



Anheuser-Busch InBev

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RESEARCH BY *Joseph Philips*



When Anheuser-Busch InBev merged with South African Breweries (SAB) back in 2016, it was already the biggest brewer by volume in the world. As a result of the merger with SABMiller which is an integral part of the social fabric of South Africa, it was able to gain a foothold in Africa - widely regarded as the most prospective market in the world for beer sales.

The size of this potential is clear when one considers that the average African drinks 10 litres of beer per year, compared to 75 litres in the United States and 66 litres in Brazil. According to AB inBev's African President, Ricardo Tadeu 'Clearly there's room for making our products more present. In comparison to where we've been, these markets are still developing.'

120 years to its foundation in 1895. Taking advantage of the brewing pedigree of the many Dutch settlers in the country, it quickly gained a reputation as the country's primary brewer, establishing breweries all over South Africa - currently numbering 7 in total.

From those 7 breweries, the company has an annual brewing capacity of over 3.1 billion litres and control more than 75% of the local market. The greater continent of Africa is far more fragmented with the most popular choice in many countries still being home brews. The advent of high quality beers and distribution models like jumbo bottles and multi-packs is already showing serious ground in the continent as the beer market begins to mature.

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That development is an exciting prospect for brewers looking to compete in the market. Research Firm Bernstein Analysts has estimated that the brewer industry was worth \$10.8 billion, or 7% of the world's total in 2016. By the same token, they say that its growth for the next ten years should be two or three times that of global average. Anheuser-Busch InBev looks ideally positioned to capitalize on the growth.

Background

Despite only joining the Anheuser-Busch family in 2016 in a \$107 billion deal, SABMiller's history in South Africa goes back over

markets, we still depended too much on one pack. It's really useful to have different packs because then you always something attractive for consumers in terms of different promotions." Delivering the right promotions at the right times will be key to gaining a foothold in a market which is already seeing steady progress by competitors such as Diageo and Heineken.

However, being the world's biggest brewer brings its advantages - not least in the number of recognizable brands that Anheuser-Busch InBev has at its disposal. The merger with SABMiller in 2016 meant that the company has a drinks portfolio that includes global brand



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“As a global corporate citizen, Anheuser-Busch InBev is keen to emphasize the important role that it plays in Africa and elsewhere”

names like Corona, Stella Artois and Carling Black Label with African favourites like Flying Fish and Castle Lager. This gives it a broader appeal in a continent still finding its taste for beer, but more importantly, more shelf-space in Africa's supermarkets.

Responsibility to Africa

As a global corporate citizen, Anheuser-Busch InBev is keen to emphasize the important role that it plays in Africa and elsewhere. Its predecessor, SAB, implemented an employee

equity policy as far back as 1971, seeking to be a pioneer for positive change on the continent. Later on, in 2009, SAB tabled its broad-based black economic empowerment transaction, SAB Zenzele.

This kind of initiative continues today under Anheuser-Busch InBev. It has implemented policies which support local farmers which in turn have led to thriving barley, hops, and maize and malt industries. It also provides local suppliers and enterprises with business coaching and engineering support, and



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“One of the challenges of building a beer brand in Africa is to establish a high-quality network of partners and suppliers - particularly outside the larger markets of South Africa and Nigeria”

it invests in communities to promote and support sustainability education, safe driving, responsible drinking and alternative energy use.

For example, in Africa, the company's Retailer Development Program operates in 13 markets and has trained over 10,000 small retailers to help improve their businesses and incomes. Likewise, in South Africa, it has committed to a package of public interest investments, which include 1 billion

ZAR invested in areas including supporting smallholder farmers and promoting enterprise development.

Suppliers and Partners

One of the challenges of building a beer brand in Africa is to establish a high-quality network of partners and suppliers - particularly outside the larger markets of South Africa and Nigeria. Anheuser-Busch InBev has managed this, and done so through working with a combination



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of local providers and partnerships that it had already developed in other markets.

Global consulting firm Accenture has a symbiotic relationship with the company, whereby it helps Anheuser-Busch InBev gain key insights into its markets, which it can also use for its own benefits. Ecolab provides a similar role - conducting research into sustainable practices in energy, water and agriculture, which can then be implemented throughout its operations.

Other key partners include Chespak (an innovator in packaging), Convoy Haulage (which helps navigate many of the logistical challenges presented by Africa’s sprawling landmass) and Pride Milling Co and UNIGRAIN (both of which ensure a constant high-quality supply of many of the ingredients needed for such a broad range of beers).

Africa is Rising

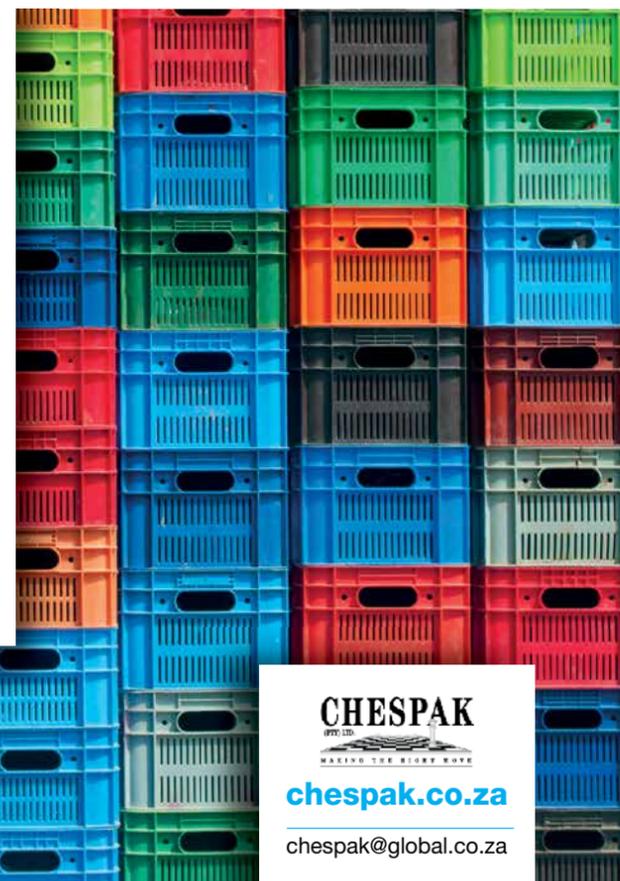
In its most recent strategy, introduced in early 2018, Anheuser-Busch InBev began discounting some of its beers to capture new segments of the market. It’s already

reaping rewards with low double-digit growth announced in South Africa for the first half of the year. Many of these new customers will move on to different brands in the portfolio, experimenting to see which beer best suits their palate.

To deliver on this huge growth potential, the company announced earlier this year that it was opening breweries in Nigeria, Mozambique and Tanzania, with the latter bringing a \$100 million investment to the east African nations. The potential that is being brewed here is generating jobs, attracting still further investment and developing world class training programs in countries where they are badly required. Africa is rising. **BE**

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