SABMiller taking Chibuku beer to rest of Africa

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SABMiller has taken its traditional African beer brand, Chibuku - which is manufactured using either maize or sorghum - into ten other continental countries, a move the company says is motivated by its "affordability" and "product innovation" strategies.

Credit: Jason Alden/OneRedEye

SABMiller has brewery operations in most sub-Saharan African countries where its products enjoy a dominant market position. The company's Zimbabwean unit, Delta Corporation - which also manufactures the Chibuku opaque beer brand - has seen its market capitalisation soar above $1bn on the Zimbabwe Stock Exchange (ZSE) on the back of revived foreign investor interest.

Analysts told *Business Day* on Wednesday [10 October 2012] that SABMiller's strategy to take its Chibuku brand into more African countries will diversify its product portfolio in the countries where it has expanded to. Economist Jeffrey Kasirori said there was a gap in the beer market in sub-Saharan Africa as most brewers are concentrating on the top end of the market, leaving a sizeable gap.

"It's a worthy venture because Chibuku has been successful mainly in Zimbabwe and Zambia and there are marked similarities with market patterns in other countries such as Lesotho, Mozambique and Swaziland," he said.

However, other analysts were skeptical of the move, saying improved incomes for the majority of the people in Africa will in the next few years boost consumption of sparkling lager beers. This makes the uptake of lower end market products such as Chibuku less attractive "although there is always a gap" in the market.

SABMiller's expansion of its Chibuku brand into ten other African countries comes on the back of a $16m investment in its operations over the last 18 months. This effectively doubles its Chibuku product availability, beyond the current four countries - Zimbabwe, Malawi, Zambia and Botswana.

Mark Bowman, SABMiller's managing director for Africa, said on Wednesday the brewing giant had invested immensely in

the new product and new lines to boost production, which he said had to be maintained above demand.

"We have been investing heavily to grow capacity and stay ahead of demand across Africa. The expansion of our Chibuku operations illustrates how we are driving our affordability strategy, product innovation and maintaining momentum behind our 'Farming Better Futures' programme through this continued investment."

SABMiller launched a localised variant, the Chibuku Super, last month in Zambia while new production lines of the product are expected to be put in place in Mozambique and Zimbabwe before the end of this year. Additionally, full scale production of Chibuku has now been launched in Ghana, Swaziland and Tanzania following successful pilot schemes.

In Lesotho, a pilot project for the production of Chibuku has been launched with commercial sales expected in the next few months while in Uganda, SABMiller is planning a new plant as part of the new brewery under construction in Mbarara.

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