Others likely to follow in SABMiller's footsteps

HARARE, ZIMBABWE: Other powerhouse commercial beer industry players such as Brandhouse are likely to follow in the footsteps of global brewer, SABMiller, which has expanded its Chibuku brand into the rest of Africa.



SABMiller's expansion of its Chibuku brand into 10 other African countries follows a US$16m investment in its operations over the last 18 months.

The company is now expecting to continue to increase earnings from its African operations as investments in higher production and marketing begin to tap into more of Africa's growing economies.

Sarah O'Carroll, an analyst at Frost and Sullivan, said "the commercial beer market in Sub Saharan Africa is far from saturated and growing" rapidly.

The rapidly growing population in sub-Saharan Africa and the improved disposable incomes in the region will attract other global beer brewers to invest in the region's commercial beer market.

"Over the next ten years it is likely that we will see more giants in the global liquor industry like Brandhouse and SABMiller further expand into Africa to take advantage of this growing market," O'Carroll told *I-Net Bridge/Business Day* in emailed responses last week.

"Growing wealth in the region and urbanisation" are seen as the major growth drivers for the region's liquor market.

Experts say the low-income segment of the commercial beer market in the region is a "very lucrative portion of the market" as this segment purchases liquor in the informal sector.

This, said O'Carroll, presents opportunities for brewers such as SABMiller and Brandhouse to expand their commercial beer brewing.

An economic analyst, Jefferey Kasirori told *I-Net Bridge/Business Day* last week that there was a gap in the beer market in

sub-Saharan Africa as most brewers were concentrating on the top end of the market, leaving a sizeable gap.

O'Carroll said South Africa had the most developed liquor market on the continent, with the informal sector still accounting for about 60% of the market. In the rest of Africa, "the informal sector accounts for about 80% of the liquor market" although "home brews account for 80% of beer consumption".

SABMiller has however taken the first mover advantage as it is "looking to further capitalise on its expansion into sub-Saharan Africa, by expanding its product portfolio and consumer base" after announcing that it was taking the Chibuku brand into more countries.

The company's initial expansion into sub-Saharan Africa was characterised by the acquisition of successful breweries on the continent, allowing it to increase its consumer base on the continent.

However, analysts say the product portfolio was targeted at the mature beer drinking market, which in any case constituted a small portion of the population.

"By introducing Chibuku, SABMiller will be able to penetrate the low-end of the market, increasing its consumer base once again."

76% of SABMiller's Ebita earnings come from developing and emerging markets, with 13% coming from African markets outside South Africa.

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