

# Consumer lifestyle and premium beer brand choice– An exploratory South African case study

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## Abstract

The South African Breweries (SAB) is facing strong competition because of the presence in the market of international premium beer brands such as Heineken, Amstel and Windhoek. Against this backdrop, this paper explored the influence of life-style characteristics of consumers' on their choice of premium beer brands and, how the SAB could use this information to retain market share and remain competitive. A quantitative research approach was adopted to collect and analyse data from a convenience sample of 300 consumers from two major cities in KwaZulu-Natal, which is one of the largest provinces in South Africa with an estimated population of 10.27 million. Principal component analysis (PCA) was conducted to create a life style index of premium beer consumers, and it was ascertained that the life style of consumers has a major influence on their premium beer brand choices.

**Key words:** competition, competitive advantage, lifestyle, branding, brand positioning, premium beers, consumer behaviour.

## Introduction

The liquor industry is a major contributor to the economy of South Africa (RSA). Truen, Ramkolowan, Corrigan, and Matzopoulos (2011) assert that over half a million individuals are employed in the liquor industry, with the majority being in the informal sector, commonly referred to as the "shebeen or tavern" sector. The industry in South Africa enjoyed enormous growth and prosperity in the apartheid era (1948-1994), with South African Breweries (SAB) controlling about 98% of the local beer market and its market position remained virtually uncontested until the end of apartheid. Recent global developments in the beer industry, coupled with the termination of the agreement between Heineken and the SAB, threatened the market dominance of the SAB, more so in the premium beer brand sector because the SAB has now become a market follower to Brandhouse a company that markets and distributes premium beer brands such as Heineken, Amstel and Windhoek. SAB continues to lose market share as more consumers now seem to prefer international over local beer brands, for reasons which need exploration.

In light of the above, this study on which this article is written was undertaken to shed light on the consumption behaviour of the premium beer brands consumers, so as to suggest strategies that SAB could adopt to compete more effectively in the market and retain its market share.

## Literature Review

Marketing is a core function of business and it is a process that involves the anticipation and satisfaction of customer needs where benefits are mutual. Kotler (2006) and Lamb (2008) argue that “creative marketing strategies and insightful and good planning are the key ingredients for the success of any business venture”. Shimp and Andrews (2014) assert that “designing a sustainable marketing strategy demands a blend of creativity, flexibility, and discipline that organisations need to abide by, if they are to gain a sustainable competitive advantage”. Kotler (2006) further argued that under aggressive competitive market conditions, such as those of the beer industry in South Africa, where local companies are faced with strong competition from international companies, the financial success and sustainability of a business venture depends on its marketing ability and its creativity.

Through globalization, markets which were once deemed ‘closed’ have now ‘opened up’, and this has intensified competition. This is particularly the case in the beer market in SA. To have a competitive edge in such a heavily contested market, demands a solid knowledge of the market and the behavior patterns of consumers. Furthermore, the position of the organisation and its products depends on the strategic formulation, implementation and monitoring of an aggressive marketing strategy, which needs to be aligned to the overall business strategy, to allow the organisation to gain a strategic competitive edge.

The process of marketing and distributing beer in South Africa is typically differentiated by two customer categories, namely, mainstream beer brands and premium beer brands. The premium beer brands which are mainly represented by brands such as Castle Lite, Heineken, Amstel and Windhoek draught are sold at a 10% to 12% premium (Kirin Institute of Food and Lifestyle, 2009). Thus, the premium beer brands generate higher margins and are more lucrative products, and this has resulted in aggressive competition for market share (in RSA). Within the premium beer brand market, the SAB further distinguishes local and international premium beer brands, with the international premium beer brands being sold at a higher price than the domestic premium beer brands. The premium beer brand market is estimated to account for just over 20% of the beer market in South Africa (Truen et al., 2011). SAB has virtually no competition in the mainstream beer market, which is captured by its flagship brands, namely, Carling Black Label, Hansa Pilsner and Castle Lager; however it faces strong competition in the premium beer market. Until 2007, the SAB had a contractual agreement with Heineken to produce and market the Amstel brand. Whilst this contractual agreement was still in place, SAB had an approximate market share of between 95% - 98%, with the Amstel brand accounting for around 8%-9% of this market share (Department of Trade and Industry, 2011).

When Heineken cancelled its agreement with the SAB in 2007, it (Heineken) did not have a local brewery, and was forced to import Amstel beer to service the local demand. Three years after the cancellation of the contractual agreement, Heineken joined forces with Diageo and invested R3.5 billion in a new brewery in South Africa. In this investment, Heineken had a 75% stake and Diageo the remaining 25% (Shelves, 2010). Brandhouse, another company of note, with a brewing capacity of 450 million litres, produces brands such Heineken, Amstel, and Windhoek as well as Ready-To-Drink (RTD) products for the South African market. The aggressive marketing strategies employed by Brandhouse have seen the market share of the SAB declining from around 95% - 98%, to just above 85% in the three-year period, from 2007 to 2010 (Reuters, 2010). The Department of Trade and Industry (DTI) (2011), estimates that SAB owns just over 85% of the beer market share, Brandhouse about 13%, and the remaining 2% is held by independent breweries.

Given the ever growing share of the premium beer market held by Brandhouse, coupled with the establishment of a brewery in South Africa, and aggressive marketing strategies to push its brands into the informal and mainstream markets, it is more likely that Brandhouse will enhance its distribution strategies taking an even greater share of the premium beer market of SAB. This is reflected in SAB's acknowledgement that the Brandhouse joint venture is constantly expanding and serving a wider range of customers, whether on consumption or off consumption (Department and Trade and Industry 2008) .

It is apparent from the above, that companies such as the SAB have to revise their marketing strategy to remain competitive, and one such strategy is, to improve understanding of consumer behavior. This study chose to focus on lifestyle as a characteristic of beer consumers' behaviour, which knowledge would help the industry to develop more effective competitive strategies. The literature will briefly review consumer behaviour, more specifically with respect to lifestyle and beer consumption.

### **Consumer behaviour and lifestyle**

Cant, Brink, and Brijball, (2002) define consumer behaviour as "the study of individuals, groups, or organisations and, the process they use to select, secure, use, and dispose of products, experience services or ideas, to satisfy needs and the impact that these processes have on the consumer and society". An analysis of consumer behaviour will assist marketers to better understand consumers, and thus determine how marketing strategies and campaigns will influence them. Thus, any strategy aimed at creating a sustainable competitive advantage should take into consideration the personality of the consumers, their motivations, and perceptions about any particular brand.

Some researchers argue that beer consumption is influenced heavily by cultural, economic and social factors, thus, any meaningful marketing strategy that is aimed at creating a sustainable competitive advantage, should take into consideration the social, cultural and economic factors that consumers are exposed to. For example, Cobb and Hoyer (2000) assert that "businesses which recognize consumer lifestyles, and can establish rapport with consumers in a targeted way, will have a sustainable competitive advantage". Companies seeking to understand consumer behaviour have to conduct consumer research, which Holt (2002) argues, should include perceptions, learning, memory, attitudes, motivations, lifestyles and influence patterns as well as the frequency of product use, where products are purchased, and consumer media habits. Churchill and Peter (1998) insist that successful marketing strategies should be aligned to how consumers behave in the market, so that brand managers can position their brands more effectively.

Given the aforementioned, this study explores the influence of lifestyle on beer consumption among a sample of consumers in South Africa, using the methodology below.

### **Research Methodology**

This study was conducted in KwaZulu-Natal province (South Africa), more specifically in the Durban and Pietermaritzburg central business districts (CBD). The Durban CBD was selected since it is the largest city in the province with a diverse population, and the largest beer consuming population in the province (Pietermaritzburg Chamber of Commerce Reports, 2012). Pietermaritzburg which is the administrative capital of the province, is home to about 700 000

people (Stats SA, 2012), with a diverse beer consuming population also provided a conducive environment for the study.

Prior to development of the questionnaire, a pilot study was conducted in Pietermaritzburg to refine the questionnaire (Cooper and Schindler, 2001). During the pilot study a questionnaire containing open-ended questions on the most preferred premium beer brands and the lifestyle of consumers, was administered to a convenience sample of 50 beer consumers. The analysis of the data revealed six factors namely, brand reputation, influence of other consumers, consumers' social self-concept, personality of consumers, brand reputation, and public image of consumers as factors that make up the lifestyles of premium beer consumers. These factors were then included in the final questionnaire and research items were developed on each of these. The final questionnaire comprised five (5) point Likert-scale questions in which 1 = Strongly agree, 2 = Agree, 3 = Neutral, 4 = Disagree, 5 = Strongly disagree. Table 1 provides a detailed description of the elements of the lifestyle of consumers of premium beer brands that were included in the questionnaire.

A convenient sample of 300 beer drinkers, comprising equal numbers from each city was selected. Only those consumers who were above the age of 20, and have been drinking premium beer for at least five years were allowed to participate in this study. The data was analyzed using the Statistical Package for Social Sciences (SPSS), more especially, to perform Principal Component Analysis (PCA), which is a technique that revealed the complex relationships between the beer brands and the criteria used by consumers in making their purchase decisions.

## **Findings and Discussion**

The principal components (factors) presented in Table 1, reveal that there are four important factors that attract consumers to the Castle Lite brand, namely, their personality, which was ranked first, followed by their personal reputation which was ranked second; their self-concept which was ranked third; and their image, which was ranked fourth. The other factors such as consumers' emotional attachment to the brand, reputation of the brand, and the influence of other consumers revealed minimal influence on the brand preference decisions and consumption.

With respect to the Heineken brand, it is evident from the factor loadings in Table 1 that consumers choose this brand because it appears to enhance their reputation (ranked first), their personality (ranked second); their image (ranked third), and social self-concept (ranked fourth). With regard to the Peroni brand, consumers chose this brand because it projects a good reputation (ranked first); their personality (ranked second); social self-concept (ranked third), and public image (ranked fourth). For the Windhoek brand, consumers' personal reputation was ranked first; their personality (ranked second); self-concept which was ranked third; and portraying a good public image (ranked fourth). It is also evident from Table 1 that consumers are attracted to the Amstel brand because they perceive it as one which projects them as having a good personal reputation, and this was ranked first with a factor loading of 0.860; followed by their personality, which was ranked second, social self-concept and a good public image.

**Table 1: Component Matrix for Lifestyle of Premium Beer Consumers**

Factor	Castle Lite	Heineken		Peroni		Windhoek		Amstel			
	Factor 1	Rank	Factor 1	Rank	Factor 1	Rank	Factor 1	Rank	Factor 1	Rank	Factor 2
Reputation of the brand	<b>0.559</b>	6	0.433	7	<b>0.508</b>	7	0.471	7	0.463	6	<b>-0.617</b>
Influence of friends	<b>0.528</b>	7	<b>0.599</b>	6	<b>0.698</b>	5	<b>0.575</b>	6	0.410	7	<b>0.737</b>
Social self-concept	<b>0.804</b>	3	<b>0.715</b>	4	<b>0.758</b>	3	<b>0.737</b>	3	<b>0.796</b>	3	0.18
Personality	<b>0.814</b>	1	<b>0.766</b>	2	<b>0.800</b>	2	<b>0.755</b>	2	<b>0.816</b>	2	0.004
Personal reputation	<b>0.807</b>	2	<b>0.817</b>	1	<b>0.816</b>	1	<b>0.759</b>	1	<b>0.860</b>	1	0.004
Emotional attachment	<b>0.678</b>	5	<b>0.713</b>	5	<b>0.617</b>	6	<b>0.644</b>	5	<b>0.730</b>	5	-0.232
Image	<b>0.732</b>	4	<b>0.721</b>	3	<b>0.720</b>	4	<b>0.655</b>	4	<b>0.758</b>	4	0.004
Variance Explained	50.70%	47.70%		50.30%		44.10%		50.40%		14.40%	
Reliability: Cronbach Alpha	0.83	0.812		0.831		0.783		0.821			

Table 2 presents the correlations between premium beer brands with the life style of consumers. The most outstanding lifestyle elements that influence consumers' choice of premium beer brands were personality, reputation, personal image, and self-concept. The most similar premium beer brands are the Peroni and Windhoek, as this is represented by a correlation of 0.656 at 1% significant level. The Heineken brand is closely related to the Castle Lite brand with a correlation of 0.588, and the Windhoek brand is closely related to the Heineken brand ( $r = 0.505$ ). The Amstel brand is closely related to the Castle Lite brand ( $r = 0.452$ ), and the Amstel brand is correlated with the Heineken brand ( $r = 0.319$ , significant at 1% level).

**Table 2: Premium beer consumption and consumer Life-style**

Beer	Pearson	Castle Lite	Heineken	Peroni	Windhoek
Heineken	Factor 1	0.588**			
Peroni	Factor 1	0.361**	0.398**		
Windhoek	Factor 1	0.346**	0.505**	0.656**	
Amstel	Factor 1	0.452**	0.439**	0.319**	0.379**

\*\*significant at 1% level, \* significant at 5% level.

### Market Position of the Premium Beer Brands

A dendrogram (Figure 1) was developed to identify the market positions of the five premium beer brands in order to reflect the proximity between the brands on the map, which represents how similar these premium beer brands are to each other as per the lifestyle attributes of consumers.

**Figure 1: Similarities based on the life styles of consumers**

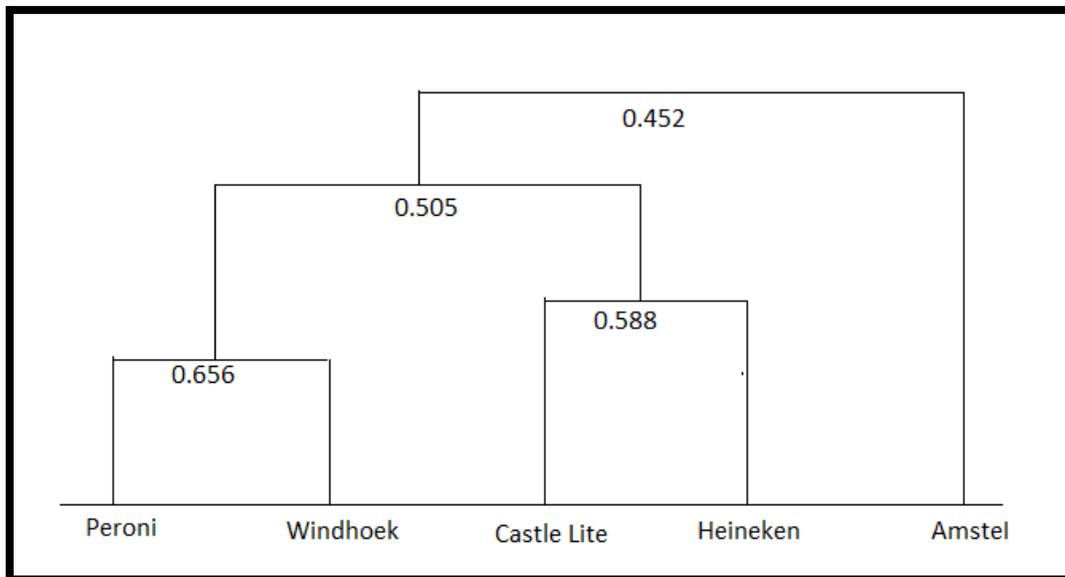


Figure 1 depicts the similarities between premium beer brands with reference to the lifestyle of consumers, and the distance between the brands shows how similar the beer brands are to each other, as far as the lifestyle of consumers is concerned. As can be seen from Figure 1, that as far as the lifestyle of consumers is concerned, the Peroni and Windhoek brands are

positioned close to each other, the Castle Lite and Heineken brands are also close to each other, whereas the Amstel brand is positioned at a distance from the other four premium beer brands. It can be concluded that the lifestyle of consumers of the Peroni and the Windhoek brands are somewhat similar. The choice of premium beer brands for these consumers is influenced by their personal reputation, since these consumers value how other people perceive them. Given this relationship between brand preference and consumers' self-image, it can be deduced that the Peroni and the Windhoek brand consumers are more concerned about their social self-concept; this was represented by a component matrix index of 0.758 for the Peroni brand and 0.737 for the Windhoek brand consumers. The Peroni and the Windhoek brands are also similar in a sense that as far as life style is concerned, consumers of these two beer brands are more concerned about their public images; this was represented by a coefficient 0.720 for the Peroni brand, and a coefficient 0.655 for the Windhoek brand consumers.

The Castle Lite brand is similar to the Heineken brand at 0.588, as far as the life style of consumers is concerned. This was indicated by a component matrix index of 0.814 for personality (Castle Lite) and 0.766 for the Heineken brand consumers. These consumers are concerned about their personal reputation, which was indicated by 0.807 for Castle Lite and 0.817 for the Peroni brand on the component matrix index. The similarity between the Castle Lite and the Heineken brands also lies in the fact that consumers perceive these beer brands as being in line with their self-concept. This was indicated by the component matrix index of 0.804 for the Castle Lite brand, and 0.715 for the Heineken brand. These consumers are more concerned about their public image, that is how other people perceive them, and this was indicated by 0.732 for Castle Lite and 0.721 for the Heineken brand. The comparison of the five premium beer brands show that the Amstel brand is perceived to be considerably different from the other four premium beer brands, as it is positioned at a remote position (0.452) on the dendogram.

Table 3 presents the influence of lifestyle on the five premium beer brands. A comparison between the factors that attract consumers to the Castle Lite brand and the life style of consumers, showed that there is a significant positive relationship ( $r = 0.585$ ) between the crisp, superior taste, superior quality of the Castle Lite brand, and the personality, personal reputation as well as the self-concept of consumers. The attributes of the Amstel brand have little impact on how consumers live their social life, and they have less influence on the construction of the public image and reputation of consumers ( $r = 0.623$ ).

However, the results showed that the attributes of the Heineken brand do not have much impact on how consumers feel, express their public image, reputation, and social self-concept ( $r = 0.363$ ). The results show that there is a positive correlation ( $r = 0.585$ ) between the superiority of the Heineken brand, its crisp good taste, its price and the lifestyle of its consumers and how they want their public image and reputation to be portrayed.

**Table 3: Correlations of Influences**

Beer Brands	Attributes of Premium Beer Brands (Versus) Factors Attracting Consumers		Attributes of Premium Beer Brands (Versus) Lifestyle of Premium beer consumers		Factors Attracting Consumers (versus) Lifestyle of Premium beer consumers	
	Factor 1 Correlations	Rank	Factor 1 Correlations	Rank	Factor 1 Correlations	Rank

Castle Lite	0.599**	1	0.385**	4	0.585**	3
Heineken	0.508**	4	0.363**	5	0.483**	4
Peroni	0.591**	2	0.442**	2	0.606**	2
Windhoek	0.494**	5	0.457**	1	0.568**	5
Amstel	0.544**	3	0.408**	3	0.623**	1
<b>Overall</b>	<b>0.553**</b>		<b>0.453**</b>		<b>0.536**</b>	

The results of the study showed that ( $p$ -value was less than 0.05) that is the personality of a consumer, reputation of the consumer, social self-concept and consumers' image have a major influence on the premium beer brand choices and preferences.

Kim and Lee (2010) assert that individuals develop a liking and loyalty to a brand because of the way the brand appeals to their ego, values and feelings or other intangibles such as status, resulting in an individual developing a preference for that brand. Hartel and Bennet (2010) stress that marketing strategies aim at creating an emotional bond between the brand and consumers, which is most often sought and least often attained. Keller (2013) argues that consumers who have strong links to particular brands especially a positive self-brand connection, see such brands as representing an aspect of themselves. Davies and Cline (2005) argue that the identification of specific personality characteristics associated with consumer behavior has proven to be highly useful in the development of a firm's marketing strategies. Hence, marketing strategies aimed at creating a strong brand bond with premium beer consumers should take into consideration what the life style of these consumers is where they consume beers and what image they wish to portray through the consumption of premium beer brands. Thus, the SAB would outperform its competitors by developing positioning strategies that reflect its premium beer brands as being equal to or superior to international premium beer brands, as this would enhance the personality that consumers want to portray to the public about themselves based on what they consume.

### Conclusion and Recommendations

The findings from the study show that the SAB could increase its premium beer market share by associating premium beer brands with the lifestyle of a particular group of consumers. This approach can be effective by emphasizing identification or association of the brand with a specific group of consumers whose image will be enhanced or reinforced by the outstanding attributes of the premium beer brand. Positioning a premium beer brand by a person or a group of consumers who are highly rated in society that is, the people that are seen by the society as being successful and hence being taken as role models will be seen as enhancing the consumers' reputation and social image, and in return the premium beer will gain more popularity. Thus, it is recommended that for SAB to succeed in growing its customer base, it should position its premium beer brands in such a way that it reflects the lifestyle of consumers in the market.

### Limitations of the Study

Even though the five premium beer brands considered in this study were carefully selected after a pilot study, it became evident that the number of brands chosen was limited, since five

premium beer brands represent a very small sample of the beer brand population currently competing in the South African beer market. Future studies should include 'lager' beer brands as well, since these brands also compete for market share with the premium beer brands. This of course will have budgetary implications. Time and budgetary limitations made it impractical to assess a wide range of the lifestyle and characteristics of consumers and their behaviour in the market using multiple data gathering instruments. A mixture of different data analysis techniques could have added further dimensions to the results providing an even more accurate account of the factors and variables mentioned in this study.

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