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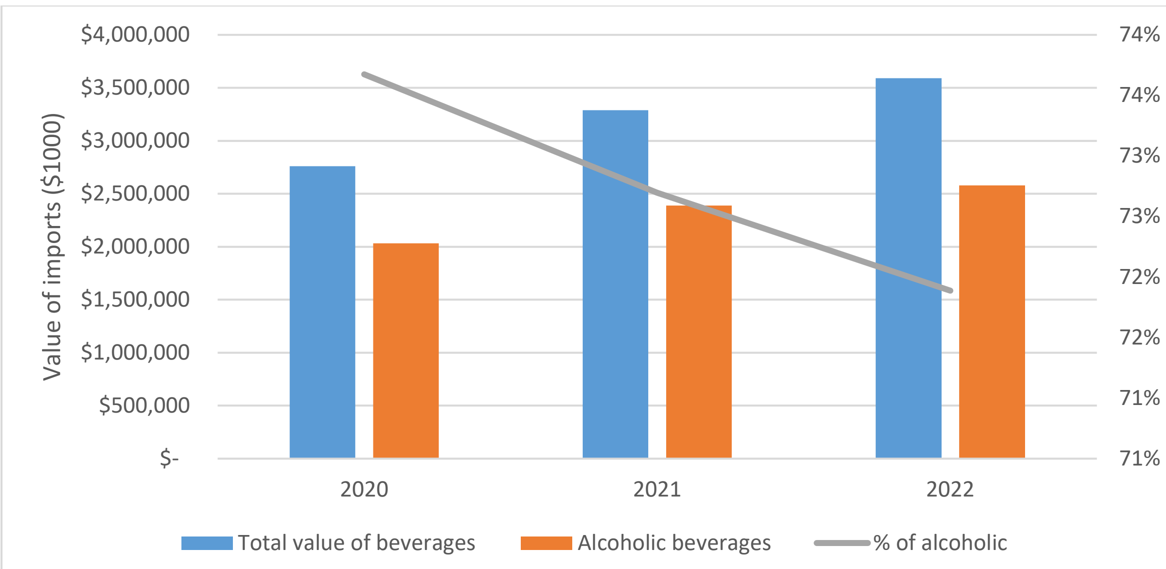
ZURCOM INTERNATIONAL

Executive Summary

Alcoholic beverages consumption pattern

The bulk of beverages imported in Africa are alcoholic beverages. In 2022, the African region imported beverages worth $3.5 billion, with alcoholic beverages accounting for around 72% of the total. As a result, around $2.5 million was spent on alcoholic beverages. The figure below depicts Africa's imports of beverages between 2020 and 2022.



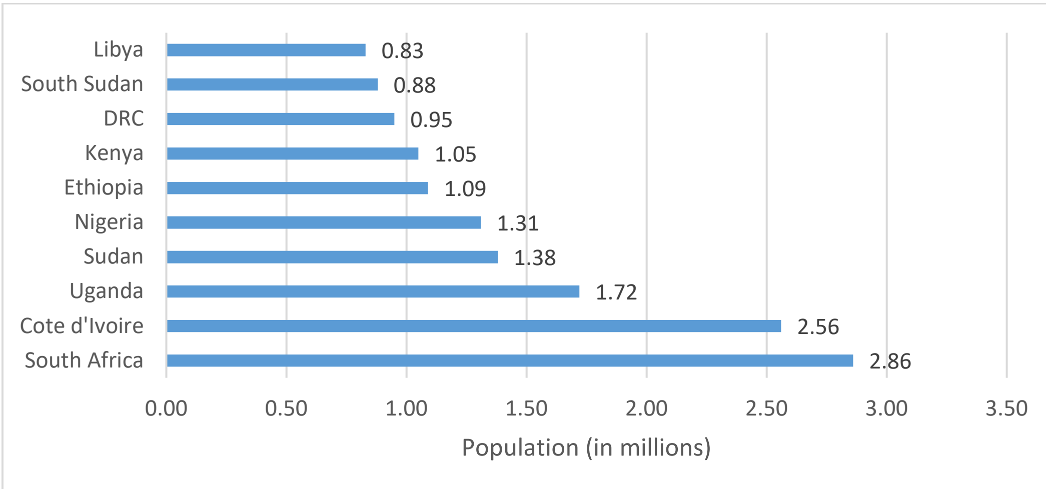
Source: Trademap, 2023

Figure 1: Value for Imported Beverages by Africa

As shown in the figure above, the total value of beverages has been increasing over the past three years. The Covid-19 lockdown restrictions, which comprised of a total ban or restriction on the sale of alcoholic beverages, had an effect on alcohol demand and sales, resulting in relatively modest expenditure. Despite the comparatively low alcohol spending in 2020, the industry remained immune to the effects of the lockdown such that about $2 million worth of alcohol was imported by the continent. As a result, the African continent represents a sizable market for imported alcoholic beverages for US exporters.

It is critical for US exporters to understand the drivers for imported alcohol consumption in Africa for strategic market exploration. The drivers for imported alcohol demand in Africa are elaborated below:

1. **Growing expatriate Communities**. The number of expatriates in Africa has been growing over the years. South Africa has the highest number of expatriates in Africa. The country is a host to about 2.9 million expatriates (Statista, 2020). Other countries with a large number of expatriates are shown in the figure below.



Source: Statista, 2020
Figure 2: Number of expatriates in Africa

2. **Changing consumption patterns**. Alcohol is used as a social lubricant in most African cultures where drinking is regarded as a way to build relationships and strengthen social bonds. During social gatherings and events, consumers take a diverse and premium range of alcoholic beverages with imported alcohol offering a greater variety of flavors, brands, and styles that cater to changing consumer tastes. Moreover, there is quality and certain prestige that is associated with imported alcohol among African societies. This is also enabled by an increase in disposable income due to the general rise of the middle class in Africa.
3. **Tourism and International Exposure**. Africa attracts a large number of international tourists, who frequently introduce and promote their own alcoholic beverages. The preferences and experiences of tourists might affect local demand for imported alcohol, thereby generating a market for international brands and products. The most visited African countries include;

Table 2: Most Visited countries in Africa

Country	Number of tourists	Country	Number of tourists
Egypt	13.6 million	Algeria	2.6 million
Morocco	12.9 million	Zimbabwe	2.4 million
South Africa	10.5 million	Mozambique	1.6 million
Tunisia	9.4 million	Kenya	1.6 million
Tanzania	1.5 million	Uganda	1.5 million
Eswatini	0.2 million		

Source: Business Insider, 2021; Zack ,2021

Although Eswatini has the lowest number of visits in the table above, the UNWTO listed it as one of the most visited countries in 2021 (Business Insider, 2021).

Though Morocco is one of the most visited countries in Africa, alcohol consumption is relatively low. In 2018 the average Moroccan adult consumption is about 0.69 liters of pure alcohol per year, which is less than half the global average of 1.6 liters (World Bank, 2018). The low consumption is attributed to the dominance of the Islamic religion which prohibits the consumption of alcohol and the stigma associated with alcohol consumption. Moreover, there is alcohol is very expensive in Morocco due to heavy taxes. Local beer can range between $4.65 and $7 for 330ml of domestic beer (Laure Wanders, 2021).
One of the drivers of alcohol consumption in Morocco is the growing number of tourists who frequent the country.

From the discussion above, the remainder of this report will concentrate on five countries: South Africa, Eswatini, Uganda, Kenya, and Nigeria. Except for Nigeria, the mentioned countries are among the top alcohol-consuming countries in Africa, top-hosting countries for ex-pats, and top-visited countries in Africa. Below is a representation of the selected countries.

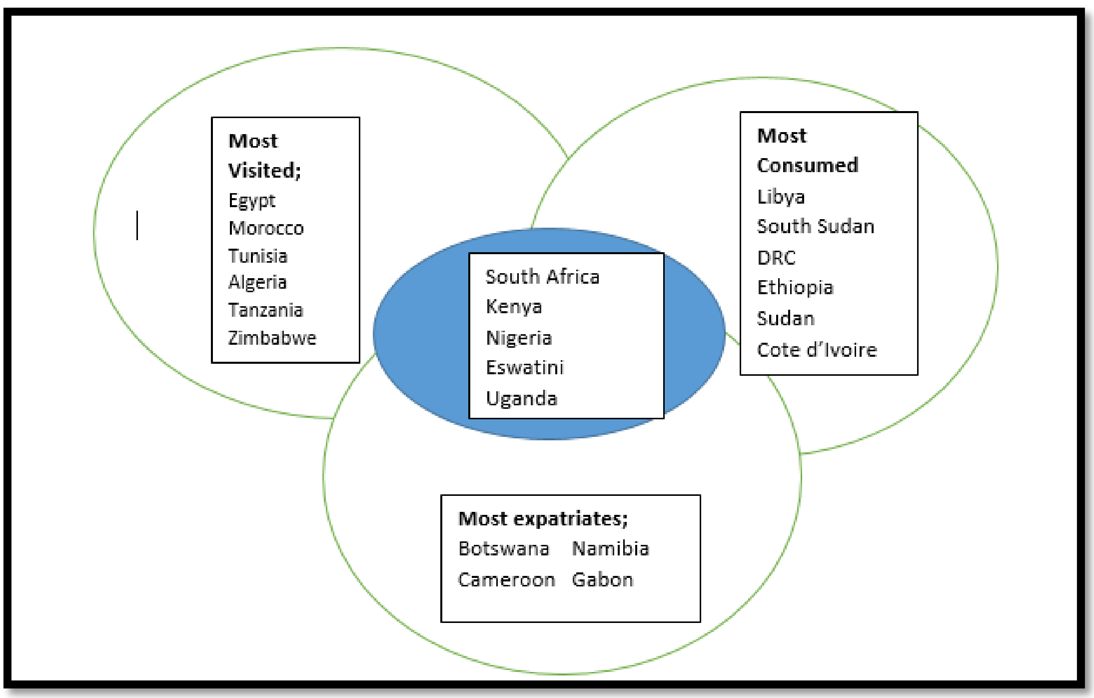


Figure 2: Selection criteria for the listed countries

Challenges

There are a few challenges faced by the sector which include:

i. **High taxes**: Common in Africa is the high taxes on alcoholic beverages which makes them more expensive for consumers. The taxes that apply in the listed countries are shown in the table below

Table 3: Taxes by Country

Country	Excise Duty	Value Added Tax (VAT)
Kenya	21%	16%
Uganda	20%	18%
Nigeria	22%	7.5%
Eswatini	20%	14%
South Africa	22%	15%

ii. **Counterfeit products:** There is a growing problem with counterfeit alcoholic beverages in Africa, which poses a health risk to consumers. This is characterized by the use of ingredients that may contain harmful substances. They can also be mislabeled, which can lead to consumers unknowingly consuming dangerous products.

One of the consequences of counterfeit alcohol is that legitimate businesses pay taxes and follow regulations, while counterfeiters do not, thus give counterfeiters an unfair advantage. The Kenyan Revenue Authority (KRA) reported that local manufacturers lose $42 million to counterfeiters while the government loses $80 million as potential tax revenue yearly. The Kenyan government estimates that the counterfeit alcohol market is worth over $100 million (KEBS, 2021; KRA, 2022).

The Ugandan Bureau of Standards estimates that the counterfeit alcohol market is worth over $50 million. In Nigeria, the government estimates that the counterfeit alcohol market is worth over $200 million (The Guardian, 2022). The Eswatini Revenue Authority report revealed that the government estimates that the counterfeit alcohol market is worth over $10 million. The South African Revenue Service (SARS) estimated in 2022 that the counterfeit alcohol market is worth over $500 million.

The Alcohol Consumption Profile

Varying types of alcoholic beverages are consumed in varying proportions in the countries listed. The popular choices in Africa include beer, spirits, and wines. The drinking habits of each country are shown in the table below.

Table 4: Alcohol Profile by Country

Country	Beer	Spirits	Wine	Other
South Africa	56%	18.5%	17.8%	7.6%
Eswatini	24.9%	16.1%	0%	59.3%
Nigeria	55%	30%	15%	10%
Uganda	11%	0.1%	3.1%	85.8%
Kenya	39.8%	1.8%	21.4%	37%

Source: People News, 2022; Asoko, 2020

South Africa

Beer. As shown in the table above, beer is the most consumed alcoholic beverage in South Africa. Beer is the most affordable and accessible drink in South Africa compared to wines and spirits. In 2022, about 22 million liters were consumed in South Africa. Beer is deeply ingrained in the South African culture with many locals, events, festivals, watching sports, and socialism (Businesstech, 2022; Drinktec, 2022).
The most consumed brands in South Africa are Castle Lager, Carling Black Label, and Lion Lager. Castle Lager is produced by the South African Breweries (SAB) Millers. SAB Miller is a subsidiary of ABInBev, the world's largest brewery. Carling Black Label and Lion Lager are also brewed by SAB Millers (Enterprises Africa, 2021; People News, 2022). Most breweries in South Africa have started to produce beer in cans and bottles designed to be more affordable (Business Tech, 2022). Both locally brewed and internationally brewed beers are found in the South African market.

Wine. Wine accounts for about 18% of the alcoholic beverages consumed in South Africa. In 2020, about 3.1 million hectoliters of wine were consumed. South Africa accounts for 60% of Africa's wine consumption followed by Nigeria which is at 17% (Forbes, 2021). South Africa is a wine-producing country but both locally-produced and international wines are consumed in South Africa.

Spirits. About 18.5% of alcoholic beverages are spirits which include gin, rum, vodka, brandy, and whiskies. The target market for spirits is mostly the middle class. There are local brands for spirits but the international brands dominate the market.

Eswatini

Beer. Beer accounts for about 24.6% of alcoholic drinks in the Eswatini, spirits account for 16% while other alcoholic beverages are about 59.3%. The beer market in Eswatini is dominated by Eswatini Beverages Limited (EBL) which has a market share of over 80%, and the remaining market share is shared by a number of smaller brewers. EBL is a subsidiary of SABMiller, which is a South African brewing company, which produces a range of beers under the Castle Lager, Sibebe Premium Lager, and Hansa and Marzen Gold brands.

Wine. Little is known about the proportion of wine consumed in Eswatini. However, according to TradeMaps, in 2021, the country imported wine worth $6.9 million from the rest of the world. In 2021, wine accounted for 20% of the total beverages imported by Africa.

Spirits. Out of the alcoholic beverages imported by Eswatini, spirits account for the largest share. In 2022, Eswatini imported alcoholic beverages worth $34.5 million of which $10.2 million was spent on spirits (Trade Maps, 2023).

Nigeria

The alcoholic beverage industry in Nigeria is becoming increasingly lucrative. Nigeria is the most populous country in Africa representing a huge market. With a rising disposable income and a vast and growing population, there is a large pool of prospective consumers for alcoholic beverages. Furthermore, in Nigeria, attitudes around alcohol drinking are shifting. Alcohol was once considered taboo by Muslims and Christians. However, attitudes are changing, and more individuals are accepting of alcohol drinking. As a result, the southern part of Nigeria, which has little Islamic influence, has a massive alcohol market, accounting for over 70% of the total market. The main breweries which include International Breweries, Nigerian Breweries, and Champion Breweries Nigeria are owned by the global giants. AB-In Bev is a major shareholder in International Breweries, Nigerian Breweries, and Champion Breweries are majority owned by Heineken, and Diageo is represented by its subsidiary Guinness Nigeria (Asoko Insights, 2020; Oasdom, 2021).

Beer. As shown in the table above, beer is the most widely consumed alcoholic beverage in Nigeria, with a 55% market share. Both local brands and international brands dominate the market. The common local brands include Star Lager and Guider Lager whilst the common international brands include Heineken, Guinness, Beck's, Champion, and Corona. The local breweries are also distributors of international brands.

Spirits. Spirits account for 30% of the total alcohol consumption. According to Statista, the volume of spirits consumed in Nigeria is expected to reach 24.89 million liters by 2027. There are several locally produced spirits on the Nigerian market which include bitters, gin, and dark rum brands. Most local brands are affordable with some of them being made from bitters products with herbs that are perceived to be having medicinal properties (Euro Monitor, 2022; Statista, 2022).

Wine. After South Africa, Nigeria is the second-largest consumer of wine accounting for 15% and the demand has been growing. Consumption of wine in 2021 was about 33.1 million liters from 26.7 million liters in 2015(Euromonitor,2021) Several local drinks are also present in the market, including palm wine, which is fermented from the sap of palm trees, and burukutu, which is brewed from wheat. (Asoko, 2022; Businessday, 2022). There are a number of distributors for international wine brands in Nigeria and these include;

- Wigmore Trading- is a subsidiary of UK-based company, Wigmore Wines
- Lagos and Abeokuta Plantations- a subsidiary of South African Distell Company
- Grand Cru Wines- has several partnerships with several winemakers including Penfold, Grange, Yarra Yering, Wolf Blass, Lindemans
- Olchan International Limited- has partnerships with a number of winemakers which include; Chateau (Lafite, Chateau Mouton, Cheval, Haut-Brion) and Rothschild

These partnerships allow the distributors to import wine directly from the wineries, which gives them more control over the quality and price of the wine. It also allows them to offer a wider range of wines to their customers.

Uganda

Depending on the source of the report, Uganda is one of the highest alcohol-consuming countries in Africa. The industry is dominated by a few large companies, including Uganda Breweries Limited (UBL), Nile Breweries Limited (NBL), and East African Breweries Limited (EABL). These companies produce a variety of alcoholic beverages, including beer, spirits, and wine.

Beer. As shown in the table above, beer is only 11% of Uganda's total alcohol consumption. Both local and international brands are common on its market with the most popular brand being Eagle Extra. NBL has a partnership with Heineken whilst EABL has a partnership with SABMiller. The partnership that NBL has allows it to produce and distribute a range of Heineken brands, including Heineken Lager, Amstel Lager, and Desperados. Whilst the partnership EABL has with SAB Miller allows it to produce and distribute a range of SABMiller brands, including Castle Lager, Carling Black Label, and Miller Lite.

Spirits. Spirits make up less than 1% of Uganda's total alcohol consumption. Although small in proportion, the market size is estimated to be about $1.7 billion and is expected to grow (IMARC

Group, 2022). UBL has a partnership with Diageo, which allows UBL to produce and distribute a range of spirits such as Smirnoff, and Johnnie Walker

Wine. About 3% of alcohol consumed in Uganda is wine as shown in the table above. The number of wineries in Uganda is also increasing, thus positively impacting the growth of the market (IMARC, 2022). There are a few companies that distribute internal wine brands in Uganda and these include;

- Savola Uganda Limited- is one of the largest distributors of consumer goods in Uganda and is a subsidiary of a Saudi Arabian company, Savola.
- Bevco- it is a subsidiary of the South African company Distell
- Stanbic Bank Uganda- it is a subsidiary of Standard Bank South Africa. The bank has a wine club that offers members discounts on wine and other alcoholic beverages (LinkedIn, 2023)

Kenya

The alcohol industry in Kenya is dominated by East Africa Breweries Limited (EABL) having about 90% market share. EABL is in partnership with Constellation Brands and Brown Forman which are American beverage alcohol players as well as Diageo and SAB Millers among others. EABL together with Keroche Breweries Limited, and Kenya Wine Agencies Limited (KWAL) produce and distribute a wide range of alcoholic beverages, including beer, wine, and spirits.

Beer: About 40% of the alcohol consumed in Kenya is beer. EABL is the largest beer producer in Kenya, and it accounts for a market share of over 90%. EABL produces a wide range of beer brands, including Tusker, Pilsner, and Guinness. EABL has a joint venture with SAB Miller to produce and distribute beer in Kenya.

Wine: Wine is becoming popular in Kenya accounting for approximately 24% of the total alcohol consumption in Kenya. Between 2016 and 2021, the wine retail sales value grew from $799 million to $850 million registering a 6% growth (USDA, 2022). Some of the distributors for international wine brands in Kenya with international wine brands include Viva Global Ltd, Jay Wines, Domaine Kenya and Magnum Ventures, and Rwathia Distributors.

Spirits: Both local and international spirits are popular in the Kenyan market. According to the USDA report, medium and upper-income Kenyans are shifting away from local, conventional, unpackaged, and artisanal spirits and toward more imported premium spirits. The report also revealed that US spirits are widely available on the Kenyan market and are transshipped through Europe and the United Arab Emirates so they are not reflected in the US trade data.

Market Intelligence Update

This section will focus on the four elements of a marketing strategy which are Product, Price, Place, and Promotion. This will help US exporters have an overview of the target market and price products competitively.

Product and Price

The listed countries have local beers brewed in their own countries. There are also common brands that are brewed in the region and as well as international brands that are imported from other continents. A comparison of the products and the prices as of June 2023 are shown in the table below

Table 4: Product and Prices for Beers

<table>
<tr><th></th><th colspan="2">Local</th><th colspan="2">Regional</th><th colspan="2">International</th><th colspan="2">US</th></tr>
<tr><td></td><td colspan="8">Packaging = 330ml</td></tr>
<tr><th>Country</th><th>Product</th><th>Price</th><th>Product</th><th>Price</th><th>Product</th><th>Price</th><th>Product</th><th>Price</th></tr>
<tr><td>Uganda</td><td>Eagle Extra</td><td>$0.89</td><td rowspan="3">Guinness</td><td>$1.30</td><td rowspan="5">Heineken</td><td>$1.50</td><td rowspan="5">Budweiser</td><td>$2.67</td></tr>
<tr><td>Nigeria</td><td>Life Lager</td><td>$0.25</td><td>$0.97</td><td>$0.88</td><td>$0.54</td></tr>
<tr><td>Kenya</td><td>Tusker Beer</td><td>$0.91</td><td>$1.09</td><td>$1.66</td><td>$0.91</td></tr>
<tr><td>Eswatini</td><td>Sibebe lager</td><td>$0.84</td><td rowspan="2">Castle lager</td><td>$0.84</td><td>$1.27</td><td>$1.27</td></tr>
<tr><td>South Africa</td><td>Castle lager</td><td>$0.79</td><td>$0.79</td><td>$0.88</td><td>$0.77</td></tr>
<tr><td colspan="9">Sources:
Nigeria: Beer and Bitters Archives - DrinksDirect.ng
Kenya: Beer Archives | Liquor Square Limited
Uganda: https://www.jumia.ug/catalog/?q=
Eswatini: Home - The Wine Boutique
South Africa. liquorshop.co.za/c/beer</td></tr>
</table>

As shown in Table 4 above, Kenya has the most expensive local beer, Tusker Lager at $0.91 per 330 ml as well as international beer, Heineken at $1.66 per 330 ml. Guinness and Castle lager are popular beers across the region while Castle lager is more expensive in Eswatini than in South Africa. Uganda has the most expensive regional beer, Guinness at $1.30 per 330ml. The most expensive Budweiser is sold in Uganda at $2.67 per 330 ml. South Africa has the cheapest beers whilst Nigeria has the cheapest local beers.

Spirits. Across all the listed countries there are a number of imported spirits. The most popular US spirit in the listed countries is Jack Daniels whisky. The price of 750ml of Jack Daniels in the listed countries is shown in the figure below.

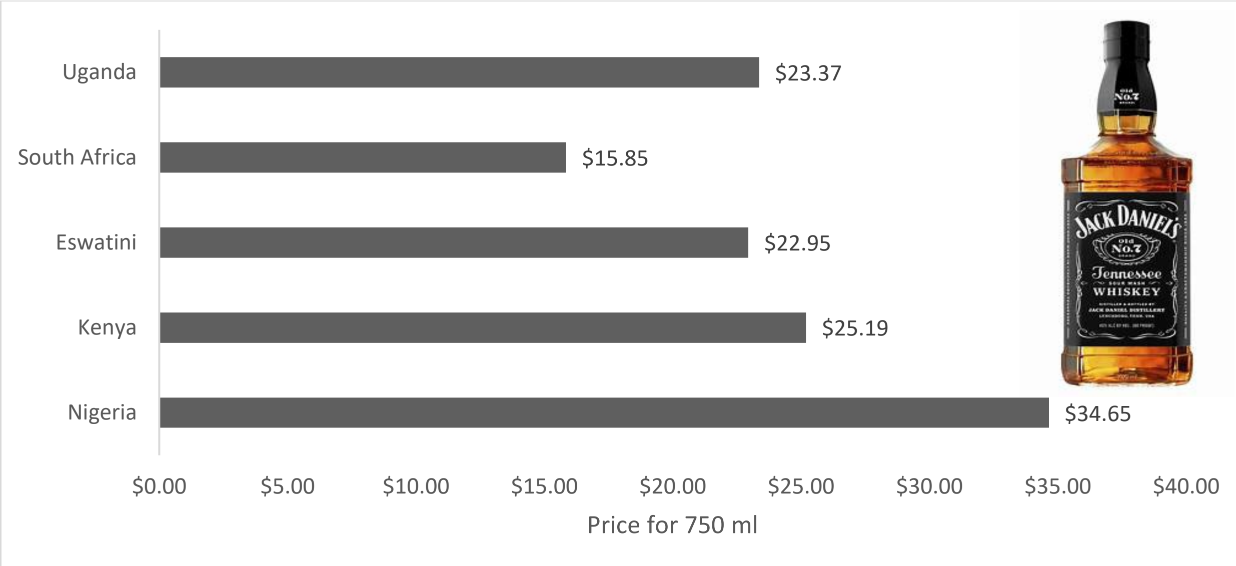


Figure 3: Price for 750 ml Jack Daniels by Country

As shown above, Nigeria has the highest price for Jack Daniels whiskey among the listed countries and South Africa pays the lowest price for the whiskey.

The prices for wine differ from country to country. There are low-end wine ranges mostly local and high-end premium wines imported. In the listed countries some of the prices available prices are tabulated below.

Table 5: Prices for wines by country

Country	Low-end price	High-end price
Nigeria	$3.98	$5,846.37
Kenya	$1.22	$3,038.39
Eswatini	$4.66	$76.43
South Africa	$3.29	$442.55
Uganda	$2.84	$67.50

As shown in the table above, the price of a bottle of wine can go beyond $5,000 for the high end wines to as low as $3.98 for other wines.

Place and Promotion

In the listed countries, both imported and local alcohol is available in supermarkets, bottle stores, hotels, nightclubs, restaurants, off-licenses as well as online shops. Imported alcohol is more popular in urban areas than in rural areas.

The promotion of alcohol in common across the countries includes advertisement using television, radio, print media, out-of-home advertising, and social media. There are also alcohol-promoting events in the countries. Below are some of the popular promotion events in the listed countries.

Country	**Festival**
South Africa	• Beer Festivals • Wine festivals • Spirits festivals • Cocktail competitions • Brand activations
Eswatini	• Beer Festival • Lobamba Festival • Hhoho Beer Festival • Swaziland Summer Wine Festival • Swaziland Harvest Festival
Kenya	• Kericho International Beer Festival • Mombasa Carnival • Nairobi International Jazz Festival • Ukunda Beach Festival • Malindi Cultural Festival
Uganda	• Uganda Nile Breweries Oktoberfest • Club Pilsner Beach Festival • Kumi Music Festival
Nigeria	• Lagos International Beer Festival • Abuja Carnival • Obudu Mountain Race • Calabar Christmas Festival

Updates on Relevant Market Changes.

In all countries, the legal drinking age is 18 years. Alcohol companies are not allowed to advertise their products to children or young people. They are also not allowed to make misleading or deceptive claims about their products. Local governments are responsible for issuing licenses to businesses that sell alcohol. They are also responsible for enforcing laws that prohibit the sale of alcohol to minors.

Kenya. In Kenya, some believe that alcohol advertising should be banned altogether. Others believe that alcohol advertising should be restricted to certain channels such as print media and out-of-home advertising. In addition, the Kenyan government has imposed a tax on alcohol advertising.

The promotion of alcohol in Kenya is regulated by the Kenya Bureau of Standards (KEBS). KEBS sets standards for the production, labeling, and advertising of alcohol. These standards are designed to protect consumers from harm and to ensure that alcohol is marketed in a responsible manner (Movendi, 2022; Kenya Law, 2010). The importation of alcohol into Kenya is regulated by the Kenya Revenue Authority (KRA). The KRA requires all imported alcohol to be licensed and to meet certain quality standards.

Uganda: The importation of alcohol into Uganda is regulated by the Uganda Revenue Authority (URA). URA requires all imported alcohol to be licensed and to meet certain quality standards. The manufacturing of alcohol in Uganda is regulated by the Uganda National Bureau of Standards (UNBS).

Eswatini: The importation of alcohol into Eswatini is regulated by the Eswatini Revenue Authority (ERA). ERA requires all imported alcohol to be licensed and to meet certain quality standards. The manufacturing of alcohol in Eswatini is regulated by the Eswatini Standards Authority (ESA). ESA requires all locally produced alcohol to meet certain quality standards.

South Africa: The importation of alcohol into South Africa is regulated by the South African Revenue Service (SARS). SARS requires all imported alcohol to be licensed and to meet certain quality standards. The manufacturing of alcohol in South Africa is regulated by the South African Bureau of Standards (SABS).

Nigeria: The importation of alcohol into Nigeria is regulated by the Nigeria Customs Service (NCS). The NCS requires all imported alcohol to be licensed and to meet certain quality standards. The manufacturing of alcohol in Nigeria is regulated by the Standards Organization of Nigeria (SON).

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