



**Increasing domestic consumption of South African wines:
Exploring the market potential of the emerging Black middle
class**

By:

Leah Z.B. Ndanga

Student number: 26030684

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To the people I love...

**My family, my mother Misodzi Ndanga, all the Ndanga women and
the memory of everything and everyone I've lost during this degree**



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DECLARATION

I declare that the thesis hereby submitted in partial fulfilment of the requirements for the degree Master of Science (Agricultural Economics) at the University of Pretoria has not been submitted by me for any other degree at any other institution.

Given and family name: Leah Z.B. Ndanga

Signature: _____

Date: 01 July 2009

EXECUTIVE SUMMARY

Increasing Domestic Consumption of South African Wines: Exploring the market potential of the emerging Black middle class

By

Leah Z.B. Ndanga

Supervisor: Professor Andre Louw
Co-supervisor: Professor Johan Van Rooyen
Department: Agricultural Economics, Extension and Rural Development
Degree: MSc. (Agric) Agricultural Economics

The South African wine market is undergoing changes at both the producer and retail levels, such as the influx of the new brands and new consumer demands with respect to health, biodiversity concerns and ethical issues. Although South Africa has no dominant wine culture and South Africans are predominantly beer and brandy drinkers, the industry has to develop the local market, especially the black consumer market. 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, increasingly referred to as *Black Diamonds*, which have emerged as the strongest buying influence in the economy. This has seen the propagation of a westernized culture in local communities. There is an overwhelming desire among the latter group to have access to a lifestyle they believe is their right. Making inroads in understanding this market presents a good opportunity since this is an important economic group.

Black wine drinkers have to overcome individual families' attitudes to wine drinking. It is high on the industry's agenda to swing the emerging black middle class 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.

The data in this study was collected from an integration of a consumer behaviour survey (through a choice based conjoint analysis undertaken at the Soweto wine festival in Johannesburg); as well as personal interviews with industry stakeholders and reference group discussions. The study 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 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. 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. The study identified four wine consumer market segments among the *Black Diamonds*. The industry's target market should be focused 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 as has been the case in all new wine markets. While still focusing on the 4 P's of marketing, various new brand communication platforms can be explored to reach this market. These include co-opetition, extended service offerings, wine tourism and e-marketing. The success of the domestic market will be determined by new innovative insights into this market and complimentary market strategies.

Keywords: Black Diamonds, wine consumer behaviour, alcoholic beverages



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LIST OF ACRONYMS

AgriBEE	Agricultural Black Economic Empowerment
AMPS	All Media and Products Survey
Anon	Anonymous
AOI	Areas of Interest
BEE	Black Economic Empowerment
BEMP	Black Emerging Market Perceptions
BFAP	Bureau for Food and Agricultural Policy
BMC	Black Middle Class
BMR	Bureau for Market Research
BWI	Biodiversity and Wine Initiative
CBC	Choice Based Conjoint



CIM	Chartered Institute of Marketing
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
HP	High Price
HSRC	Human Sciences Research Council
IWSR	International Wine and Spirit Record
KWV	Koöperatiewe Wijnbouwers Vereniging van Zuid-Afrika Bpkt
LP	Lower Price
LRAD	Land Redistribution for Agricultural Development
LSM	Living Standard Measures
MP	Medium Price
MNL	Multinomial Logit
PRU	Proposed Random Utility Model
RUM	Random Utility Model
SA	South Africa
SAARF	South African Advertising Research Foundation
SABVA	South African Black Vintners' Association
SU-LSM	SAARF Universal Living Standard Measures
SAWB	South Africa Wine and Brandy
SAWIC	SA Wine Industry Council
SAWIS	South African Wine Industry Information & Systems
StatsSA	Statistics South Africa
SPSS	Statistical Package for Social Sciences
TNS	Transaction Network Services
UCT	University of Cape Town
USA	United States of America
UK	United Kingdom
VIP	Very Important People
WIDA	Wine Industry Development Association
WOSA	Wines of South Africa

CHAPTER 1:

Introduction & Background

This chapter presents an overview and justification of the research project including the project background, the literary gap this project anticipates to fill; as well as the study objectives, hypotheses and research boundaries.

1.1 Background

The wine industry is one of the oldest commercial agricultural activities in South Africa. It dates back over 350 years. In 2007, South Africa was ranked as the world's 14th biggest producer of wine in terms of area under vines and ranked as the world's 9th largest wine producer in terms of volumes sold. The best of South African wine is internationally recognized (SAWIC, 2007: 7; Agri-Africa, 2008:8).

For the largest part of the 20th century the country and the wine industry was subject to a system of statutory control and from around 1970 to 1990 it was isolated from the international market due to political sanctions. During the regulated period (1937-1990), the South African wine industry's main focus became getting rid of surpluses, instead of developing market-oriented export strategies. For many years, in particular the 1970-80s, the global 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 & Vink, 2004:7 A&T Consulting & Naumann, 2005: 15; SAWIC, 2007: 7; Agri-Africa, 2008:8).

The marketing and distribution of South African wine has changed in the past 18 years, prompted by new opportunities and challenges mainly due to the end of apartheid and globalization (Kruger, Du Toit & Ponte, 2006; SAWIC, 2007: 7). Full deregulation of the industry occurred after 1997. With the removal of sanctions (in 1991) and statutory control, (in 1997) 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,

highly competitive, operational environment, an environment which exposed the industry to new opportunities and threats (Kruger, 1999; SAWIC, 2007:7; A&T Consulting & Naumann, 2005: 13).

Stakeholders in the South African wine industry are increasingly under pressure because although exports are growing, most of the time, despite fluctuations, a strong rand erodes the profits; there is a global over supply of wine, in particular lower price (LP) wines; there is an influx of new brands; large retailers are densely concentrated and exert power against the fragmented supply side; and producer prices are continually under pressure (Meissenheimer, *et al.*, 2004:6). Competition in the wine industry is intense, exacerbated by the vast surpluses, applying downward pressure on prices and necessitating market practices that can sometimes be interpreted as being anti-competitive. Nevertheless, competition remains healthy in this sector (A&T Consulting & Naumann, 2005: 24).

Although the local market for wine has significantly stabilized, the growth of the South African wine industry relies heavily on exports. However, in 2006, exports were hit hard by the fluctuating value of the rand, the global over supply of wines and industry consolidation. This clearly illustrated the weaknesses of an outward looking market orientation. Although exports have since increased again, the industry is structured for the production of large quantities of what is perceived to be lower priced wine for which demand is declining, the South African wine industry has averted some of its focus towards the local market (Kruger, 1999; Kruger, *et al.*, 2006; SAWIC, 2007:8).

In 2006, South Africa's wine production industry contributed approximately R16.3 billion to the country's Gross Domestic Product (GDP) and produced 3.4 percent of the world's wine (SAWIC, 2007:8). Export growth is declining. It dropped to five percent in 2005 and was down by six percent by September 2006 (WOSA, 2007:6). Although there were increased sales for 2007 and 2008, more recent statistics for 2009 show a very different picture as export wine sales are again declining due to the economic melt down. In light of this decline, the industry is tasked with finding ways of filling the export profit gaps. The domestic market has the potential to salvage the situation as it has definite growth potential. However, domestic per-capita consumption slumped in 2006. The 2005, 2006 and 2007 domestic sales figures are shown in Table 1.1 below. The industry is now ranked 35th in terms of world domestic consumption rankings. For the wine industry to be

successful, a strong domestic market is critical. There is need to increase domestic consumption of wine *inter alia* through the inclusion of the urban black majority (SAWIS, 2006:21; Platter, 2006:50; Rands, 2007).

Table 1.1: 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

Although South Africa has no dominant wine culture and South Africans are predominantly beer and brandy drinkers, the industry has to develop the local market, especially the black consumer market (Loubser, 2004). In 2006, the market share of sorghum and malt beers combined was nearly 68 percent, and the wine sector’s growth was meagre in comparison to brown spirits, premium beer and ready-to-drink alcoholic beverages. The trends in the domestic market shares are shown in Figure 1.1 (Wait, 2008:29; Clare, Ramatapa & Currin, 2004: 51-53).

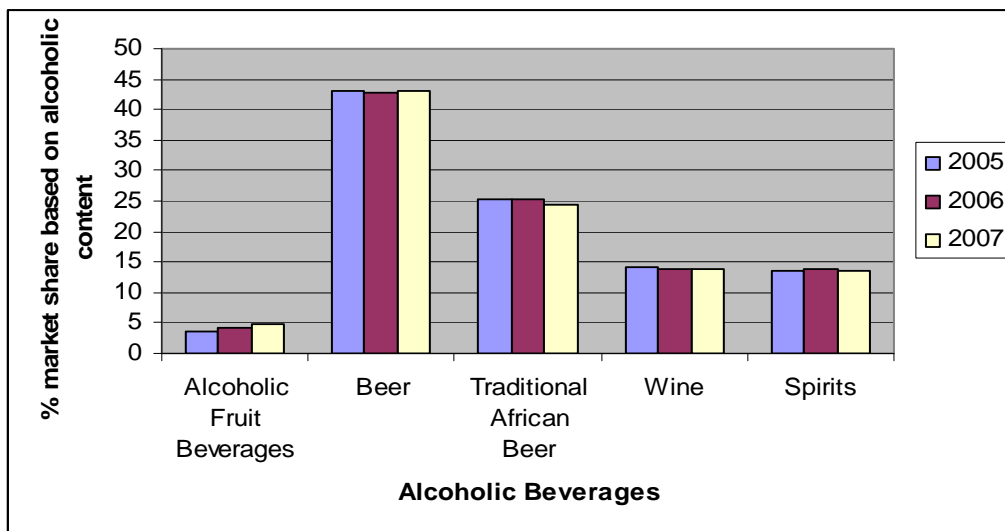


Figure 1.1: Domestic market share for alcoholic beverages

Source: Wait, 2008:29

Real GDP per capita is a key variable driving the demand for food. Despite the current global economic downturn, real GDP per capita is projected to increase, albeit at a lower

rate than previously anticipated, as a result of stable monetary and fiscal policy at national level and the emergence of a new black middle socio-economic class. Appendix 1 shows the demographic composition of the South African population. This stimulated consumer demand has led to strong growth patterns in some consumer sectors of the economy (BFAP, 2007:7). In 2006, the South African government, the Bureau for Food and Agricultural Policy (BFAP) Baseline Study and other researchers, forecasted continued robust economic growth of around five percent for 2007, and expected that the sustained higher incomes being generated were 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). However, in light of the recent electricity crisis and decline in the exchange rate value of the Rand, economic growth is expected to decline to three percent, which should still be adequate to sustain growth of the black middle class, albeit at a slower rate. This will see the development and growth of a new black market made up of South Africa's new emerging black middle class as defined in Appendix 1.

Authors such as Laden, (2003:197) have argued that the fundamental drive to consume 'things' in South Africa is not so much an expression of existing "notions of individualism but a way of prefiguring new social options for fashioning new 'individual' and collective concepts of selfhood and identity". Although some of the bigger brands in the South African wine industry have ventured into the black market, it should be acknowledged that for the majority of the industry, the black market has not been a marketing priority within the local South African wine market for many years and these brands now seek to expand their business into this market and in so doing become a part of the new multi-cultural South Africa. However, the influence of the innovative forward thinking nature of bigger brands such as Nederburg and KWV can be seen in the strong brand recognition black consumers have for these brands and their preference for *Nederburg Baronne* and KWV sparkling wines. However, the efficacy of these said preferences will be tested in the study.

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". 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” (Morris, 2006; Loubser, 2006; A&T Consulting & Naumann, 2005: 34).

The South African wine market is undergoing some changes at both the producer and retail levels, such as the influx of new brands, including a substantial number of new labels (some of which are BEE brands), and new consumer demands with respect to wine styles, health, biodiversity concerns and ethical issues (SAWIC, 2007:8; Agri-Africa, 2008: 50; van Rooyen & Esterhuizen, 2008:12). The global wine market is becoming more and more saturated as beer consumption continues to increase. AC Nielson (2006:11) data 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 1.2.

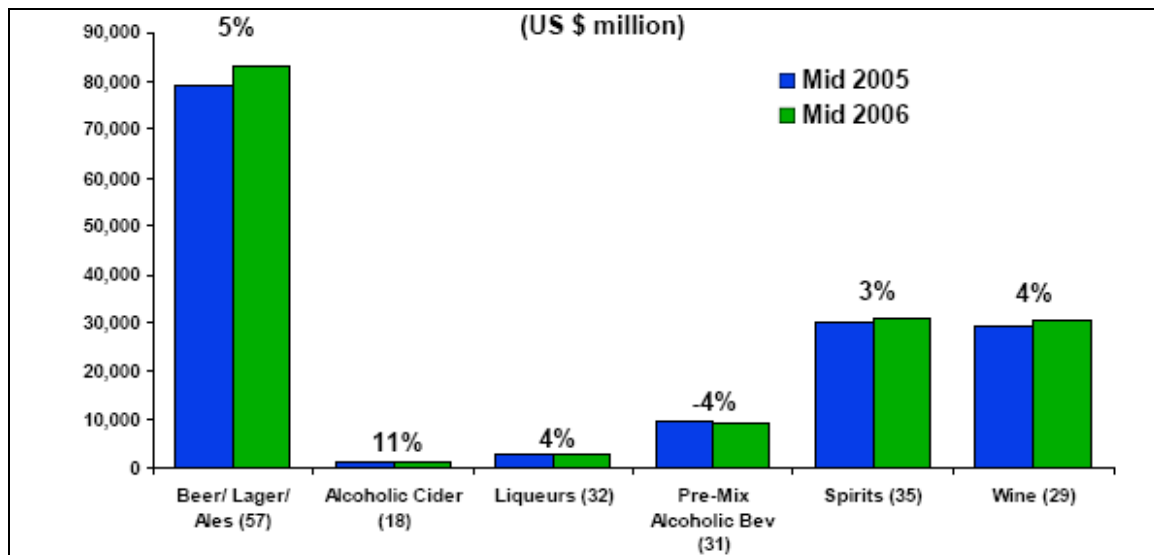


Figure 1.2: Global growth of alcoholic beverages

(Number of markets in parentheses)

Source: AC Nielson, 2006:27

In spite of this general trend, wine has experienced a noticeable increase, as shown in Figure 1.2. 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 and among 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).

1.2 Research gap

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, there is 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; Esterhuizen & van Rooyen, 2006:471). The total liquor spending of the different segments are shown in Table 1.2. This clearly illustrates the extent of the financial resources necessary to compete with other liquor promotions in terms of spending, and yet promotions and subsequent spending is key in any marketing strategy, and therefore integral to attract new consumers.

Table 1.2: 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 the Media Advertising Spend of wine companies and ChivasRegal & Johnnie Walker together spend more money on advertising than the entire Wine Industry (Rands, 2007). 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”. To attract new consumers this will have to change. The wine industry needs to effectively relay their message to the new consumers.

Despite these assertions, industry leaders believe that the number of black wine consumers is increasing, with women leading the way (Morris, 2006). There is evidence of the

propagation of a westernized culture in local communities due to an overwhelming desire among black South Africans to have access to a lifestyle they believe is their right (Onyeani, 2005:4). It is high on the wine companies' 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).

In light of the local and global developments within the wine industry, the global oversupply of cheap wine, the fluctuating value of the rand, the influx of new wine brands and the emergence of the black middle class, the local wine industry finds itself in a difficult and dynamic market in which it must still seek to maintain, and possibly grow market share so as to ensure sustainability and future profits. The emerging black middle class presents a viable opportunity for wine producers to establish themselves. However, because it is a relatively new market with limited research on it, market research to understand this diverse market in terms of its unique characteristics and preferences towards wine is essential. This is especially so given the strong influence of traditions and culture in this group, as well as their assertions that they are commonly misrepresented in media. This research seeks to understand the unique dynamics governing black consumers' perceptions, attitudes, preferences and consumer behaviour patterns towards wine as the other similar market research into the black middle class' preferences has not focused specifically on these dynamics with respect to wine.

1.3 Hypotheses

The study's main hypothesis is that South Africa's emerging black middle class has potential to increase domestic wine consumption. This will be investigated in terms of the following three hypotheses:

- i. The emerging black middle class is a heterogeneous group in terms of age, gender, income, education levels and culture with different perceptions, attitudes, preferences and consumption patterns towards wine

- ii. Traditional attitudes among black consumers towards wine and wine drinkers are changing as wine is no longer considered a drink for women and obnoxious people and women like other wines besides sweet carbonated wines
- iii. There is market potential for the South African wine industry in the new emerging “black diamond” consumer market because the black emerging class non wine drinkers are willing to become wine drinkers and the current black consumers tend to show a lower degree of loyalty towards a specific wine brand

1.4 Study objectives

This study 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. To achieve this main objective, the study needs to

- Explore and describe the current situation and orientation of the South African wine industry in terms of production and the existing marketing mix, in particular to serve the domestic market
- Identify the emerging black middle class’ consumer attitudes towards different wines and different purchasing and usage behaviours
- Assess the potential of converting none or limited wine drinkers to established wine drinkers
- Determine the impact of wine quality characteristics on consumers’ purchasing decisions and segment the emerging black middle class market in terms of wine purchases, usage and consumer behaviour
- Develop marketing recommendations for the Black Diamonds market segment for the industry

1.5 Research methodology & implementation plan

In an attempt to determine the determinants of wine choice among black consumers a Random Utility Model (RUM), (Weemaes & Riethmuller, 2001), will be created using data and information collected from an integration of a consumer behaviour survey (Engels, Sardaryan & Heboyan, 2004); as well as personal interviews with industry stakeholders and focus group discussions (US Wine Market Council; Schmidt, 2001). Consumer behaviour questions and subsequent analysis will provide answers related to BMC consumers' behaviour and attitudes towards wine; the interviews with industry role players will determine industry stakeholders' perceptions on the current state and future outlook of the South African wine industry; and the focus group discussions with BMC participants will provide a basis for the analysis of qualitative data. The marketing research will be undertaken in five consecutive segments. Each segment will be concluded with a monitoring and evaluation process that will inform on the progress towards the program goals and suggested adjustments to the subsequent periods. A thorough description of the conceptual and analytical framework and implementation plan is illustrated in Appendix 2.

1.6 Organisation of study

The organisation of this dissertation is as follows; the current section, chapter one presents an overview and justification of the research project including the project background, the literary gap this project anticipates to fill; as well as the study objectives, hypotheses and research boundaries. Chapter two is a review of the supply and demand for wine and other alcoholic beverages in South Africa. It provides a brief overview of the South African wine industry, in particular in terms of its historical context and evolution to where it stands today to provide the background to a discussion of the South African consumer market, with particular reference to the study's target population, the emerging black middle class, herewith referred to as the "Black Diamonds". Chapter three discusses the factors influencing consumer behaviour, the various consumer behaviour models and relationships and market segmentation techniques. Chapter four explores the research methods and procedures used in this study. It defends the choice of research methods and discusses the implementation plan employed within the research process. The subsequent chapter presents and discusses the project findings in terms of their implications towards answering



research questions and meeting the research objectives, as well as the key policy recommendations that can be made based on these findings. In the final section, chapter six, the summary reviews the study in its entirety; derives conclusions and attempts to map the way forward in terms of delving into this lucrative and in many ways, generally unknown market.

CHAPTER 2:

Understanding Black Diamonds in the context of the South African wine industry

This chapter provides a brief overview of the South African wine industry, in terms of its history, the current wine production and export statistics. It also briefly reviews of the supply and demand for wine and other alcoholic beverages in South Africa. The global situation with regards to wine is briefly discussed, as is the growing importance of new wine markets that the SA wine industry might do well to take heed of and learn from.

This chapter attempts to contextualise the study by initially discussing the industry, in a global setting and the influence that global dynamics and apartheid have had on the industry, and particularly on black South Africans. The chapter then discusses the South African consumer market and the emerging black middle class in particular to set the context for the rest of this study. The latter are discussed in detail, in terms of their evolution and subsequent market segmentation as a result of their differences in terms of age, life stage, income, education level and interests.

2.1 An overview of the South African wine industry

The South African wine industry has a diverse history that dates back over 342 years. To add to this pressure, the wine industry is subject to changes in trends and tastes and consumer needs and this necessitates that the industry be versatile and highly aware of the changes and challenges occurring on the global market (SAWIC, 2007: 7; Agri-Africa, 2008:8).

The industry's success in general and particularly in the evolving black market is seemingly hampered by a negative history due to the particular exclusion of black people based on race and discrimination in the historical evolution of the South African situation (Sefoko, *et al.*, 2007:7). In the wine producing areas of the Western Cape, and elsewhere in South Africa, especially after 1948, white power was well-established in the structures of

local government and in the development of agro-institutional¹ 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 in the structure and day to day operations of the white rural civil society itself. Deep linkages existed between political, economic and cultural power (Sefoko, *et al.*, 2007:7; Kruger, *et al.*, 2006; Ponte & Ewert, 2007: 5; SAWIC, 2007: 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 where black people could buy liquor from. Raids on shebeens² 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 they 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* system³ and this created an endemic alcoholism problem (Kruger, *et al.*, 2006; Ponte & Ewert, 2007:34). Both of these factors, and particularly the illegality of the sale of wine to urban black South Africans, have negatively influenced black South Africans’ attitudes to wine and led to the current low levels of interest in wine.

At the end of apartheid, one of the focal challenges of the new democracy was to find methods of integrating the marginalised majority into the economic mainstream. Apartheid had relegated black South Africans to the periphery of the economy and created significant disparities in the society (Sefoko, *et al.*, 2007:6). The wine industry is a multi-billion-rand industry with many opportunities and yet thirteen years into majority rule, the industry is still just 1.5 percent black-owned. Government has attempted to correct this oversight.

¹ Agro-institutional linkages are agricultural based institutions that provide a link between both the branches of government and more importantly between the government and the people (the electorate), such as government funded agricultural finance firms and extension services, as well as cellars and liquor licence registration.

² 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).

³ 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.

However, in the wine industry, government support was limited to LRAD funding support. Most initiatives were privately driven and government supported these ideas verbally and through limited funding. A variety of approaches were engaged in a bid to empower workers, and Black South Africans in general, 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, extremely competitive and costly industry with high entry barriers and success has been limited (Anonymous, 2005).

Black participation had been limited in both production and consumption to mere labour and the notion of a black market had not existed for the wine industry due to the restrictive legislation that had made it illegal to sell wine to black consumers (Kruger, *et al.*, 2006; Sefoko, *et al.*, 2007:8; Agri-Africa, 2008:8). After 1994, the SA wine industry found itself in a new democracy and they were ill prepared for this change as it was first necessary to create a wine friendly culture and lifestyle among black South Africans. Given the particular history of the SA wine industry and urban black South Africans, the industry was particularly constrained in tapping into this new market vis-à-vis the ‘white’ market as they had to start from scratch enticing new consumers to a product the consumers had adapted to the notion of being prohibited (Ponte & Ewert, 2007:36; Sefoko, *et al.*, 2007:8). To capture this missing sector with great potential to expand local wine sales, the SA wine industry undertook drastic measures and in 2002 and 2007, industry captains insisted that black persons fill the position of chair of the SA Wine & Brandy company and the wine council respectively and the wine industry was the first to present a sub-sector BEE charter. This is in addition to all the other BEE initiatives the industry also engaged in (Kruger, 1999; Anon, 2005; Agri-Africa, 2008:8).

Transformation in the South African wine industry has been envisioned through three main mechanisms: land reform, BEE transactions, and black wine brands. This embodies fast-tracking BEE through BEE deals (e.g., Amfarms (consortium of investors) - Boschendal Farm, KWV-Phetogo, Distell-WIP Beverages), redistribution through branding (e.g., Thandi, Lindiwe), and the Wine BEE Charter and Industry Scorecard (Sefoko, *et al.*, 2007:8; Esterhuizen & Van Rooyen, 2006: 471). At the turn of the century the agricultural sector’s transformation agenda shifted from the initial focus of 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. The economic empowerment of black South Africans, and the creation of a robust middle class, is therefore intended to stabilise South African society by attempting to bridge the wealth gap (Anon, 2005; Kruger, *et al.*, 2006; Ponte & Ewert, 2007:36).

However, progress is slow in the wine charter and needs strong drivers, such as brand ownership models which have helped to redress some of the inequalities. 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 (Kruger, *et al.*, 2006; Kruger, 1999). A great deal more still needs to be done and the more relevant question that remains is to what extent the aspirational nature of the upcoming black market can be directed to enjoy wine as a lifestyle product. This study attempts to address this question by gaining insights into the emerging black middle class, their incentives and motivation as well as how their culture and traditions affects their consumption and purchasing behaviour, and attitudes and perceptions towards wine.

2.1.1 Wine industry statistics

In 2006, South Africa was the ninth-largest wine producer and it produced 3.4 percent of the world's wine. The area under vines⁴ (excluding sultanas) was estimated at 102 146 hectares (SAWIS, 2007(a):2). Total wine production has been steadily increasing since 1994 and the trend in wine production from 2006 is shown in Table 2.1⁵ (SAWIC, 2007:8).

Table 2.1: Total Wine Production⁶

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

⁴ "...area under vines"... refers to the area of land used for the cultivation of vines, i.e. vineyards.

⁵ Appendix 3 provides the trend in wine production since 1990.

⁶ These are 2007 estimates.

Although production keeps growing, South African wine export volumes experienced a temporary hiccup in 2006 when sales dipped by almost five percent after twelve consecutive years of growth. Prior to this drop, figures from the South African Wine Industry Information & Systems (SAWIS) show that the industry's export volumes rose from 22 million litres in 1992 to approximately 317 million litres in 2007. Total quantities of wine exported during the 5 years from 2002 to 2006 are illustrated in Table 2.2.

Table 2.2: Total wine exports, 2002-2006

Year	2002	2003	2004	2005	2006
	'000 litres				
Natural wine	215 512	237 212	265 762	279 871	269 123
Fortified wine	521	531	413	407	487
Sparkling wine	1 361	1 630	1 553	1 537	2 018
Total	217 394	238 465	267 728	281 061	271 628

Source: NDA, 2007:41

The temporary decline can be attributed to a nine percent reduction in sales of packaged wine (both bottled and bag-in-box products), as market stakeholders sought to find ways of cutting supply chain costs in the face of the global oversupply (SAWIS, 2006:2). Despite that temporary setback, South Africa's wine exports rose for 2007 and 2008 but have since adjusted due to the economic downturn and export sales have slowed down in 2009. In 2008, for the first time ever in the history of winemaking in South Africa, exports of wine outstripped domestic sales in terms of volume. Local sales between January 2007 and January 2008 came in at 314.5 million litres, but 316.8 million litres left the country for overseas markets (SAWIS, 2008; Erasmus, 2008).

The 2008 data from SAWIS and Distell shows that domestic wine sales volumes are finally picking up in South Africa. SAWIS expects better growth in wine sales by both volume and value for the future compared to previous years. Domestic demand for natural wine is expected to increase at an average of approximately 1 percent per annum from 2007 to 2011 (SAWIS, 2006:2; SAWIS, 2007(a):8). Figure 2.1 shows the trend in domestic sales for the period from 1999 to 2007.

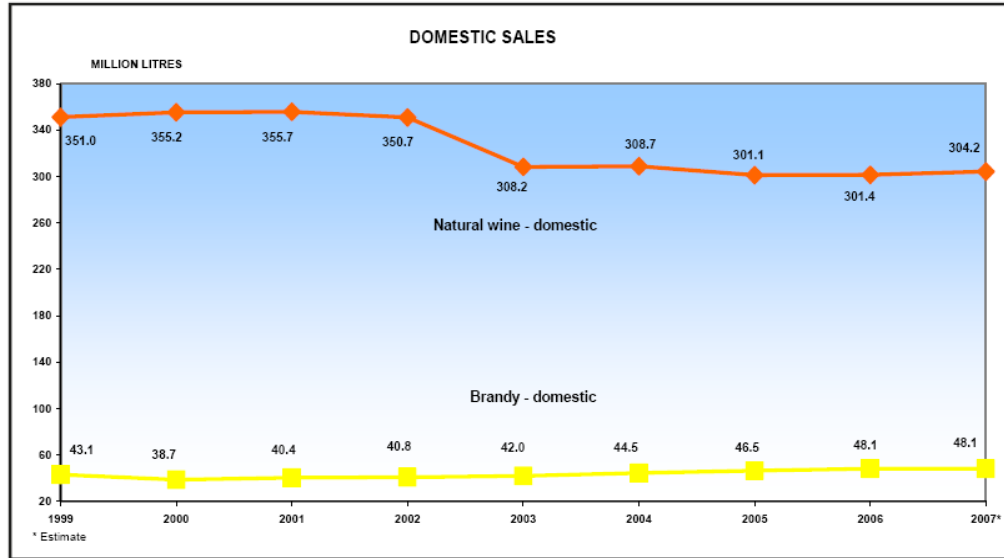


Figure 2.1: Domestic sales, 1999-2007

Source: SAWIS, 2007(b).

In South Africa, there has been an increase in per capita consumption of all alcoholic beverages. South Africa experienced a per capita increase in all alcoholic beverages from 43.8 litres per capita per annum in 1962 to 56.8 litres in 2001. Although the increase in alcohol consumption is of concern, especially given the high rates of foetal alcohol syndrome, in recent years wine consumption among South Africans dropped from 9.1 litres per person per year in 2001 to 7.29 litres per person per year in 2006. The industry is now ranked 35th in terms of world domestic consumption rankings (Steyn, 2006: 40). The *per capita* consumption of wine products on the domestic market from 2002 to 2006 is illustrated in Table 2.3.

Table 2.3: Domestic per capita consumption of wine products, 2002-2006

Year	2002	2003	2004	2005	2006
	% per capita				
Natural wine	8.04	7.00	6.73	6.43	6.36
Fortified wine	0.70	0.75	0.75	0.76	0.73
Sparkling wine	0.17	0.17	0.17	0.18	0.20
Total	8.91	7.92	7.65	7.37	7.29

Source: NDA, 2007:42

A possible reason for this increase in consumption could be the recent proliferation of wine brands on the market as this has meant that consumers are exposed to wines in most retail outlets. However, it is impossible that over 700 producers can effectively sell over 5 000

wines and there will have to be some form of consolidation in the market. While R805.7 million was spent on advertising alcoholic beverages in 2006, wine advertising expenditure was down to only 2.7 percent, sixty percent of which was spent on the ten big brands (A&T Consulting & Naumann, 2005:34). This is especially disheartening given the relatively low level of brand awareness of wine compared to beer and spirits. In light of this, Howe (2007) concludes that the SA wine market is close to saturation and unable to support labels initially conceived for the export market, but that have diversified into the local market due to the global oversupply. Therefore, while supermarket wine buyers will deal with new labels in the short-term, in the long run they will support and purchase only those brands that are supported by strategic advertising as they cannot deal with every wine producer (Howe, 2007).

Wine producers and marketers are aware of this problem and in recent years there has been an increase in marketing efforts across the board, from wineries, brands and retailers, supermarkets like Pick 'n Pay and Checkers who have increased their marketing budget on wine offering with inventive new displays, special wine selections, food pairings and an extensive education effort for both its wine shelf packers and consumers (Bolin, 2007; Howe, 2007). Numerous firms, both large and small, have embarked on several new marketing and advertising initiatives informed by new consumer research due to the continuing premiumisation trend among South African consumers (A&T Consulting & Naumann, 2005: 34; Howe, 2007). This bodes well for the entire market and better growth in local wine sales by both volume and value is definitely expected in future.

Schwartz (2007) believes that SA wine producers often invest in marketing campaigns which are specifically designed to increase short term sales volumes but this over emphasis on sales volume increases has caused some wine marketers to lose their focus on strategic branding aspects. In some cases, SA wine producers have diluted their brand value by focusing on short term sales improvements. These sales improvement strategies usually include price reductions and even brand sacrifice. This implies that wine marketers can focus on different aspects to improve sales without damaging their brand. Although sales growth and market expansions are deemed to be important aspects of wine marketing, the sustainability of the business depends mainly on the brand. Some authors suggest that brands are the atomic core of the consumer-driven economy and companies are dependent on the success of their brands to be able to establish a sustainable business future

(Schwartz, 2007). Therefore SA wine companies would have better long term success by focusing on consumer driven marketing strategies, such as the ones this study attempts to draw up.

This discussion of the industry has highlighted problems that are specific to South Africa but the global situation also needs to be taken into consideration. It is therefore discussed in the next section.

2.2 The global situation

There has been global growth in alcoholic beverages but this growth was dominated in size and actual value growth by beer. However, wine sales are expected to remain the fastest growing of the three key drinks segments (AC Nielson, 2006; Babor *et al.*, 2003:19). It should be noted that in both wine and spirits it is value that is rising more than volume and although world wine consumption has been following an increasing trend since the late 1990's, the growth is moderate (SAWIS, 2007(a):11). The growth in world wine consumption is due to new drinkers entering the market, existing drinkers consuming more, and rising incomes (SAWIS, 2007(a):1; Loubser, 2007; Market Wire, 2007).

Despite the decline in wine consumption per capita in countries such as France, Switzerland, Portugal, Argentina, Austria and Spain, wine consumption per capita continues to grow in most other markets. The IWSR predicts that by 2010 the USA will be the world's leading wine-drinking nation in 2010, followed by the current leader, France. China and the Russian Federation join the top ten largest wine markets in the world (SAWIS, 2007(a):1; Loubser, 2007; Market Wire, 2007).

In terms of production; structural change is currently under way in the global wine industry. Historically, the wine industry was dominated by the traditional wine-producing countries of Europe, known as the Old World. However, the changes in the commercial environment have encouraged an influx of wines from new wine producing countries such as California (USA), Chile, Australia, New Zealand, South Africa and Argentina, known as the New World. The competition between and challenges of both the old and new

worlds have intensified as the varieties of wines on the market continue to expand (Ponte & Ewert, 2007:3; Keown & Casey, 1995; SAWIS, 2007(a):3; Market Wire, 2007).

The old world continues to dominate in exports but new world exports are growing rapidly, especially those of Argentina and Chile, with SA also showing substantial growth (Market Wire, 2007; I-Net Bridge, 2007b). Despite this growth, South African wine producers are facing increasing competition from New World wine producing countries. Top competitors of note are Australia and Spain, both of which market their wines through a generic brand for the country. South Africans can learn from them as marketing remains the weak link for many wineries and industry experts agree that a continuous focus on quality is important, as is linking a region with a grape variety in a way that optimises quality and that consumers can easily understand. Other new wine countries that will become power houses are New Zealand, Chile and Argentina (Loubser, 2007; Carrero & López de Silanes, 2007:4).

2.3 New wine markets the SA wine industry can learn from

Although the old wine consuming countries still hold a significant portion of the global wine market, the new wine consuming markets' clout must be acknowledged and the necessary amendments undertaken according to the forecasts (Lindgreen & Beverland, 2007:1; Market Wire, 2007). The group of countries known collectively as South East Asia (China, Taiwan, Hong Kong, Vietnam, Thailand, Indonesia, Malaysia, Japan, Singapore, and Korea) are the most significant new markets being targeted by wine producers (Market Wire, 2007; Lindgreen & Beverland, 2007:1).

Wine exporters have met with mixed success due to complicated distribution channels, archaic legal systems, different cultural values, different languages, and an uncertain economic future as a result of the 'Asia Economic Crisis' (Li, *et. al.*, 2006:12; Market Wire, 2007; Lechmere, 2007; Lindgreen & Beverland, 2007:2). Due to these difficulties, exporting a 'new' product like wine to Asia is difficult and relationship marketing has been suggested as the key to successful product positioning for wineries entering Asia. This is because the situation in Asia is similar to that of Africa where culture plays an integral role and consumer behaviour is strongly influenced by culture. The African and Asian cultures

are distinctly different from Western culture and Asian consumers are expected to place much greater value on personal relationships than on impersonal rules and therein lies the marketing problem as most wineries lack the financial muscle to undertake marketing research (Lindgreen & Beverland, 2007:11). This problem extends to all markets where culture is a major determinant of consumer behaviour, as is true of the black middle class.

Another “new” wine market of note that has been observed in most countries are the consumers in the age group between 21 and 28. This group of “young people” is discussed below in a bid to better understand this new influential market.

2.3.1 Young people as wine consumers

Various studies have identified young people in the 21 to 28 age group as one of the most promising new demographic segments for wine. Wine is viewed as an aspirational product that symbolises quality and affluence (Anon, 2007a). Thach & Olsen, (2006:307) also support this view and identify Millennials, as does the Vinexpo/IWSR study, which states that consumers aged 20 to 25 in all countries have a perception of wine as the healthiest, high quality alcohol beverage that is becoming a popular trend among their age group. While the perceived expensive cost of wine and confusion about different wine styles can be barriers to consumption, it also adds to its aspirational value (Market Wire, 2007).

To effectively reach this age group, wine marketers need to make wine more accessible to young people, demystify the wine exclusivity image, educate the consumers, and focus on branding promotions and packaging that appeals to younger consumers while still maintaining the classy image. Similar results have also been found in this study to substantiate that the young people are indeed the market of the future and more emphasis needs to be put on them to ensure the future success of the wine industry (Thach & Olsen, (2006:307; Market Wire, 2007).

In light of these changes in the global wine industry, the new wine countries and wine markets, as well as the changes within South Africa’s wine industry, it is necessary to discuss the consumer market in South Africa and identify target markets within the local environment.

2.4 The South African consumer market

South Africa has a multi-racial society 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 approximately 49 million people. The ethnic population is split into 79.2 percent blacks, 9.2 percent whites, 9 percent mixed race and 2.6 percent Indian (StatsSA, 2008: 3). 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. The black middle class adults made the most significant gains in terms of improvements to social class during this period and these improvements have been forecast to continue (Van Aardt, 2005).

In addition to South Africa's high cultural diversity, South Africa also has a complex mix of developed and developing areas in terms of its population and its economy and it has one of the highest Gini coefficients (0.61) in the world, which illustrates the vast gap in income distribution between the majority of low-income households and the wealthy, minority group (Steyn, 2006:33). Van Aardt (2005) proposes a class-based population segmentation model known as the BMR to explain this diversity. The model is based on two population variables, namely *socioeconomic class* and *level of education*. On the basis of this model, the population can be classified into nine groups with high, middle and low class citizens each split into low, middle and high education groups. This model reveals significant disparities between classes on the basis of education levels and although numerous people are experiencing higher living standards, a significant segment of society remains trapped in the low education-low class and the low education-middle class segments, leading to growing inequalities with respect to living standards in South Africa (Van Aardt, 2005).

Another market segmentation tool was developed by the South African Advertising Research Foundation (SAARF). They developed the SAARF Universal Living Standard Measures (SU-LSM) to partition the consumer market on the basis of only the socio-economic status of consumers, as opposed to the socioeconomic class and level of education of the previous model. In the latter model, the poorest consumers are in the

segment SU-LSM 1 and the richest are SU-LSM 10 and 59.3 percent of South African consumers fall within SU-LSM 1 to S-ULSM 5 (Mawers, 2006; Van Aardt, 2005).

Both models reveal that the most significant improvements in social class were made with respect to the black middle class. There has been substantial growth in the black middle class, which has been attributed to the 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 due to the spike in black entrepreneurship attributable to Black Economic Empowerment (BEE) (Anon, 2005). The Human Sciences Research Council (HSRC) estimates that the entire middle class increased in size from 8.8 percent of the population (approximately 3.5 million) in 1994 to 11.9 percent (5.3 million) in 2000. In 1994, 29 percent of the middle class were black while in 2000, the proportion had risen to 50 percent (Van Aardt, 2005; Anon, 2005).

This growth has been concurrent with the decline in the percentage of African adults in the lower class and the stagnation in the growth of the percentage of Asian and White adults in the high socioeconomic classes and the trend towards more Whites moving into the middle class instead of the high class. It is worth noting that although the Black South Africans have experienced the highest rates of growth, all population groups have benefited from the favourable economic climate and moved to higher living standards and while inter-racial inequality has decreased, intra-racial inequality has increased (Van Aardt, 2005; Anon, 2005)”.

The emergence and growth of the black middle class has been noted as the most powerful marketing trend in the South African economy in the last 10 years. They are mostly in SU-LSM 4 to SU-LSM 6. They currently constitute about 43 percent of the South African population, make a 37 percent 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. Although the constant movement towards the more affluent segments mirrors similar trends in the emerging markets of other developing countries, the growth of the South Africa’s “Black Diamonds” is more intricate due to the diversity of this market and the subsequent “cultural paradox”. Many researchers have noted that the middle class experiences a conflict between its

cultural roots and westernization because they have a strong desire to follow, express and respect their cultures. This could be due to the high level of intra-racial income inequality where one member of a family may be affluent while the rest fall below the poverty line as they did not pursue the avenues of education and affirmative action that have thrust many blacks ahead (Mawers, 2006; Anon, 2006a).

2.5 The “Black Diamonds”

Since 1998, more than three million working class South Africans have joined the ranks of the lower middle class. This means that the number of people in the fastest growing SU-LSM categories five and six has grown by three million, the majority of which are women. Research has postulated that of the over three million, about 1.6 million are women and 1.3 million are men. Single women have the biggest presence in SU-LSM 5 and were approximately 1.09 million in 2005. The people in the living standard categories LSM5 and LSM6 are the fastest-growing groups in South Africa and these are the telephone operators, shop cashiers, semi-skilled workers, security guards, junior police officers and students; they are urban, have at least a high school education and earn between R2 500 and R4 000 a month. According to SAARF, this booming group has a collective buying power of R160 billion a year (AMPS, 2006; I-Net Bridge, 2007b).

South Africa's black middle class, increasingly referred to as Black Diamonds, has grown by 30 percent per annum between 2000 and 2006 and 35 percent in the year 2006 to 2007. 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. In 2006, the black middle class citizens constituted an estimated 2.6 million South Africans, compared with 2 million in 2005. They make up at least 27 percent of the South African population. 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 (Muyambo, 2006; I-Net Bridge, 2007b).

In terms of the spatial distribution of the black middle class, there seems to rapid percentage growth of adults in the high classes (SU-LSM7-10) in the Free State, Gauteng

and the Western Cape, where higher provincial economic growth is being realised with multiplier effects to the populations of these provinces. There is rapid middle class growth (SU-LSM 4-6) in the Eastern Cape, the Free State, KwaZulu-Natal, Limpopo and the North West driven by urbanisation and improved public sector service delivery. In terms of age distribution, there is evidence of rapid growth in the middle class category of the 16 to 24 year group, the 25 to 34 year group and the 35 to 49 year olds. Again urbanisation, infrastructure development programmes and higher levels of human capital formation are reiterated as the primary drivers of these living standard improvements. Full time employees show the most dramatic growth in the number of adults in the high class during the period 1998 to 2008 (Van Aardt, 2005, BFAP, 2007:47).

In terms of both spatial and age distributions, Gauteng and the Western Cape appear to be rapidly developing provinces in terms of living standards as well as educational attainment as is evidenced by the dramatic increase in the two provinces of the number of people 16 years and older in the high class and people 16 years and older with higher educational qualifications over the period 1998 to 2003. This increase is expected to continue growing at high levels up to in future years and these groupings are expected to continue increasing over the medium term (Van Aardt, 2005; AMPS, 2006).

The study by the University of Cape Town's Unilever Institute of Strategic Marketing and TNS Research Surveys by UCT/Unilever Institute director Professor John Simpson and TNS Research Surveys' Neil Higgs entitled *Black Diamond 2007: On the Move*, in 2007 was revolutionary in determining the precise contribution of this group to total buying power. It asserted that Black Diamonds' total buying power has significantly grown in absolute terms, with an increase of R50-billion in the year 2006-7. Their combined annual spending power grew exponentially 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 by only R5 billion from R230 billion to R235 billion. That of black South Africans⁷ collectively grew by seven times that of white South Africans, from R300 billion to R335 billion over the same period (SouthAfrica.info reporter, 2007; Muyambo, 2006). These increases in total buying power are illustrated in Table 2.4.

⁷ This includes all black South Africans including those in LSMs lower than LSM 4.

Table 2.4: Trends in the total buying power of South Africans

Annual claimed buying power	Last quarter 2005 estimate	First quarter 2007 estimate
Whites	R230bn	R235bn
Blacks: total	R300bn	R335bn
Black diamonds	R130bn	R180bn

Source: SouthAfrica.info reporter, 2007

The emerging Black Middle Class has illustrated that it is 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 on SouthAfrica Info, 2007), reiterated earlier indications that there was measurable growth in the number of black middle class South Africans. Due to the significant economic power that the group has attained, making inroads in understanding this market presents a good opportunity for all sectors of the economy. Wine is no exception in this regard and industry experts have agreed that 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" (I-Net Bridge, 2007a; SouthAfrica.info reporter, 2007).

Despite this consensus on the importance of Black South Africans in the industry's success, industry experts also admit they face a challenge in changing the drinking habits of people who prefer to drink beer. Black South Africans, and the vast majority of South Africans, are not accustomed to drinking wine as they are comfortable drinking processed beers, or traditional home-made local beer made from sorghum, known as "*umqombothi*", and local brandy. Although the old stereotypes are slowly melting away with the emergence of a black middle-class, there is no predominant wine drinking culture or lifestyle in South Africa, and especially among black South Africans. Steven Nkosinathi, who runs Soweto's biggest wine market, believes that about half the blacks who buy from his shop are ignorant about wines and have an inherent prejudice about wine drinkers because until recently it was widely believed that wine-drinkers are pompous (Morris, 2006; African Response, 2007).

In the black community, until recently wine drinking was not widespread and it was restricted to women and the elite in the community. There is now a staid drive to arrest the declining wine-consumption, beginning with the blacks because the vast majority of blacks have these prejudices although most had never tasted wine until recent years. The drive has sought to stir up wine appreciation among the blacks and encourage responsible wine-drinking and appreciation. Mr Nkosinathi, and many different studies (inclusive of this study), have revealed that there is indeed potential for the wine industry in the black consumer market as consumers in the said market have actually been found to prefer red wines to whites, for medicinal purposes; and price is a major driver of choice with the cheapest bottles, which begin at around R20, being the most popular as they are still within the budget of most beer drinkers (Morris, 2006; Pendock, 2007).

2.5.1 Incongruities in the definition of “Black Diamonds”

Although various studies have agreed on the existence of a black middle class, there are disparities in the definition of those belonging to this socio-economic group. The *Financial Mail* (as cited by Bisseker, 2005), define the black middle income group as black South Africans in SU-LSM 7-9, which correlates approximately to average monthly household incomes in the range of R6 444 to R11 864. However, it should be noted that SU-LSM categories are not a direct proxy for income groups and each LSM includes a wide range of incomes but the basis of classification is that all consumers in the same LSM are in possession of similar durable products and exhibit comparable associated buying behaviour.

Schlemmer (as cited by Bisseker, 2005), disagrees with the *Financial Mail's* definition of the black middle class and feels that there is need to filter out black South Africans with the occupational, income and living standard levels equivalent to those of the established white middle class. Therefore Schlemmer defines all black South Africans in LSM 9 and below as the "lower middle class" and only those in LSM 9-10 with incomes above R12000 per month are considered as the fairly accurate surrogate for the "core middle class" and the would-be focus of this study (Bisseker, 2005).

African Response (2006) believe *middle class* consumers are hard-working, dedicated and willing to make sacrifices for their personal well-being and that of their community and that 13.2 million people are included in this population group. According to African Response, the people in this socioeconomic group make up 43 percent of the South African adult population, where adults are people over 16 years old. They postulate that the black middle class is a relatively young group of people with 31 percent of them under the age of 34; they reside mostly in the metropolitan areas of South Africa; there is a strong prominence of Nguni languages, followed by English and they fall into LSM 4–6 with personal income ranges from R500 (LSM4) to R12 000 (LSM6).

The inconsistencies in the definition of the black middle class do not lie only with researchers but extends even to consumers and Da Silva notes that 45 percent of the population believe they fall into the middle class, 31 percent declare they are still in the lower middle class (or working class), 12 percent are in the upper middle class, and only two percent deem themselves to be in the upper class, whilst an additional 10 percent are either oblivious or timid as they will not say (African Response, 2006; Da Silva, 2006).

Muyambo, one of the pioneers into the study of the black middle class proposed that the actual emerging black market is broader than the definitions discussed above as there are different types of consumers within the black middle class. Muyambo postulated that there were four types of consumers with the different characteristics that had previously each been put forward as a separate definition of the black middle class. Muyambo included the *buppie*, the entrepreneur, small business owner and young employee within her definition.

1. *Buppie*: up-and-coming, with a Bachelor's degree, young (25 to 35) professional who owns a house and a car and is in a white collar position.
2. Entrepreneur: young (21 to 35), typically not well-educated, lives in a flat or could still be living at home and has own business such as the repair and sale of electronic goods.
3. Small business owner: older than 35, not well educated, started own business and may employ up to six people in a business - like a taxi service, spaza shop or funeral home.

4. Young employee: not well educated, stays at home with parents, works as apprentice or sales assistant, is studying part-time and wants to prove that a rags-to-riches story can come true.

Muyambo's definition concurs with that of African Response who also focused mainly on the younger age groups. In addition to this flaw, she also agrees with the AMPS study which placed a strong emphasis on black entrepreneurship. The latter study suggested that in 2004, there were approximately 2.6 million self-employed black South Africans of which a quarter was in LSM 6 or higher which illustrated the strong entrepreneurial spirit in South Africa. They accounted the boom in the numbers of the black middle class and the consequent boom in many markets to the more than one million people that fell within this category (Muyambo, 2006).

There are therefore four different definitions, all of which are inconsistent. In order to get a true definition of the black middle class it is necessary to study their evolution and understand their characteristics as these drivers shape them. The next section will explore the evolution of the Black Diamonds since the early 1990s and trek to present day.

2.5.2 The evolution of "Black Diamonds"

The rapid political change in the early 1990's created an explosion rather than a gradual evolution of what many believe to be one of the fastest growing middle class groups in the world. The South African economy grew significantly in the years following the end of apartheid with the GDP increasing from one percent in 2001 to five percent in 2005. In accord with this economic growth, the power of the black consumer has grown significantly by as much as 30 percent in the years between 2001 and 2005, and 35 percent in the ensuing year. It should also be noted that while the healthy and growing economy was a key determinant of the economic growth, government assistance also aided in the steady emergence of the black middle class from below the poverty line (African Response, 2007; Anon, 200

In 1980 the top 10 percent of income earners were almost totally white, while in 2005, 25 percent were black. The upper middle income group has changed from a profile of 12

percent black adults in the mix in 1991, to 45 percent in 2005. The percentage share of personal income in the 1960s was almost predominantly white; in 2005 black share of income exceeded all other race groups. The percent share of black matriculants has grown from 50 percent in 1996 to 67 percent in 2005. The percentage share of black graduates/diplomas has grown from 31 percent in 1996 to 52 percent in 2005. The trend in the percentage share of personal income is given in Figure 2.2 (African Response, 2007).

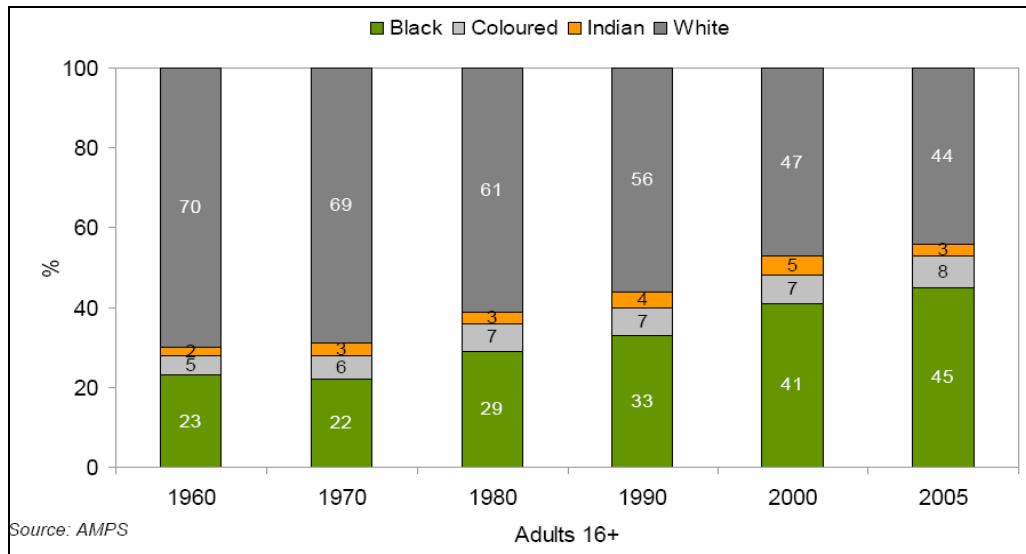


Figure 2.2: Progression in the percentage share of personal income, 1960-2005

Source: Anon, 2005

As already mentioned in this study, the growth in the black middle class has been mostly due to the increase in the number of black employees in white-collar public sector jobs and in the private sector (due mostly to a jump in tertiary education), as well as the development of black business enterprises. Several authors have identified three waves of black economic empowerment. The first was the black elite, the politically well-connected individuals and dynamic entrepreneurs who took full advantage of the economic opportunities presented post-1994. The second was the emergence of the black professional, the ‘buppies’ of the 1990s (up-and-coming, young and qualified). The third wave is by far the largest. These are the ‘bappies’ (booming, aspirational and previously poor) who are taking advantage of the booming economy and moving on up (Anon, 2006; African Response, 2006).

The black middle class are broadly defined into two categories, the lower middle class and the elite. The latter group form the first wave while the rise of the lower middle classes has

dominated the second and third wave. The lower middle classes together make up 27 percent of the South African population and their drastic rise has led researchers to coin the acronym "bappies" which distinguishes them from South African "buppies" and the black elite that emerged in the 1990s (SouthAfrica.info Reporter, 2007).

The “Bappies”

The “bappies” are the booming, aspirational and previously poor newcomers to the lower middle class. They are characteristic of 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, hard-working, 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 women being recorded as belonging to this group in 2006. The “bappies” are mostly in SU-LSM4-5; with the poverty line broadly drawn at LSM 4 and below. They are shop cashiers, security guards and junior policemen, telephone operators, students and semi-skilled mineworkers (African Response, 2006).

The “Buppies”

The “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 percent of the top 10 percent of income-earners in South Africa while in 1980, the number of black people in this upper percentile was negligible. In 2006, 85 percent of “buppies” were aged between 25 and 35 years old; all earned upwards of R7 000 per month, and 87 percent had some form of tertiary qualification. “Buppies” are employed in white collar occupations, in positions such as general manager, sales manager, regional manager, technical manager, and senior analyst. They enjoy spending money on designer clothes, liquor, 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 “Blackoisie”

The 35 to 50 year age group segment is the segment of the black middle class driving economic growth as they are the original beneficiaries of Black Economic Empowerment (BEE) and affirmative action recipients who have worked their way up the corporate ladder and now have families. The blackoisie are the “black bourgeoisie”, where the bourgeoisie are the affluent middle-class people characterized as conventional, conservative, or materialistic in outlook. There has been exponential growth in the “emerged” black middle class as socio-economic and social drivers between 1998 and 2004 led to a growth of 368 percent in black households in the upper-income bracket of those who earn more than R154 000 per annum (Herman, 2006).

The older “emerged” segment is more established, slightly older and is in full-time employment. The members of the "emerged" segment work in a wide range of professions. In 2006, approximately 25 percent were involved in education, four percent in senior education posts, and eight percent were entrepreneurs with their own small business within the formal sector. Many of the members within this group have occupied the same positions for an average of eight years which adds credence to the notion that they were the first to benefit from BEE and affirmative action and were educated outside of South Africa during the apartheid era (Herman, 2006; African Response, 2006).

2.5.3 Market segmentation of the “Black Diamonds”⁸

South Africa’s 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 that can be further divided into seven sub-segments. It is not surprising that much of this buying power lies in the hands of an older, more established super-segment:

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

⁸ This section is a compilation of the UCT-Unilever (2006), Muyambo (2006) and Mawers (2006) studies.

- a. Those preferring the *status quo* - the oldest group, with strong township roots (though 19 percent live in the suburbs), comfortable and settled, and the most conservative in their money management. They consist of 44 percent of the Established's and 17 percent of the Black Diamonds. They contribute 22 percent 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 are more financially active; they have the highest car ownership and consist of 56 percent of the Established's and 21 percent of Black Diamonds and contribute 36 percent 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 percent of Black Diamonds and contribute 20 percent of the segment's buying power. Many of the "bappie" group belong in this group. Again, two sub-segments emerge:

- a. Those preferring the *status quo* - the group with the strongest township roots (though 18 percent live in the suburbs), the least financially savvy and least well-educated with a strong female skew, they consist of 55 percent of the Young family segment and 12 percent of the Black Diamonds, contributing seven percent 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 percent of the Young family segment and 10 percent of Black Diamonds and contribute 13 percent of the buying power. They have an average monthly personal income of R7 200. Eighty one percent 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; there is a strong dominance of males and white-collar jobs; they like fun and parties; they make up 21 percent of Black Diamonds

and contribute 19 percent 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 percent 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 percent of the Start-Me-Ups and 14 percent of the Black Diamonds, contributing 11 percent of the buying power with an average monthly personal income of R4700.
- 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 percent of the Start-Me-Ups and 8 percent of Black Diamonds. They contribute 8 percent of the buying power and have an average monthly personal income of R6000.

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 percent of Black Diamonds but contribute just three percent of the buying power - nonetheless, they are the future.

For the purposes of this study, the aforementioned segments will be used as a guideline. However, in this study the age groups are slightly different because the researcher felt that the Established’s should include the older generations and senior citizens and the Start-Me-Ups should be split up with the younger age group joining Mzansi Youth and restricting the Start-Me-Ups to only the older part of the group. The older age groups were included with the Established’s as there are no significant disparities in their consumption or purchasing behaviour. The Mzansi Youth were represented to include all respondents below 24 years of age because in recent years the youth spend more years in formal education and only begin their careers after 24, therefore respondents below 24 were assumed to be students whereas those between 24 and 29 were assumed to now be starting their careers, and therefore aptly named the “Start-Me-Ups”. The Established’s are now 35

years old and above and the Young families maintain their age group of 30-34 years. This will be aptly tested in the consumer behaviour study.

2.6 Summary

This chapter discussed the history of the wine industry and its progression into the modern day economy. It discussed how the industry has transformed to include black participants in both the supply and demand aspects, despite the negative history with black South Africans as a result of former restrictive laws under apartheid. Measures that have been attempted to redress these negative undertones were also discussed in order to try and get a feel of how deeply embedded the negativity lies and understand how comprehensively the wine industry has attempted transform the image of wine and attract black South Africans as both consumers and supply chain actors in the industry. The chapter briefly discussed local and global trends in the production, export and development of new wine markets and identified new wine producing countries as well as viable new wine markets that the industry can learn valuable lessons from in dealing with the black middle class consumer markets. It also discusses the South African consumer market, with particular reference to the changes within the market and the potential emergence of the black middle class with preference for wine. The latter are further discussed in terms of their evolution, the disparities in their classification, and the classification and segmentation that was considered in this study. These will be necessary for the next chapter in which the factors influencing their consumer behaviour and appropriate market segmentations will be discussed.

CHAPTER 3:

Consumer Behaviour and Market Segmentation in the Wine Industry

This chapter will discuss the factors influencing consumer behaviour and the subsequent market segments that can be drawn up based on these factors. This is done in a bid to justify why the Black Diamonds as a distinct market require a distinct targeted market approach.

3.1 Factors influencing consumer behaviour

In South Africa, race continues to be correlated to different education, occupation, household income, infant mortality, and access to human development and other social indicators of wealth and development. Race is therefore a useful indicator for marketers who are developing strategies for the South African market. However differences exist among people of the same race and culture is a major differentiator, and a factor which cannot be discarded when marketing to the South African population (Planet Retail, 2008).

The previous chapter has already stressed the economic importance of the Black Diamonds and therefore the subsequent implied gain to a firm's competitive edge if its marketers 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. Gaining insights into the consumer needs of the black middle class will create a deeper understanding of the customer and enhance the probability of them being inclined to purchase the said product (Mawers, 2006).

Research in many multi-racial societies, as well as the research conducted by the Gordon Institute of Business Science (in Mawers, 2006), illustrates 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 differentiate themselves from the white middle class by their culture and roots. This is because black people are more influenced by traditions, customs, laws, morals and social principles, as well as self-respect and dignity. All of these have been proven to be of great consequence to black consumers, influential in buying decisions, and subsequently integral to the marketing approach used when

marketing products and services to the black middle class (Nieftagodien & Van der Berg, 2007:6; Mawers, 2006).

Various other authors have also postulated that black consumption patterns differ from those of whites, even when considering similar income levels and household size. This applies particularly to the black middle class. Nieftagodien and Van der Berg, (2007:6) assert that black consumers have an even greater taste for middle class goods than white South Africans (though less than those of mixed race and Asians), once the asset deficit as a result of historical differences has been brought into consideration. The study by Nieftagodien and van der Berg, (2007:6) asserted that demand was only price inelastic for the three items where the expenditure share was much higher for black consumers – food, fuel and alcohol/tobacco. With this in mind, it is necessary to develop a model of consumer behaviour to try to determine the factors that caused the difference in price elasticities for these goods, especially alcohol, and particularly wine.

Consumer behaviour is defined as “a set of activities that consumers perform when they look for, evaluate, use and dispose of goods with the object of satisfying their needs and wishes”. These activities include mental and emotional processes, as well as physical actions (Palau, Glade, Otaño, Dulce & Ordóñez, 2006:2). Various theories have been developed over the years in an attempt to explain consumer behaviour and predict consumer preferences, as well as determine the factors influencing consumer behaviour so as to be able to predict consumers’ behaviour and subsequently influence it. This study will put forward only two very similar models that focus on the influence of culture and social status in a bid to explain why markets should be segmented according to the race of the population and socio-economic status among people of the same race. This will justify the need for a separate market offering particularly for the Black Diamonds which meets their unique characteristics and caters to their distinct needs.

Kotler and Keller (2006), postulate that the Consumer Behaviour Model, (as shown in Figure 3.1) 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.

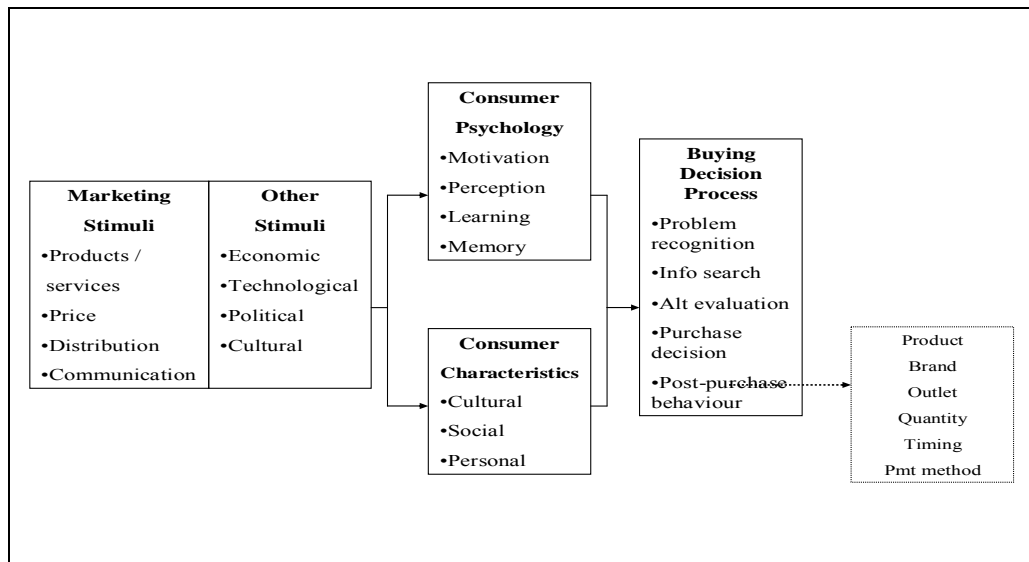


Figure 3.1: The consumer behaviour model

Source: Adapted from Kotler & Keller, 2006: 184

In accordance with the Consumer Behaviour Model above, it can be noted that cultural, social, personal and psychological characteristics affect the behaviour of consumers. In general, these factors cannot be controlled but must be taken into account. Culture is the most basic origin of people's desires and conducts and consumption patterns and the choice of different products depend on the consumer's culture (Kotler & Keller, 2006: 174-183). The influence of culture cannot be downplayed, especially in culturally diverse economy such as South Africa.; and because culture affects consumers' lifestyles and social behaviours, it is only logical that culture also affects the way that people make decisions and purchases. Although an in-depth knowledge of every single culture and sub-culture in South Africa would be impossible, and unnecessary, a broad knowledge of the impact of cultures on marketing decisions improves a firm's ability to design effective competitive strategies, negotiate international sales, and co-ordinate internal activities, especially for targeted marketing, such as will become necessary for Black Diamonds (Perner, 2007).

Personal factors are particularly important when determining consumer behaviour because 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). Chapter 2 has already segmented the Black Diamonds

on the basis of some of these activities, e.g. occupation, income and interests. All of these will determine the consumers' overlapping reference groups and self proclaimed social status. In accord with the model of consumer behaviour by Hawkins, Best and Coney (1998), these groups will become more important. The model is illustrated in Figure 3.2.

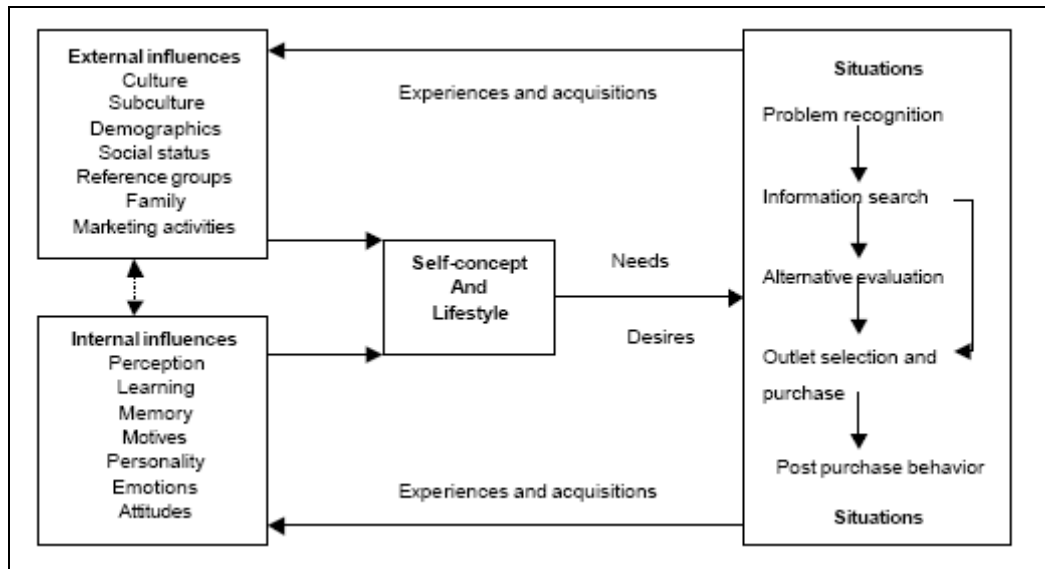


Figure 3.2: An overall model of consumer behaviour

Source: Hawkins, *et al.*, 1998

Vis-à-vis the social factors, social classes are particularly important in this study which focuses on the black middle class and its associated consumer behaviour. This study assumes a social group influences an individual's purchasing decisions and understanding the groups' values, lifestyle and social attitudes helps to predict consumer behaviour. Consumers are also affected by reference groups as these groups expose the individual to new behaviours and lifestyles, influence attitudes and self-concepts; and create pressures for conformity that may affect actual product and brand choices. With this in mind, marketers must uphold a positive link with a person's sense of positive social identity (Perner, 2007; Hawkins, *et al.*, 1998; Kotler & Keller, 2006; 179).

In addition to the factors previously discussed, there are other factors that also affect consumer behaviour. These include push and pull consumer's choice factors, as well as place of purchase and shopping time frame factors. Push factors consist of psychological motives like celebrations or value perceptions while pull factors are factors like the winery's reputation and wine variety. The influence of these factors will be investigated

further during the consumer behaviour study (Schwartz, 2007; Evans & Chemaly, 2007:10; Akridge, Boehlje, Downey, Darroch & Harling., 1999:5).

Complex factors influence consumer behaviour toward wine. Wine is strongly related to the quality of life and it is not simply an alcoholic drink (Tzimitra-Kalogianni, 1999:3). The important wine attributes that act as quality attributes and influence wine consumers' behaviour can be split into search, experience and credence attributes, as illustrated in Table 3.1. The three are assumed to be steps involved in consumer purchasing behaviour and will affect the repeatability of purchases (Luth & Spiller, 2005:3).

Table 3.1: Typology of attributes and quality signals

Typology of attributes	Search attributes	Experience attributes	Credence attributes
Suitable quality signals	Packaging, design, appearance	Brand, price, reputation	Brand, guarantees, test labels

Source: Luth & Spiller, 2005:3

Table 3.1 illustrates that the purchasing of wine involves many tangible features, such as the colour, price, description of grape type and bottle shape, and numerous subjective or intangible features, which include taste, smell and grape type and the ability to acknowledge underlying tastes and impression on others. One of the key factors that differentiate the wine market from many others is that the main influences considered in wine decision making are perceived risk, in terms of product cues such as brand, label, price, product experience and knowledge and the product use situation all of which affect this risk, and make credence especially important (Spawton in Haelstaed, 2001).

According to Koewn and Casey (1995) wine's ability to be "a thirst quencher, a deal clincher, an aphrodisiac or an anaesthetic" is its most important intangible feature. However, this study asserts that one of the most important intangible features of wine revolves around the experiences of the purchaser and it takes on user-defined product features, which appear to be dependent on the occasion on which the wine is consumed. In many cases the consumers value their knowledge and the status attached to this knowledge and they constantly seek to avoid the resultant situation of having insufficient knowledge. It has already been established that wine is a highly exclusive sophisticated product and in purchasing wine consumers seek to reduce their risk of making an incorrect decision and

this perceived risk is a major influence in their wine choice (Tzimitra-Kalogianni, 1999:3; Koewn & Casey, 1995; Hall, 1991: 321).

Other authors also support the view that many wine purchases involve risk-aversion and a major concern in purchasing wines revolves around functional risks. These risks include those such as the taste of the wine; social risks by perhaps being embarrassed in front of family and friends; financial risk in the cost of the wine and physical risk in terms of risking a pending hangover the following morning. There are six strategies that consumers can employ in order to reduce “post purchase cognitive dissonance” (Hall, 1991:320):

- Select a known brand
- Recommendation
- Retail assistants
- Wine appreciation education
- Pricing
- Packaging and labelling

These strategies will form the basis for the ensuing discussion as they have been isolated as key wine purchasing strategies and will influence the way in which wine consumers make their choice.

When selling wine it is *aspiration* that is being sold, rather than the contents of the bottle. In the wine category the role of product cues such as brand and pricing are not as important, as compared to other Fast Moving Consumer Goods (FMCG) markets. The efficacy of this statement will be tested in the consumer behaviour study. In the wine market there is a lack of large and dominant brands and in reality, where a wine or range of wines is produced, situated, distributed, communicated and packaged under a single name count as a recognisable identity (Haelstaed, 2001:2).

However, due to the fact that consumers are not homogenous, brands still act as an important quality signal in food markets, even wines, as brands augment product recognition and serve as communication instruments (Evans and Chemaly, 2007). They are the utmost risk aversion tool because brands are especially useful to communicate and

guarantee a high level of unobservable product quality. This is evident in the case of wines of origin which are increasingly growing in importance with countries and regions acting as quasi-brands. This is particularly illustrated in the case of the rise Australian wines in which brand equity has been built through the perpetuation of strong qualitative associations (Atkinson, 1999:230). Australian wines of origin have a more diluted regional origin whereas France is more specific to the region of France the vines were grown, e.g. Bordeaux. In South Africa wines of origin are a very specific notion based on the region of South Africa they originate from, e.g. Paarl, Stellenbosch, etc.

Despite these assertions and the assumption that the wine market seems predisposed to branding as wine consumers seem comfortable with the notion of a highly differentiated product, it is noteworthy that branding, with respect to wine, is based on the realization that consumers buy ideas of quality associated with wine and not wine in itself. It is a well known fact that wine is widely considered a lifestyle beverage and therefore the quality and sophisticated notions and assumptions should not be imaginary, but must be anchored to a brand. Atkinson (1999) postulates that if the differentiation between brands does not make a difference, then the price becomes important. It is therefore to not only brand but also meet the expectations of the consumers with regard to the brand and its price (Atkinson, 1999:229; Market Wire, 2007).

Another important influencer of consumer behaviour, closely related to branding, is advertising. When broaching the subject of advertising it is of utmost importance to note the strong influence of the print media, in particular magazines, in the lives of the Black Diamonds. Magazines have long since established themselves within the black community as manifestations of social mobility through a rise in consumer culture and transformations in lifestyle choices. This is the same idea that wines should create in black consumers' minds. Laden (2003) believes magazines are both products of socio-cultural change, and vehicles of this change. It is therefore imperative that they be included in reaching the Black Diamonds as they are indeed already strong influencers of the latter's purchasing behaviour (Evans& Chemaly, 2007:11; Laden, 2003:192-4).

In light of the preceding discussion it is obvious that complex, diverse factors affect black consumers' consumption and purchasing behaviour. Although culture, personal and social factors, as well as external stimuli such as brands and advertising, all work together to

influence consumer behaviour it should be noted that at this stage in their development, it still seems that black consumers' wine consumption behaviour is largely influenced by risk aversion and their practices are to a large extent based on avoiding this perceived risk. This is because many of the cultural attitudes are changing and are therefore no longer as important. However, this does not apply to all Black Diamonds and market segmentation will help to segment the market and focus on more homogenous market groupings. This is discussed in the next section.

3.2 Market segmentation

The consumer behaviour factors discussed above form the basis for market segmentation because a full understanding of wine consumers' needs, preferences, attitudes and buying behaviour is needed in order to identify market segments. Consumer behaviour factors share geographic, demographic, and use-defined markets. These attributes make consumers similar or different to others. The most important factors are demographic, concerning consumers' location, income, gender, education, and age. Age is important as consumers' needs and wants change according to their life stage and age group. In terms of gender, male and female consumers have different preferences and attitudes to certain products. The family structure, i.e. single or married, with or without children, affects the patterns of consumption. It is assumed that members of the same social class and income bracket have similar purchasing behaviour as a result of the presumed equality of incomes and social standing in the community; usually they also tend to socialize with one another, and share the same ideas and values. There are also major differences in behaviour according to religion; as well as according to geographical specific attributes on a local, regional and national basis (Engels, *et al.*, 2004:9; Tzimitra-Kalogianni, 1999:4; Carrero & López de Silanes, 2007:16).

Segmentation has developed as a fundamental component in the process of target marketing because without identifying and understanding the target market, a focussed strategy cannot be defined. Target marketing gives firms the opportunity to tailor products and provide value more cost effectively to buyers of its outputs. It involves segmenting markets into groups of buyers with similar buying patterns. These market segments are integral in trying to maintain present and future business profitability because

undifferentiated marketing appears to be an unrealistic approach to the wine market (Hall, 2001:319). Segmentation is central to strategy. These segments must be large, accessible, profitable and quantifiable to allow evaluation of size and future potential, as well to warrant the attention of marketers, such as the Black Diamonds. The differentiation within the segments should be subtle because by using key phrases or reference points which are important cues, marketers may be able to focus on values that the black middle class find important, such as independence and achievement, without offending other consumers. By linking these values to the firm's adverts, meaningful associations with the black middle class are incorporated into the company's communications (Mawers, 2006; Tzimitra-Kalogianni, 1999:4)

Although there are several types and levels of segmentation used in various industries, Thach & Olsen, (2006:308) have compiled four classic marketing segmentation bases frequently used within the wine industry. These are:

- Geographic- based on where the customer lives, such as urban or rural
- Demographic- based on age, gender, income, social class
- Psychographic- based on lifestyle and personality
- Behavioural- based on occasions, benefits, usage rate, readiness to purchase stage

The demographic market segmentation has already been discussed and psychographic and behavioural market segmentations will be discussed in detail with respect to wine further in this chapter. Other authors have already empirically studied possible market segments in the wine industry. Some authors segmented the market by demographic factors (Toths & Totths, nd:2); consumption (eg. Judica & Perkins, 1992; Gluckman, 1990); by geographical region (eg. Sánchez and Gil, 1997); or consumers' behaviour (Johnson, Ringham & Jurd, 1991; Dodd, Pinkleton & Gustafson, 1996). McGarry Wolf and McVey (2001:168) used a combination of both geographical and demographic segmentation to test for consumer behaviour based segmentation (RMPS, 2007; Malesich, 2008). Kizan Winery (2001) in Japan, identified gender, price and consumer behaviour segments; whereas Phillips and Peterson (2000) suggest several different types of customer characteristics may be used as the basis for identifying a group of target buyers. Sissors (in Phillips & Peterson, 2000) identified 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). Some of these are discussed in detail in the following sections.

3.2.1 *Psychographic segmentation*

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 psychographic based super-segments for Black Diamonds that can be further divided into seven sub-segments. The four super-segments have already been discussed in depth and are the Established's, Young families, Start-Me-Ups and Mzansi Youth (UCT Unilever Institute, 2006).

Consumers can also be segmented according to the **personal value-based segmentation**. The latter segmentation generated four consumer segments:

- Safety seekers,
- Self-fulfillers,
- Hedonists and
- Indifferent.

These segments are different not only in their value systems, but in the entire decision making process as well. This segmentation explains the underlying reasons involved in the wine consumers' decision-making process and how they are affected by the same factors (Toths & Totths, nd: 15).

Palau, *et al.*, (2006) base their wine consumer segmentation on brand preference, price, or better price/quality relation. In this sense, consumers are divided into "brand oriented", "economicist" or "rational", respectively. Brand oriented consumers prefer to buy brand products although they have to pay higher prices, rationals will buy an unknown brand if it is of acceptable quality and good price and economists prefer to buy low price products although the brands are not so well known (Palau, *et al.*, 2006:8-9).

Johnson, (2003) undertook a **lifestyle segmentation** approach to the Australian wine market which confirmed the consumer segments identified by Bruwer *et al.* (in Thomas & Pickering, 2003:130) probably because both studies were conducted on Australian wine consumers. These segments were identified as

- Enjoyment-oriented social wine drinkers,
- Fashion-image-oriented knowledge-seeking, wine drinkers,
- Ritual-oriented conspicuous wine enthusiasts (experimental, highly knowledgeable)
- Purposeful inconspicuous wine drinkers (conservative, knowledgeable)
- Basic wine drinkers

The overlaps in the different segmentations are illustrated in Table 3.5.

Thach & Olsen, (2005) confirmed similar psychographic wine segments of previous studies, but had a slightly different focus. Their segmentation focused on the occasions at which consumers drink wine and the reasons for this consumption. They identified five major wine **lifestyle themes** that ran across all lifecycle phases of American wine consumers (Thach & Olsen, 2006:308):

- Relaxed lifestyle;
- Dining ambience;
- Fun and entertainment;
- Social aspiration; and
- Travel lifestyle

These lifestyle themes will form the basis of the behavioural segmentation discussed in the next section.

3.2.2 Behavioural segmentation

The final class of customer characteristics that may be used to create market niches are behavioural factors. Yankelovich (in Phillips and Peterson, 2000) suggests seven bases for behavioural segmentation. They are value, susceptibility to change, purpose, aesthetic concepts, attitudes, individualized needs, and self confidence. Hall and Winchester (in Thomas & Pickering, 2003:128) place an emphasis on the profitability of segments and the need for the knowledge of consumption patterns. Behavioural segmentation is a useful

starting point for strategy development as the consumer examination identifies differences between groups based on purchase or usage. Marketers have already identified psychographics, user-based benefit segmentation and occasion-based segmentation as a basis for assessing and dividing markets. The most famous consumer behaviour based segmentation is the McKinna segmentation.

McKinna's criteria for consumer behaviour segmentation are based on the presumed "benefits" sought by consumers when purchasing wine. The main components and consumer characteristics highlighted in McKinna's segmentation are highlighted in Table 3.3 (Koewn & Casey, 1995 and Thomas & Pickering, 2003:128).

Another less common consumer segmentation is presented by Hussain, Castaldi and Cholette, (2006). They postulate that wine consumers fall into six unique segments and these are illustrated in Table 3.2.

Table 3.2: Wine consumer segments according to purchasing behaviour

Consumer Segments	Description of wine consumer behaviour
The Enthusiast	Consumers are passionate about the entire wine experience, from researching, buying and sharing wine with friends
The Image Seeker	Consists of sophisticated consumers on one hand and adventurous and trendy consumers on the other. They are just as likely to buy wines with sophisticated labels as well as fun ones
The Savvy Shopper	Made up of consumers who seek great wines at a great price and believe that good wine does not necessarily have to be expensive
The Traditionalist	Consumers like wines made by well known wineries who have been around making good wine for a long time
The Satisfied Sipper	Consumers look for sensible choices to serve to family and friends
The Overwhelmed	These consumers make up the largest portion of the market. Members of this group find shopping for wine complex and worry about making a mistake. This is the group that represents the biggest opportunity for wine producers

Adapted from Hussain, *et al.*, (2006:4)

Segheiri, Casini and Torissi, (2007) presented evidence of the existence of four wine-related consumer segments in their sample. These segments are habitual wine buyers, rational buyers, interested consumers, and professionals of promotions.

Table 3.3: 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
<i>Connoisseurs</i>	<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
<i>Aspirational drinkers</i>	<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
<i>Beverage wine consumers</i>	<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 	
<i>New wine drinkers</i>	<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 Koewn & Casey, (1995) and Thomas & Pickering, (2003:128)

These segments overlap with other 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. Harpers (2005), in their study of American consumers, segmented wine consumers on the basis of the consumers' socio-demographics, wine behaviour and wine involvement. The resultant consumer segments are given in Table 3.4.

Table 3.4: Wine consumer segments based on cross-sectional factors

Portrait name/size	Socio-demographics	Wine behaviour	Wine involvement
Mainstream At-homers	Suburban middle income professionals	High frequency, average spend, drink mainly at home	High
Adventurous Connoisseurs	High income broadsheet readers	High frequency (on- and off-), high spend	High
Sociable promotion seekers	Prosperous empty nesters	High frequency (esp on- trade), low spend	Low-middle
Weekly Treaters	Young singletons	Low frequency, above average spend	Low
Frugal Conservatives	Lower income TV viewers	Low frequency, low spend	Low

Source: Harpers, (2005:10)

Table 3.5 presents a comparison of some of the different wine consumer behaviour and lifestyle based segmentations.

Table 3.5: 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 & Pickering, (2003:130); Harpers (2005:10); Segheiri, *et al.*, (2007)

The table also illustrates the overlapping segments (those in the same row) which although they are named different names, have similar consumer characteristics and therefore, in effect, refer to the same consumers.

3.3 Black Diamonds' wine consumer segments

In light of the identified wine consumer segments based on consumer behaviour, socio-demographic characteristics and psychographic segmentation, the wine segments described in Table 3.6 were proposed for Black Diamonds' wine consumers.

Table 3.6: Black Diamond consumer segments

Black Diamond segment	Wine consumer segment	Socio-demographic description	Wine behaviour	Wine involvement
The Established's	Connoisseurs	High income broadsheet readers	- 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	- High frequency, average spend, drink mainly at home - Habitual wine buyers	High
Start-Me-Ups	Fashion/ image oriented	Young singletons	- Low frequency, above average spend - Sociable promotion seekers - Aspirational image seekers	Low - medium
Mzansi Youth	Enjoyment oriented social drinkers	Lower income TV viewers	- 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.

3.4 Wine consumer behaviour studies

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, Papadaki-Klavdianou, Alexaki & Tsakiridou, 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) and Italy (Segheiri, *et al.*, 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 (WOSA, 2007). There have been quite a few rigorous academic studies of wine consumers in Australia and New Zealand, such as Bruwer *et al.*, (2002); Thomas and Pickering, (2003); Johnson and Bruwer, (2003).

Large profit and non-profit trade and marketing organisations conduct regular consumer surveys to assert wine consumption figures and delve into the underlying attitudes and perceptions of wine consumers. Private 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 Martin, 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.

3.5 Summary

This chapter presented two consumer behaviour models which partition substantial culpability to the influence of culture, tradition and social classes in consumer purchasing decisions. Personal factors were also noted to be important as were other less personal push and pull factors and risk aversion was acknowledged as a key influencer, especially when considering wine purchases. The chapter illustrated how unique tangible and

intangible factors influenced consumers' decision to buy wine. These factors also become important when segmenting the target markets. The chapter illustrates how different markets can be segmented on the basis of geography, demography, psychographic attributes, lifestyles and consumer behaviour characteristics. Various market segments, as well as comparisons of the different market segmentations, are given in the chapter, as well as four proposed market segments for Black Diamond wine consumers. The chapter further illustrates that various other consumer behaviour studies have been undertaken, as well as the measures that the South African wine industry is undertaking to rectify the gap in wine consumer behaviour studies.

CHAPTER 4:

Research Methods & Procedure

4.1 Introduction

This chapter describes the means by which the study sought to perform three purposes which are:

- (i) to answer the research questions;
- (ii) how it would address the research objectives and;
- (iii) how the research hypotheses were tested.

The chapter describes the research approach and the steps the study took, as well as the specifics of data collection, data analysis and the formulation of the model.

4.2 Analytical framework

This study falls into the cross sectional exploratory and descriptive analysis categories as it attempts to discover answers to the questions of *who*, *what*, *when*, *where* and often, *how* (Cooper & Schindler, 2001:12). This exploratory study is an example of a case study as it is a small-scale study of relatively short duration, and was carried out because there is limited current knowledge about South African black middle class' wine preferences and attitudes or research problem. The study goes beyond a description of the South African black middle class' preference for alcoholic beverages and attempted to explain the reason beyond the phenomenon. The study attempts to establish plausible assumptions about the causes of the problem and provide sufficient explanations to take action (Cooper & Schindler, 2001:12-13). In this study, the importance of gender on wine preferences was also verified when respondents' answers to questions on favourite wines, wine choices, and purchasing behaviour were consistent with the literature from prior studies.

4.2.1 Research design

The research was undertaken in five phases. It began with a broad problem definition with a description of the reference framework (phase one), followed by a series of exploratory case studies (phase two), a descriptive - cross sectional survey (phase three), phase four was the data compilation, analysis and reporting, which was essentially the integration of the survey findings and drawing up of conclusions and recommendations based on these said findings and finally the report compilation and dissemination in phase 5. An in depth description of the implementation plan and the chronology of events is described in this chapter. A summary of the conceptual framework and implementation plan is illustrated in Appendix 2.

Phase 1: Conceptualisation

This stage was used to identify study priorities. It consisted of the definition of the problem, hypothesis, research objectives and decision alternatives (Kotler & Keller, 2006). The phase's main output was the research proposal which specified the research design and stipulated a blueprint for fulfilling objectives and answering research questions (Cooper & Schindler, 2001:75). This stage defined the study focus, the study base and the consumer survey site. The focus of this study is on South Africa's new emerging black middle class consumers in an urban environment. The consumer behaviour research on the Black Diamonds was undertaken in Johannesburg, in Gauteng which is the province that has been identified as the province with the largest proportion of Black Diamonds within South Africa.

Key informant interviews

During this phase, personal interviews with wine producers- old and new, executive members of the SA Wine Industry Council (SAWIC), South African Black Vintners' Association (SABVA), Wines of South Africa (WOSA), Women In Wine, independent consultants and wine writers were conducted in order to get a better understanding of the industry. These in depth interviews with key informants were non directive (Saunders, Lewis & Thornhill, 2000:43) and gave the latter a chance to talk freely about recent

developments, events, behaviour, trends and beliefs in relation to the South African wine industry, in terms of production, consumption and its international links and importance.

Desktop Study

During this phase the research plan was developed. Desktop research determined what other research had been undertaken in the field and the methods that were used in these studies and in this way, the phase also determined the appropriate techniques to use in this research (Saunders, *et al.*, 2000:43-45; Cooper & Schindler, 2001:95).

Reference group meetings

The conceptualisation phase also included focus group meetings consisting of core and marginal wine consumers segmented by age and gender. Focus group discussions⁹ were used to help establish the credibility of the research as they attempt to overcome bias issues (McNamara, 2006; Saunders, *et al.*, 2000:268; Cooper & Schindler, 2001:144).

The focus groups consisted of a panel of 9-12 people (respondents), led by a moderator, who met to exchange ideas, feelings and experiences on black consumers' attitudes, preferences and behaviour with regards to alcoholic beverages, particularly wine. The output of these meetings/ discussions was a list of ideas and behavioural observations, with recommendations by the moderator which were later used in the study for quantitative testing. Separate focus group discussions for different subsets of the target population were conducted because gathering people together was feared to possibly inhibit honest or personal contributions. A "horizontal slice" with people of similar age, status and work was used as it promotes more intense discussion and freer interaction. This also allowed for the location of respondents through informal networks of colleagues, social groupings and the target group (Saunders, *et al.*, 2000:269; Cooper & Schindler, 2001:143).

Focus group participants usually meet face to face in specialised facilities that enable respondents to interact in comfortable settings. However, this facility was unavailable in this study and the interviews were conducted in a neutral setting where participants were still seated in a circular fashion so everyone was facing inwards and there was equal distance from the central point of this circle, as advised (Saunders, *et al.*, 2000:268).

⁹ Also interchangeably referred to as reference group meetings or group interviews.

Two interviewers were used to manage and coordinate the discussion and note the key points simultaneously due to the difficulties arising as a result of the potential wealth of ideas. The interviews were scheduled for consecutive weekend evenings to allow for maximum participation and to avoid the danger of losing or confusing data by running meetings back to back (McNamara, 2006).

The results obtained from the qualitative research were useful in understanding black consumers' impressions of wine. This qualitative work also helped to delve into the underlying attitudes and perceptions of these wine consumers, all of which was also be used for questionnaire development (Tzimitra-Kalogianni, *et al*, 1999:887; Wine Market Council, 2007).

Phase 2: Survey sample design

Phase one consisted of mainly qualitative research, the results of which were useful in understanding the black middle class wine consumers and key stakeholders' perceptions of wine and the industry. This qualitative work helped to probe into the underlying attitudes and perceptions of these wine consumers and aid in questionnaire development for Phase two (Tzimitra-Kalogianni, *et al*, 1999:887; Wine Market Council, 2007). Phase two, presented here, included a survey of black middle class wine consumers in the City of Johannesburg.

Phase 3: Fieldwork

The collection of the information about consumers' perceptions about wine was collected by means of a consumer behaviour survey carried out at the 2007 Cape Wine Academy and Standard Bank Soweto Wine Festival in Soweto, Johannesburg on 7 September 2007. Data was collected using a partial-random sampling technique in the form of an enumerator administered questionnaire. The questionnaire was based mainly on the qualitative research and relevant literature already discussed in prior chapters. The festival was selected as the study site because its main purpose is to market wine to a broader audience in South Africa by becoming more focused on wine, its producers and the markets they appeal to on a much broader level, as well as providing a strong platform for businesses across multiple markets.

Phase 4: Data entry, analysis & modelling

The data collected from the consumer behaviour study was analysed using the appropriate statistical software, the necessary transformations made, the findings were extracted and decision model was formulated (Kotler & Keller, 2006).

1. The data underwent the first level of cleaning which involved checking whether all the questionnaires were properly completed and verifying the data. The data was then coded and entered into Microsoft Excel and Statistical Package for Social Sciences (SPSS 15.0) for Windows.
2. After the cleaning and entering processes the first level of analysis was undertaken. The general descriptive reports were drawn up to get a description of the sample and the patterns of the responses.
3. Some of the variables were imported to STATA version 8 and EViews 3.1 and a trial and error process ensued to determine the necessary variables for implementing a Multinomial Logit Model.
4. After the third level analysis, all the analyses were synthesised in this report

The Microsoft Excel software package was selected due to its ease of handling both string and coded variables. SPSS was chosen for its superior analysis capabilities while retaining an ability to handle the multiple forms of data collected in the survey. SPSS was therefore used to calculate all frequency and descriptive statistics as well as most graphical presentations presented in the findings chapters. Supplementary charts, such as chain mapping, were generated either in the Microsoft Excel or Microsoft Word software packages due to their compatibility with the final document layout and that unlike SPSS they permitted post production editing.

Phase 5: Report writing & dissemination

Although the project has generated other articles and research outputs during the course of the study, a dedicated debriefing and report writing session was required to ensure all lessons compiled, peer reviewed and distributed to relevant stakeholders. That will be the industry output. However, this MSc dissertation will be the main component of the academic research output. It presents the findings and makes relevant suggestions towards a successful marketing strategy for the industry.

4.3 Data collection

The discussion of the data collection procedure includes a brief description of Gauteng as a province, Soweto and specifically the Soweto Wine Festival. It also includes a discussion of the sample selection, in terms of the strata and the sample size selection; the design of the enumeration tools; the questionnaire structure and the measures to minimise the various types of bias during data collection.

4.3.1 Study site selection

Gauteng is the chosen province for the consumer behavior survey as various studies have shown it to be the province with the highest concentration of “Black Diamonds”. The HSRC (2005), African Response (2006), UNISA’s BMR (2006), UCT Unilever (2007), BFAP Baseline Study (2007) and AMPS (2006) agree that a growing concentration of sophisticated urban blacks possessing an increasingly large proportion of South Africa’s spending power is concentrated in Gauteng with 37 percent followed by KZN with 21 percent. Most of the spending power by black people is concentrated in urban areas. There is an increase in Black Diamonds in LSMs 6-10 who are black, urban, living primarily in townships but also suburbs (AMPS, 2006; BFAP, 2007:47). In the years after 1994, new township-like areas for low-income people were developed. Other townships have also seen rapid development since 1994, with wealthy and middle-income areas growing up in parts of Soweto. Therefore the choice of residential area is inconsequential and irrespective of income and all black South Africans present at the festival will be interviewed.

Soweto has an important legacy in the history of South Africa and has had a significant impact in the shaping of the future of South Africa. Soweto is the most populous black urban residential area in the country. According to City of Johannesburg statistics, Soweto has a population of approximately 1.5 million. As South Africa’s largest township, Soweto houses 40 percent of the Gauteng population with over 80 percent speaking English. As a direct result of its proximity to Johannesburg, the economic hub of the country, it is also the most metropolitan township in the country and sets trends in politics, fashion, music, dance and language (African Response, 2007; Didiza, 2005).

Soweto is the richest township in the country. It attracts approximately 250 000 local and international tourists a year and contributes R143 million towards Gauteng's gross domestic product. According to a 2003 study by the City of Johannesburg's Finance and Economic Development Unit, Soweto has a total household income of about R10.5 billion and Sowetans have an annual buying power of R10 billion, of which R5.2 billion is available for consumer spending. With the economy booming, retailers are determined that Soweto consumers spend their money in the township (African Response, 2007).

Initiatives such as this festival provide a unique opportunity to expose high potential consumers with high spending power from South Africa's townships to wine and promote wine consumption within the black community. It is anticipated that not only consumers but black wine companies will take advantage of new opportunities being created especially with the prospect of more tourists coming down to Soweto. Wine is seen as a drink for the discerning, innovative and aspirational and linked to an affluent lifestyle in South Africa and the world. While some Soweto consumers have already reached this level and attend the show to broaden their knowledge and enjoy a social event, a new market of consumers are enticed to experience and taste something new in a comfortable home environment (Didiza, 2005; Wardman, 2006; Pendock, 2007).

The Standard Bank Soweto Wine Festival 2007

Although wine may not be part of the local heritage of Soweto residents, organisers anticipate that wine consumption will grow once the wine festival becomes part of the annual calendar of events and with the economy booming, retailers are determined that Soweto consumers are going to spend their money in the township. The festival's main objective continues to be the promotion of Soweto as a new tourism initiative, to attract patrons to and investment in Soweto and introduce the vibrant black market to the cultivated art of wine and brandy drinking. In 2007, the number of wineries exhibiting increased from 103 in 2006 to 125, showcasing more than 800 different wines. The 2007 festival attracted 4225 new and seasoned wine drinkers with over 70 percent being between the ages of 18 to 35. This is an increase of over 50 percent in overall attendance since 2006 festival and over 300 percent in overall attendance since the first annual festival held in 2005 (Pendock, 2007).

The festival gives South African winemakers 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 (Wardman, 2006). The festival facilitates the industry's primary objective of growing South Africa's local wine consumer market by introducing South Africa's world-class wines to the majority of South Africans who could potentially constitute between 80 and 90 percent of future wine consumers. In this respect, some wine industry stakeholders believe this festival is probably strategically the most important wine show currently and would rate it as one of the leading wine fairs in South Africa (African Response, 2007; Pendock, 2007).

Consumers from all over Gauteng and Johannesburg attend the festival. The assortment of consumers ranges from college students to middle-aged men and women from not only within Soweto but from across Gauteng, wine amateurs and connoisseurs. Most of the Soweto festival's consumers and VIP visitors are from 'The Established's' Black Diamond group, with a number of the black wine producers and younger adult consumers. Many of these 'Black Diamonds' are owner-managers of hospitality-focused businesses in Soweto and utilise the festival as part of their business prospecting (African Response, 2007).

The levels of wine knowledge among the consumers have improved since the festival's inception in 2005. Many first time visitors to the annual Soweto Wine Festival expressed a desire to repeat the experience. Some winemakers brought sweeter and *softer on the palate* wines which they felt were specifically suited to novice wine drinkers to encourage an awareness that wine is easy to understand and therefore easy to drink. Many festival visitors (mostly young) expressed a strong desire to learn more about wine, join wine clubs, host food and wine pairings and even visit the winelands. This type of exposure is invaluable, as they are bringing the wines to the target market, in their environment (African Response, 2007; Pendock, 2007).

Although there are no specific statistics on the media companies covering the festival or the number of foreign and local visitors to the festival it is noteworthy that local and international press coverage also remains outstanding with coverage by many local prominent journalists and editors, as well as French, American and UK press; and some

international tourists (from countries such as the USA and Nigeria) specifically travel to South Africa to attend the festival. Heritage Link Brands partnered with Delta Air Lines to support travel to the 2007 Soweto Wine Festival and to raise awareness of black-produced wines throughout the continent of Africa. There appears to be genuine interest and eagerness on the part of the festival goers and the festival is anticipated to keep growing. This warrants an investigation into alternative venues and the prospect of extending the concept into other areas of the country, as well as further afield in Africa (African Response, 2007; Pendock, 2007).

4.3.2 *Sample selection*

Phase two followed a non-probabilistic, quota sample selection process based on the available marketing data and findings from Phase one. The sampling procedure was a non random multi-level stratification of the black middle class wine consumers in Gauteng. The target population was selected on the basis of age, gender, income, race and wine drinking history. 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).

Table 4.1: 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

Stratum one: Population

The target population of the study is South Africa's black middle class, increasingly referred to as Black Diamonds. As has already been discussed in Chapter 2, the Black Diamonds' population is approximately 2.6 million. They are mostly in SU-LSM 4-6 but in this study those in higher income groups (The Established's) will also be considered and therefore interviewed. All black South Africans present at the festival meeting the afore-

mentioned criteria will form the target population. This forms the first level of the sampling frame.

Stratum two: Affluence levels

Although affluence levels and market segmentation are indeed important for segmenting the consumer market, they are not apparent but implied in this study. According to the Research Surveys study there are four distinct super segments based on affluence levels. It bases its segments on age and the associated affluence within each life stage. The Universal Living Standard Measures (SU-LSM) designed and maintained by South African Advertising Research Foundation (SAARF) was identified as an appropriate study tool for segmenting the black middle class consumer market as it is based on the socio-economic status of an individual or group. The LSM distinguishes the South African population into ten market segments from LSM 1 to LSM 10 in order of increasing affluence. However, the lowest wealth group, LSM 1, is not populated in the city as it is composed almost entirely of the rural population (SAARF, 2007).

The BFAP baseline study asserts that the “emerging” middle class falls within SU-LSM four to six and the “Established’s” from SU-LSM seven and above. This study investigated SU-LSM four to ten as the target population (BFAP, 2007:43). It also attempted to affirm new market segmentation age groups different from those of the Unilever study but in line with other studies and survey findings.

4.3.3 Sample size selection

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. This study sought to test the aptness of these 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 percent 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, <i>et al.</i> , 2001:47
-------------------------------------	-------------------------------------------

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, four hundred and two respondents were interviewed and only three hundred and eighty seven were acceptable.

4.3.4 Design of the enumeration tools

The data and information used in this study was collected from a consumer behaviour survey using a mall-intercept survey at the 2007 Soweto Wine Festival. Consumer behaviour questions and subsequent analysis provided answers related to peoples' behaviour and attitudes towards wine. The research design included in-depth interviews with key informants, reference group meetings, a pilot survey and the consumer behaviour survey. In-depth interviews were initially used to conduct the survey as they were deemed appropriate for identifying the current situation in the wine industry and the attitudes of stakeholders in the South African wine industry towards wine consumption patterns and trends. This subsequently led to the development of a questionnaire which guided the primary objectives of the survey. In the survey, closed-end questions were used which took into consideration the opinions, advice and recommendations of respondents.

The data collection tools in phase one were a semi-structured questionnaire for the in depth key informant interviews and a checklist for the focus group meetings (appendices 4 and 5, respectively). Phase one required both exploratory and explanatory research. Due to the

dual nature of information required from the study, the semi-structured questionnaire and checklist were deemed the ideal tools because they allowed for comparison through quantitative questions as well as open ended questions. The latter allowed the enumerator the flexibility to capture anecdotal information. This was crucial in capturing the qualitative insights on the current situation in the wine industry as well as getting an insight into the stakeholders' attitudes and perceptions towards the changes currently rife within the industry both locally and internationally during the in depth interviews. In the reference group meetings, the open ended questions allowed for discussions on black South African consumers' perceptions, attitudes and preferences with regards to wine, as well as to gain new insights into their purchasing behaviours.

In Phase three, the primary data collection tool was a structured questionnaire (Appendix 6). The questionnaire was derived from a template developed in collaboration with WineNet for their 2006 Soweto Wine Festival Research Report. The template was modified to meet the study's information requirements as some questions relevant to this study had been excluded and some of the questions included were not relevant to this study. It also included suggestions from other wine consumer research papers such as Bleibaum, *et al.*, (2005); Engels, *et al.*, (2004); Lockshin & Hall, (2003) and Wine Intelligence, (2007), as well as QuestionPro's (2007) guidelines for conjoint research studies, Saunders, *et al.*, (2000), Coopers & Schindlers, (2001) and previous experience as part of the target market. The final rounds of adjustments were performed in response to observations made during the mandatory questionnaire testing.

Prior to using the questionnaire it was essential to undertake a pilot survey, the purpose of which is to refine the questionnaire to ensure respondents' ease in understanding and answering the questions and to avoid problems in recording the data. As stressed in literature, the quality of data collection tools greatly influences the quality of the research results. As such, pre-testing enabled an assessment of the validity and the likely reliability of the target respondents' responses. It also allowed for fine tuning of the questionnaire to ensure that it is short, succinct and clear. The pilot survey was carried out in Hatfield at the Hatfield Plaza and Square because the latter places are social places in which consumers of all races are in a socially comfortable situation and alcoholic beverages are consumed. This locational setting simulates the conditions of the Soweto Wine Festival. Eighty four diverse respondents which meet the target population criteria in terms of age, gender,

income, race and wine drinking history were interviewed. This was a test of the efficacy of the questionnaires and enumerators and provided proxy data for selection of a probability sample. The obligatory adjustments were duly made in an iterative process (Saunders, *et al.*, 2000:307; Coopers & Schindlers, 2001:81).

4.3.5 Questionnaire structure

All of the enumeration tools used in this study were organised in accordance with the guidelines specified by Saunders, *et al.*, (2000:301), which stipulated that questions should flow in the natural direction that conversation would flow, from simple questions, to complex questions in the middle and personal and sensitive questions at the end. Coopers and Schindler, (2001:360) suggest beginning the interview with questions relating to demographics, then stimulating questions that build the respondents' interest and trust and finally sensitive questions. In this study, the questions relating to demographics were asked first, followed by complex thought provoking questions and easier questions at the end. Although, only the question of income is evidently sensitive, the researcher felt that the questions relating to consumption behaviour could be more sensitive than the former and hence should be in the middle of both the checklist for the focus groups and the questionnaire for the survey. In all cases, the interviews ended with non-invasive general questions of intent which are easy to answer.

The checklist for the in depth interviews followed the order of basic contextual questions, "personal" questions, opinion related and provocative questions and finally recommendations. In the checklist for reference group meetings and the survey questionnaire, the order followed the following categories of demographics, consumption behaviour, purchasing behaviour and finally wine "lifestyle" behaviour.

The demographics questions were used to provide a tentative profile of the consumer and provide consumer attributes that could be used for market segmentations. These include age, gender, income and occupation. All of these were used to check if there were distinct differences in consumption and purchasing behaviour in accordance with the set groups.

The consumption behaviour section began with a question on wine drinking history which was also used to test if consumer choices of wine were determined by the number of years they had been drinking wine and the subsequent experience in terms of wine choice. Questions were also asked on consumers' choice of favourite red and white wine blends and types and wine varieties. Consumers were also asked to rank their preferences of alcoholic beverages, brand awareness, as well as the frequency of their consumptions of wine.

The purchasing behaviour section asked consumers questions on how much they normally spend on a 750ml (this was taken as the standard size bottle) bottle of wine, their preferred size and packaging of wine, as well as their ranking of the importance of wine factors when buying wines. In addition, consumers were asked where they buy their wines and what the most important influence in their decision to buy wine was.

The wine "lifestyle" section focused on consumers' behaviour and attitudes towards practices associated with wine. It asked questions on consumers' personal behaviour in terms of their adventurousness in terms of new wines and new experiences, the most important media influences in their lives and their willingness to learn, or existing knowledge about wines.

The next two chapters will discuss the results and the subsequent model. The four above mentioned sections will form the basis of the discussion of the findings in the next chapters. While it may seem like some issues are not adequately delved into, it should be noted that some questionnaires were used as a consistency cross check and other variables were unreliable and therefore had to be excluded.

4.3.6 Measures to minimise survey errors

A number of data quality issues can be identified in relation to the use of semi-structured and in depth interviews, as are used in this study, and especially so due to the qualitative nature of the study. These issues involve data reliability and validity and bias as a result of systematic and non systematic errors. The former occurs most often as a result of interviewer and response bias. Non systematic or random errors commonly occur due to

sampling errors. This necessitated the need for measures to mitigate the incidence and severity of both statistical and non random errors (Saunders, *et al.*, 2000:250; Cooper & Schindler, 2001:306; Kotler & Keller, 2006: 36).

Mitigating random (non systematic) error:

The non random multi-level stratification of the black middle class wine consumers was a major deterrent to random error. The non-probabilistic, quota sample selection process ensured that problems of random errors were circumvented because the enumerators purposively chose respondents that fell within the set criteria (Kotler & Keller, 2006:36).

Mitigating systematic errors:

To reduce systematic errors the researcher undertook focus group meetings and a pilot study to validate and standardise responses and trained enumerators to ensure reliability and experience. The 15 enumerators selected were all university students from the Universities of Pretoria, South Africa and Zimbabwe, at undergraduate and post graduate levels in diverse fields and from different backgrounds and nations to reduce the possibility of biases. Extensive enumerator training was undertaken prior to both the pilot and final surveys. The enumerators were also given a chance to familiarise themselves with the questionnaire and the research problem and ascertain compatibility during this training period. Although 15 may seem overwhelming this was done to ensure that the enumerators were relaxed enough to accord each interview adequate time and effort without time constraint issues. Only honest, amicable and efficient enumerators partook in the final survey. The pilot study allowed the researcher and the enumerators an opportunity to pre-test the questionnaire and gain an understanding of the target market as well as their unique complexities and resultant challenges in interviewing them. This was in a bid to reduce both interviewer and interviewee bias by ensuring that the enumerators were ready and comfortable with the respondents and thereby create trust and ease which ensures a substantial reduction in the latter bias (Cooper & Schindler, 2001:306).

It has been noted that under and over reporting are an important source of systemic error. However, in this study they were avoided through the use of ranges within which to choose from. In this way the respondent only had to select a range within which his response fell.

This reduced the non response error associated with sensitive questions. The use of close ended questions also reduced bias as suggested answers were already present and misunderstanding the questions would be highly unlikely (Saunders, *et al.*, 2000:252).

Other potential sources of errors:

Although some non response errors were recorded this was uncommon. The mall-intercept approach was effective because it allowed the interviewer to clarify questions that participants had and at the same time permitting the participants to answer the survey questions while experiencing the product firsthand. In this way, non response and memory bias was avoided. The semi-formal nature of the interview and the relaxing and festive mood of the festival also reduced the problem of non response errors as people were more willing to answer questions as long as it didn't take too long. Anticipating that consumers would be in a hurry, the survey instrument is designed to be quick and easy to complete (Mayen & Marshall, 2005:5; Allimova, *et al.*, 2006).

As already mentioned, Gauteng is the province with the highest concentration of the "Black Diamonds" and sample from here should therefore be the most representative of the country. This is especially so given the cultural mix found within the City of Johannesburg. However, bias could still occur and any disparities are left to future studies.

4.4 Data analysis

A choice based conjoint (CBC) analysis was undertaken in Gauteng in an attempt to develop a consumer profile for the new market for black consumers, as well as changing consumer attitudes toward wines. CBC was used because it can reveal the interactions of the attributes as well as the consumer's characteristics and the purchase situation through discrete choice experiments (Louviere & Woodworth, 1983). Conjoint analyses inform the researcher about the structure of consumers' preferences which are obtained from their overall judgement of a set of alternative products defined as a combination of levels of different attributes (Gil & Sanchez, 1997). The CBC analysis is potentially useful, especially in this study, to deal with various marketing problems such as the development

of new multi-attribute products with optimal utility levels about other competitive products, to estimate market shares in alternative competitive scenarios, to benefit segmentation and to design promotion strategies.

Conjoint Analysis is one of the most effective models in extracting consumer behaviour into an empirical quantitative measurement as it evaluates products in a unique way. The necessary data to carry out the conjoint analysis consist of consumers' evaluation of alternative product concepts described as a set of attribute levels (Gil & Sanchez, 1997). An interesting outcome of conjoint analysis is the possibility of designing market segments which allow wine companies to implement differentiated marketing strategies. By assessing which combinations of product attributes, consumption and purchasing behaviour consumers were most influential in their decisions to purchase, the researcher can determine the relative importance of the product drivers consumers found most compelling (Penn, 2007).

Johnson, *et al.* (1991) employed conjoint techniques to benefit segmentation in the Australian wine market (Engels, *et al.*, 2004; Gil & Sanchez, 1997), as did Mtimet and Albisu (2006) in their segmentation of the Spanish consumer market. In the last years, the use of choice experiments to analyze wine consumption and wine consumer behaviour has been growing as can be seen from the studies of Berti, 2003; Lockshin, Jarvis, Perrouy, & d'Hauteville, 2006; Perrouy, d'Hauteville, & Lockshin, 2006; Rasmussen, 2001 (Mtimet & Albisu, 2006:3). The discrete choice analysis was also used to gain insight into consumer preferences for New Mexico wine in the study by Allimova, *et al.*, (2006) and by the US firm Tragon, (Penn, 2007). Applications of conjoint analysis to food products can be found, among others, in Johnson *et al.* (1991) for Australian wine, Loader (1990) for fruit and vegetables in the UK, and Ness and Gerhardy (1994) for British eggs (Gil & Sanchez, 1997).

In choice-based conjoint (CBC) analysis the respondent expresses preferences by choosing concepts from sets of concepts, rather than by rating or ranking them. CBC studies have traditionally not been used to estimate the values that individual respondents attach to attribute levels but instead, data from groups of respondents are typically aggregated for analysis. In this study this is done by combining all respondents, as in the alternate hypothesis which asserts that there are no differences and therefore no segments, and by

studying subsets defined by specific market segments, such as gender and other differences in the null hypothesis. “Utility values” are produced for each group of respondents that summarize the choices made by those individuals. And, as in other conjoint methods, the utility values can be used to simulate and predict respondent reactions to product concepts that may not have actually appeared in the choice tasks (questions). The calculation of utilities is completed across the respondent base, typically using aggregate multinomial logit. This operational version of our proposed random utility model (PRU) generalizes the widely MNL model of wine choice (Sawtooth, 1999:2; Pazgal, Seetharaman & Batsell, 2005: 12; Poynter, 2005:7).

4.5 Data modelling

Random utility (RU) models are well-established methods for describing discrete choice behaviour. Utility maximization is the objective of the decision process and leads to observed choice in the sense that the consumer chooses the alternative for which utility is maximal. Individual preferences depend on characteristics of the alternatives and the tastes of the consumer. A RU model defines a mapping from observed characteristics into preferences. All the factors affecting preferences are treated as random variables (Baltas & Doyle, 2001:116). The Multinomial Logit (MNL) model is the appropriate treatment of unobserved product attributes. Although in theory, other models (e.g. a restricted probit) can be cast as members of the same class, but in practice, only the MNL has been used. Multinomial logit (MNL) regression is used when the dependent variable in question is nominal (a set of categories which cannot be ordered in any meaningful way) and consists of more than two categories. For example, in this study MNL regression is deemed appropriate for trying to determine what factors affect black consumers’ choice of wines, in terms of whether they prefer red, white or sparkling wines.

Assumptions of the RU model

In accordance with the hypotheses of the study drawn up in Chapter 1, the MNL model confirmed that:

- i. The emerging black middle class as a consumer segment are heterogeneous

- ii. Various independent factors affect black consumers' wine choice, each of which has a single value for each case, is not linearly correlated to another and of which the odds of wine choice do not depend on other alternatives that are available (i.e., that including additional alternatives or deleting alternatives will not affect the odds on the dependent variable among the alternatives that were included originally)
- iii. There are significant differences in terms of wine choice according to gender
- iv. Women prefer sparkling and white wines
- v. The new emerging "black diamond" consumer market have a significant willingness to pay for wine
- vi. Black consumers are willing to become wine drinkers and engage in the ensuing lifestyle
- vii. Wine choice variable cannot be perfectly predicted from the independent variables for any case.

The RU model

In CBC, the utility that the i^{th} person ($i = 1, \dots, I$) derives from the j^{th} alternative may be represented as U_{ij} . This utility is considered a linear function of the alternative product attributes, represented by

$$U_{ij} = \beta x_{ij} + \varepsilon_{ij}$$

Where β is a vector of coefficients, x is a vector of attributes represented by choice j and respondent i , and ε is a stochastic error term. The probability P_{ij} the i^{th} respondent chooses the j^{th} alternative from choice set C is the probability that the utility for the j^{th} choice is greater than the utility for all other k choices in the choice set. This can be represented mathematically as follows:

$$\Pr(y_i = j) = \frac{\exp(X_i \beta_j)}{1 + \sum_j \exp(X_i \beta_j)}$$

and assuming that the error terms (ε_{ij}) are independent and identically distributed with an extreme value distribution (also referred to as Weibull, Gumbel and double exponential distributions) and scale parameter equal to 1, the probability that respondent i chooses alternative j is:

$$\Pr(y_i = 0) = \frac{1}{1 + \sum_j^J \exp(X_i \beta_j)},$$

Where for the i^{th} individual, y_i is the observed outcome and X_i is a vector of explanatory variables. The unknown parameters β_j are typically estimated by maximum likelihood. It is noteworthy that different distributional assumptions yield different operational versions of the traditional random utility model. For example, in this study, the errors are assumed to be distributed IID Gumbel with an unknown scale parameter μ (and location parameter equal to zero), this renders the traditional random utility model to be the MNL (Pazgal, *et al.*, 2005:20; Mtimet & Albisu, 2006:346).

The MNL model

When using MNL regression, one category of the dependent variable is chosen as the comparison category. In this study, the choice of red wines as the favorite wine choice was chosen as the comparison category. Separate relative risk ratios are determined for all independent variables for each category of the independent variable with the exception of the comparison category of the dependent variable, which is omitted from the analysis. Relative risk ratios, the exponential beta coefficient, represent the change in the odds of being in the dependent variable category versus the comparison category associated with a one unit change on the independent variable. This results in a set of numbers comparable to conjoint "utilities," except that they describe preferences for a group rather than for an individual.

CBC's MNL regression reports logit coefficients as well as t and chi square statistics. The regression estimates all main effects (default) and two-way interactions optionally. CBC analysis allows for the selection of main effects and interactions to be included in each logit analysis. When only main effects are estimated, a value is produced for each attribute level that can be interpreted as an "average utility" value for the respondents analyzed. When interactions are included, effects are also estimated for combinations of levels obtained by cross-classifying pairs of attributes (Bierlaire, 1997; Sawtooth, 1999:19).

The main effects model used in this study consists of different estimated coefficients. Identification of the wine choice model parameters requires one of the discrete choice

indicators in the MNL model to be normalized to zero. Therefore, the structural parameters consist of marginal utilities of attributes of the selected coverage levels relative to the excluded alternative. Initial parameter values for this model were obtained by specifying a “null” model where all wine consumers prefer red wine except for the choice-specific intercept value. The coefficients pertain to alternative specific constants and these constants are estimated relative to the red wine choice alternative which has an implicit value of 0. The rest of the attribute coefficients were estimated relative to one of the attribute levels. That attribute level is omitted from the model since its effect can be defined from the estimated effects of the other three attribute levels.

For example, for the gender attribute females are omitted. The estimated effects of gender are relative to the wine choice. Any statistical differences that occur are estimated relative to the attribute level that is omitted. The other omitted attribute levels in this model are very low expenditure on wine for personal consumption, favourite red wine and participation in a wine course (Lockshin & Haelstaed, 2005; Mayen & Marshall, 2005:11; Mtimet & Albisu, 2006:350).

The program ran different models using various attributes to ascertain the essential attributes to the model. Of the attributes selected, two separate models (with the intercept only and with all the coefficients) were run using the same MNL analysis. However, it should be noted that there are other variables that were not captured in this model. This model assumes that:

Wine choice (in terms of red, white or sparkling) = f (gender, expenditure on wine for personal consumption, engagement in any form of wine education)

The pertinent null and alternate hypotheses are given as:

H₀ = consumers prefer red wine, there are significant differences according to gender; the type of red wine preferred as well as the attendance to a wine course affects wine choice.

H_A = consumers are homogenous and prefer white and sparkling wines.

The variables used within the model, as well as their definitions, expected signs and interpretations for these signs are given in Table 4.2. It should be noted that the first three variables are the dependant variables and the rest are the independent variables. The independent variables included in this model have been found through a process of trial and error and other results can be obtained if other explanatory variables different from those included in this model are used.

Table 4.2: Variables used within the MNL model

Variable	Definition	Expected Sign	Interpretation
fav_wine = 0	red wines		A positive sign on the variable coefficient means that consumers prefer red wines
fav_wine = 1	white wines		As the variable coefficient moves towards zero it means the consumers prefer white wines
fav_wine = 2	sparkling wines		A negative sign on the variable coefficient means that consumers prefer sparkling wines
gender=0	females	negative	More likely to favour white and sparkling wines
gender=1	males	positive	More likely to favour red wines
own_spen=0	R50 - R100	positive	More likely to favour red wines
own_spen=1	< R20	negative	More likely to favour white and sparkling wines
own_spen=2	R21 - R35	negative	More likely to favour white and sparkling wines
own_spen=3	R36 - R49	positive	More likely to favour red wines
own_spen=4	> R100	positive	More likely to favour red wines
own_spen=5	Do not purchase	negative	More likely to favour white and sparkling wines
own_spen=6	Free	negative	More likely to favour white and sparkling wines
fav_rw=0	Baronne	positive	More likely to favour red wines
fav_rw=1	Do not drink red wine	negative	More likely to favour white and sparkling wines
fav_rw=2	Pinotage	positive	More likely to favour red wines
fav_rw=3	Shiraz	positive	More likely to favour red wines
fav_rw=4	Rose	positive	More likely to favour red wines
fav_rw=5	Cabernet ¹⁰	positive	More likely to favour red wines
fav_rw=6	Red blends	positive	More likely to favour red wines
fav_rw=7	Merlot	positive	More likely to favour red wines
fav_rw=8	Cabernet Sauvignon	positive	More likely to favour red wines
fav_rw=9	Pinot Noir	positive	More likely to favour red wines
wine_cou=1	Attended wine course	positive	More likely to favour red wines
wine_cou=2	Have not attended wine course	negative	More likely to favour white and sparkling wines

¹⁰ This is a pure Cabernet wine from the Cabernet Franc vine, as is the case in “Ruby Cabernet” wines.

4.6 Summary

This chapter described and substantiated the selected research type. It detailed the research process that had been undertaken, and explained each phase. The implementation plan and tools were explained and justified in this chapter. The analytical tools and questionnaires and checklist structures were discussed and the sample, study site and enumerator selection were examined. The possibility of errors and methods of mitigating them undertaken in the study were also detailed in the chapter. The traditional form of the RU model, the MNL, used in this study, was also discussed in great depth.

CHAPTER 5:

Findings, Discussion & Recommendations

This chapter presents and discusses the research findings in terms of their implications towards meeting the research objectives and confirming the hypotheses. The results are presented in accordance with the headings on the questionnaire in Appendix 6. The results of the model drawn to determine the factors influencing wine choice are also presented within the chapter, as well as the recommendations based on the research findings.

5.1 Demographics

Although 402 respondents were interviewed, only 387 were acceptable. Of this sample, in terms of age, the sample was almost evenly distributed with all age groups except the above 49 year olds representing about 20% of the sample. Prior research stipulated the age groups as the Established's are mainly 35 to 49 and the Start-Me-Ups are 18 to 29 year old. However, in this study the age groups have been modified, as explained in Chapter 2. The new age groups and their respective proportions in the sample are illustrated in Table 5.1.

Table 5.1: Segmentation of the sample according to age

Age Groups	Frequency	Valid Percent
<24	79	20.4
24-29	99	25.6
30-34	89	23.0
35-49	87	22.5
>49	33	8.5
Total	387	100

Source: Research findings

In this study, all respondents under 24 were considered Mzansi Youth as they are mostly students with little, if any income, and most of which is in the form of study grants and pocket money from family. The 24-29 age group were classified as Start-Me-Ups as they have just completed university and are often in their first jobs. The Young families still fall within the same age group as those defined by prior studies but the Established's have been broadened to include those members of the population above 49 because people are still

economically viable after 50 as a result of the late retirement ages now prevalent across the globe (Kotler & Keller, 2006: 84).

The sample was relatively evenly distributed with regards to gender as there was only a two percent disparity between the genders. Females constituted 52% (201 respondents) of the sample whereas males were 48% (186 respondents) of the sample.

The white collar¹¹ service sector employees irrefutably dominated the sample as was anticipated. In accordance with the literature previously discussed, the growth in the black middle class is due to 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. The latter elucidation also explicates the incidence of an extra occupation group made up of entrepreneurs. The scholars are mostly in the Mzansi Youth age group and the unemployed are in negligible numbers. This is all illustrated in Table 5.2.

Table 5.2: Segmentation of the sample according to occupation

Occupation Categories	Frequency of respondents	Percentage of respondents
Scholar	70	18.1
White collar (service sector)	188	48.6
Blue collar (manual worker)	70	18.1
Other (specify)	57	14.7
Unemployed	2	0.5
Total	387	100

Source: Research findings

In terms of personal income, the sample is almost evenly distributed as the four main income categories had between 89 and 107 respondents, i.e. 22.5% - 27.1%, each. However, the respondents earning above R15 000 were slightly more than the rest, followed by the R5 001-R10 000 and then those earning R10 001-R15 000 and less than R5 000 being in the lowest portions, as shown in Table 5.3

¹¹ This refers to employees who perform knowledge work, such as those in professional, managerial or administrative positions. It is a descriptive term for office workers, who use a minimum of physical exertion. Managerial, clerical, and sales jobs are common white-collar occupations.

Table 5.3: Segmentation of the sample according to income

Income Categories (R)	Frequency of respondents	Percentage of respondents
<5 000	87	22.5
5 001-10 000	100	25.8
10 001-15 000	91	23.5
>15 000	105	27.1
Other	4	0.5
Total	387	100

*These respondents were either unemployed or not formally employed and did not have a definite salary range due to income fluctuations.

Source: Research findings

5.2 Consumption behaviour

To assess consumers’ wine drinking history and ascertain black consumers’ wine drinking experience and whether this is a new phenomenon, the consumers were asked how long they have been drinking wine. A significant portion of the sample (37%) were virtually new consumers to wine drinking as they had been drinking wine for less than three years. Seventeen percent of the sample had been drinking wine for a long period from before the advent of democracy in 1994 and the majority of the sample (46%) had been drinking wine only after 1994. 1994 was chosen as the benchmark because it has been postulated that economic, political and socio-cultural conditions have significantly changed for black consumers since the end of apartheid and it is only logical to only test if their consumption patterns have also been affected by the change in the socio-economic environment. The respondents’ wine drinking history is illustrated in Figure 5.1.

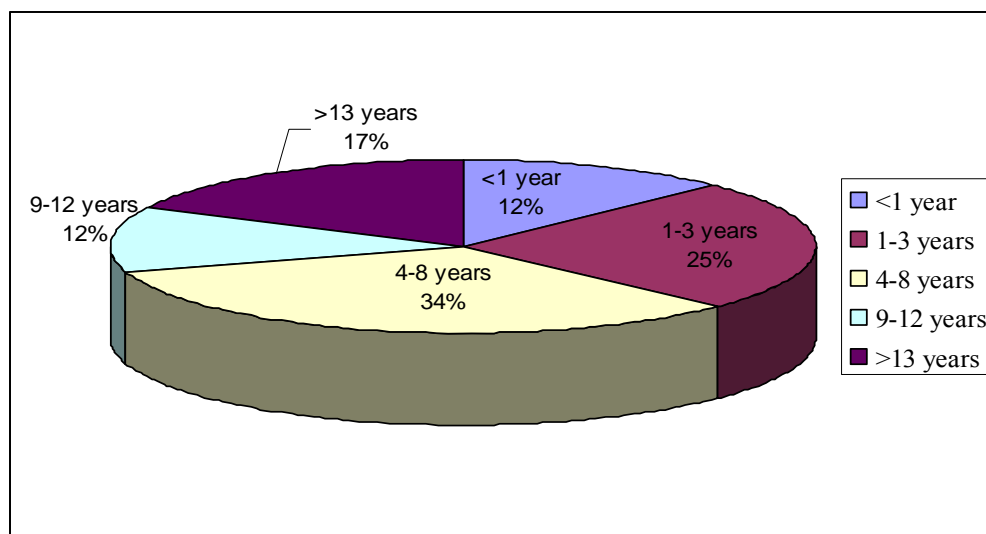


Figure 5.1: Consumers’ wine drinking history

Source: Research findings

The consumers were asked which alcoholic beverage they preferred to drink the most and they chose beer¹², spirits¹³, coolers¹⁴, white wine and red wine in that order. It is clearly evident from Figure 5.2 that there was a strong dominance of beer and although consumers will buy wines, only a small portion of the consumers regard wines as their favourite alcoholic beverage.

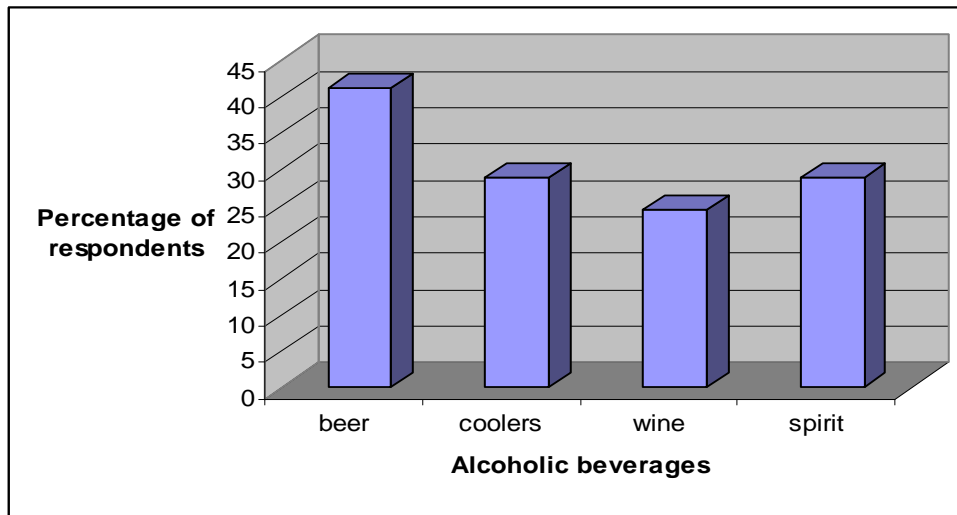


Figure 5.2: Favourite alcoholic beverages

Source: Research findings

Despite these assertions, Figure 5.3 shows that beer also has the second largest ranking as consumers' least favourite alcoholic beverage. However, it is noteworthy that beer and spirits are both second least preferred and wine has the largest ranking as respondents' least preferred alcoholic beverage. This is especially concerning, given that wines had the lowest ranking as preferred beverages.

¹² Beers, in this study, include sorghum and malt beers, lagers and ales.

¹³ In this study spirits is taken to mean alcoholic beverages with a high alcohol content of more than 20% such as vodkas, brandy, cane spirits, rum and gin.

¹⁴ Coolers, in this study, refer to liqueurs, alcopops, ciders and alcoholic fruit beverages, all of which are relatively "sweet" alcoholic beverages.

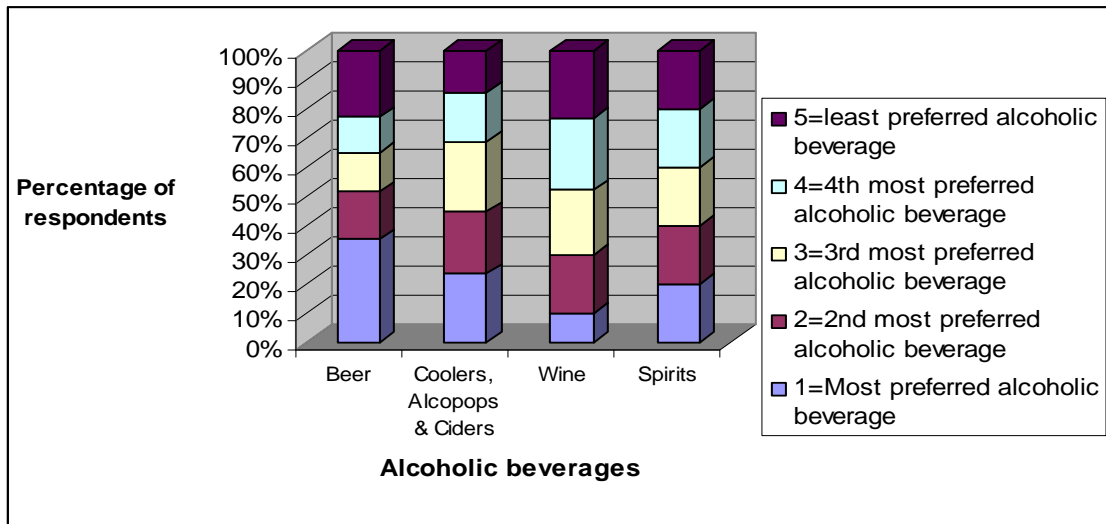


Figure 5.3: Ranking of alcoholic beverages

Source: Research findings

In terms of wine choices, consumers preferred red wines to all the other wine types. Fifty seven percent of the sample preferred red wines, 28% white and 15% sparkling wines¹⁵.

Table 5.4: Consumers’ favourite wines

Types of Wine	Frequency of respondents	Percentage of respondents
Red	221	57
White	107	28
Sparkling	59	15
Total	387	100

Source: Research findings

The study findings illustrated in Table 5.4 contradict other research study findings that ascertain that the most popular wines were the sweeter white wines and sparkling whites and rosé’s. However, the latter assertions are normal in a young wine drinking market as dry wines (commonly red) were often considered too strong or bitter (Wardman, 2006).

¹⁵ In this study, sparkling wines refer to all carbonated wines, including both white and pink champagne.

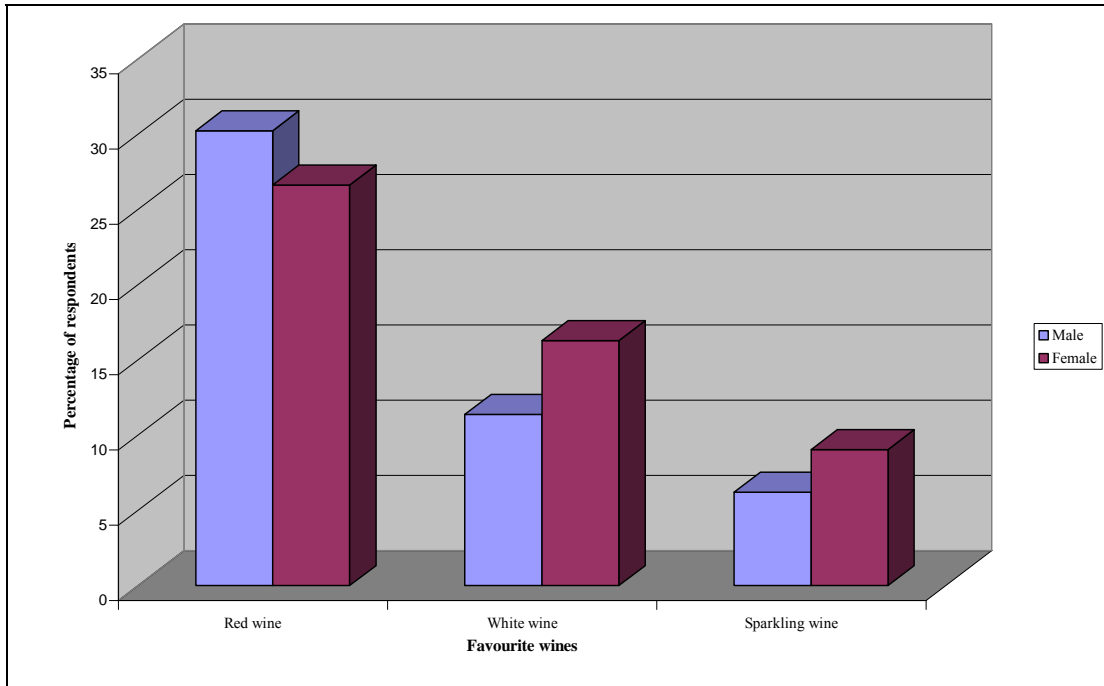


Figure 5.4: Favourite wines for males and females, respectively

Source: Research findings

In terms of gender variations, as shown in Figure 5.4, more males than females preferred red wines, whereas more females as compared to males preferred white wines and sparkling wines. The study found that gender is significantly correlated (at a 10% level of significance) to the choice of favourite wine among the respondents.

It is interesting to note that the largest portion of respondents from the Established’s preferred red wines. A negligible percentage of this group preferred sparkling wines. The other age groups’ representation declined proportionally from red wines to white wines and then the smallest percentages for sparkling wines. This is shown in Figure 5.5.

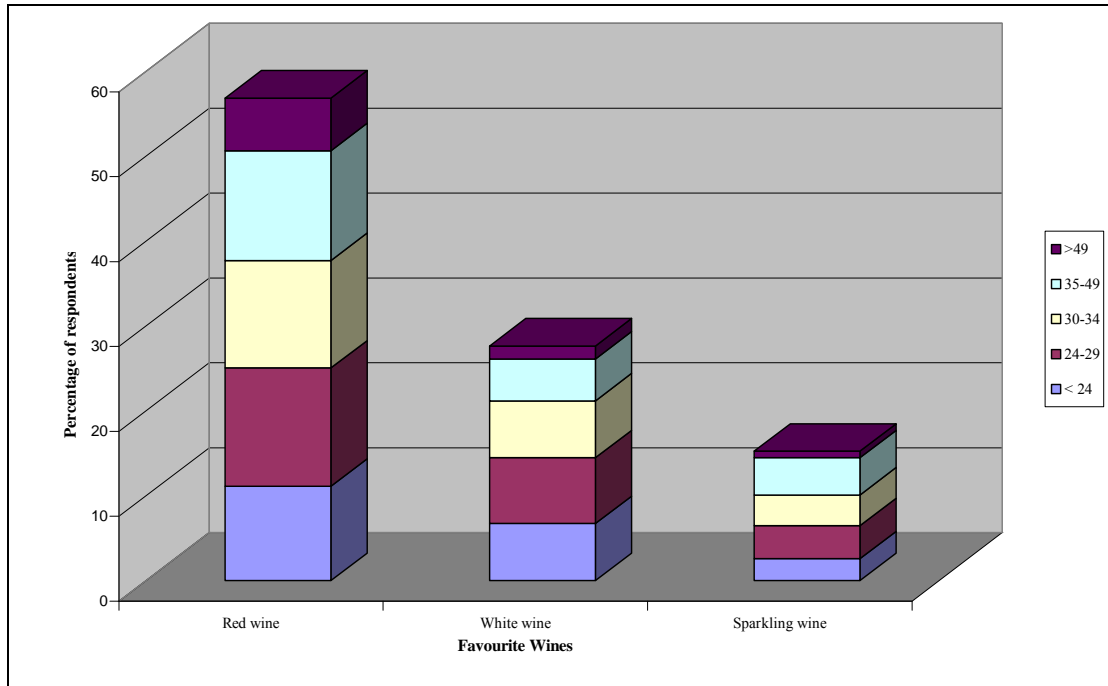


Figure 5.5: Favourite wines for set age groups

Source: Research findings

In terms of red wine, Shiraz, Merlot and Pinotage were the most favoured red wines with Rosé only coming in at number five in the order of preferences. This is despite media assertions that Pinotage was black consumers’ favourite variety due to its status as SA’s premium variety (African Response, 2007). Figure 5.6 illustrates that very few black consumers (7.8%) did not drink any red wine variety.

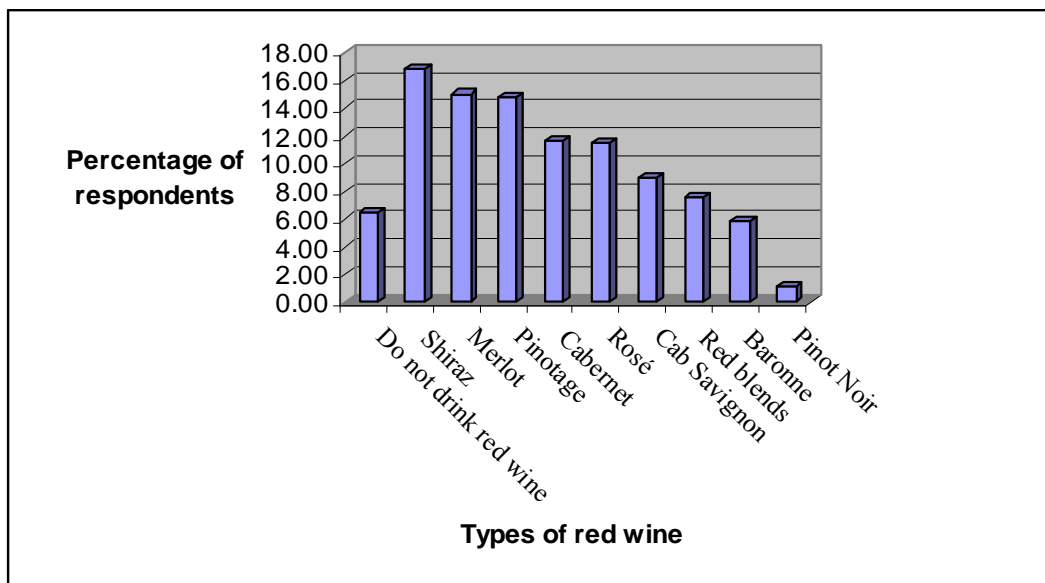


Figure 5.6: Favourite red wines

Source: Research findings

In contradiction with red wines, Figure 5.7 clearly illustrates that a significant portion of the sample (19.4%) do not drink white wines. The most common white wines were Chardonnay, Semi sweet white wines, such as Stein, and Sauvignon Blanc, in their order of preference.

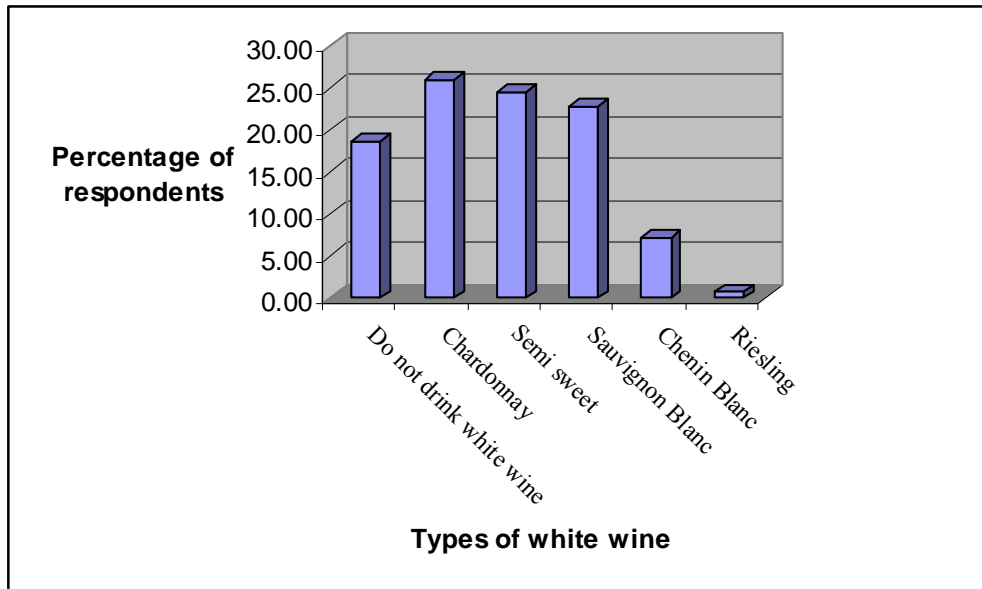


Figure 5.7: Favourite white wines

Source: Research findings

In this study, consumers were asked for their favourite wine brand. However, this was a cross check question because some consumers expressed brand knowledge of wine brands and specific wines which they had already said they did not drink. Therefore this was taken as an indication of brand knowledge rather than brand preference and subsequent loyalty.

In terms of brand knowledge, nearly half the sample (43.11%) expressed no loyalty to any brand. Nederburg (particularly Nederburg Baronne) and JC le Roux were the brands which consumers seemed to rate highest. There was a wide array of other brands that consumers were able to identify. This is in line with Wardman’s observations that ethnically named brands such as ‘Thembelani’, would probably not be more popular in Soweto, and in particular upmarket neighbourhoods in Soweto, than traditional brands such as the above mentioned and other brands like Vergelegen and Meerlust. This is for the same reasons as they would choose brands such as Glenfiddich and Johnnie Walker Blue Label which have

been in circulation for longer and have developed a venerable brand image (Wardman, 2006).

Table 5.5: Identified wine brands

Brand	Percentage	Frequency (N=387)	Brand	Percentage	Frequency (N=387)
not brand specific	43.11	167	Drodsty-Hof	0.78	3
Nederburg	13.70	53	Durbanville	0.78	3
JC le Roux	8.79	34	Graca	0.78	3
Four Cousins	3.10	12	Lindiwe	0.78	3
Robertson	2.84	11	Simonsvlei	0.78	3
KWV	2.33	9	Van Loveren	0.78	3
Meerlust	2.07	8	Vunani	0.78	3
Two Oceans	1.80	7	Bellingham	0.52	2
Grunberger	1.55	6	Boschendal	0.52	2
Saints	1.29	5	Graham Beck	0.52	2
Alto	1.03	4	Hamilton Russell	0.52	2
LaMotte	1.03	4	Woolworths	0.52	2
Beaumont	0.78	3	Zonnebloem	0.52	2
Beyerskloof	0.78	3	Other Brands ¹⁶	6.96	27

Source: Research findings

With regards to frequency of wine consumption, more than 70% of consumers drink wine only on special occasions and once a week and are therefore irregular wine drinkers. It should be noted that this frequency of consumption is in terms of exposure and is not volume based.

Table 5.6: Frequency of wine consumption

Number of times	Frequency	Percentage
Only on special occasions	144	37.2
Once a week	131	33.9
2-3 times a week	72	18.6
5 times a week	9	2.3
Everyday	31	8.0
Total	387	100

Source: Research findings

The frequency of wine consumption was cross tabulated against gender and age and the results are illustrated in Figures 5.8 and 5.9.

¹⁶ A full list of all the identified brand names is given in Appendix 7

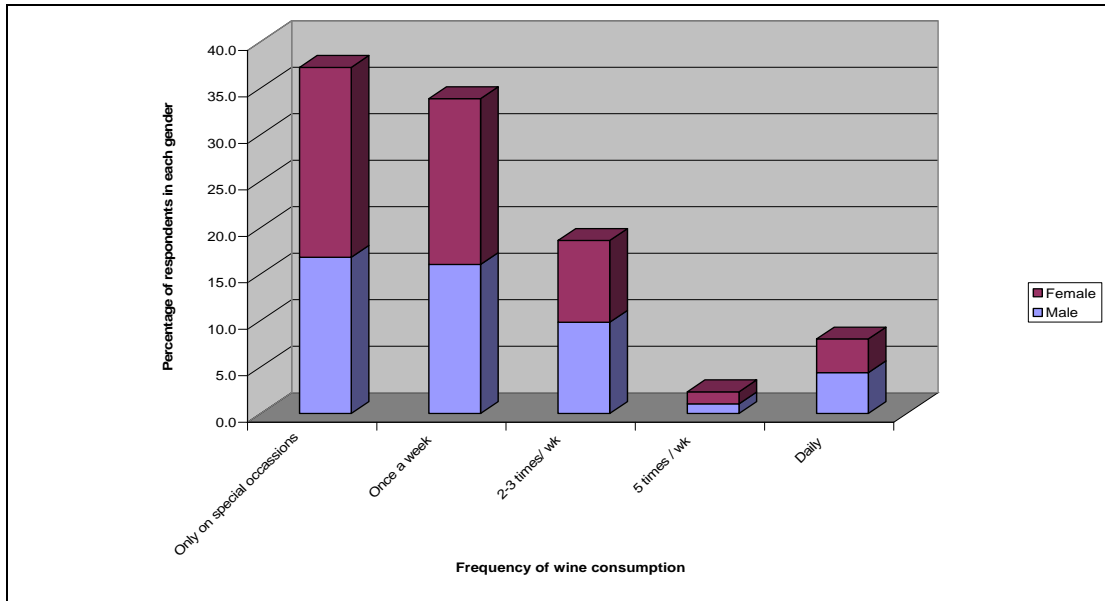


Figure 5.8: Frequency of consumption for females and males, respectively
Source: Research findings

The cross tabulation of frequency of consumption against gender revealed that females form a larger percentage of irregular wine drinkers (less than three times a week) whereas males form a larger percentage of the regular wine drinkers (more than three times a week). It is clear that currently women still drink wine less often than men.

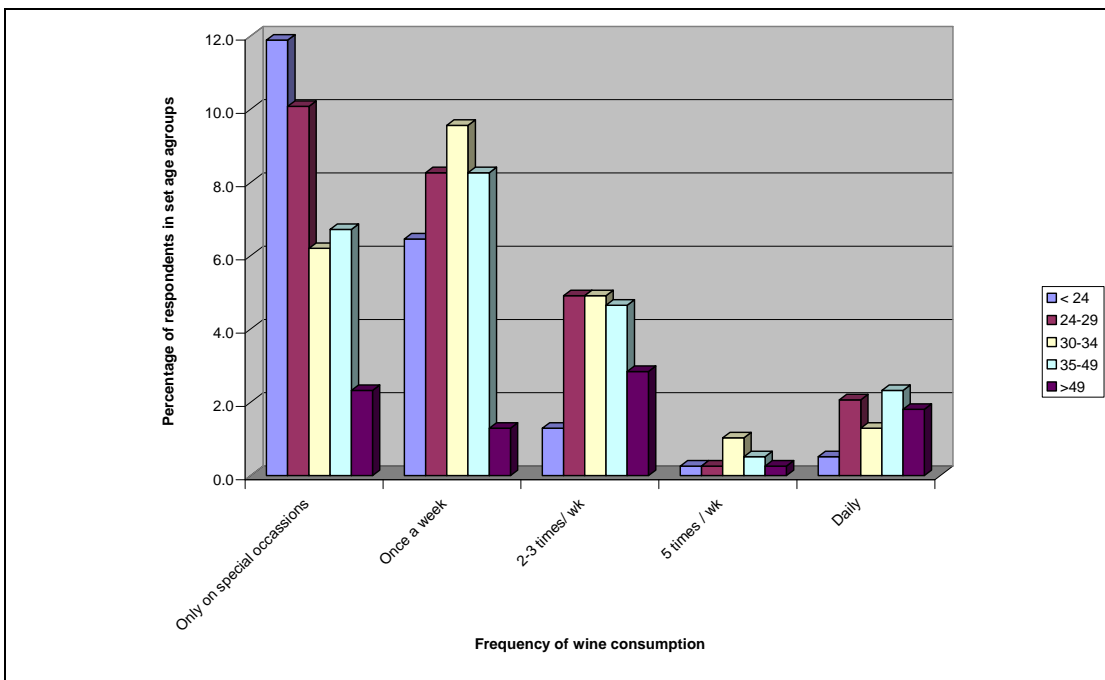


Figure 5.9: Frequency of consumption for set age groups
Source: Research findings

The cross tabulation of frequency of consumption against age revealed that the age groups of consumers less than 24 (Mzansi Youth) and those in the 24-29 age group (Start-Me-Ups) seem to have the highest percentage of consumers that drink wine only on special occasions. The consumers in age groups from 24-49 (Mzansi Youth, Start-Me-Ups, Young families and the younger group of the Established's) were dominant as consumers that drink wine at least once a week up to thrice a week. Of the consumers that drink wine five times a week, the 30-49 year olds (Young families and the younger group of the Established's) were dominant. The Start-Me-Ups and those older than 35 years (including the older group of the Established's) showed strong dominance as established wine drinkers (daily wine drinkers). This has strong implications from a marketing perspective as it illustrates the need for differential marketing strategies based on age groups.

5.3 Purchasing behaviour

To assess black consumers' purchasing behaviour, respondents were asked to rate their preferences for set wine attributes. Literature revealed price, brand name, star ratings in lifestyle and wine consumer magazines, recommendations from social networks and the packaging and labelling of the wines as the most important product attributes in wine consumers' decision to buy wine. When asked to rank the importance of different factors most consumers identified the brand name and the label and packaging as the most important factors. The price was identified as the least important factor while the star ratings from wine reviews had mixed reactions as most of the consumers were either not familiar with them and they were therefore not important or the consumers regarded them as very important. It should be noted that those consumers that deemed them very important were aspirational wine drinkers with a desire to learn more about wines and pursue a befitting wine lifestyle.

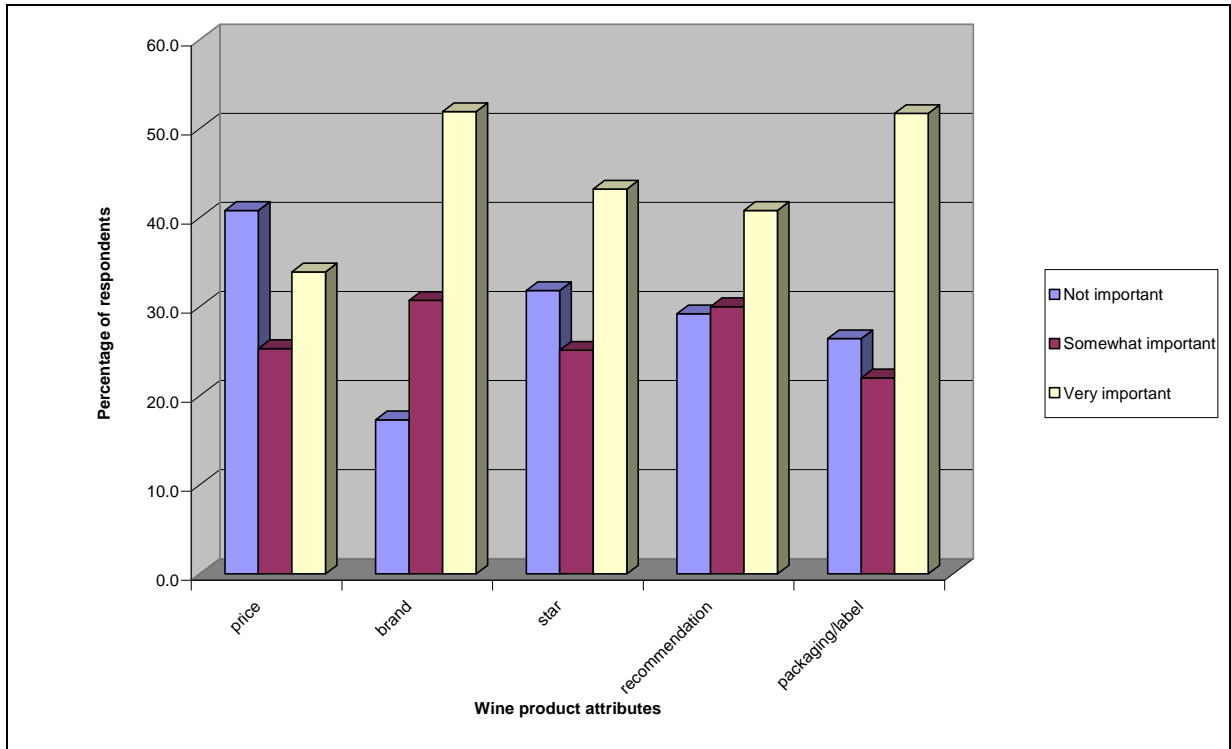


Figure 5.10: Ranking of wine attributes

Source: Research findings

When asked about their preferred wine packaging, nearly 78% of the consumers chose the 750ml bottle as their packaging of choice.

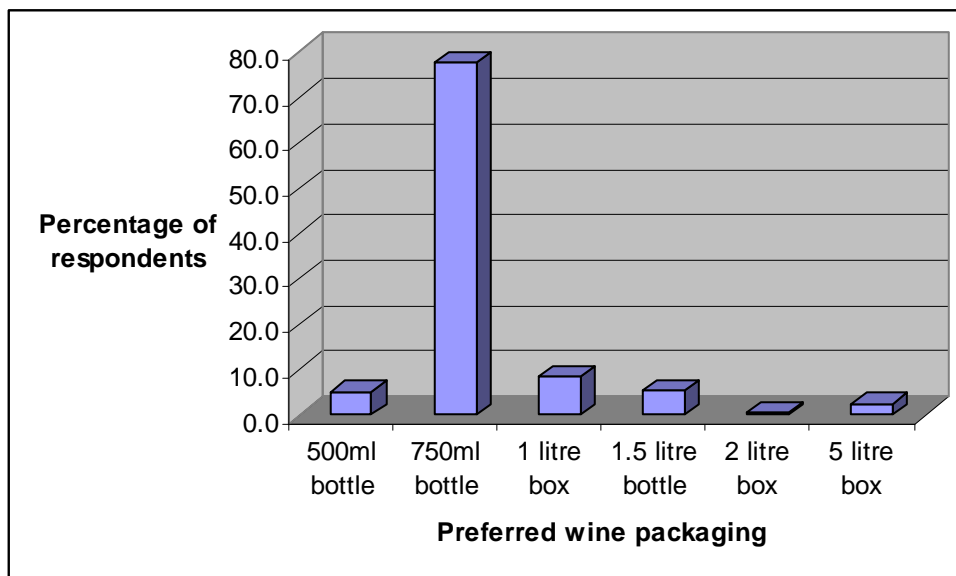


Figure 5.11: Preferred wine packaging

Source: Research findings

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.

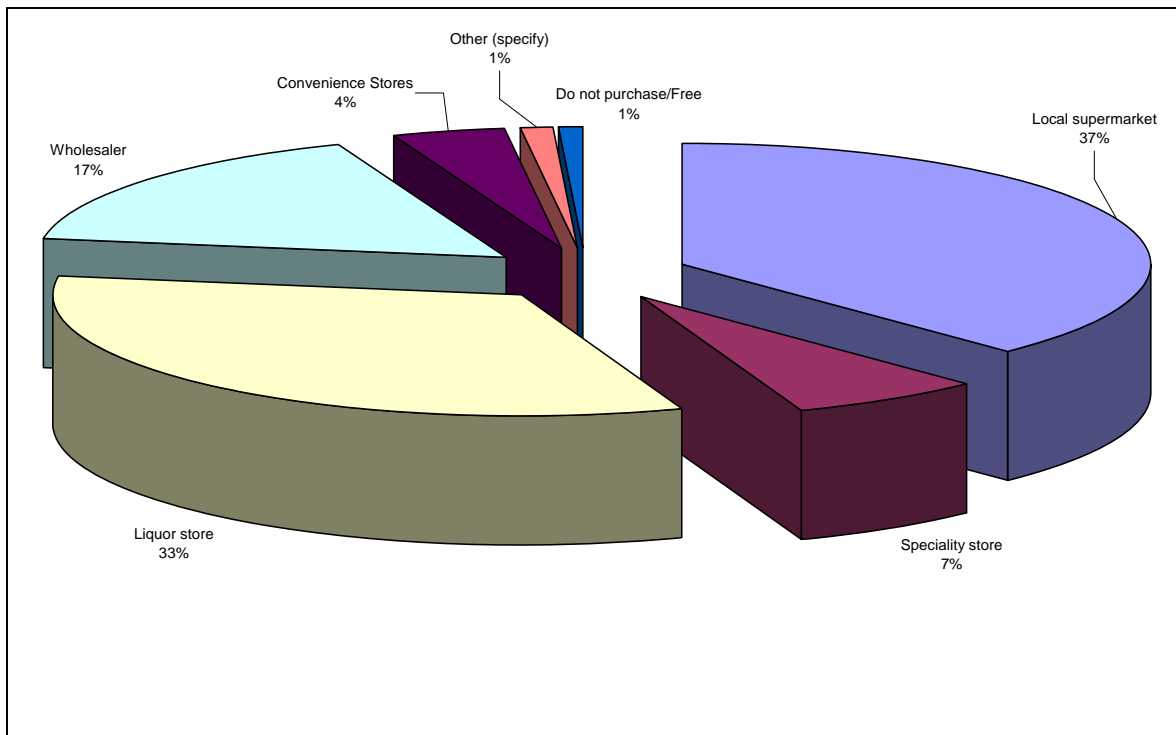


Figure 5.12: Preferred retail outlet choice

Source: Research findings

Figure 5.13 illustrates that while males prefer to purchase wines from liquor stores and wholesalers, females prefer to buy from supermarkets, speciality stores and convenience stores.

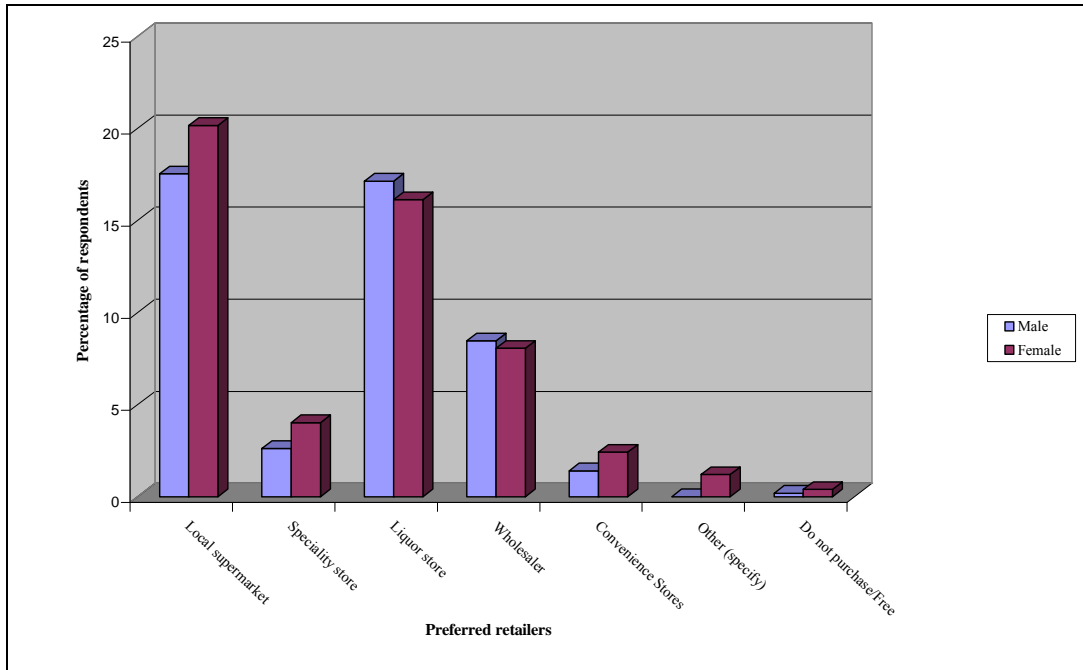


Figure 5.13: Preferred retail outlet choice for males and females, respectively

Source: Research findings

In terms of age groups, a significant portion of the 30-34 year olds prefer to buy in speciality stores whereas the age groups from 35 years and above prefer to buy in wholesalers. The younger age groups dominate all the other retail outlets. This is shown in Figure 5.14.

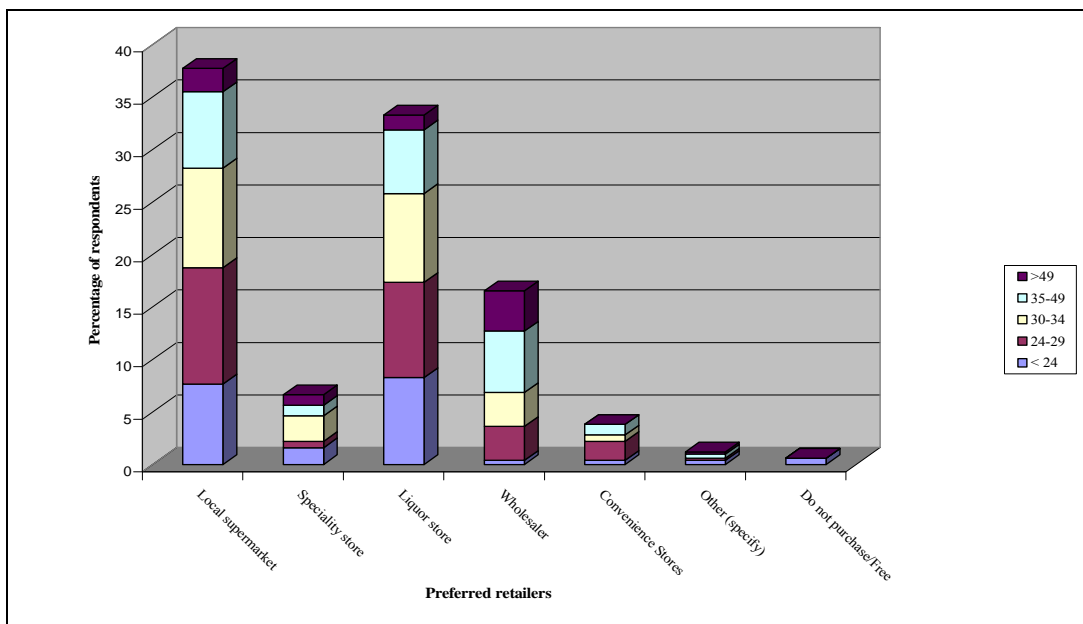


Figure 5.14: Preferred retail outlet choice for set age groups

Source: Research findings

When asked how much consumers would be willing to spend on a standard 750ml bottle of wine for their own consumption, more than 60% of the respondents were willing to spend between R36 and R100. This was cross tabulated against gender and age.

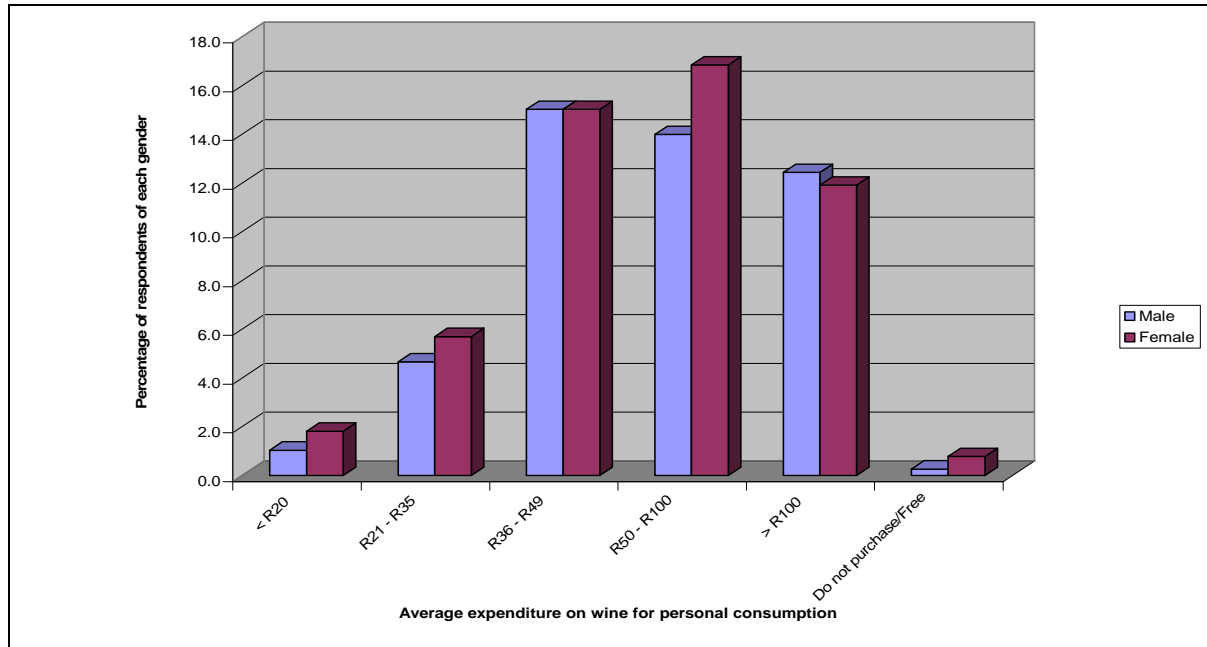


Figure 5.15: Average expenditure for own consumption for males and females, respectively
Source: Research findings

In terms of gender, females slightly dominated all expenditure groups except the R36-R49 group where distribution was equal and in the group greater than R100 in which men dominated. This means men are willing to pay more for what they consider to be premium brands. This situation is further exacerbated by the dominance of females in the group of consumers who do not personally purchase wine or get it for free. It should be noted that the negligible presence of males in the group is attributed to men that work in the catering and restaurant businesses where wine can be consumed for free.

With regards to age, none of the respondents older than 35 admitted to purchasing wine for less than R20. The age groups less than 29 (Mzansi Youth and Start-Me-Ups) dominated the consumers that purchase wine for less than R35; Start-Me-Ups and Young families dominated the consumers that purchase wine for between R36 and R49; and Start-Me-Ups, Young families and the younger group of the Established’s dominated the consumers that

purchase wine for more than R50. It is noteworthy that the Start-Me-Ups show a strong presence in the consumers that purchase wine for more than R21. Also noteworthy, is that the older group of the Established’s increase their presence as the price increases. The opposite is true of the Mzansi Youth.

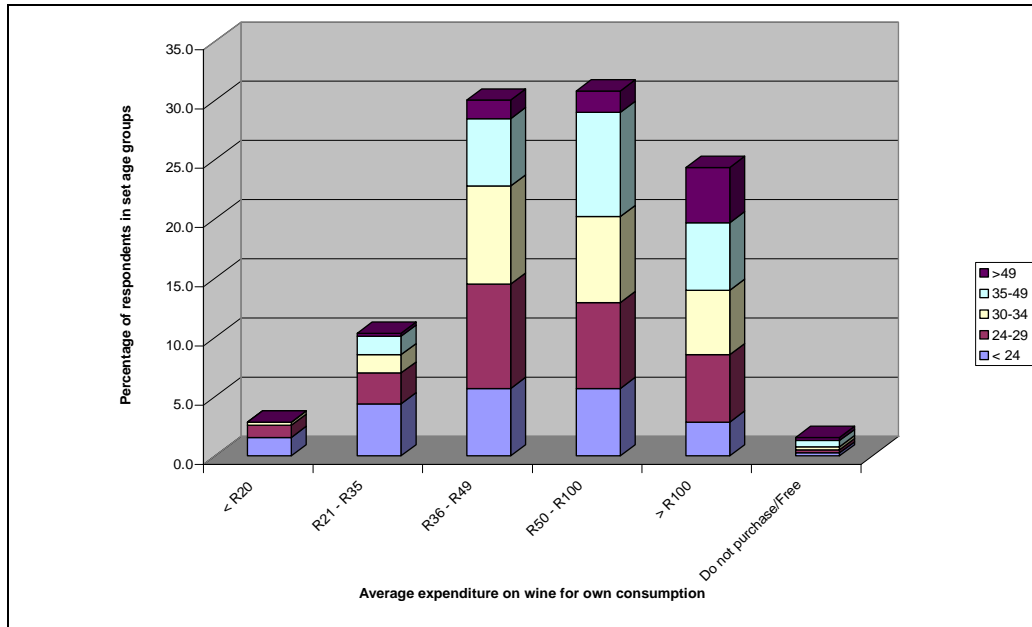


Figure 5.16: Average expenditure for own consumption for set age groups

Source: Research findings

In terms of expenditure on a standard 750ml bottle of wine for a gift to someone else, 88% of the sample was willing to spend more than R36. It is noteworthy that in the R21-R35 expenditure group there are 24 males to 9 females which mean men dominate by nearly three times the number of women. Females out-rightly dominate the R36- R100 expenditure group and males dominate the gift expenditure above R100.

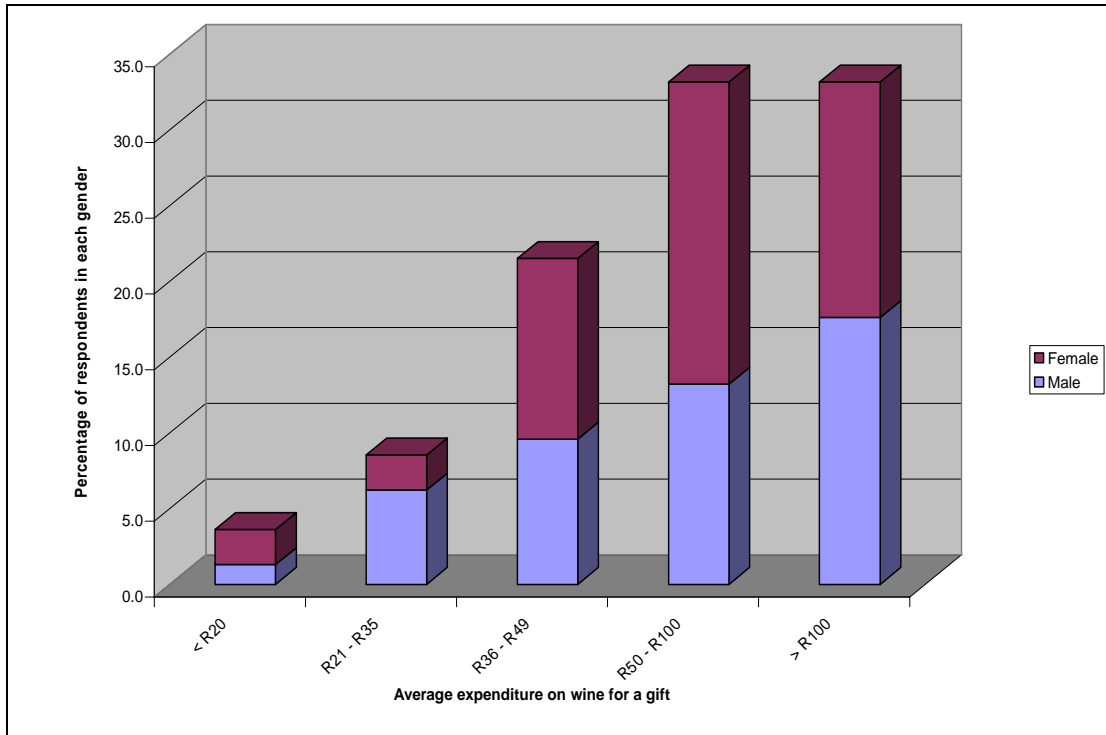


Figure 5.17: Average gift expenditure for females and males, respectively

Source: Research findings

When gift expenditure was cross tabulated against age, it was found that young families dominated the gift expenditure of less than R20. This can be attributed to the fact that they spend more money on setting up their homes and can no longer afford to buy friends expensive gifts but instead spend on their children’s expenses. Mzansi Youth and Start-Me-Ups dominated the consumers that purchase wine as a gift for between R21 and R35. Start-Me-Ups, Young families and the younger group of the Established’s dominated the consumers that spend between R36 and R100. There were almost equally high representations by all the age groups in the gift expenditure group that spend more than R100.

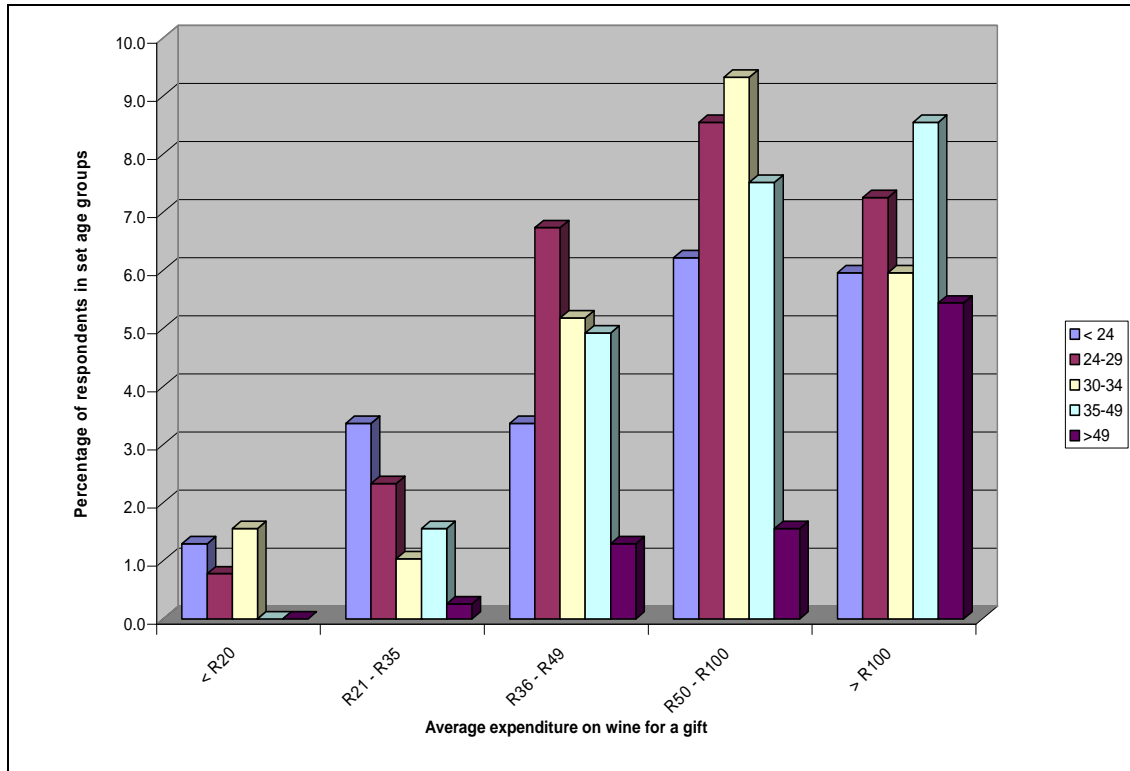


Figure 5.18: Average gift expenditure for set age groups

Source: Research findings

It is noteworthy that 64% of the total sample of the older group of the Established’s spend more than R100 on a bottle of wine as a gift.

5.4 Wine “lifestyle”

Wine is widely perceived as a drink for the discerning, innovative and aspirational, linked to an affluent lifestyle in South Africa and the world (Tzimitra-Kalogianni, 1999:3). The Soweto Wine Festival provides a platform for wine estates to interact with and showcase their wares to thousands of potential Soweto consumers. This dismantles the ideas of “wine eliticism” and encourages the perpetuation of a “lifestyle” which consumers need to subscribe to if they aspire to be “successful”. The consumers were inquisitive, sophisticated and eager to learn about wine culture and this is perfect as the market is all about lifestyle and so is wine. Through the festival, wine elitism, pre-conceptions and quite a few urban myths are disbanded (African Response, 2007).

Consumers were asked what the most important influence in their decision to buy wine was and the majority of the sample felt tastings and social networks were the ultimate influencers. The black consumers at the festival wanted to know prices of the wines and where they could purchase them which means their interest in wines had been heightened by attending the festival.

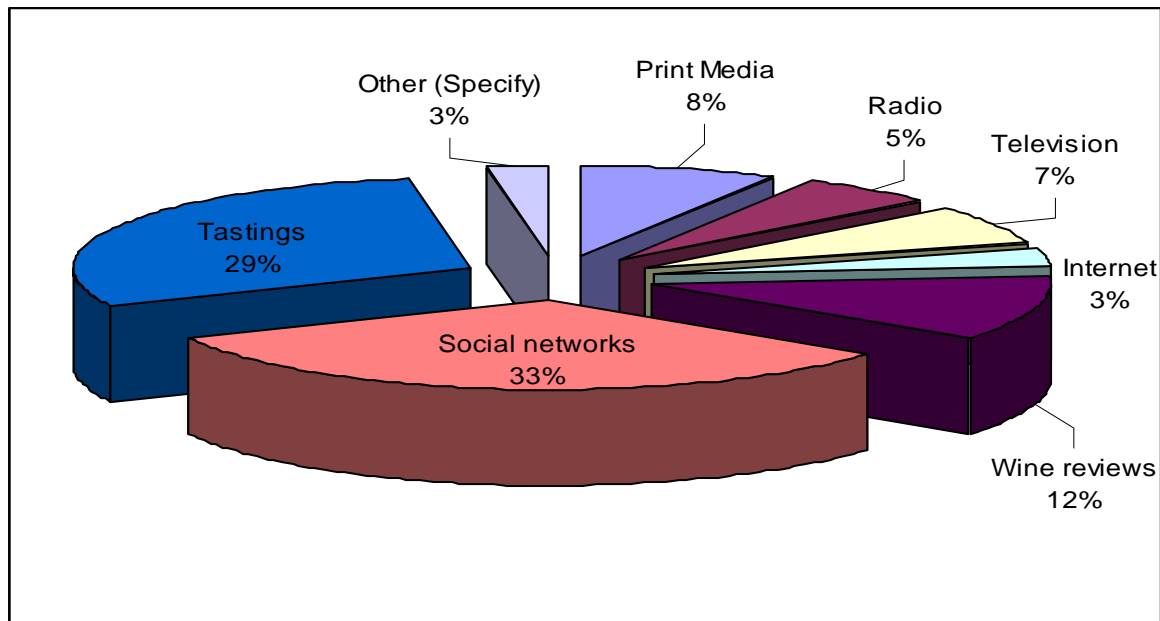


Figure 5.19: Most important influencer in wine choice

Source: Research findings

Social networks also dominate as the most important external influence. Print media, such as magazines, newspapers and fliers, and radio were the strongest media influences with television and the internet ranking lowly. 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 (Pendock, 2007).

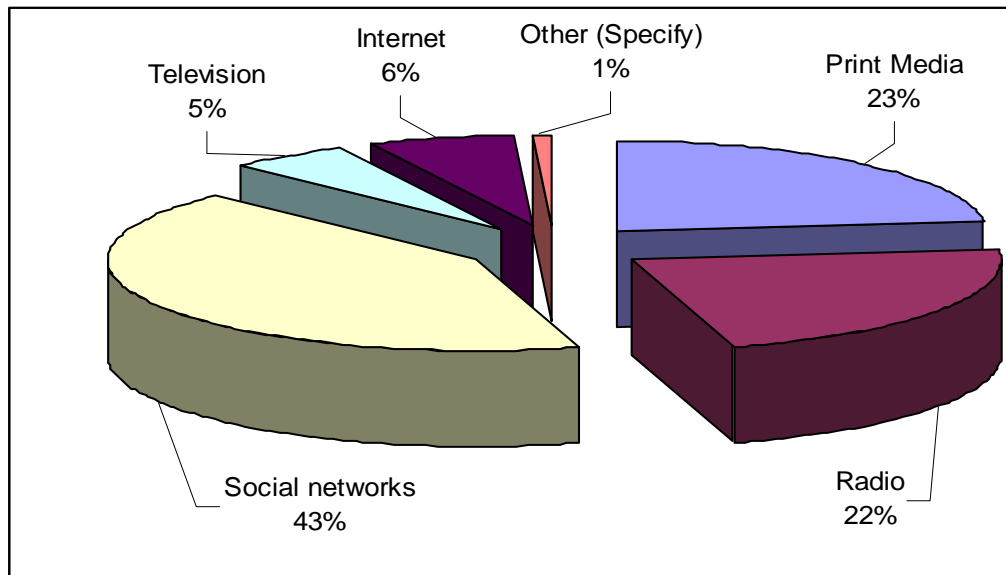


Figure 5.20: Most important media influence in wine choice

Source: Research findings

Consumers were asked if they were willing to try new wine and they unanimously voted that they would. This could be attributed to other researchers' findings that the consumers were innately passionate and candid as well as confident, savvy, hip and eager to experiment. The consumers were keen to speak their mind and many voiced a strong desire to learn more about wine, join wine clubs, host food and wine pairings and even visit the winelands (African Response, 2007). Ninety five percent of the sample was willing to try new wines.

Although 66% of the respondents were first time visitors to the festival, a significant portion were return visitors to the show. The strong dominance of first time visitors shows that the festival has generated strong interest and attracted vast crowds. As the survey was only partaken on the first night of the festival, the results are inconclusive, as the return visitors could possibly have attended in threes on the final night.

Despite the assertions that black consumers aspire to prescribe to the "wine culture", only a negligible portion of the sample (14.5%) were members of a wine club. The respondents expressed a strong desire to undertake a wine course or other forms of wine education. Sixty seven percent of the respondents were willing to take some form of wine education. Of the consumers receptive to wine education, females and Start-Me-Ups strongly dominated the said sample. These are the two groups that have also been found to be

definite possibilities as target markets within the black middle class as a whole due to their purchasing behaviour.

5.5 The Model

As mentioned in Chapter 4, the discrete choice data was analysed using the SPSS 15.0 MNL program. The program ran different models using various attributes to ascertain the essential attributes to the model. Of the attributes selected, two separate models (with the intercept only and with all the coefficients) were run using the same MNL analysis. The results are given in Table 5.7. However, it should be noted that there are other variables, such as age, income or frequency of consumption, not captured in this model.

Table 5.7: Results of model log likelihood tests

Model	-2 Log Likelihood	Chi-Square	Degrees of Freedom	Significance
Intercept Only	553.3845484			
Final	469.5927298	83.79181853	48	0.001060119

The data clearly indicated that the said attributes were indeed viable and provide the best fit to the data. The null model serves as a benchmark against which we compare the fit of the final choice model and because the null model is nested in the more complete model with other wine choices, a likelihood ratio test statistic is valid. By this statistic, the coverage model provides a good fit to the data as the chi-square value of 83.79 (given in Table 5.8) is far greater than the critical value of -30.015 at 48 degrees of freedom.

Table 5.8: Model goodness-of-fit

	Chi-Square	Degrees of Freedom	Significance
Pearson	922.3862492	495	3.6212E-28
Deviance	350.4496196	495	0.999999844

The model also has acceptable Pseudo R squared values as illustrated in Table 5.9. This means that although the model has a relatively low explanatory power, it explains at least 20% of the wine choice preferences.

Table 5.9: Pseudo R-Square

Cox and Snell	0.195132209
Nagelkerke	0.227144096
McFadden	0.110783242

Table 5.10 provides all parameter estimates from this stage. In this study, the structural parameters are interpreted as marginal utilities with respect to each explanatory variable (Richards, 1998:19; Minbo K, 2001:5).

Table 5.10: SPSS output for MNL model

Coefficients	Interpretation	Estimate	Standard Error	Significance
[fav_wine = 0]	red wines	-30.015	1.812	0.00
[fav_wine = 1]	white wines	-22.574	1.318	0.00
[fav_wine = 2]	sparkling wines	-20.903	1.306	0.00
[gender=0]	females	0.439	0.222	0.05
[gender=1]	males	0.000	.	.
[own_spen=0]	R50 - R100	-0.866	2.155	0.69
[own_spen=1]	< R20	-2.319	1.216	0.06
[own_spen=2]	R21 - R35	-1.556	1.116	0.16
[own_spen=3]	R36 - R49	-2.211	1.089	0.04
[own_spen=4]	> R100	-2.507	1.085	0.02
[own_spen=5]	Do not purchase	-2.645	1.090	0.02
[own_spen=6]	Free	0.000	.	.
[fav_rw=0]	Baronne	-20.467	0.922	0.00
[fav_rw=1]	Do not drink red wine	-21.599	0.931	0.00
[fav_rw=2]	Pinotage	-21.475	0.940	0.00
[fav_rw=3]	Shiraz	-20.873	0.907	0.00
[fav_rw=4]	Rose	-21.120	0.905	0.00
[fav_rw=5]	Cabernet	-21.533	0.997	0.00
[fav_rw=6]	Red blends	-18.927	0.000	0.00
[fav_rw=7]	Merlot	-20.291	0.917	0.00
[fav_rw=8]	Cabernet Sauvignon	-20.500	0.942	0.00
[fav_rw=9]	Pinot Noir	-20.568	1.295	0.00
[wine_cou=1]	Attended wine course	0.403	0.242	0.10
[wine_cou=2]	Have not attended wine course	0.000	.	.

Link function: Logit.

5.5.1 Major findings from the model

The model has five main findings, on the basis of wine choice, gender, expenditure on wine for personal consumption, choice of favourite red wine and engagement in wine education.

i. Wine Choice:

The model findings assert that wine choice (in terms of red, white or sparkling) is influenced by gender, expenditure on wine for personal consumption and engagement in any form of wine education.

The null hypothesis tests that consumers prefer red wine, there are significant differences according to gender; the type of red wine preferred as well as the attendance to a wine course affects wine choice. Few other authors have empirically studied possible market segments in the wine industry. Some authors segment the market by consumption (eg. Judica & Perkins, 1992; Gluckman, 1990), by geographical region (eg. Sánchez & Gil, 1997), or consumers' behaviour (Johnson, Ringham & Jurd, 1991; Dodd, Pinkleton & Gustafson, 1996). There have even been cases of segmentation according to commercial restraints by Johnson, Ringham and Jurd (1991) but the aforementioned authors offered little empirical background and assumed that red and white wine drinkers were mutually exclusive groups. This study asserts the same premise and the model confirms this.

ii. Gender:

The model finds that there is a positive relationship between red wine as a favourite wine and females. The significance of this attribute means that gender could be a significant segmentation attribute. It also means that there is a significant difference in wine choices according to gender and women prefer red wine more than men. This could be due to the fact that females drink wine less often and this consumption is frequently on special occasions where a glass of red wine is more preferred.

iii. Expenditure on wine for personal consumption:

The null attribute for personal expenditure is statistically insignificant. However, the negative relationship between red wine choice and expenditure for own consumption means that red wine drinkers tend to spend more on wine for personal consumption than white wine and sparkling wine drinkers. This is highly plausible given that white wines are significantly cheaper than red wines and white consumers spend less on a 750ml bottle of wine for their own consumption than red wine drinkers.

iv. Favourite red wine:

The negative relationship between red wine as a favourite wine and the choice of red wine means that consumers that claim to be Baronne wine drinkers are more likely to favour white and sparkling wines. This can be explained by the dominance and Mzansi Youth and Start-Me-Ups in this group who prefer sweeter wines. This illustrates the image seeking attitude of the said group because while they actually prefer white and sparkling wines, they will still claim to prefer Baronne wine, although it is a red wine, because it has been marketed as a premium product.

v. Engagement in wine education:

There is a positive relationship between the choice of red wine and attendance at a wine course. This means that educated wine drinkers prefer red wine significantly more. This could be explained by the perception that with more experience one develops a taste for the drier red wine types such as the Shiraz, Merlot and Pinotage.

5.6 Limitations of the model

The model was run in three different statistical programmes (STATA, SAS and SPSS) all of which were either statistically insignificant and/or had very low R squared statistics. The model described here as the accepted model had the highest of these low statistics. Possible reasons for these results could be the dominance of ordinal and discrete data which makes statistical modelling difficult. Statistical inferences were also particularly difficult due to the categorical and multi-nomial nature of the dependant variable. Another possible reason for the low statistical significance could be the inconsistencies in the respondents' responses due to their need to avoid exposing their inexperience or limited knowledge regarding wines and their reluctance to divulge personal information. The results of other models, which were more insignificant, are given in Appendix 8.

There is room for further studies which could possibly reduce the statistical insignificance of the results. In future studies, possible upgrades may include more nominal and

continuous responses to the questions, as well as a wider, more diverse sample taken from various different sites, instead of focusing on a single study site. The latter will increase the possibilities of more varied and less biased responses and the former will ensure easier statistical modelling.

5.7 Summary of major findings

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. The main findings were that:

- Most of the sample was generally amateur wine drinkers.
- The sample in general 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.
- Women drink wine less often than men.
- Brand name and packaging were the most important product attributes.
- Nearly all consumers prefer the 750ml bottle.
- Local supermarkets and liquor stores are the preferred retail outlets.
- Consumers are willing to spend more than R36 on wine.
- Men prefer to spend more for “premium” brands.
- Social networks were identified as the most important influencer of wine choice.
- Radio and print media were the most important media influences.
- The consumers were found to be adventurous and receptive to the “wine culture”.

The model found that:

- Women preferred red wine.
- White and sparkling wine drinkers were willing to spend less for a bottle of wine.
- Baronne wine drinkers preferred white and sparkling wines.
- Educated wine drinkers preferred red wine.

The study hypothesised that emerging black middle class is a heterogeneous group. The descriptive results and the model have confirmed this to be true as there were indeed significant differences in terms of age and gender with regards to most consumption and purchasing behaviour. It was also hypothesised that traditional attitudes amongst black consumers towards wine and wine drinkers are changing and women like other wines besides sweet carbonated wines. The research findings and model found that black female consumers drink different types of wines and not just sweet carbonated wines and that they are free to consume alcohol in public. Another hypothesis was that there is market potential for the South African wine industry in the new emerging “black diamond” consumer market and the current black consumers tend to show a lower degree of loyalty towards a specific wine brand. It was found that most black consumers were receptive to wine consumption and wine culture, they show a high degree of willingness to pay as price is not a major determinant of choice for them, and there were low degrees of brand loyalty and only limited levels of brand knowledge. In this way, the study has satisfied all of the objectives set out in Chapter 1 and all of the hypotheses set out have been accepted.

In light of these findings, the study asserts that in terms of possible target marketing within the Black Diamonds, women and the Start-Me-Up age group are viable markets due to their purchasing behaviour and receptiveness to the wine lifestyle, as well as their favourable financial position. In light of these findings and the latter broad recommendation, the recommendations given in the next section will aid in the development of viable market strategies that may assist with the industry’s plight.

5.8 Recommendations

The Chartered Institute of Marketing (CIM), (2006), define marketing as “the management responsible for identifying, anticipating and satisfying customer needs profitably”. This highlights the need for the customer to be the crux of the business as well as the need for whatever that is done to be profitable. Traditionally, this was fully encompassed in *the 4 Ps of marketing*- product, pricing, promotion, and placement. However, in recent years these have been revised and three more Ps have been identified to make them the *7 P’s of marketing*. These are *Product, Place, Promotions, Pricing, People, Process and Physical Evidence*. Their concomitant areas in wine marketing include branding, new product

development, pricing, public relations, managing the sales force, and distribution (Lockshin & Hall, 2003; CIM, 2006:2 & 4).

In this section recommendations will be made for the formulation of a marketing strategy for the South African wine industry by targeting the Black Diamonds. These recommendations will be made according to the 7 Ps of marketing, in no particular order. It should be noted that according to the final wine benchmarking report by Agri-Africa (2008:36) “market development in the South African wine industry is the responsibility of Wines of South Africa (WOSA)”. This study agrees with this view and the latter will play a profound role in most, if not all, of the following marketing recommendations. The wine industry will also do well to follow the examples set by the beer industry’s targeted marketing campaigns.

5.8.1 Product- the wine image

Linking wine product to brandy- both products of the same industry

The study has already postulated that the Black Diamonds are indeed a viable market. There are no significant differences between the demands of black and white South Africans in terms of alcoholic beverages. With this in mind, it should be noted that for decades brandy has enjoyed substantially more success in the local market than wine, yet the two are closely linked and produced by essentially the same industry as they are both products of the same agri-production system- the vine. If the negative connotations associated with the wine industry were indeed the main deterrent to black consumption of wine, it would only be logical to assume they would extend even to brandy, and yet they do not. Therefore it would be reasonable, and profitable, to use brandy's popularity and its natural affinity with wine, in terms of origin, to the industry’s advantage. In this way the negative history of the winelands can be shrugged off (Esterhuizen, Botha, Van Rooyen, Botha & Doyer, 2008:6; Wardman, 2006).

This can be done in the form of an *extended product offering* by making it obvious that wine and brandy producers are in effect the same people and brandy producers are expanding their “brand” by introducing new aspects of the brand by promoting wine. There is a need to shrug off the negative views of the industry and winelands by creating a new

image for wines. The influence of creating a new distinctive clean image can be seen through the example of New Zealand wines which have a distinctive “clean & green” image and this authentic and believable branding has positioned New Zealand internationally as a producer of premium quality wines. New Zealand wine producers and marketers realise the value of branding and understand that branding is integrally about satisfying consumer expectations (Schwartz, 2008). In this study brand name has already been identified as an important determinant of wine choice. Therefore building the image of the wine attached to a brand can only enhance its attractiveness to the consumers. These new aspects will require new communication platforms and brand awareness that is taken to a far wider audience.

Examples of the latter include festivals, in-store tastings, function venues, theatres and conference facilities on wine estates. By marketing in new places and changing the image of wines and the industry the latter will have illustrated immense flexibility while concurrently illustrating immense social responsibility, both of which will appeal to black consumers (Esterhuizen, *et al.*, 2008:6). Evidence of this is seen in the proliferation of wine festivals in neighbourhoods such as Soweto as well as wine tastings in malls (such as Maponya Mall, Soweto), the availability of a wide variety of wines in up market liquor stores and neighbourhood social clubs, night spots, pubs and restaurants (such as the Backroom, Soweto) and innovative promotional material such as Mzolis DVD guide to wines, to note but a few (Agri-Africa, 2008:9). Consumers in the study reiterated the importance of wine tastings in their choice so a proliferation of these in places that they frequent would serve to promote awareness among these consumers.

Establishing wine as an aspirational product

This image adjustment should also be supported by an emphasis on marketing and producing premium quality and high value wines. There is need to ensure that the industry produces a compelling product offering because a poor or substandard product offering would only obliterate the image of the industry. Investment and collaboration within the industry provides access to new technology, upgraded skills and production capabilities, as well as facilitating access to world markets through the attainment of world standards. By assuring a certain quality consumers can be confident of the quality to expect with each purchase and this encourages repurchasing of the wine (Esterhuizen, *et al.*, 2008:6;

Schwartz, 2008; Agri-Africa, 2008:49, 79). This can be seen in the way some beer brands, such as Hansa and Windhoek, have marketed their product as an upmarket product which required intricate processing and is incomparable with any other alcoholic beverage. Wine requires the same sort of marketing. Consumers expressed a high willingness to pay for “premium” brands and if the industry shifts its focus from the production of low priced wines and instead to medium and high priced wines; it will increase its chances of tapping into these markets. It goes without saying that these offerings should be indeed be better quality and not just higher priced because black consumers have expressed an interest to undertake wine education and will not be fooled in the long run by poor quality wines.

Creating a link between wine and “responsible living”

Another viable trend that could increase consumption of wines, is flaunting the “green” wines card. There is a global trend towards healthy, organically grown and lower alcohol content wines. Although the instigation of such certification is expensive, by producing wines with any of these labels, producers tap into a highly profitable niche market. However, it will take many years to see the profits in an already fickle market in which trends are constantly changing. This is evidenced in the way wineries have changed from labelling their wines as being made from organically grown grapes to the recent statements about vineyards being certified as biodynamic, which is similar to organic farming but emphasizes the influence of cosmic forces and involves the use of specific “preparations” in the vineyard. The best option for South African wine producers is to instead put emphasis on “sustainable” wines. Sustainability encompasses not only the way the grapes are grown (minimal use of chemicals, though not strictly organic) but also such practices as energy and water use, recycling and worker safety. It therefore is all encompassing and has definite potential. Regional certification programs for the said initiatives are slowly being set up (Esterhuizen, *et al.*, 2008:7; Daniel, 2008; Agri-Africa, 2008:12).

One such initiative is the Biodiversity and Wine Initiative (BWI). This is a partnership between the South African wine industry and the conservation sector which seeks to prevent the further loss of threatened natural habitat and contribute to sustainable wine production through the adoption of biodiversity guidelines by the South African wine industry. One of the strategies of the BWI is to rally interested producers as members of the initiative, who will implement the biodiversity guidelines, conserve critical ecosystems

and incorporate a biodiversity tale into their winery experience. A BWI label will soon be displayed on wine bottles from participating wineries. In this way consumers will be able to identify and support the conservation efforts of participating BWI members (Agri-Africa, 2008: 16-17).

Another initiative to enhance the wine image would be to address ethically motivated social issues. While the environment is essentially also an ethical issue, other ethical aspects could also be included. These include addressing the BEE score card to accomplish economic and/or social transformation. Another closely linked option is to achieve Fairtrade accreditation, as was done by Thandi wines which became the first wine in the world to achieve this accreditation. The Fairtrade Foundation helps establish greater equity in international trade by offering improved trading conditions to farmers in the developing world. Stringent standards of participation, equity and infrastructure have to be met before this accreditation is given.

All of the above product market strategies will do well to aid the wine industry and while they may seem broad in their targeting aspects, it should be noted that black consumers follow most of the trends all the other consumers follow and have many of the same needs that other consumers do. It just requires that the product offering be placed in areas that allow maximum catchment of the target market. Recently, Hunters Dry launched a marketing campaign in which they imply that drinking their cider will cool drinkers down and the more drinkers there are the cooler it will become and global warming can be reduced somehow. Although these are not scientific assertions they get the consumer aware of the global warming problem while at the same time encouraging the consumption of their ciders. The wine industry should mimic such strategies that create awareness about their initiatives in a “fun” way as black consumers are strongly influenced by social networks. Campaigns that generate conversation will enhance awareness and subsequent sales.

The need for similar campaigns from the wine industry makes the need for the next group of strategies especially important.

5.8.2 *Place and locality*

Sales outlets

In terms of placement, there are two strong marketing strategies. Firstly, it needs to be acknowledged that even if and when funds for promotional spend are forthcoming, funding should rather be better spent on subtle strategies such as product placement and locality than full-on wine education. The growing importance of supermarkets should be acknowledged and their due importance accredited. In this study, supermarkets were identified as the single most important retail outlet, followed by liquor stores. With global wine production on the rise, as a result of the global over supply and new wines from more obscure places such as China, as well as an influx of new wine labels on the local market, wines should be easily accessible to consumers in convenient retail outlets, of which supermarkets are undeniably one of the top retail outlets, as has been found in this study. To target the Black Diamonds in particular, wine shelf space in supermarkets in townships and suburbs that Black Diamonds are moving into, should be increased. Women expressed a dominant need for convenience and therefore require that wines be available in the same stores that they purchase the rest of their groceries, as well as in local liquor stores and social spots, such as restaurants and clubs, that they frequent. Music is especially important to black South Africans, especially the younger generations, and this necessitates the need for an increase in wine and jazz and wine and kwaito festivals (Daniel, 2008). By associating wine with a relaxed social environment that fits in with their lifestyles, some of the stigma associated with wine for black consumers will be dispelled.

Lifestyle distribution

The study found that there is a strong desire among Black Diamonds to participate in a *wine lifestyle*. Other researchers have also found that black South Africans enjoy the privileges and freedom of travel. This creates an opportunity for the second viable placement strategy- wine tourism. Studies have indicated that cellar door marketing is a very important brand image tool, especially for the smaller producers as it gives producers the opportunity to sell and communicate much more than just the physical product and enables wine producers to develop broader communication platforms and thus improving their brand image. By marketing the winelands as an interesting and fun destination, some

of the negative views associated with the industry may be dissipated. This will be particularly effective for the Start-Me-Ups and Young Families that have only recently begun to comfortably afford good quality holidays and need family ventures, respectively (Schwartz, 2008; Agri-Africa, 2008:37; 39) .

Their experiences during their visits will encourage repurchases of the wines they may have already bought at the cellar door when they encounter them elsewhere, as well as word of mouth recommendations to others. The visits and associated activities will also encourage purchases at the vineyard and generate other income for the industry through the tourism aspect (Schwartz, 2008). The proliferation of word of mouth recommendations from the personal experiences that they will have had is especially important given the strong dominance of wine tastings and social networks as marketing tools.

The website www.varietyisinournature.com was established with the focus on regional biodiversity experiences, eco tourism and for the individual wine regions to promote their unique natural diversity. Other such websites and promotional information packs need to be easily available at local travel agents and travel shops to encourage black consumers to view these resorts as affordable enjoyable locations for family and social retreats. Access to internet is high among the targeted markets and therefore internet based campaigns have a higher likelihood of success in these markets. Advertisements should also be placed on radio and in magazines, especially women's magazines, which enlighten black consumers about the wine tourism destinations.

Locality

Both of these strategies focus on placing the product as close as possible to black consumers, in their supermarkets and in the areas that they enjoy, their music festivals, as well as encouraging Black Diamonds to go get the wine at the source through touring the wine route in the Western Cape. Although wines have an exclusive sophisticated allure and liquor stores do not emulate these standards, they are still important in wine marketing and placement. In a bid to disperse the mockery of *classy* wines in liquor stores, a separate wine section can be included in *selected* liquor stores, or even open wine stores in identified locations that Black Diamonds live in. This is also evidenced in Checkers supermarkets' "Wine Route" in their supermarkets. These are designated areas within the

supermarket that are specifically and entirely for the sales and marketing of wines. In store tastings and promotions are also conducted in these sections. In this way, timid consumers have the opportunity to experiment with new wines, gain more knowledge and confidence about wines and their choices. In this way, repurchases and new wine drinker recruitments are encouraged. However, due to intense competition for shelf space and unique problems associated with supermarket processes, wine producers should also seek to differentiate their product in terms of price. The next section will discuss how local wineries may be more price competitive (PlanetRetail, 2008; Agri-Africa, 2008:14).

5.8.3 Pricing

The decline in the exchange rate value of the rand means that in terms of a pricing marketing strategy, domestic wines' prices will seem significantly more attractive as prices rise on many imports. Although prices have not been identified as the main influencer of wine choice, consumers will realise that South African wines may be a better budgetary option. This is also in light of the rising food prices across the board, consumers are forced to cut down on luxury goods, such as wine, to meet their basic food requirements on their tightened budgets. Perceived high quality premium wines on a budget will prove to be especially successful because while cheaper is better, consumers still demand premium quality and "value for money" wines will become more popular. This is especially true of Black Diamonds who have expressed a high willingness to pay for premium wines. Quality should not be compromised in any way otherwise they will sacrifice for the more expensive wines which exude class (Daniel, 2008).

5.8.4 Promotions

Promotions form the crux of any marketing strategy as they are a part of each of the separate components of marketing. Each of the separate components has a message for the consumer that needs to be communicated to the consumer through promotions, the choice of which is equally as important as the message to maximise consumer comprehension which will translate into actions. Wine marketers need to decide between different strategies some of which are listed below (Codron, Sterns & Reardon, 2000: 14):

- Product-specific, producer-exclusive strategies (e.g., brands)

- Product-specific, producer-inclusive strategies (e.g., third-party quality assurance labels)
- Product-general, producer-exclusive strategies (e.g., direct marketing)
- Product-general, producer-inclusive strategies (e.g., industry-wide HACCP programs).

Although it seems less problematic to peg all promotional expectations on the stakeholders at industry level (SAWIC, SAWIT, WOSA, etc), there is still need for individual wineries to market their individual wines. While it is important to note that there is need for some standards in terms of conformity to industry wide quality standards, it is unwise to only depend on the industry's marketing campaign. Previous experience has shown that distinctive wineries have the most success, especially if the industry wide marketing campaigns have undertaken research and identified key niche areas within the market. In using direct marketing and branding, wine producers need to understand the immense importance of value growth which can be managed by an effective brand and communication strategies. In whatever method of communication used, effective sustainable business management requires that the quality of wine be maintained. It is impeccable, and non negotiable, to maintain the presumed sophistication and allure of the wine and in some cases this involves the influencing of consumer perceptions about the different aspects of the wine (Schwartz, 2008).

From this point of view, brand building and consumer communication are integrally linked and marketers must continuously be trying to find new ways and angles to effectively communicate their message to the consumer. This is particularly important in the context of the success of the beer industry's marketing success using both traditional marketing styles as well as innovative new brand building campaigns. It is noteworthy that while new brand message communication platforms have more success than the old communication methods, the latter continue to achieve some level of success and should not be totally discarded but instead merged with the new promotional methods, some of which are illustrated in Figure 5.21.

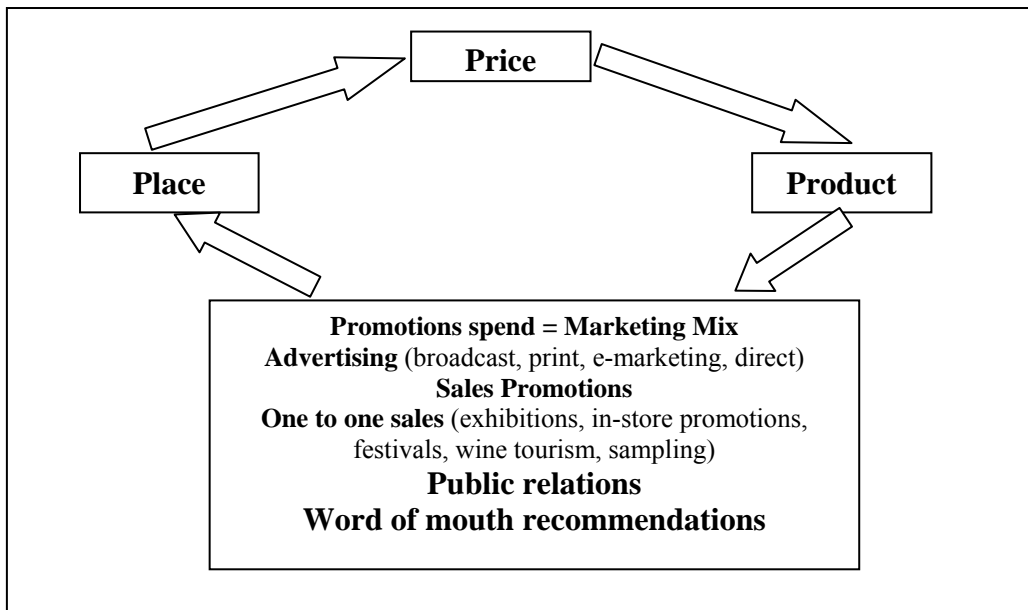


Figure 5.21: The interconnectivity of the classic 4 Ps of marketing

Adapted from Harpers, (2005:2).

Figure 5.21 illustrates the interconnectivity of the classic 4 Ps of marketing, as well as how promotions fit into the other classic components of marketing. It should be noted that this study found that word of mouth recommendations among social networks and print media had the highest success rates in influencing wine choice among black consumers and should be encouraged and their potential fully explored. This is especially important for the advertising spend on print media advertising because word of mouth recommendations will only be increased by having a good wine whereas in spite of relatively low category spend on print media advertisements, most consumers recalled seeing an advertisement in print media. While many consumers in the Harpers' (2005) study remembered the only the brand names of wines advertised on television or radio, these are uncommon in South Africa and word of mouth recommendation remain the most valuable for wine owners, with promotions and tastings being more effective than any advertisements (Harpers, 2005:12). Figure 5.22 illustrates the relationship between customer recall and purchase impulse for selected communication strategies.

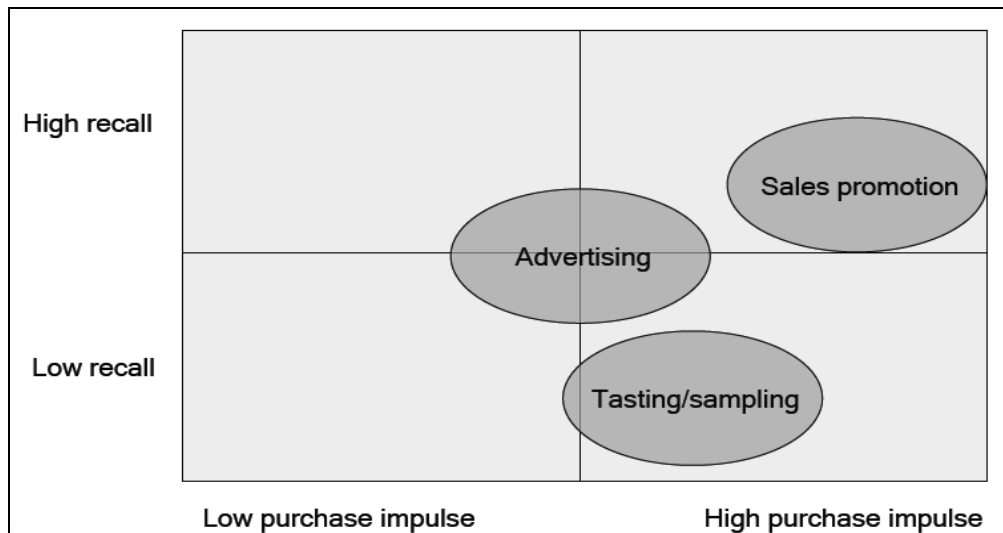


Figure 5.22: Relationship between customer recall and purchase impulse for selected communication strategies

Source: Harpers, (2005:22)

A brand communication strategy that has proven highly successful in many markets has been *e-marketing*. However, in wine, marketers have not quite realised the wide array of brand building opportunities of e-marketing, especially in collaboration with effective blog marketing campaigns. *Facebook* and other interactive web based platforms will create new opportunities for the expansion of brand communication platforms, especially among the younger Black Diamond age groups. However, it should be noted that compared with mobile phone penetration, the internet does not come close in terms of cellular phone reach as a medium across all ethnic groups in urban as well as rural areas. However, despite this assertion, e-marketing is till a viable promotional marketing strategy and its potential needs to be further explored as the target groups are young and innovative with high access to internet (Schwartz, 2008; Dix, 2007:2).

5.8.4.1 Branding

Various studies have found that consumers look at “brand” and label design more than any other feature when selecting wine and that the “brand” is consistently the strongest influence across all consumer segments, when browsing for wine. This study identified brand name as an important influencer of wine choice. A study by the Unilever Institute supports this view that South African black middle class consumers are more brand conscious than their white counterparts and favour symbols of style and wealth (Herman,

2006). This strategy can be used in conjunction with a previous strategy to establish wine as an aspirational product. Brands are used in many sectors of the economy to signal that products sold under the said brand name have specific attributes every time the product is purchased. Brand names act as a proxy for specific product attributes which consumers are willing to pay a premium cost for due to the reduction in their search costs. Mortimer, (2002:26) using chocolate as an example explains how in a crowded market, having a unique selling point is essential and brands communicate this distinct attribute. However, branding stipulates that a consistent product be delivered continuously to build brand loyalty. This implies that medium to long term brand strategies must be formulated to maintain a sustainable business (Codron, *et.al.*, 2000:7).

It is also of utmost importance that the brand image be built with a specific target market in mind. In this way each brand will speak directly to their target market and relay attractive messages to attract and retain said consumers. To tap into the Black Diamonds and especially target the Start-Me-Ups and women, the wine market needs to build a brand image of wine as fun and relaxed and yet still high quality and a symbol of success. Wine should create the image that while it can be easily integrated into the black consumer's lifestyle, it will also open the consumer up to a whole new world, "of endless possibilities" that come with the associated success. In this way it will still be an aspirational product but yet accessible.

In South Africa, and abroad, WOSA promotes *Brand South Africa* which is a framework for individual brands which meet certain standards. This is especially useful for South African wine exporters and brand owners when entering the international markets. Despite the blanket brand name for local wine brands, the individual wine brand owners must still focus on building their own brand in the local, regional and international markets because although the dynamics of local and international wine branding may differ, the basics still stay the same. It is still necessary for the quality of the wine to be reliable and consistent, for the entire value chain to be definite and in place, and for a strong market focus to be maintained. Wine brands require a brand image to be created which exhibits its culture, stipulates its behaviour, and provides information and insights into the extent of its ability to learn from, adapt and survive the ever changing dynamic market environment. There is need to also promote sustainability in the brand image as consumers need assurance that the brand will still exist tomorrow and the day after and that it exudes the class and

sophistication of wines locally and globally (Agri-Africa, 2008: 50, 77). This quality assurance is why established brands, such as KWV and JC Le Roux, have a strong presence in black communities. Newer brands will have to establish their brands in much the same way and a new market, such as the said market, makes it easier. The study has already illustrated the low levels of brand loyalty, which creates gaps for new brands to grow and establish themselves.

To ensure the success the brand the entire value chain must share the same vision and each role player must be focussed on the market. This works better in less fragmented and better integrated supply chains and niche markets. Although there are a limited number of successful co-operative brand names, many co-operatives have proven to be unsuccessful in establishing successful brands as their inherent goal is a production focus. The marketers of the brand are usually disjointed from the production process and their objectives are equally out of sync. In such loose supply chain arrangements, the branding should be from a humanistic point of view, such as *Fairtrade* or *organic grown*, which will allow for consumers to buy from a softer side. These may also appeal to black consumers' sense of *Ubuntu*¹⁷ but a quality guarantee will still be integral. Although, currently ethnically named brands have achieved limited success, this could be changed if these brand images were built on sound humanistic and community values that appeal to the target market (Agri-Africa, 2008:51).

5.8.5 Physical evidence

Both the South African Wine Industry Trust (SAWIT) and Wines of South Africa (WOSA) have set up initiatives to better understand potentially viable markets, local and international, for the industry as a whole. In light of the limited success of the previous SAWIT initiative, a multi-stakeholder approach may prove to be more successful. WOSA should set up market research studies in which SAWIT finalizes the objectives and mobilizes the funds, the results of which will be available to all wine producers. This enables the industry to develop brands that connect with the consumer. There is no industry backed promotional activity before WOSA undertakes a market study and publishes results to the wine producers. WOSA has already articulated the need for market

¹⁷ This is a “spirit” of togetherness, a sense of community, that is encouraged among black South Africans.

research for the Black Diamonds, and it is only a matter of time before they announce their results (Bruwer, 2005; Schwatz, 2008; Agri-Africa, 2008:50).

5.8.6 *Process*

The success of the industry will be determined by the level of coordination and consolidation undertaken in the industry. There is need for the consolidation of buyers and brands at national and international level to circumvent the current situation where there is a fragmented offer by the cellars and producers. Information sharing facilities in the operational environment and joint marketing initiatives are essential for the future success of the industry. However, in South Africa, the free market is in operation and there is no legislation to attempt such coordination. Therefore, coordination will only be achieved if there are sufficient incentives to do so, and it will be market led coordination and not “industry-led”. Market driven coordination will probably take a number of forms, ranging from firms acting as facilitators or dealmakers, to full ownership of some of the stages in a supply chain, with the competitive advantage of coordinating firms stemming from the special relationships they cultivate with their suppliers and customers (Schwartz, 2008; Akridge, *et. al*, 1999:7; Agri-Africa, 2008:77).

These close, collaborative relationships can be based on high levels of coordination, shared assets, participation in joint programs, and close communication links. The competitive edge may also be due to the control an actor exerts over the supply chain through ownership of key assets (like gene technology) or information. These arrangements give the coordinator market power and economies in procurement and marketing. This coordination may also take the form of the highly desirable arrangement known as *co-opetition* which is simply defined as the collaboration, and not collusion, among competitors. This arrangement has proven to be highly successful in other food industries and many examples already exist of co-opetition in the international and local wine markets (Schwartz, 2008; Akridge, *et. al*, 1999:7; Bruwer, 2005; Agri-Africa, 2008:77).

Whether firms decide to focus on a broadly defined market or on a narrowly defined niche market(s) is important in deciding the type of coordination to engage in with other industry stakeholders. Attempting to enter a broad market requires a strong experienced support system. If focusing on a broad market, consolidation with supermarket chains for both the

local and international markets. For international market focused wineries, WOSA and exporting firms are especially important. However, for locally inclined wineries where *customization* (an intense focus on the needs of a tightly defined segment of the market, such as the Black Diamonds), is especially necessary, there is need for stronger co-competition ties with stakeholders. This is because successful customizing firms focus on developing highly tailored solutions for a specific set of customers and while this implies serving a relatively small market, the benefit is that the solutions are so well tailored to this customer group that rivals find it very difficult to enter the niche. In this way rivals need to work together to enter the market, understand it, and then keep other wineries out to maintain their respective market shares (Akridge, *et. al*, 1999:8; Bruwer, 2005; Agri-Africa, 2008:78).

5.8.7 People

People are of utmost importance in any marketing strategy in any industry, and the wine industry is no exception. Wine marketers, producers, sales representatives, and all personnel involved from the vine to the consumer, need to be adequately trained to meet the ever changing dynamic market and multidimensional consumers. Other New World wine countries seem to have been successful in meeting consumer needs and South African wine producers can do well to learn from these other comparable wine industries. A series of Australian taught courses have recently been implemented to allow South Africans to learn from the Australian experts about relevant training opportunities that will allow the industry to operate on the “cutting edge”. This course initiative will provide the South African wine industry with equal footing with the other New World wine producers, who were gaining a bigger foothold based on a strategy to compete and replace local wines on the basis of quality and consistency at the same price. Through the information learnt at these courses, South Africa is in a better position to fight for the New World's shelf space based on value for money. These strategies are equally effective for the Black Diamond market because while they have a more international bias, they focus on meeting consumer needs, and this is integral in any market (Agri-Africa, 2008:83).

5.9 Summary

Although the model was insignificant, the study met all the objectives set out in the introductory chapter and all the hypotheses proved to be true. 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 R15 000 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. Brand name and packaging were the most important product attributes and nearly all consumers prefer the 750ml bottle. Local supermarkets and liquor stores are the preferred retail outlets. Consumers are willing to spend more than R36 on wine and men prefer to spend more for “premium” brands. Social networks were identified as the most important influencer of wine choice and radio and print media were the most important media influences. The consumers were found to be adventurous and receptive to the “wine culture”.

Although the model was statistically insignificant, it suggested several significant notions. The model suggested that women preferred red wine; white and sparkling wine drinkers were willing to spend less for a bottle of wine; and Baronne wine drinkers preferred white and sparkling wines and educated wine drinkers preferred red wine. A few possible reasons for the insignificance and limitations of the model are given within this chapter. The study asserts that in terms of possible target marketing within the Black Diamonds, women and the Start-Me-Up age group are viable markets due to their purchasing behaviour and receptiveness to the wine lifestyle, as well as their favourable financial positions.

Recommendations are given based on the 7 P’s of marketing, which are *Product, Place, Promotions, Pricing, People, Process and Physical Evidence*. The recommendations are discussed in detail and refer to initiatives that are already being undertaken, identify room for further exploitation of these strategies and suggest new initiatives for all supply chain actors within the wine industry to increase domestic consumption of wines, with particular reference to the Black Diamonds. It is interesting to note that the majority of these recommendations imply imitating ineffably successful beer marketing strategies.

CHAPTER 6:

Summary, Conclusions & Way Forward

In this chapter, the study will be reviewed in its entirety; derive conclusions in an attempt to map the way forward in terms of profiting from the generally untapped market, despite the potential losses as a result of the recent increases in interest rates and inflation. This chapter will address the questions raised in the introductory chapters, test the accuracy hypotheses and evaluate whether the research objectives have been met. In this way, the chapter will make conclusions that may be used to develop marketing strategies for marketing wine to the Black Diamonds.

6.1 Summary

Chapter one briefly highlighted the history of the South African wine industry and the domestic market for alcoholic beverages, in particular as it relates to the emerging black middle class as -one of the most prominent economic phenomena in the South African market over the past 10-15 years. There is, however, limited research regarding the unique dynamics governing black consumers' perceptions, attitudes, preferences and consumer behaviour patterns towards wine. South Africa's emerging black middle class are instrumental for the sustained growth of any industry and wine is no exception. Therefore in order to increase in domestic consumption of wine there is need to increase consumption of wines among the black middle class. As there has been limited research in this regard, more research needs to be undertaken for wines, in particular, so as to formulate marketing strategies for wines that target black consumers. The chapter acknowledged that the strong preference for beer and immense influence of tradition and culture work against wine consumption. The study objectives, hypotheses and research boundaries were also discussed.

Chapter two reviewed the supply and demand for wine and other alcoholic beverages in South Africa, and the world at large. It briefly discussed the global oversupply of wine, the emergence of new wine producing countries, known as the "New Wine World", as well as new wine markets. It provided an overview of the South African wine industry, in terms of

its history, the current wine production, composition and export statistics, as well as a review of the supply and demand for wine and other alcoholic beverages in South Africa. This chapter discussed the South African consumer market, with particular reference to the changes within the market and the emergence of the black middle class as an economic powerhouse. The black middle class are discussed in great detail as they are the crux of the study. The “Black Diamonds” evolution, the inconsistencies in their categorization, and the classification and segmentation are examined within the chapter because these controversies need to be cleared before they can be classified as a unique market. The chapter concluded that the black middle class is a heterogeneous market with unique characteristics that will become apparent in mapping the factors that affect their consumer behaviour and market segmentation.

Chapter three discussed the factors influencing consumer behaviour, in which culture and tradition were identified as the major factors. The two consumer behaviour models presented partitioned substantial culpability to the influence of culture, tradition and social classes in consumer purchasing decisions. Personal factors were also noted to be important as were other less personal push and pull factors and risk aversion was identified as a key factor, especially when considering wine purchases. The chapter illustrated how unique tangible and intangible factors influenced consumers’ decision to buy wine. These factors also become important when segmenting the target markets. The chapter illustrated the different market segmentation techniques on the basis of geography, demography, psychographic attributes, lifestyles and consumer behaviour characteristics. Various market segments, as well as comparisons of the different market segmentations, are given in the chapter. Four wine consumer segments were proposed for the “Black Diamonds” on the basis of socio-demographic factors, wine behaviour and wine involvement. Two target markets were identified for establishment of new wine and for sustained growth of established wines. The chapter further illustrates how various other countries have also undertaken consumer behaviour studies, as well as the measures that the South African wine industry is undertaking to rectify the gap in wine consumer behaviour studies. This was done in a bid to justify the need for a distinct targeted market approach for the Black Diamonds.

Chapter four explains why the exploratory and descriptive studies category was the appropriate research type in the study. It explains the research type and discusses, in detail,

the implementation plan and tools used in the study. The selection of the choice based conjoint (CBC) analysis as an analytical tool; the use of the partial-random sampling technique in the form of an enumerator administered questionnaire; the questionnaire and checklist structures; the non-probabilistic, quota sample of 402 respondents selected on the basis of age, gender, income, race and wine drinking history; the selection of the 2007 Cape Wine Academy and Standard Bank Soweto Wine Festival as a study site for the consumer behaviour survey and enumerator selection were examined. The possibility of errors and methods of mitigating them undertaken in the study were also detailed in the chapter. The traditional form of the RU model, the MNL, used in this study, was also discussed in great depth. The chapter also discussed how the model was drawn up and how the outputs accrued from the study will be dispersed to their respective audiences.

Chapter five presents and discusses the study findings in terms of their implications towards meeting the research objectives. The results are presented according to their demographic characteristics, consumer behaviour, purchasing behaviour and conformity to the “wine lifestyle”. In terms of demographics, the sample was relatively evenly distributed with regards to age, gender and income and there were slightly more respondents who earned more than R15 000 per month which corresponds with the prevalence of white collar employees. This confirms the literary findings that asserted that the increase in the black middle class is due to the increase in black South Africans in white collar jobs.

Most of the sample was virtually amateur wine drinkers and the sample generally consisted of beer drinkers. This was not surprising as the literature had already alluded to a strong beer drinking culture in among all races in South Africa. An unexpected finding was that the sample preferred red, white and sparkling wines in that order. Literature had hypothesised that black consumers actually preferred the reverse order of sparkling wines, white and red wine drinkers were the expected minority. As was expected, there were limited levels of brand awareness. The actuality that most of the consumers were irregular wine drinkers and women drink wine less often than men was not unforeseen as it had been hypothesised that women were hindered by traditions and culture from drinking wine openly. Despite this, the study asserts that in terms of possible target marketing within the Black Diamonds, women and the Start-Me-Up age group are viable markets due to their purchasing behaviour and receptiveness to the wine lifestyle, as well as their favourable financial positions.

In accordance with findings from many of the new Asian markets, this study also found brand name and packaging to be the most important product attributes. This suggests that these two product attributes are the most important for most new wine consumers. The strong preference for the 750ml bottle packaging, and local supermarkets and liquor stores as the preferred retail outlets suggests a strong need for convenience as a major influencer of consumer purchasing behaviour. Consumers' willingness to spend more than R36 on wine and men preferring to spend more for "premium" brands implies that it is not the lower priced wines that should be submitted as the market offering and in social areas where males are the chief consumers, the expensive wines should be chief market offering. This is an important insight as it highlights that the Black Diamonds are not price sensitive and the males feel are inclined to impress with purchases of expensive wines as they believe these demonstrate affluence.

Social networks were identified as the most important influencer of wine choice and radio and print media were the most important media influences. The consumer behaviour models had already asserted that consumers that are strongly influenced of culture and traditions, would also honour social linkages. Print media, especially magazines had already been identified as strong influencers of consumer behaviour in the black middle class as they often set and dictate trends. The consumers were found to be receptive to the "wine culture" which means there is indeed potential for the wine industry to increase domestic wine consumption by targeting the Black Diamonds.

Although the model was ultimately statistically insignificant, it suggested several notions. The model found that women preferred red wine; white and sparkling wine drinkers preferred to spend less for a bottle of wine; Baronne wine drinkers preferred white and sparkling wines; and educated wine drinkers preferred red wine. Although it had been hypothesised that women had less refined tastes and would prefer white wines, sweet wines and sparkling wines, the model actually found that traditional attitudes are indeed changing as women no longer drink only what is expected of them but have developed their own tastes and now appreciate the same wines that are hailed by wine drinkers globally. The model indicated that white and sparkling wine drinkers have a lower willingness to pay and this is because it is only recently that the price of red wines has started to come down to the level of these wines, otherwise these wines have always been

cheaper than red wines and the white and sparkling wine consumers have gotten used to paying less for a bottle of wine than red wine consumers. It was to be expected that consumers that have attended some form of wine education would prefer red wines as the latter are an acquired taste and require a refinement of the palate which comes with experience and education.

Baronne wine drinkers are assumed to be image seeking wine drinkers and although they prefer white and sparkling wines, they will drink Baronne even though it is red, because it is thought to exude class and sophistication. Baronne wine drinkers preferring white and sparkling wines illustrates the deceitfulness of consumers, because while they claim to enjoy Baronne because it has been marketed as a reputable wine, they actually do not know it otherwise they would thus prefer red wines. It could also be interpreted that Baronne drinkers are fashionable, image seeking wine drinkers who only drink it because of the presumed sophistication attached to the wine as a result of the marketing campaigns, yet they actually prefer lighter wines.

The recommendations were made in terms of the 7 Ps of marketing. In terms of product, the study recommends changing the image of wine by associating it with brandy, linking it with the environment and social responsibility and further propagating the image of wine as high value product. In terms of placement, wine should be placed in convenient retail outlets, such as supermarkets and high end liquor stores, and wine tourism should be encouraged. In terms of price, the study recommends that medium and high priced wines should be marketed more as the product offering due to the consumers' high willingness to pay and prices should be pegged against global prices to also encourage global competitiveness for the price strategy. The promotion strategies include a focus on branding, labelling and quality assurances. Personnel should be intensively trained in terms of people strategies; technology should be upgraded throughout the supply chain with respect to process strategies; and multi-stakeholder collaborated research projects should be initiated in terms of physical evidence. All of these recommendations should be merged into an encompassing industry-wide strategy for delving into the black middle class market. However, individual wineries and brands should still undertake specific strategies for their wines in this market, as is seen in the beer industry's success.

The study has satisfied all of the objectives set out in Chapter 1. All of the hypotheses set out have been accepted because there were indeed significant differences in terms of age and gender with regards to most consumption and purchasing behaviour; female consumers drink different types of wines and not just sweet carbonated wines and that they are free to consume alcohol in public; most black consumers were receptive to wine consumption and wine culture and there were low degrees of brand loyalty and only limited levels of brand knowledge. Thus far the study made new insights but also confirmed many of the old adages asserted by literature and what becomes important at this point are the conclusions that can be derived, as well as mapping a way forward for the industry.

6.2 Conclusions

The driving forces of globalization have significantly altered the competitive landscape of wine industry and created a global market for wine due to inter-linkages between wine industries across the world. In this way changes in production, vine composition or market orientation, in any one market, or in either the new or old world, are reflected in the prices of wines internationally. Global trends are constantly changing as a result of changes in consumer preferences and technology as consumers become more demanding in terms of food attributes such as quality, safety, nutrition, and convenience, as well as the services surrounding the purchasing and consumption experience. This is reflected in the changes in consumer preferences with regards to wine (Schwartz, 2006; Esterhuizen, *et al.*, 2008:1).

There are positive indicators that the world-wide cycle of oversupply may end within the next two years. Although this will relieve some of the pressure on the South African wine industry, there is still need to grow to the local market because the wine industry needs to counter foreign competition as well as grow in this volatile environment (Schwartz, 2006; PlanetRetail, 2008). The oversupply of wines extends to the domestic market and this has led to new marketing strategies by smaller producers which link together within distribution networks. This is a wise strategy as all evidence suggests that supermarkets will become more powerful and make use of fewer suppliers as they consolidate and expand their operations. This supermarket consolidation will have especially negative consequences for small scale and new wine producers who struggle to obtain listings in

limited categories as supermarkets have 'a pricing stranglehold' over high priced wines. To add to this pressure, consumers are aware of the surplus thereby accelerating downward pressure on brand prices; while the low level of wine brand awareness among consumers relative to other beer and spirit brands ensures particularly intense competition (Schwartz, 2006; Wardman, 2006).

In recent years, domestic wine consumption continued to fall and recovery has been set on new brand growth in the black market where wine is perceived as a "highly aspirational category". This requires that the industry evolve by adopting a stronger market orientation for which consumers should be the core of the plan. This shift in orientation requires a solid understanding of consumption behaviour of local wine drinkers (Wardman, 2006).

As has already been mentioned, in any society, a vibrant, significant middle class is an essential pre-requisite for sustainable long term economic growth; and while in most societies, it takes four to five generations for an individual to rise from below the poverty line to affluent middle class, in contemporary South Africa, this is happening within a few years. However, this thrust into mainstream economy and affluence has its consequences, one of which is the unsustainable fast tracked asset accumulation on the back of a credit binge (Higgs & Matabage, 2006; Schlemmer, 2006).

In 2005, business analysts had asserted that the South African black middle class would grow and double and if the favourable economic conditions continued, 50 percent of the population in SU-LSM 10 would be black by 2010 (Bisseker, 2005). However, inflation rates in South Africa have risen sharply from five to ten percent since 2005. They have been further pushed up by high food prices, the rising price of oil and the global economic crisis. Despite this, consumer spending in local currency terms has increased consistently since 2003, fuelled by the growing black middle class. Although the rising interest rates and inflation may create unfavourable conditions for wine production, economic growth will be sustained and the black middle class will continue to grow, at an albeit slower rate (PlanetRetail, 2008). However, the influences of the electricity crisis, fuel prices and the global economic crisis have not been incorporated in these assertions as the latter might have a negative effect on consumer spending and wine production as producer prices increase.

It should be noted that although the black middle class has not been a marketing priority for most of the wine industry until recent years, there has been a move to include them in other markets. Laden (2003), asserts that Bertram Paver was a leading cultural agent as he was the first to conceptualize the notion of an African consumer market and subsequently introduced advertising into the black press, opening it up to new, commercially-oriented options in the 1930s. Paver took the first steps toward shaping a modern, urban infrastructure for social transformation through consumption patterns and consumer oriented activities (Laden, 2003: 206). Despite the compelling evidence that the black middle class was not a “marketing priority”, they were still included in the market offering and this was not apparent only because of the Black Diamonds’ need to remember their African communitarian tradition and not segregate themselves from those below the poverty line (Anon, 2005).

However, these traditional attitudes are indeed changing, and while some members have moved out of the townships they still maintain ties with friends and relatives that still reside in the townships and still regularly go back. The change in traditional attitudes can also be seen in the way that women now consume alcohol openly and the strong trend for black people to go straight to red wine and not via white. Also of note is that young people are beginning to consume wine and it is no longer seen as a beverage for obnoxious people, old people and women. Trends in wine consumption are increased consumption with meals especially at Sunday lunch, on Mother's and Father's Day, holidays and at stokvel meetings. The most popular brands are JC Le Roux and Nederburg Baronne and the emphasis is on status and 'making an impression' (Morris, 2006; Loubser, 2004).

Despite all these changes, South Africa remains a mainly beer drinking country (Loubser, 2004). Beer is currently growing in the market at the expense of wine, mainly because the beer industry is making substantial investments in brand and lifestyle promotion. The wine industry needs to emulate and adapt beer marketing strategies to succeed. The exclusivity aspect and sophistication of wine has an increasingly negative impact on wine as it seems as though the beer companies simply have a much better understanding of the market than wine marketers as their product is easier to understand and easily accessible by consumers (African Response, 2006). This therefore means that drastic action needs to be undertaken by all stakeholders within the industry to delve into this potential market. Marketers need to take advantage of the dynamic market to provide innovative fresh products and

promotions that challenge the norm and set new standards for the market (Esterhuizen, *et al.*, 2008:5).

6.3 Way forward

While all of the recommendations given, are each individually important, it is important to note that each one alone without the support of the other strategic points would be ineffective. To fully develop a faultless marketing strategy the recommendations must be merged into an all encompassing marketing strategy that integrates every aspect of marketing. This strategy should be based on sound research and communicated well to Black Diamonds as they are the crux of the strategy. In order to develop a concise market focus a few principles need to be implemented to ensure success in the venture into the Black Diamonds' market. The principles are listed below.

- ✓ **At industry level, the industry requires strong leadership which focuses on the bigger picture rather than individual interests.**

The first steps have already been made in acknowledging the significant marketing potential of the Black Diamonds in increasing South Africa's domestic wine consumption; as well as hiring WOSA to undertake market research into the black consumers' needs, with respect to wine; and establishing an annual wine festival in Soweto. However, more initiatives are still needed. This can be in the form of more consumer education, industry wide campaigns to responsibly increase wine consumption and more wine festivals in other black communities.

- ✓ **The concept "Brand South Africa" will have to be elucidated and pursued.**

By establishing South African wines as a brand and ensuring a certain quality assurance on these wines, consumers will have a better chance of associating a certain quality with the wine and this will help with choice in a heavily flooded market by demystifying some of the vagueness associated with wines.

- ✓ **The different governing bodies involved in the wine industry should work together at their different competencies.**

As has already been alluded to, SAWIC could play a leading role in changing black South Africans negative feelings towards wine by showing the strong associations between brandy and wine. Although SAWIS already undertakes production research, its capacity must be expanded to address the information requirements of the entire industry and value chain. More funding should also be made available to support the immense efforts of WOSA in marketing South African wines and to allow for an expansion to address the overall marketing requirements of the industry, local as well as international. More consumer focus is needed for VinPro as the latter could play a critical role in integrating the requirements of the consumer to a larger extent with that which is happening on the farm. All wine industry representative bodies (Winetech, WIDA, etc) should be involved in whichever part of the process they feel they have a competitive advantage.

- ✓ **The necessary skills, especially with regard to management expertise, will have to be developed to establish a market focus.**

The need for training can never be overstated and it is only fitting that it herewith stressed again. Black Diamonds are unsure about wine choice and wine marketers, sales representatives, retail assistants, and all involved in the wine market need to be able to respond knowledgeably to consumers' questions. This will ensure that consumers feel relaxed and no longer avoid the risk of embarrassment by just avoiding wines, but instead feel comfortable to ask for assistance. Wine education and appreciation courses should also be readily available to all who desire the services as this will also demystify the myths associated with wines because as this study ascertained, black consumers desire to learn about wines

The study has satisfied all of the objectives set out in Chapter 1. All of the hypotheses set out have been accepted because there were indeed significant differences in the Black Diamonds in terms of age and gender; female consumers drink different types of wines and not just sweet carbonated wines; and there were low degrees of brand loyalty and only limited levels of brand knowledge. This study has illustrated that the Black Diamonds are a dynamic heterogenous market, who although strongly influenced by culture and traditions, they require many of the same things that their middle class counterparts of other races demand. They are influenced by different factors and while they are experimental, open to

new experiences and seek to demonstrate their affluence, they are still highly risk averse and place a strong demand for convenience. This necessitates wine education and for the *wines to come to them* or they may not go to seek them. While wine should still be sophisticated and classy it should also be established as fun and appropriate for any social occasions, especially because social affairs are common and important for black consumers. Some of their traditional attitudes are indeed changing, but some negative attitudes still require more education.

Within the Black Diamonds, women and the Start-Me-Up age group were found to be both the most receptive, as well as the most willing to spend. They are the most adventurous and eager to learn of the black middle class. They are also the consumers whose attitudes are easier to change as they are constantly trying to establish themselves and break from the bonds of conformity. This is against the back drop of “new money” which allows them the privilege of experimentation. However, target marketing would be premature at this stage as wineries need to first establish themselves in the Black Diamond market before they start to focus on specific segments of the markets. All things considered, the Black Diamonds will continue to be an economic powerhouse, even in spite of food inflation and fuel price and interest rate hikes, and the South African wine industry would definitely do well to heed the recommendations of this study in developing its marketing strategies for targeting the Black Diamonds.

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APPENDICES

Appendix 1: Demographics of the 10 SAARF Universal LSM® groups for SAARF AMPS® 2006 and SAARF AMPS® 2007A

	GROUP 1		GROUP 2		GROUP 3		GROUP 4		GROUP 5		GROUP 6		GROUP 7		GROUP 8		GROUP 9		GROUP 10		
	2006	2007A	2006	2007A	2006	2007A	2006	2007A	2006	2007A	2006	2007A	2006	2007A	2006	2007A	2006	2007A	2006	2007A	
INFORMANTS	499	371	1 178	1 018	1 646	1 461	2 469	2 274	2 954	2 941	4 260	4 568	2 921	3 044	2 428	2 541	3 281	3 424	3 177	3 170	
POPULATION ('000)	1 895	1 493	3 784	3 407	3 878	3 693	4 603	4 488	4 176	4 320	4 454	4 976	2 413	2 653	1 759	1 928	2 085	2 228	1 857	1 923	
AGE																					
16 - 24	28.0	28.6	29.7	29.6	31.0	30.0	29.6	29.1	26.4	28.5	25.0	25.8	23.2	23.8	22.9	22.8	19.6	19.5	19.0	18.2	
25 - 34	18.8	16.5	26.1	23.7	22.6	25.2	28.0	28.7	25.9	25.1	25.4	25.8	23.6	24.3	22.0	21.5	21.3	19.4	16.2	17.6	
35 - 49	23.6	22.5	22.6	23.9	24.1	23.6	24.6	24.5	28.3	26.3	27.9	27.6	29.2	30.0	28.6	29.3	28.6	30.3	36.5	34.7	
50+	29.7	32.4	21.6	22.8	22.3	21.2	17.8	17.7	19.4	20.1	21.7	20.8	24.1	21.9	26.5	26.5	30.8	30.8	28.4	29.5	
COMMUNITY																					
Metro (250 000+)	0.0	0.0	1.9	1.5	13.1	11.0	23.3	19.2	37.9	34.3	53.1	51.3	60.5	61.3	63.0	62.6	60.0	59.9	65.8	62.3	
Cities/Large towns (40 000 - 249 999)	0.0	0.0	1.4	1.1	5.6	5.1	12.5	11.1	17.0	16.3	20.6	19.1	20.5	19.2	19.3	19.2	21.5	21.7	17.0	18.1	
Small towns/Villages (500 - 39 999)	0.0	0.0	5.4	4.5	11.0	10.0	16.5	15.9	20.1	18.5	15.5	15.7	14.5	14.2	12.9	13.0	12.3	13.1	11.1	12.4	
Rural (Settlements <500 + Non-urban)	100.0	100.0	91.3	92.9	70.3	73.9	47.7	53.8	24.9	30.9	10.8	13.8	4.5	5.2	4.8	5.2	6.1	5.3	6.1	7.1	
EDUCATION																					
No school	21.6	18.0	13.8	11.5	10.3	9.6	5.4	4.8	3.1	3.7	1.4	1.3	0.5	0.5	0.1	0.1	0.0	0.0	0.1	0.1	
Some primary	23.9	24.3	21.5	19.9	16.6	16.3	11.8	12.1	9.7	8.7	5.2	5.4	1.3	1.7	0.8	0.9	0.4	0.8	0.0	0.0	
Primary completed	15.7	18.1	10.9	14.7	12.3	13.4	10.9	11.2	9.2	9.6	5.1	5.3	3.5	3.4	1.9	2.1	1.0	1.1	0.6	0.4	
Some high school	34.2	35.0	43.8	45.0	45.9	47.6	49.6	48.5	47.7	47.7	43.7	42.3	38.3	36.6	33.0	32.3	28.2	27.1	17.3	16.3	
Matric	4.5	4.3	9.0	8.1	14.1	12.3	19.9	21.6	26.0	25.6	33.6	35.1	39.0	38.9	38.9	38.9	38.6	38.1	37.3	37.5	
Technikon	0.0	0.0	0.3	0.3	0.6	0.3	0.8	0.5	2.2	2.1	5.0	4.9	8.0	8.8	10.5	11.1	13.1	14.3	17.0	18.3	
University degree	0.0	0.3	0.0	0.0	0.0	0.1	0.4	0.1	0.7	0.6	2.0	2.1	3.7	4.1	6.1	6.3	9.6	10.2	16.6	17.8	
Other Post Matric	0.0	0.0	0.8	0.5	0.3	0.4	1.2	1.3	1.4	1.9	4.1	3.6	5.7	5.9	8.7	8.1	9.0	8.3	11.1	9.6	
GENDER																					
Male	43.4	39.1	46.8	47.5	50.7	49.9	51.2	50.6	52.2	52.5	51.2	49.8	50.5	52.3	47.6	51.4	49.1	50.0	50.6	49.3	
Female	56.6	60.9	53.2	52.5	49.3	50.1	48.8	49.4	47.8	47.5	48.8	50.2	49.5	47.7	52.4	48.6	50.9	50.0	49.4	50.7	
LIFESTAGES																					
At home singles	23.7	21.2	22.9	21.9	22.9	20.4	24.0	21.5	23.7	23.0	20.4	20.2	18.9	19.1	18.7	18.8	17.0	16.3	18.8	17.6	
Starting out singles	5.4	8.2	7.6	9.5	9.6	11.0	8.9	10.3	8.3	9.7	10.4	11.3	8.4	10.2	6.5	7.3	4.8	5.3	3.2	3.1	
Mature singles	4.5	4.1	3.0	4.2	3.7	3.9	3.6	4.1	4.1	4.8	3.3	4.1	3.6	3.7	2.7	3.2	3.2	3.0	2.4	1.7	
Couples	4.3	4.8	5.1	4.9	4.2	5.3	6.1	6.5	5.1	4.2	5.4	4.7	6.1	6.6	8.4	7.5	9.2	8.4	8.7	8.9	
New parents	9.6	9.8	10.6	9.1	10.8	11.5	12.2	12.0	11.0	10.9	10.9	11.9	13.9	14.7	15.7	14.8	17.3	17.2	18.0	19.4	
Mature parents	16.0	12.4	18.3	17.8	17.5	16.6	14.6	13.8	17.4	15.1	17.4	17.5	19.1	18.5	18.8	18.9	17.4	18.3	23.0	22.9	
Single parents	22.2	24.6	22.8	22.2	23.0	23.8	23.6	24.3	22.0	22.4	20.3	18.8	13.8	13.0	8.6	10.0	7.1	7.0	4.0	3.7	
Golden nests	6.4	7.1	4.8	4.3	4.0	3.2	2.9	3.2	3.8	5.2	6.1	5.4	8.7	7.9	12.9	11.7	17.1	17.6	18.3	18.6	
Left alones	7.9	7.7	4.8	6.2	4.2	4.4	4.1	4.2	4.6	4.7	5.8	6.2	7.4	6.3	7.5	7.7	6.8	6.9	3.7	4.0	

(Source: SAARF, 2007:105)

Table A1: Demographics of the 10 SAARF Universal LSM® groups for SAARF AMPS® 2006 and SAARF AMPS® 2007A (contd)

	GROUP 1		GROUP 2		GROUP 3		GROUP 4		GROUP 5		GROUP 6		GROUP 7		GROUP 8		GROUP 9		GROUP 10	
	2006	2007A	2006	2007A	2006	2007A	2006	2007A	2006	2007A	2006	2007A	2006	2007A	2006	2007A	2006	2007A	2006	2007A
INFORMANTS	499	371	1 178	1 018	1 646	1 461	2 469	2 274	2 954	2 941	4 260	4 568	2 921	3 044	2 428	2 541	3 281	3 424	3 177	3 170
POPULATION ('000)	1 895	1 493	3 784	3 407	3 878	3 693	4 603	4 488	4 176	4 320	4 454	4 976	2 413	2 653	1 759	1 928	2 085	2 228	1 857	1 923
INCOME 2006																				
Up to R599	26.3	-	19.8	-	15.4	-	8.9	-	4.8	-	1.8	-	0.8	-	0.3	-	0.3	-	0.3	-
R 600 - R 999	38.7	-	36.3	-	29.1	-	22.4	-	15.4	-	7.7	-	2.4	-	1.3	-	0.4	-	0.2	-
R 1 000 - R 1 599	23.2	-	24.5	-	25.4	-	25.2	-	22.2	-	11.8	-	5.1	-	2.5	-	0.9	-	0.2	-
R 1 600 - R 2 999	9.5	-	14.7	-	21.0	-	26.9	-	28.1	-	21.3	-	10.2	-	5.6	-	2.1	-	0.7	-
R 3 000 - R 4 999	1.9	-	3.5	-	6.4	-	12.2	-	18.3	-	24.7	-	18.7	-	12.5	-	8.2	-	1.9	-
R 5 000 - R 7 999	0.2	-	0.9	-	2.1	-	3.2	-	6.1	-	20.6	-	30.7	-	28.6	-	18.7	-	7.4	-
R 8 000 - R13 999	0.2	-	0.3	-	0.3	-	1.0	-	2.7	-	10.3	-	26.2	-	33.4	-	38.8	-	26.4	-
R14 000+	0.0	-	0.0	-	0.2	-	0.2	-	0.5	-	1.7	-	5.8	-	15.7	-	30.7	-	62.9	-
INCOME 2007A																				
Up to R699	-	26.1	-	21.0	-	16.7	-	10.3	-	4.6	-	1.7	-	1.4	-	0.4	-	0.3	-	0.4
R 700 - R 1 099	-	44.3	-	37.8	-	31.9	-	24.5	-	17.5	-	8.6	-	2.4	-	1.1	-	0.7	-	0.2
R 1 100 - R 1 999	-	24.0	-	26.1	-	26.5	-	28.4	-	24.0	-	12.6	-	5.8	-	2.6	-	0.9	-	0.4
R 2 000 - R 3 999	-	4.5	-	13.4	-	19.1	-	27.1	-	33.5	-	27.9	-	13.9	-	8.8	-	4.6	-	1.3
R 4 000 - R 5 999	-	0.5	-	1.4	-	3.8	-	6.9	-	12.0	-	21.6	-	21.1	-	14.0	-	8.3	-	3.0
R 6 000 - R 9 999	-	0.2	-	0.2	-	1.7	-	2.4	-	6.2	-	20.6	-	31.2	-	32.2	-	23.2	-	10.4
R10 000 - R15 999	-	0.3	-	0.1	-	0.1	-	0.3	-	1.5	-	5.8	-	19.1	-	27.9	-	36.0	-	29.8
R16 000+	-	0.0	-	0.0	-	0.0	-	0.1	-	0.7	-	1.1	-	5.2	-	13.1	-	26.0	-	54.6
POPULATION GROUP																				
Black	99.1	99.4	98.5	98.3	96.8	97.1	95.6	95.8	90.3	91.6	74.4	77.6	50.9	56.4	35.3	39.5	19.7	21.6	8.6	8.7
Coloured	0.9	0.6	1.5	1.7	3.1	2.8	4.2	3.9	8.4	7.3	15.3	14.0	19.9	19.1	19.1	18.3	15.2	16.5	8.1	7.5
Indian	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.4	0.4	3.4	2.7	6.6	6.4	8.8	8.2	10.1	9.8	6.7	6.5
White	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.9	0.7	6.9	5.6	22.5	18.1	36.8	34.0	54.9	52.2	76.7	77.3
PROVINCE																				
W. Cape	0.0	0.0	0.8	0.6	2.6	2.6	4.9	4.0	6.0	7.4	14.3	12.9	19.0	18.1	20.7	20.1	21.6	22.3	24.5	23.5
N. Cape	2.0	1.3	2.0	2.0	2.8	2.6	2.2	2.9	3.1	3.1	2.7	2.5	2.6	2.4	2.2	1.8	2.7	2.9	1.8	1.9
Free State	1.6	0.7	4.7	3.2	5.8	5.8	10.5	10.9	10.9	10.7	5.7	5.8	4.6	4.6	4.4	4.5	4.5	4.5	5.0	6.1
E. Cape	37.2	41.3	22.3	25.6	18.7	20.1	13.0	12.7	12.8	12.2	11.6	12.4	8.7	8.4	8.9	8.1	7.5	7.4	6.8	6.6
KwaZulu Natal	27.5	29.1	28.2	28.3	23.9	23.3	19.0	19.7	14.0	15.8	17.7	18.0	20.3	20.0	20.9	19.8	20.2	19.3	16.1	15.5
Mpumalanga	6.0	5.1	10.1	8.4	10.0	8.6	10.1	11.1	8.5	10.1	5.8	6.0	4.2	5.0	4.6	4.0	4.6	4.5	3.1	4.8
Limpopo	20.2	16.9	22.8	21.6	17.4	20.7	13.5	15.5	9.5	10.2	4.7	5.2	2.3	2.2	1.8	2.9	2.0	2.0	1.9	2.0
Gauteng	0.0	0.0	1.9	2.1	9.3	8.2	16.2	13.1	25.1	21.2	31.2	30.6	32.3	33.9	32.1	34.5	32.6	33.0	38.6	36.6
North West	5.6	5.6	7.3	8.2	9.5	8.2	10.6	10.0	8.2	9.3	6.2	6.6	6.0	5.4	4.4	4.3	4.2	4.2	2.3	2.8

(Source: SAARF, 2007:106)

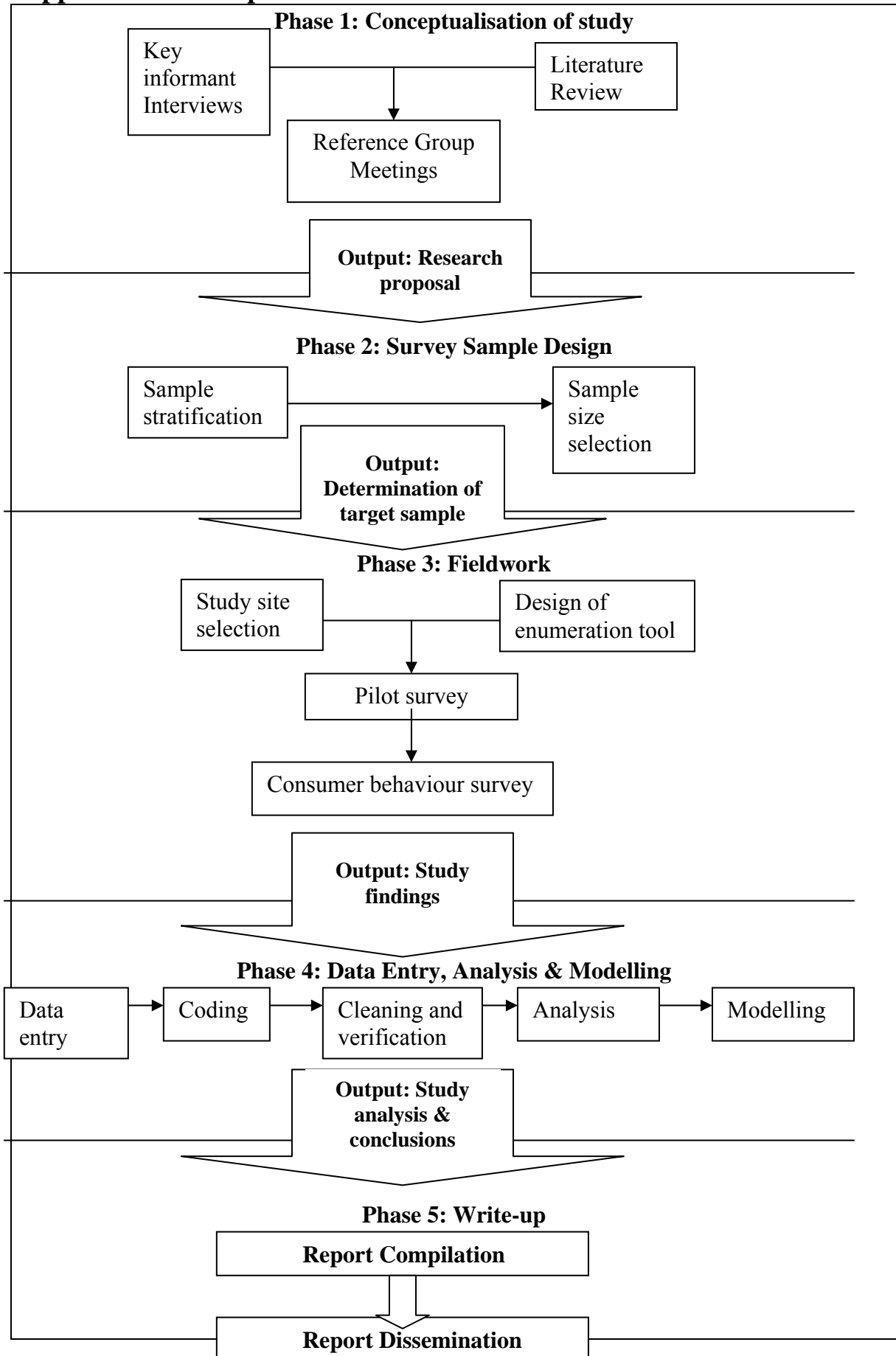
Table A1.2: A summary profile of the South African consumer market

Descriptor:	Marginalised consumers:	Modern consumers:	
		Emerging ¹ :	Established:
Share of SA population ²	30.90%	42.80%	26.20%
SU-LSM classification ³	SU-LSM 1 - 3	SU-LSM 4 - 6	SU-LSM 7 - 10
Average monthly household income ²	SU-LSM 1: R1003	SU-LSM 4: R1924	SU-LSM 7: R6880
	SU-LSM 2: R1210	SU-LSM 5: R2674	SU-LSM 8: R9304
	SU-LSM 3: R1509	SU-LSM 6: R4400	SU-LSM 9: R12647
			SU-LSM 10: R19974
Gender: %Male / %Female ^{3&4}	SU-LSM 1: 45.1% / 54.9%	SU-LSM 4: 50.3% / 49.7%	SU-LSM 7: 51.4% / 48.6%
	SU-LSM 2: 46.6% / 53.4%	SU-LSM 5: 54.4% / 45.6%	SU-LSM 8: 47.9% / 52.1%
	SU-LSM 3: 48.9% / 51.1%	SU-LSM 6: 49.9% / 50.1%	SU-LSM 9: 50.7% / 49.3%
			SU-LSM 10: 49.9% / 50.1%
Formal unemployment ²	SU-LSM 1: 49%	SU-LSM 4: 39%	SU-LSM 7: 17%
	SU-LSM 2: 43%	SU-LSM 5: 35%	SU-LSM 8: 13%
	SU-LSM 3: 40%	SU-LSM 6: 26%	SU-LSM 9: 7%
			SU-LSM 10: 4%
Rural share of group ²	SU-LSM 1: 100%	SU-LSM 4: 48%	SU-LSM 7: 5%
	SU-LSM 2: 91%	SU-LSM 5: 25%	SU-LSM 8: 5%
	SU-LSM 3: 70%	SU-LSM 6: 11%	SU-LSM 9: Insignificant
			SU-LSM 10: Insignificant
Education level ⁴	19% / 41% No / Primary schooling (SU-LSM 1) ---->38% / 45% High school completed / Post-matric qualification (SU-LSM 10)		
Main provincial location ²	KZN, E Cape, Limpopo	Gauteng, W Cape, KZN	Gauteng, W Cape
Contribution to Fast Moving	22%	37%	41%
Retail shopping frequency: % of consumers in group engaging in once a month bulk shopping ²	SU-LSM 1: 80%	SU-LSM 4: 71%	SU-LSM 7: 63%
	SU-LSM 2: 70%	SU-LSM 5: 69%	SU-LSM 8: 60%
	SU-LSM 3: 67%	SU-LSM 6: 65%	SU-LSM 9: 56%
			SU-LSM 10: 51%
Share of total SA household cash	5.9%	28.8%	65.3%

*The 2.6million black adults that belong to the group commonly referred to as the “Black Diamonds” are included in the category 'Modern emerging consumers'

(Source: BFAP, 2007:47)

Appendix 2: Conceptual Framework





Appendix 3: Total Wine Production, 1990-2007

Year	Wine produced				
	Good wine	Rebate wine	Distilling wine	Juice for concentrate	Total wine crop
	Gross litres				
1990	378 337 196	70 607 382	322 393 118	80 712 285	862 049 981
1991	396 409 885	109 247 429	296 010 535	55 720 871	857 388 720
1992	426 692 036	84 577 454	258 839 443	113 856 018	883 864 951
1993	395 039 213	45 857 111	187 162 544	183 031 719	811 090 587
1994	420 720 723	74 429 354	224 778 655	84 454 121	804 382 853
1995	497 684 351	79 633 856	175 449 865	91 960 391	844 358 463
1996	576 663 976	126 060 326	142 347 061	54 261 522	899 332 885
1997	546 688 605	142 354 553	122 413 493	69 458 508	880 915 159
1998	544 367 811	107 515 284	118 348 265	45 324 129	815 575 489
1999	595 907 559	47 972 702	152 961 143	117 254 086	914 095 490
2000	540 233 265	24 825 560	129 857 983	142 292 995	837 209 803
2001	530 399 518	8 130 916	108 546 970	99 407 830	746 485 234
2002	567 239 847	26 797 303	124 794 222	115 324 822	834 156 194
2003	712 660 742	50 453 126	122 209 343	70 692 300	956 015 511
2004	696 788 280	85 357 180	145 774 848	87 776 683	1 015 696 991
2005	628 482 614	82 927 858	129 238 525	64 577 593	905 226 590
2006	709 717 222	82 116 414	147 945 171	73 201 381	1 012 980 188
2007 ¹⁾	737 800 000	102 300 000	143 900 000	65 500 000	1 049 500 000

Adapted from NDA, 2008:45

Appendix 4: Checklist for In Depth Interviews



Enumerator _____

Time started

--	--

 Time ended

Date

--	--	--

Venue _____

1. NAME:
2. ORGANISATION:
3. POSITION:
4. WHAT ARE THE MOST IMPORTANT TRENDS IN THE INDUSTRY?
5. WHAT ARE THE MOST IMPORTANT THREATS TO THE INDUSTRY?
6. WHAT ARE SOUTH AFRICA'S MAJOR STRENGTHS?
7. WHAT IS TOP OF YOUR AGENDA?
8. WHICH ARE YOUR TARGET MARKETS?
9. WHAT IS THE EXTENT OF YOUR MARKET RESEARCH?
10. HOW DO YOU SEE THE "BLACK DIAMONDS" IMPORTANCE TO DOMESTIC CONSUMPTION OF WINES?
11. IS THERE ANY STIGMA/CULTURAL BIAS ATTACHED TO BLACK SOUTH AFRICANS DRINKING WINE?
12. DO YOU BELIEVE BEE WINE BRAND(S) WOULD BE BETTER ACCEPTED BY THE EMERGING BLACK MIDDLE CLASS?
13. MOST IMPORTANT RETAIL OUTLET FROM WHICH CONSUMERS BUY WINE:
14. MOST IMPORTANT MEDIA INFLUENCE IN THEIR BUYING WINE:
15. MOST IMPORTANT EXTERNAL INFLUENCE IN THEIR DECISION TO BUY WINE:
16. MOST IMPORTANT PRODUCT CHARACTERISTIC IN BUYING WINE:
17. DO YOU THINK PACKAGING (I.E. BOTTLES/BOXES), LABELS, ORIGIN OR CLOSURES (I.E. CORKS/SCREW CAPS) IMPORTANT TO SOUTH AFRICAN CONSUMERS?
18. SUGGEST A STRATEGY FOR INCREASING DOMESTIC CONSUMPTION:
19. WHAT DO YOU PERCEIVE TO BE THE ULTIMATE WINE OFFERING:
20. DO YOU BELIEVE WINE EDUCATION IS NECESSARY? HOW DO YOU SUGGEST IT IS ACCOMPLISHED?

Appendix 5: Checklist for Reference Group Meetings



Enumerator _____

Time started

--	--

 Time ended

Date

--	--	--

Venue _____

1. NUMBER IN ATTENDANCE:
2. AGE RANGE:
3. OCCUPATIONS:
4. SALARY RANGE:
5. FAVOURITE WINE:
6. AGE WHEN YOU STARTED TO DRINK WINE:
7. OCCASIONS AT WHICH YOU DRINK WINE:
8. FREQUENCY OF DRINKING WINES:
9. REASONS FOR DRINKING WINES:
10. IS THERE ANY STIGMA/CULTURAL BIAS ATTACHED TO DRINKING WINE?
11. PERCEPTIONS OF WINE:
12. FAVOURITE RETAIL OUTLET FROM WHICH YOU BUY WINE:
13. MOST IMPORTANT MEDIA INFLUENCE IN BUYING WINE:
14. MOST IMPORTANT INFLUENCE IN YOUR DECISION TO BUY WINE:
15. MOST IMPORTANT PRODUCT CHARACTERISTIC IN BUYING WINE:
16. DO YOU KNOW IN ADVANCE WHICH WINE TO BUY BEFORE ENTERING THE MARKET?
17. DO YOU READ THE WINE LABEL BEFORE YOU BUY?
18. ARE PACKAGING (I.E. BOTTLES/BOXES) OR CLOSURES (I.E. CORKS/SCREW CAPS) IMPORTANT TO YOU?
19. WHAT IS THE MAXIMUM YOU WOULD SPEND ON A 750ML BOTTLE OF "PREMIUM" WINE?
20. WHICH BEE WINE BRAND (S) DO YOU KNOW AND/OR PREFER?
21. HOW MANY HAVE TAKEN WINE COURSES, BOUGHT/READ WINE EDUCATION BOOKS, OR PARTAKEN IN ANY FORM OF WINE EDUCATION?
22. ARE YOU INTERESTED IN LEARNING ABOUT WINES OR TRYING NEW WINES?



Appendix 6: Questionnaire for Soweto Wine Festival, 7 September 2007

Appendix 7: Recognized¹ Wine Brand Names

Brand	Percentage	Frequency	Brand	Percentage	Frequency
not brand specific	43.11	167	Lindhorst	0.26	1
Two Oceans	1.80	7	Lindiwe	0.78	3
Four Cousins	3.10	12	Makro	0.26	1
Alto	1.03	4	Meerendal	0.26	1
Avontuur	0.26	1	Meerlust	1.81	7
Beaumont	0.78	3	Morgenhof	0.26	1
Bellingham	0.52	2	Nederburg	13.70	53
Beyerskloof	0.78	3	Overmeer	0.26	1
Boland Kelder	0.26	1	Paarl	0.26	1
Boschendal	0.52	2	Pongracz	0.26	1
JP Bredell	0.26	1	Raka	0.26	1
Capenheimer	0.26	1	Rietvallei	0.26	1
Cederburg	0.26	1	Robertson	2.58	10
Cold Duck	0.26	1	Saints	1.55	6
Drakensig	0.26	1	Saxenburg	0.26	1
Drodsty-Hof	0.78	3	Schalkenbosch	0.26	1
Durbanville	0.78	3	Sentinel	0.26	1
Engelbrecht-Els	0.26	1	Simonsvlei	0.78	3
Eventide	0.26	1	Stellekaya	0.26	1
Fairview	0.26	1	Uitkyk	0.26	1
Graca	0.78	3	Van Loveren	1.04	4
Graham Beck	0.52	2	Vunani	0.78	3
Grunberger	1.55	6	Weltevrede	0.26	1
Hamilton Russell	0.52	2	Woolworths	0.52	2
JC le Roux	8.27	32	Yonder Hill	0.26	1
Kanonkop	0.26	1	Zandberg	0.26	1
KWV	2.84	11	Zonnebloem	0.52	2
LaMotte	1.30	5	Total	100.0	387

*These wine brands are in arranged in alphabet order instead of in their order of prevalence.

¹ The term “recognized” has been used in the study because although some consumers stated the aforementioned brand names as their favourite wine brands, through cross checking questions, they had not tried these wines. Therefore it would be unreliable to take these as “favourite” wine brands, but rather as identified brand names.

Appendix 8: Results of insignificant models

STATA Model

Multinomial logistic regression

Number of obs = 384

LR chi2(24) = 43.13

Prob > chi2 = 0.0096

Log likelihood = -354.16388

Pseudo R2 = 0.0574

	fav_wine	Coef.	Std. Err.	z	P>z	[95% Conf.	Interval]
0							
	age	41.72312	7452098	0	1	-1.46E+07	1.46E+07
	gender	-104.193	3.86E+07	0	1	-7.57E+07	7.57E+07
	income	-9.94782	7714057	0	1	-1.51E+07	1.51E+07
	wine_yrs	-165.374	.	.	.	.	.
	fav_rw	139.0835	.	.	.	.	.
	freq	88.29327	9457440	0	1	-1.85E+07	1.85E+07
	own_spen	41.09792	.	.	.	.	.
	wine_cou	256.1151	.	.	.	.	.
	_cons	-811.13	.	.	.	.	.
2							
	age	-0.17524	0.135578	-1.29	0.196	-0.4409632	0.090493
	gender	0.033518	0.243474	0.14	0.891	-0.4436819	0.510719
	income	-0.07748	0.136477	-0.57	0.57	-0.3449681	0.190014
	wine_yrs	0.058409	0.131028	0.45	0.656	-0.1984011	0.315219
	fav_rw	0.789277	0.333054	2.37	0.018	0.1365029	1.442051
	freq	-0.01657	0.11717	-0.14	0.888	-0.2462168	0.213081
	own_spen	-0.12014	0.119992	-1	0.317	-0.3553158	0.115043
	wine_cou	-0.22863	0.267067	-0.86	0.392	-0.752068	0.294816
	_cons	0.413545	0.602775	0.69	0.493	-0.7678722	1.594962
3							
	age	0.303204	0.157	1.93	0.053	-0.0045095	0.610917
	gender	0.281695	0.308995	0.91	0.362	-0.3239228	0.887313
	income	-0.33594	0.171249	-1.96	0.05	-0.671578	-0.00029
	wine_yrs	-0.14934	0.156021	-0.96	0.338	-0.4551326	0.15646
	fav_rw	0.291575	0.460952	0.63	0.527	-0.6118753	1.195024
	freq	-0.38231	0.171049	-2.24	0.025	-0.7175616	-0.04706
	own_spen	0.048039	0.143343	0.34	0.738	-0.2329072	0.328985
	wine_cou	-0.48608	0.33982	-1.43	0.153	-1.152118	0.179953
	_cons	0.128966	0.762468	0.17	0.866	-1.365444	1.623376

(fav_wine==1 is the base outcome)

Where

Coefficients	Interpretation
[fav_wine = 1]	red wines
[fav_wine = 2]	white wines
[fav_wine = 3]	sparkling wines
<i>Dummy variables</i>	
[gender=0]	females
[gender=1]	males
[fav_rw=0]	Baronne

[fav_rw= \geq 1]	The other categories
<i>Other variables</i>	
Age	Age of respondents
Income	Average monthly income
Wine_yrs	Average number of years consuming wines
Freq	Frequency of wine consumption, irregardless of volume
Own_spn	Average expenditure on a standard (750ml) bottle of wine for personal consumption
[wine_cou=1]	Attended wine course
[wine_cou=2]	Have not attended wine course

Explanation

Favourite red wine is a significant determinant of whether or not respondents choose white wines as their favourite wines. The respondents' decision to drink white wines is affected by whether or not they choose Baronne as their favourite red wine. The positive coefficient suggests that respondents that choose Baronne as their favourite red wine are more likely to choose white wines over red wines as their favourite wines.

Age, income and frequency of consumption are statistically significant determinants of consumers' choice of sparkling wines over red and white wines. The positive coefficient on the age variable suggests that the older consumers get the more likely they are to choose to sparkling wines. The negative coefficients on the income and frequency variable suggest that consumers with lower incomes and those who consume wine less often are more likely to choose sparkling wines over red and white wines.

. mfx, predict(p outcome(1))

Marginal effects after mlogit

$$y = \Pr(\text{fav_wine}=1) (\text{predict, p outcome (1)}) \\ = .58343415$$

variable	dy/dx	Std. Err.	z	P>z	[95% C.I.]	X	Std. Err.	z
age	.0041337	0.0279	0.15	0.882	-0.05054 0.058811	2.72656	0.0279	0.15
gender*	-.0281764	0.05196	-0.54	0.588	-0.13001 0.073661	0.481771	0.05196	-0.54
income	.039604	0.02886	1.37	0.17	-0.01697 0.096173	2.5625	0.02886	1.37
wine_yrs	.0025022	0.02738	0.09	0.927	-0.05116 0.056168	2.96615	0.02738	0.09
<i>fav_rw*</i>	<i>-.159003</i>	<i>0.0751</i>	<i>-2.12</i>	<i>0.034</i>	<i>-0.3062 -0.01181</i>	<i>0.143229</i>	<i>0.0751</i>	<i>-2.12</i>
freq	.0334238	0.02549	1.31	0.19	-0.01653 0.08338	2.10417	0.02549	1.31
own_spn	.0156805	0.02528	0.62	0.535	-0.03387 0.065229	3.66406	0.02528	0.62
wine_cou	.0762584	0.05671	1.34	0.179	-0.0349 0.187414	1.32552	0.05671	1.34

(*) dy/dx is for discrete change of dummy variable from 0 to 1

Explanation

By choosing Baronne as the favourite red wine the probability of choosing red wine as your favourite wine increases by 0.16.

. mfx, predict(p outcome(2))

Marginal effects after mlogit

y = Pr (fav_wine==2) (predict, p outcome (2))

= .27880149

variable	dy/dx	Std. Err.	z	P>z	[95%C.I.]	X
<i>Age</i>	<i>-.0468805</i>	<i>0.02611</i>	<i>-1.8</i>	<i>0.073</i>	<i>-.098062</i> <i>.004301</i>	<i>2.72656</i>
gender*	-.0041394	0.04718	-0.09	0.93	-.096613 .088334	0.481771
Income	-.0026755	0.02651	-0.1	0.92	-.054642 .049291	2.5625
wine_yrs	.0174803	0.02539	0.69	0.491	-.032292 .067252	2.96615
<i>fav_rw*</i>	<i>.160829</i>	<i>0.07434</i>	<i>2.16</i>	<i>0.031</i>	<i>.015129</i> <i>.306529</i>	<i>0.143229</i>
Freq	.0113528	0.02298	0.49	0.621	-.03369 .056396	2.10417
own_spen	-.0260011	0.02314	-1.12	0.261	-.071348 .019346	3.66406
wine_cou	-.0273002	0.05196	-0.53	0.599	-.129133 .074533	1.32552

(*) dy/dx is for discrete change of dummy variable from 0 to 1

Explanation

Age and favourite red wine are statistically significant determinants of the choice of white wines. The negative age coefficient suggests that younger consumers are more likely to choose white wines over red wines. If age increases, the probability of choosing white wine as the favourite wine reduces by 0.05. The positive coefficient on the favourite red wine variable suggests that consumers that choose Baronne wine as their favourite red wine are more likely to choose white wines over red wines. This implies older consumers will more likely choose red wines over white wines and consumers that choose any of the other red wines, besides Baronne, as their favourite red wine, will choose red wines over white wines.

. mfx, predict(p outcome(3))

Marginal effects after mlogit

y = Pr (fav_wine==3) (predict, p outcome (3))

= .13776436

variable	dy/dx	Std. Err.	z	P>z	[95% C.I.]	X
<i>age</i>	<i>.0427468</i>	<i>0.01769</i>	<i>2.42</i>	<i>0.016</i>	<i>0.008079</i> <i>0.077414</i>	<i>2.72656</i>
gender*	.0323158	0.03565	0.91	0.365	-0.03755 0.102179	0.481771

<i>income</i>	-0.0369285	0.01943	-1.9	0.057	-0.07501	0.00115	2.5625
wine_yrs	-0.0199824	0.01782	-1.12	0.262	-0.05492	0.014951	2.96615
fav_rw*	-0.0018259	0.0512	-0.04	0.972	-0.10217	0.098517	0.143229
<i>freq</i>	-0.0447766	0.01907	-2.35	0.019	-0.08215	-0.0074	2.10417
own_spen	.0103206	0.0163	0.63	0.527	-0.02162	0.042265	3.66406
wine_cou	-.0489582	0.03879	-1.26	0.207	-0.12499	0.027069	1.32552

(*) dy/dx is for discrete change of dummy variable from 0 to 1

Explanation

Age, income and frequency of consumption are statistically significant determinants of consumers' choice of sparkling wines over red and white wines. The positive coefficient on the age variable suggests that the older consumers get the more likely they are to choose to sparkling wines. The negative coefficients on the income and frequency variable suggest that consumers with lower incomes and those who consume wine less often are more likely to choose sparkling wines over red and white wines. This implies that younger consumers are more likely to choose red and white wines over sparkling wines and consumers with higher incomes and those that consume wine more frequently will more likely choose red and white wines over sparkling wines.

SAS Model

The discrete choice data was analysed using the SAS program. The program ran different models using various attributes to ascertain the essential attributes to the model. Of the attributes selected, two separate models (with the intercept only and with all the coefficients) were run using the same MNL analysis. The results are given in the table below. It should be noted that there are other variables not captured in this model.

Results of model log likelihood tests

Model	Model fitting criteria	Likelihood ratio test		
	-2 Log Likelihood	Chi-Square	Degrees of Freedom	Significance
Intercept Only	542.737			
Final	499.961	42.776	45	0.567

The data indicates that the said attributes are not viable as they do not provide the best fit to the data. The coverage model is not a good fit to the data as the p value is far greater than 0.05 at 48 degrees of freedom.

The model has debatably acceptable Pseudo R squared values. This means that the model has a relatively low explanatory power as it explains only about 10% of the wine choice preferences.

Pseudo R-Square

Cox and Snell	0.105
Nagelkerke	0.122
McFadden	0.056

The table below provides the parameter estimates from this stage.

SAS output for MNL model

Effect	Model fitting criteria	Likelihood ratio test		
	-2 Log Likelihood of reduced model	Chi-Square	Degrees of Freedom	Significance
Intercept	499.961	.000	0	
Age	510.293	10.332	12	.587
Gender	504.562	4.601	3	.203
Wine drinking years (proxy for experience)	508.390	8.429	15	.905
Frequency of consumption	509.985	10.024	12	.614
Wine course (proxy for wine education)	502.365	2.404	3	.493

Link function: Logit.

Explanation

The model could not be interpreted as it was insignificant and all the independent variables were also insignificant. This reduced model is equivalent to the final model because omitting the effect does not increase the degrees of freedom. The unexpected singularities in the Hessian matrix experienced indicate that either some independent/predictor variables should be excluded or some categories should be merged. Further work is necessary.