two-subsegments:
 - a) Those preferring the *status quo* – the oldest group, with strong township roots (though 19 per cent live in the suburbs), comfortable and settled, and the most conservative in their money management. They consist of 44 per cent of the Established and 17 per cent of the Black Diamonds. They contribute 22 per cent of the buying power and have an average monthly personal income of about R6 900.
 - 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 per cent of the Established and 21 per cent of Black Diamonds

and contribute 36 per cent of the buying power with an average monthly personal income of R10 000. A third lives 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 per cent of Black Diamonds and contribute 20 per cent of the segment’s buying power. This group illustrates the immense economic potential of the “bappie” (“Bappies” are the booming, aspirational and previously poor newcomers to the lower middle class. They characterise the third economic wave. The “bappy” boom has been described as the country’s biggest economic wave yet. The group is made up of mostly black, young, hardworking, law-abiding and dedicated individuals. Various researchers have revealed that women, and especially single women show a strong presence in the group, with 1.09 million being recorded as belonging to this group in 2006. “Bappies” are mostly in SU-LSM4-5; with the poverty line broadly drawn at LSM 4 and below. The majority of them work as shop cashiers, security guards and junior policemen, telephone operators, students and semi-skilled mineworkers (African Response 2006). Again, two sub segments emerge:
 - a) Those preferring the *status quo* – the group with the strongest township roots (though 18 per cent live in the suburbs), the least financially savvy and least well-educated with a strong female skew, they consist of 55 per cent of the Young Family segment and 12 per cent of the Black Diamonds, contributing 7 per cent of the buying power with an average monthly personal income of R3 400.
 - 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 per cent of the Young Family segment and 10 per cent of Black Diamonds and contribute 13 per cent of the buying power. They have an average monthly personal income of R7 200. Some 81 per cent 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 per cent of Black Diamonds and contribute 19 per cent of buying power. This is mostly the “buppie” group. (“Buppies” are black “yuppies”. “Yuppies” are young and upcoming professionals. Buppies are young, graduated, professional black people between the ages of 21 and 39 in the LSM 7-10 groups. In 2006 affluent “buppies” made up almost 40 per cent of the top income earners in South

Africa, while in 1980 the number of black people in the in this upper percentile was negligible. In 2006 85 per cent of “buppies” were aged between 25 and 35; and earned above R7 000 per month, and 87 per cent had some form of tertiary qualifications. “Buppies” are employed in white collar occupations in positions such as general managers, sales managers, regional managers, technical managers, as well senior analysts. They enjoy spending money on designer clothes, liquors, cars, property and the latest technological innovations. Most of them “live for the moment”. The 2006 Black Emerging Market Perceptions (BEMP) study, conducted by fieldwork specialist Mictert Marketing Research, consisted of a sample 400 ‘buppies’ from Gauteng, representative of this elite niche market in the province. This is similar to the sample undertaken in this study (MMR 2006; African Response 2006). The two sub-segments here are as follows:

- a) Those preferring the *status quo* – a strongly male group, 78 per cent 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 per cent of the Start-Me-Ups and 14 per cent of the Black Diamonds, contributing 11 per cent 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 per cent of the Start-Me-Ups and 8 per cent of Black Diamonds. They contribute 8 per cent 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 who live with their parents. However, they are very optimistic, physically the fittest and the most active with clear plans to further their education. They enjoy the lack of restrictions that they find in the townships. They make up 18 per cent of Black Diamonds but contribute just 3 per cent of the buying power – nonetheless, they are the future.

For the purposes of this study the Black Diamonds were defined in terms of age as including college students and above – even including those in the 50 to 65 years age group; incomes from R1000 and upwards; and SU-LSM4-10.

6 ANALYTICAL FRAMEWORK: FACTORS INFLUENCING CONSUMER BEHAVIOUR

Black Diamonds are the market of the future, and marketers need to understand the heterogeneity and different mindsets of this group as it will probably become more complex and fragmented in the future. Nearly 50 per cent 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 minds of black middle class consumers, 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 comparative white 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 were also found to be of great importance to black respondents, 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 the needs of the black middle class will ensure a connection with the customer (Mawers 2006).

Complex factors influence consumer behaviour towards 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, p.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, p.9). Many theories have been developed to explain consumer behaviour and predict consumer preferences. Wine is strongly related to the quality of life and it is not simply an alcoholic drink (Tzimitra-Kalogianni 1999, p.3).

According to Kotler and Keller (2006), the cultural, social, personal and psychological characteristics of the buyer influence his behaviour. In general, these factors cannot be controlled but must be taken into account. Although the influence of culture cannot be downplayed, an in-depth knowledge of every single culture and subculture in South Africa would be impossible and unnecessary. However, a broad knowledge of the impact of culture on marketing decisions improves a firm's competitiveness (Perner 2007; Kotler and Keller 2006, p. 174–183).

This study assumes that a social group influences an individual's purchasing decisions (Perner 2007; Hawkins *et al.* 1998; Kotler and Keller 2006, p. 179). In addition to the factors already discussed, push-and-pull consumers' choice factors, as well as place of purchase and shopping time frame factors also affect consumer behaviour. Push factors consist of psychological motives such as celebrations or

Table 2: McKinna's consumer behaviour segmentation

Wine segment	Motivation for wine consumption and major influencers of wine choice	Type of wine choice & brand loyalty	Frequency of consumption	Retail choice	Other consumer characteristics
Connoisseurs	<ul style="list-style-type: none"> • see wine education as a hobby, read wine journals avidly, and are knowledgeable about wine • make their decisions in advance of purchasing 	<ul style="list-style-type: none"> • primary purchasers of fine wines • likely to have strong preferences and are, therefore, brand-loyal 	<ul style="list-style-type: none"> • consume wine on a daily basis 	<ul style="list-style-type: none"> • prefer to purchase direct from specialists or merchants, auctions, direct from the winery or through a wine club 	<ul style="list-style-type: none"> • have a broad spectrum of tastes and like to experiment
Aspirational drinkers	<ul style="list-style-type: none"> • concerned with the social aspects of wine • strongly influenced by wine writers, journalists, opinion leaders • are likely to attend wine appreciation courses 	<ul style="list-style-type: none"> • tend to be attracted by fashionable brands and labels • known brands act as symbols of status and reassurance • they will often seek the assistance of retail staff 		<ul style="list-style-type: none"> • choose outlets depending on convenience and their confidence in the retail assistant 	<ul style="list-style-type: none"> • highly risk-averse and spend considerable time in the search process
Beverage wine consumers	<ul style="list-style-type: none"> • have little desire to appreciate what they are drinking • choice is dependent on consistent taste, price and price-related promotions 	<ul style="list-style-type: none"> • brand-loyal to a range of "safe" brands within a preferred wine style category • are unlikely to experiment beyond the parameters of that particular wine style 	<ul style="list-style-type: none"> • consume wine avidly 	<ul style="list-style-type: none"> • purchase in convenient retail outlets or in an impersonal supermarket environment 	
New wine drinkers	<ul style="list-style-type: none"> • attracted to wine consumption by the behaviour of their parents or peer group • where and when they drink wine, e.g. in pubs, clubs, parties or special occasions, will strongly influence their choice • price is usually a major factor in the purchasing decision 	<ul style="list-style-type: none"> • are "unsophisticated", have limited parameters for choice and their preferences are not yet established • sparkling wines, sweet wines or wine coolers are likely to feature strongly 			<ul style="list-style-type: none"> • composed of the young and first-time drinkers

Adapted from Keown and Casey (1995) and Thomas and Pickering (2003, p. 128)

value perceptions, while pull factors are factors like the winery's reputation and wine variety (Schwartz 2007; Evans and Chemaly 2007, p. 10; Akridge *et al.* 1999, p. 5).

When identifying a group of target buyers, marketers have used demographic characteristics (e.g., age, income and gender) both broadly and narrowly to group potential customers into segments. Sissors (in Phillips and Peterson 2000) identifies a number of customer characteristics including usage patterns, brand loyalty and readiness to buy. Another method, called lifestyle segmentation, was developed by integrating demographics with psychographics (attitudes and values). Senauer *et al.* (1991) discuss a lifestyle-based segmentation scheme used by the Pillsbury Company, which divides food consumers into five categories according to their lifestyle-based eating habits. Yankelovich (in Senauer *et al.* 1991) suggests behavioural segmentation based on value, susceptibility to change, purpose, aesthetic concepts, attitudes, individualised needs and self-confidence. The most famous consumer behaviour-based segmentation is the McKinna segmentation. The main components and consumer characteristics highlighted in McKinna's segmentation are highlighted in Table 2 (Keown and Casey 1995; and Thomas and Pickering 2003, p. 128).

These segments overlap with segments found by other researchers. However, they are based on wine behaviour alone, whereas most other consumer segmentations are based on a variety of consumer characteristics. Table 3 presents a comparison of some of the different wine consumer behaviour and lifestyle-based segmentations. The table also illustrates the overlapping segments (those in the same row), which, although they are given different names, have similar consumer characteristics and therefore, in effect, refer to the same consumers.

Table 3: Wine consumer segment comparisons

Spawton (1991)	Hall and Winchester (2000)	Bruwer <i>et al.</i> (2001)	Harpers (2005)	Segheiri <i>et al.</i> (2007)
Connoisseurs	Connoisseurs	Ritual-oriented conspicuous wine enthusiasts Purposeful inconspicuous premium wine drinkers	Adventurous Connoisseurs	Interested consumers
Aspirational	Aspirational (image)	Fashion/ image oriented	Sociable promotion seekers	Professionals of promotions
Beverage	Beverage (risk averse)	Basic	Mainstream At-homers	Habitual wine buyers
New wine drinkers	Enjoyment oriented	Enjoyment oriented social drinkers	Weekly Treaters Frugal Conservatives	Rational buyers

Adapted from Thomas and Pickering (2003, p. 130); Harpers (2005, p. 10); Segheiri *et al.* (2007).

In light of the identified wine consumer segments based on consumer behaviour, socio-demographic characteristics and psychographic segmentation, the wine segments described in Table 4 were proposed for Black Diamond wine consumers.

Table 4: Black Diamond wine consumer segments

Black Diamond segment	Wine consumer segment	Socio-demographic description	Wine behaviour	Wine involvement
The Establisheds	Connoisseurs	High income broadsheet readers	<ul style="list-style-type: none"> • High frequency (on-and-off), high spend • Ritual-oriented conspicuous wine enthusiasts • Purposeful inconspicuous premium wine drinkers 	High
Young Families	Mainstream At-homers	Suburban middle income professionals	<ul style="list-style-type: none"> • High frequency, average spend, drink mainly at home • Habitual wine buyers 	High
Start-Me-Ups	Fashion/ image oriented	Young singletons	<ul style="list-style-type: none"> • Low frequency, above-average spend • Sociable promotion seekers • Aspirational image seekers 	Low-medium
Mzansi Youth	Enjoyment-oriented social drinkers	Lower income TV viewers	<ul style="list-style-type: none"> • Low frequency, low spend • Weekly treaters • Risk averse rational buyers 	Low

Given this segmentation, the Start-Me-Ups were identified as the most economically viable market for launching wine due to high prevalence of young, single consumers with high spending power and aspiration for a “high class” lifestyle in this group. The Young Families are a more profitable market as they are habitual wine buyers and not adventurous, therefore, if they enjoy a particular brand, they are more likely to be brand loyal.

7 RESEARCH METHODOLOGY

This paper forms part of a Master's study by Ndanga (2009), 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 people's 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 1.

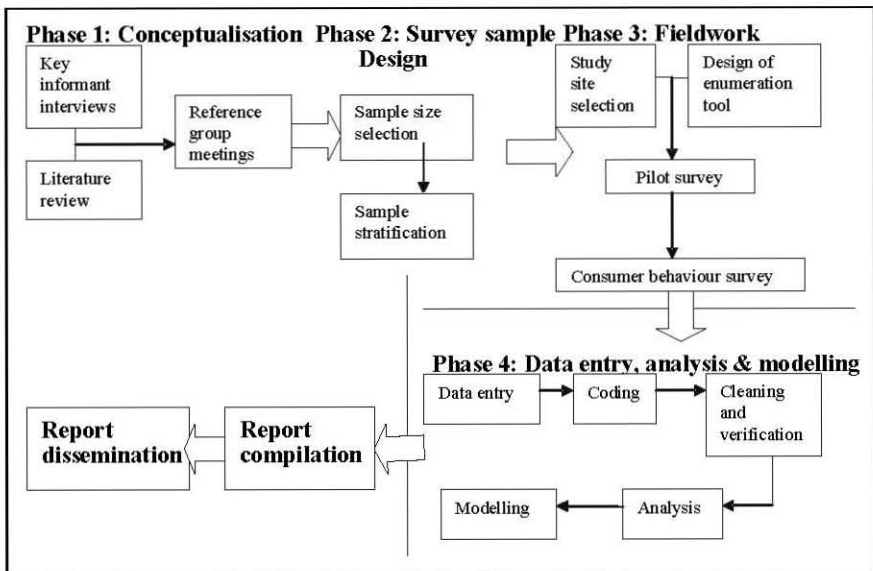


Figure 1: Conceptual framework

Source: Ndanga 2009

The data and information used in this study were collected from a consumer behaviour survey using a mall-intercept survey at the 2007 Soweto Wine Festival. The target population was selected on the basis of age, gender, income, race and wine-drinking history, as shown in Table 5. The study 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, p. 886; Engels *et al.* 2004). Gauteng was 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”.

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: Ndanga 2009

The consumer behaviour survey followed a non-probabilistic, quota sample selection process based on the available marketing data and findings from literature. The sampling procedure was a non-random multi-level stratification of black middle class wine consumers in the Gauteng province of South Africa. The target population of the study is South Africa’s black middle class, increasingly referred to as Black Diamonds. All black South Africans present at the festival who meet the afore-mentioned criteria will form the target population. This forms the first level of the sampling frame. 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.

This paper will integrate all of the previously discussed consumer behaviour segments. Given that the Black Diamonds’ population is approximately 2.6 million, and that Research Surveys identified four distinct super-segments for Black Diamonds, four age-based segments were also used in this study (Ndanga 2009; Muyambo 2006). This study sought to test the aptness of the aforementioned Black Diamonds’ market segments. Quota sampling, in which a stratified sample based on non-random selection of sampling units was used for the study.

Given a confidence level of 95 per cent and the confidence interval of five percent, a sampling frame of a total of 384 respondents and 91 respondents for each segment should be interviewed in accordance with the formula given in Equation 1. However, to allow for non-random sampling errors, a total of 400 respondents and 100 respondents for each super-segment should be interviewed.

Equation 1

$$n = \frac{Z^2 * (p) * (1-p)}{c^2}$$

Source: Bartlett, *et al.* 2001, p. 47

where: n is the sample size

Z = Z value (e.g. 1.96 for 95 % confidence level)

p = percentage picking a choice, expressed as decimal
(.5 used for sample size needed)

c = confidence interval, expressed as decimal (e.g., .05 = ±5)

In actuality, 402 respondents were interviewed and only 387 were acceptable. These 387 questionnaires were analysed, the results of which are presented in this paper.

8 FINDINGS AND DISCUSSION

In terms of demographics, the sample was relatively evenly distributed with regard to age, gender and income. However, there were slightly more respondents who earned more than R15 000 per month, which corresponds to the prevalence of white collar employees. Although the income segments do not seem to correspond to the literature, the Black Diamond segmentation is still considered relevant, because the definition is based on other characteristics in addition to income. However, this illustrates the need for the income groups to be redefined in later studies.

Most of the sample was, to all intents and purposes, amateur wine drinkers, and the sample generally consisted of beer drinkers. The study found that black middle class consumers are increasingly shifting preferences and positioning wine as the beverage of choice, as is evidenced by the fact that only 17 per cent had been drinking wine for more than 15 years, 37 per cent had been drinking wine for less than three years and the majority of the sample (46 %) had been drinking wine for 3 to 15 years. The sample preferred red, white and sparkling wines in that order. There were limited levels of brand awareness and nearly half the sample (43.11 %) expressed no loyalty to any brand. Nederburg (particularly Nederburg Baronne) and JC le Roux were the brands that consumers seemed to rate highest. However, this requires further investigation because some of the consumers who claimed to “prefer” Nederburg Baronne, also asserted that they did not consume red wine. Most of the consumers are irregular wine drinkers and women drink wine less often than men.

Table 6 illustrates that the local supermarket and the liquor store were identified as the most preferred retail outlets by over 70 per cent of the sample. Wholesalers were a popular option for consumers who 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.

Table 6: Preferred retail outlet choice

	Valid Percent
Local supermarket	34.0
Speciality store	4.2
Liquor store	37.5
Wholesaler	15.3
Convenience stores	6.9
Did not purchase/free	1.4
Total	100

Source: Ndanga 2009

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 adverts and wine reviews in magazines and newspapers and fliers, and radio were the strongest media influences, with the internet and television ranking lowest, as shown in Table 7.

Table 7: Most important media influence in wine choice

	Frequency	Valid Percent
Social networks	180	46.5
Print media	100	25.8
Radio	94	24.3
Internet	27	7.0
Television	23	5.9
Other (Specify)	5	1.3

Source: Ndanga 2009

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 a bottle). Table 8 shows that, although men have a higher willingness to pay for wines which cost more than R100, more women are willing to pay for all the other ranges, especially the R50 to R100 range.

Table 8: Cross-tabulation of black wine consumers' willingness to pay for wine against gender

	<R20	R21–35	R36–49	R50–100	>R100	Other	Total
Men	4	18	58	54	48	2	185
Women	7	22	58	65	46	3	201
Total	11	40	116	119	94	5	386

Source: Ndanga 2009

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 Table 9. Shiraz, Merlot and Pinotage were among the highly rated red wines.

Table 9: Black wine consumers' favourite wine

	Frequency	Valid Percent
Red	220	56.99
White	107	27.72
Sparkling	59	15.28
Total	386	100

Source: Ndanga 2009

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 Nederburg 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, therefore, claim to be Baronne wine drinkers, prefer white and sparkling wines, while educated wine drinkers prefer red wine.

The paper concludes that South African ‘Black Diamonds’ 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 Table 10.

Table 10: Black wine consumers' importance ratings of wine attributes

Factor importance	Price	Brand	Star ratings	Recommendation	Packaging/label
Not important	40.8	17.3	31.8	29.2	26.4
Somewhat important	25.3	30.7	25.1	30.0	22.0
Very important	33.9	51.9	43.2	40.8	51.7
Total	100.0	99.9	100.1	100.0	100.1

Source: Ndanga 2009

9 CONCLUSION AND RECOMMENDATIONS

The inconsistencies in terms of wine choices illustrate that there is limited consumer knowledge about wines and low levels of brand awareness. However, black consumers are willing and keen to learn more about wines, as they view them as an aspirational lifestyle beverage, as is illustrated in their willingness to attend wine courses and their attendance at this, and other, wine festivals. 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 alcoholic beverage of choice.

In any society, a vibrant, significant middle class is an essential prerequisite 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 thrusting 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, because 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 and development, as it is anticipated that it will contribute to industry decisions. It is of utmost importance for the industry to integrate these 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 consumers 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. 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 essential, 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 different aspects of the product. This implies that brand building and consumer communication go hand in hand. Marketers must thus find new ways and angles to communicate their brand messages to the consumer; such as competition, 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 wine 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 industry stakeholders need to make a more concerted effort to delve into these untapped markets.

NOTES

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- 4 A shebeen is an unlicensed drinking establishment, chiefly in Ireland, Scotland, South Africa and Zimbabwe. It is an illicit bar or club where excisable alcoholic beverages are sold without a licence (i.e., illegally). In Namibia, such an establishment is known as a Cuca shop (HarperCollins 2006; Houghton Mifflin Company 2003).
- 5 Also known as the "dop" system. This is the payment of farm workers with alcohol in place of wages. South Africa curtailed the tot system in 1928 and outlawed it in 1961. But the system continued to be reported on wine and fruit farms well into the 1990s. The system has been blamed for the legacy of alcohol abuse and the subsequent negative socio-economic effects as well as foetal alcohol syndrome prevalent among farm workers and their families on these farms.

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