Africa's Intoxicating Beer Markets

Brian J. Hesse

Abstract: African beer markets are increasingly being commercialized. Select brewers are going to extraordinary lengths to attract new customers on the continent. Economic and business "life cycle" models usually indicate that this can only go on for a finite period, that industries, companies, and products, just like organisms, must move through stages of emergence and maturity to inevitable decline. Such expectations may be too rigid in the African context. Such are the continent's dynamic economic and social realities that commercial brewers, and especially a handful of multinational corporations, look capable of staving off decline—an intoxicating prospect for them indeed.

Résumé: Les marchés de la bière africains sont de plus en plus commercialisés. Des brasseurs sélects font des efforts astronomiques pour attirer de nouveaux clients sur le continent. Les modèles économiques et commerciaux basés sur le principe du "cycle de vie" semblent indiquer que ce phénomène ne peut se poursuivre que sur une durée limitée, sachant que les industries, les entreprises et les produits, tout comme les organismes vivants, passent par les étapes de l'émergence, de la maturité, et finissent par un déclin inévitable. De tels paramètres peuvent être considérés comme trop rigides dans le contexte africain. La dynamique des réalités économiques et sociales du continent sont telles que les brasseurs commerciaux, et en particulier une poignée de sociétés multinationales, semblent capables de conjurer un tel déclin: voici en effet un avenir bien grisant en perspective pour ce marché.

Keywords: Multinational corporations; beer; *chibuku*; SABMiller; Castel; Heineken; Diageo; neocolonialism; industry life cycles; marketing; branding; cassava; sorghum

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Mature Markets, Youthful Prospects

In 2011 Africans were at the lowest end of global beer consumption, consuming a mere nine liters of commercial beer per person, per year. By comparison, beer drinkers in North America and Europe consumed nearly seventy liters per capita. Put another way, on a continent with nearly 18 percent of the world's population, Africa represented a mere 6 percent of global beer volume (Planting 2013). Additionally, Euromonitor, a research firm, estimates that "legal beer" accounts for less than 1 percent of consumer spending in Africa and the Middle East region (Sonne, Maylie, & Hinshaw 2013). If one thinks of such consumption realities in terms of a life cycle, then North American and European commercial beer markets are pensioners. African beer markets, by contrast, look youthful, if not infantile.

Raymond Vernon was one of the earliest scholars to popularize the idea that the concept of life cycles can be applied in areas beyond ecology.[1] His 1966 article, "International Investment and International Trade in the Product Cycle," explains how, in an initial "new product" stage, a company produces and sells only in its home market. Sales in such a market, and resulting revenues, can then be leveraged into expansion. In the "maturing product" stage, production is expanded in both a company's home and foreign markets. This allows the company to maximize economies of scale, to take advantage of lower labor costs, and to avoid trade barriers where they exist. Eventually the company's production abroad may even supplant its production at home (a phenomenon called "offshoring"). At this point, though, the company faces new challenges when the success of the first two stages attracts the attention of competitors. Ultimately, in a final "standardized product" stage (the point at which the characteristics of a product and its production processes have become well known), the company's principal markets become saturated, initial comparative advantages erode, and the company's profits, if not the company itself, begin to decline.

Of course, Vernon is but one of a number of scholars who engage in economic and business life cycle modeling. Many others have since hypothesized or affirmed to varying degrees that industries, companies, or products follow a general pattern: they emerge; they mature to a zenith; they then decline.[2] The renowned economist Joseph Schumpeter (1934, 1939, 1942) posited yet another inevitability: that industries (and by inference also some businesses and products) are destined to die as part of the "creative destruction" cycles of capitalism. With these ideas in mind, SABMiller provides a fascinating case study of one company's development.

South African Breweries (SAB) was founded in 1895 to meet the beer desires of gold prospectors coming to the highveld near Johannesburg. In 1999 the company shifted its global headquarters to London. In 2002 it acquired the U.S. brewing company Miller, forming what is today SABMiller, the world's second-largest brewer after Anheuser-Busch-Inbev (Walsh 2013). As an indication of its corporate reach, SABMiller has breweries in

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thirty-seven African countries, producing or distributing some thirty-six branded "African beers," from St. Louis beer in Botswana to Zambezi Lager in Zimbabwe (SABMiller 2013b).

On the one hand, SABMiller's development has, at least to date, followed Vernon's life cycle model quite well: the company started out in one country, moved overseas, expanded though numerous markets, and now faces stiff competition from the likes of Anheuser-Inbev, Heineken, Diageo, and others. This should indicate that SABMiller has reached the "standardized product" stage—what some life cycle scholars might classify as being at, or close to, the peak of maturity—and is therefore destined for imminent decline. On the other hand, the African continent accounts for a mere 12 percent of SABMiller's global sales while generating a full third of the company's operating profit (Jannarone 2013). Revenues are growing at a double-digit pace. Consequently, SABMiller executives are directing almost one-third of their investment capital toward Africa (*The Economist* 2012a), betting that the continent will provide their company with many more profitable years.

This article highlights how the African continent's dynamic economic and social realities excite select commercial beer brewers, and the extent to which they are likely to attract customers there. Africa is the world's fastest growing continent economically. In the past ten years real income per person has increased by more than 30 percent (August 2013). Already one in three Africans has reached middle-class status, and this group's ranks will swell by some 50 percent in the next decade (Dalby 2013). The continent is also a demographic powerhouse. The median age in Africa is 19.7 years (*The Economist* 2012c), and with declining fertility rates and increasing life expectancy, there will be a smaller proportion of youth and elderly but lots of individuals in the most productive stages of their lives. The continent's spending potential for consumer products is on course to double from current levels to almost U.S.$1.4 trillion by 2020 (Diageo 2013b); and correspondingly, African consumers are expected to increase their commercial beer consumption by some 4.6 percent per year for the foreseeable future, double the global rate and faster than any other region (Sonne, Maylie, & Hinshaw 2013). This demographic bulge, reflected in the growth of the continent's workforce from 460 million in 2010 to an expected almost 800 million by 2030, promises masses of people with varying degrees of disposable income (Fengler 2013). Beer brewers want to tap these trends. One way to do this is to appeal to African tastes and sensibilities.

The article suggests, at least in the African context, a reconsideration of Vernon's life cycle model specifically, and other economic and business life cycle models generally. This is because, again, many economic and business life cycle models are premised on the idea that industries, companies, and products emerge, mature, and then fade away in a sequential (often bell-curved) process. Conceivably, especially for a handful of multinational corporations, African markets hold so much promise that companies may be able to "reset" or "loop" from a later life cycle stage back to an earlier

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one—to stave off decline by continuing to enter new African markets, add new customers, and gain new market shares. To this end, commercial brewers are adopting a range of innovations and strategies in Africa.

SABMiller in Uganda and Mozambique

Pombe, Dolo, Bouza, Merissa, Chibuku: While traditional African beers may be called different names in different parts of the continent, most are derived from sorghum, maize, or millet. Many tend to be lumpy and possess a distinct, what some would call "sour," smell. In these odors SABMiller has sniffed commercial opportunity.

In Uganda, two of the country's most well-established mainstream beers are Uganda Breweries' Bell Lager and Nile Breweries' Club Pilsner. SABMiller calculated that these beers were beyond the means of the average African consumer, and as a consequence it set out to make an affordable, desirable alternative. In the words of SABMiller's Africa marketing director, Dave Carruthers, "Creating affordable, high-quality beers that are accessible . . . is an important part of our strategy in Africa. They are already drinking informally, so we're not talking about consumers who aren't already participating. Rather it is a case of bringing them into the formal market. . ." (quoted in Costa 2011). What SABMiller produced in 2002, through its subsidiary, Nile Breweries, was Eagle Lager.

Nile Breweries' ability to source raw materials in a new way became key to making the affordable drink. Company officials approached some nine thousand Ugandan small-plot farmers with a guaranteed, above-market price for locally grown sorghum—a cheaper option than buying (usually imported) grain like barley. Furthermore, because this sourcing technique was pitched to the Ugandan government in terms of economic development and community empowerment, the government granted a tax exemption. In the end a 70 percent price point was achieved, meaning that Eagle Lager was, on average, 30 percent cheaper than other mainstream beers. It worked. Eagle Lager—the world's first clear, sorghum lager made on such a commercial scale—began to draw a profitable following. By 2011 the beer was SABMiller's second best-selling beer in Africa (*Marketing Week* 2011). A framework for expansion had emerged.

In November 2011 SABMiller started producing another sub-mainstream brand, Impala Lager, this time in Mozambique. In contrast to Eagle Lager, Impala Lager's main ingredient is cassava—the starchy, drought-resistant, tuberous root capable of flourishing in even the most marginal of African soils. SABMiller's making of Impala Lager has echoes of its Ugandan experience. The company, via its local brewing subsidiary, Cervejas de Mocambique (CDM), initially contracted with some two thousand Mozambican small-plot farmers. The Mozambican government was then sold on the idea that Impala beer was as much about economic development as alcohol; as a result, the government agreed to impose no more than a 10 percent excise tax, a much lower tax than the 40 percent tax that is standard for other beers. But then

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something different was done. Recognizing that as much as 40 percent of subsistence farmers' cassava crops end up rotting in their fields (Moorad 2013), mainly due to transportation issues, CDM/SABMiller thought it prudent to go to farmers rather than wait for farmers to come to them. What appeared at the edge of farmers' fields were rolling lorry-sized Autonomous Mobile Processing Units (AMPUs), developed with help from the Dutch Agricultural Development & Trading Company (see DADTCO 2013). In the field AMPUs are fed raw cassava via a conveyor belt. Inside, the roots are mechanically churned in basins of water. Once clean, the cassava is mashed and semi-dehydrated. At the far end of the AMPUs a white "cake" emerges, hermetically sealed in plastic bags. These bags are then loaded on trucks for delivery to a brewing plant (SABMiller 2011).

Both farmers and CDM have benefited from the invention of the AMPU. In the past a peasant farmer might have been able to take only small batches of cassava to town for sale, having to utilize public transport to do so. This hit the farmer at both ends of his budget. His expenses were increased because he had to pay transport fare, often for multiple trips. His revenue was reduced because public transportation can accommodate only limited amounts of cassava, and in the time required to get to market and then back to the field, inevitably some of the harvest would spoil (cassava can go "off" in as little as twenty-four hours). Now, for those farmers who contract with CDM, almost all of the cassava ends up being purchased and they have no transportation costs. For its part CDM, because it can buy up nearly every bit of cassava at a field's edge, has been able to increase both the amount and quality of cassava it acquires, in essence achieving a volume discount for the main ingredient in its Impala beer (which is already a cheaper ingredient than grains). Shipping and storage costs, and production runs, are helped, too. The bagged cassava cake stacks and packs far better than raw roots on vehicles and in warehouses; this means fewer journeys over potentially axle-breaking roads and the navigation of fewer police checkpoints (where officers sometimes ask for "gifts" in order to let a truck pass). Because AMPU-processed cassava contains 40 percent less water than the raw stuff, it is much lighter; there is less wear and tear on vehicles and less fuel consumption as a consequence. Since spoilage has virtually become a thing of the past, plant managers can now schedule production runs with more flexibility. In sum, AMPUs have played a part in raising farmers' incomes *and* lowering CDM's costs.

Today Impala Lager tends to be priced at about 70 percent of the average cost of other commercial beers. The price, and ostensibly the taste, seems right. At the start of 2013 consumption of Impala beer stood at a rate of 100,000 hectoliters per year with a steep upward trajectory. Projections are that consumption could be at a rate as high as 365,000 hectoliters per year by the start of 2014 (DADTCO 2013).

In December 2012 SABMiller's senior vice president of sustainable development, Andy Wales, noted that his company's Mozambican experience had "the potential to be developed in many other markets around Africa,

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where cassava is the mostly-widely grown, but least commercialized crop" (allAfrica.com 2012). His comment proved a portent of what was to come. In March 2013 SABMiller launched in Ghana its second cassava beer in Africa, Eagle Lager. "By creating market opportunities for subsistence farmers in our value chains, we are able to increase their productivity, allowing them to . . . generate an income for the first time," Wales said (quoted in Moorad 2013). What remains unsaid is that SABMiller is banking on the fact that many of these farmers—and many others—will opt to spend some of their newly earned income on SABMiller products.

A third newly developed SABMiller beverage is Chibuku, a traditional lumpy drink with porridgelike consistency and a "sour" taste. It has been brewed and consumed in African villages and huts for millennia. The emergence of chibuku as a more formalized drink, though, is often attributed to Max Heinrich, who in the 1950s wrote down a local brewing formula in what is today's Zambia. From then on, the story goes, locals began calling it *chibuku*—meaning "by the book" (*The Economist* 2012a). SABMiller has taken the formalization of chibuku to the extreme, offering a "traditional" African beer brand of the same name in markets throughout the continent.

Chibuku (the SABMiller branded version) was originally packaged in distinctive blue-and-white cardboard cartons. Drinkers usually gave the container a series of vigorous shakes before peeling the drink open in order to mix the ingredients, which tend to separate into a milky liquid on top and a yogurtlike paste on the bottom. This earned it the informal name "Shake, Shake." Early versions of the drink had a shelf life of about five days and it would often become more alcoholic with time as fermentation would continue right up to when the drink was dispatched. Today's Chibuku can have a shelf life of around twenty-one days and the alcohol content has become more consistent. In some markets cardboard containers have been replaced with plastic ones, complete with screw-top lids. This has yielded bottom-line benefits. Chibuku is now not only purchased at bars and stalls for immediate consumption, but is taken off premises, too, to be consumed in homes and at parties. Plus, as the shelf life of the product has improved, Chibuku is being delivered to ever more distant markets. Many consumers like the fact that SABMiller's Chibuku is priced at 60 percent of the average cost of most bottled commercial beers. Most Chibuku drinkers seem drawn to the drink's "African identity." Nearly all consumers can appreciate that in contrast to some homebrews, SABMiller promises its product will be hygienic and devoid of dangerous additives (*The Herald* 2013). As a result, "shake, shake" can be heard in many parts of Africa.

To date Chibuku has been launched in no less than fourteen African countries covering a geographic swath from Ghana to Tanzania and from Uganda to Lesotho. A straightforward corporate logic predominates. SABMiller wishes to create a "ladder" for Africans to climb as their disposable incomes rise (Sonne, Maylie, & Hinshaw 2013). Start them drinking, say, lumpy Chibuku. Then convince them to trade up to low-price lagers such as Impala and Eagle. Finally, move them into premium clear beers

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such as Club Premium Lager (in Ghana), or Safari Lager (in Tanzania), or Nile Gold (in Uganda), or Maluti Premium Lager (in Lesotho).

Diageo and Heineken

All told, SABMiller holds a prominent place in the African commercial beer landscape, commanding an estimated 38 percent market share by revenues (Jannarone 2013). When framed in terms of commercial beer volumes, SABMiller's African market share rises to a whopping 60 percent (*The Economist* 2012a), helped tremendously by its 90 percent near-monopoly market share in South Africa (Shevel 2013), a country where people consume nearly seven times as much commercial beer per capita as Africans elsewhere (Planting 2013). Other multinational brewers want a piece of the action.

One competitor looking to challenge SABMiller's market dominance is Diageo, already the world's largest producer of spirits but also a major producer of wine and beer. The company's tactics mirror those of SABMiller in many ways. For example, the president of Diageo's Africa division, Nick Blazquez, has openly said his company wishes to "encourage (African) consumers to trade up, out of the informal sector." A good first step, he has stated, is for Diageo to provide "affordable alternatives . . . to illicit brews" (Diageo 2012). To this end, in 2012 Diageo crossed a threshold in that over half of the ingredients in its African beer offerings were locally sourced, often from small-scale producers. This subsequently enabled Diageo to negotiate a series of tax breaks with African governments on economic development grounds. Resulting savings were passed on to consumers in the form of a number of subpremium (i.e., cheaper) products; for example, Diageo now produces a Ghanaian cassava beer of its own, Ruut Premium beer. The beer costs 40 percent less than nearly all other commercial beers in Ghana and 10 percent less than SABMiller's own Ghanaian cassava beer (Clinch 2013). Additionally, in 2013 Diageo executives bought a 50 percent stake in United National Breweries, a South African company with an established sorghum beer business. In so doing Diageo gained a toehold in South Africa, Africa's largest commercial beer market. But Diageo executives also obtained the means to produce an equivalent to Uganda's Eagle sorghum lager, or perhaps a commercial chibuku equivalent, beers that could be distributed and sold across southern Africa and beyond.

Diageo executives view such cassava beers and lumpy lagers as the first rung on a product ladder stretching to premium offerings. Accordingly, in 2012 the company purchased Serengeti Breweries in Tanzania and Meta Abo Brewery in Ethiopia. It also built a third brewery in Tanzania for East African Breweries Limited (EABL), a Diageo subsidiary, boosting the company's brewing capacity in Tanzania by 50 percent (Diageo 2012). The three breweries are known for their Serengeti, Meta, and Tusker upmarket beers, respectively. All three brands typically sell for between U.S.$1.00 and U.S.$3.00—a price Diageo bets ever more Africans will be able and willing to pay.

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In 2012 Anheuser-Busch-Inbev, the Belgian–Brazilian multinational headquartered in Leuven, Belgium, was the world's largest brewer by volume; the company produced 355.6 million hectoliters of drink. SABMiller came second, with 279.2 million hectoliters. Heineken was the world's third-largest brewer, producing 212.2 million hectoliters (Walsh 2013). Yet there was one area where Heineken arguably came first: in sponsoring events popular in Africa, especially those associated with sport. That said, the most popular sporting franchise sponsored by Heineken is not really "African" in the strictest sense; it is Union of European Football Associations (UEFA) Champions League football, previously the European Cup—for which Africans (and many other people around the globe) are absolutely mad.

Africans stand out in the Champions League. In the 2011–12 season, Côte d'Ivoire's Didier Drogba scored more than one hundred goals in just over two hundred appearances playing for Chelsea. His fellow countryman, Yaya Toure, plays for Manchester City and was the league's second top-passer last season; he averaged seventy-five passes per game with a 90.5 percent accuracy rate. The Cameroonian athlete Samuel Eto'o plays for FC Barcelona and is one of the most successful footballers of all time, having been part of three winning teams of the Champions League Cup. Since 2004 no fewer than eleven Africans have been part of Champions League Cup winning clubs (*The Africa Report* 2013).

Having such high-performing, high-profile continental brethren in the Champions League encourages many Africans to watch UEFA matches. Consequently, since 2005 Heineken has paid U.S.$70 million per year to partner with the Champions League (Emmett 2010). The partnership provides Heineken with guaranteed advertising slots during match broadcasts. In the words of Hans Erik Tuijt, Heineken's "global manager of activation," "There are five million people who go to the stadiums but there are one billion people (globally) who watch it. We do it for the viewers. It's an awareness in a great part of the world, in order to get a closer relationship with the consumer" (quoted in Emmett 2010). In order to develop an even closer relationship with viewers, Heineken conducts a "Champions League Trophy Tour" in which UEFA fans can get their photograph taken with the trophy. It is estimated that nearly fifty thousand people in Africa did so during a 2010 tour (Emmett 2010). The Heineken logo featured prominently throughout. Promotional items were freely given. And "Heineken Ambassadors" spoke during the tour about Heineken subsidiaries' African offerings, from Amstel in South Africa (where Amstel has a 9% market share) (Shevel 2013), to Primus in The Democratic Republic of Congo, to Star Lager in Nigeria (Heineken 2013b).

Heineken's engagement with football-loving fans also incorporates technology. It is estimated that Africa has more than 650 million mobile phone subscribers—more than the United States or the European Union (Yonazi et al. 2012). No less than 20 percent of these subscriptions involve phones that are data-enabled for Internet use (Manson 2013).

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A World Bank/African Development Bank report, *eTransform Africa* (Yonazi et al. 2012), estimates that Internet bandwidth has grown some twenty-fold since 2009 which, in turn, has helped boost Internet usage by nearly 300 percent in countries such as Kenya (*The Economist* 2012b). As a result, Africans in even the most remote corners of the continent can, and do, participate in Heineken's Star Player competition. In order to play, participants must first visit the Heineken Star Player website or download a free mobile app. They then have to register basic information to create an account. Once an actual Champions League match begins, fans are expected to predict match outcomes in real time, accumulating different point amounts depending on the probability of each outcome compared to what actually happens. Additional points can be earned by answering trivia questions during pauses in play and through the gathering of various "achievement badges" and "power-ups." The Heineken name and subsidiaries' brands are woven into Star Player.

Heineken's marketing ventures also reach beyond football. Heineken has sponsored three of the last four Rugby World Cups (RWC), held every four years, and will sponsor the RWC in 2015. It also is the title sponsor of rugby's Heineken Cup, paying U.S.$17 million per year for the privilege (Emmett 2010). And moving from the field to the silver screen, Heineken has also "sponsored" Hollywood's most famous British secret agent, James Bond—a.k.a. 007—known among fans for ordering his vodka martinis "shaken, not stirred," but who in 2012 opted to down an on-screen Heineken as well (Seibert 2012). Because of Heineken's U.S.$45-million arrangement with the Bond film franchise, the brewer was able to premier *Skyfall*, the twenty-third installment in the Bond series, in Africa, one week before its official release date in the region. The company did this at simultaneous red-carpet events at IMAX Nairobi, Milimani City Cinema (Tanzania), and the Oasis Mall in Kampala. Later, simultaneous screenings were held on the other side of the continent, in Nigeria, with an equal amount of fanfare—and with just as many Heineken products on offer. One Nigerian newspaper, in what must have been a delight to the Heineken executives, seemed particularly enamored with the events.

> Before it was finally premiered in Nigeria, consumers of Heineken and fans of James Bond had waited in anticipation [for] the world's leading international premium beer [to] deliver . . . on its promise to host the movie premiere of the much-talked- about latest James Bond adventure, Skyfall, which was shown at Silverbird Galleria, Genesis Deluxe and Ozone cinemas in Lagos as well as Silverbird Abuja, Port-Harcourt and Enugu.
>
> It was a red carpet night of celebrities and suspense filled entertainment. The movie consumers and guests were treated to an exciting after party. Senior Brand Manager [of] Heineken, Jacqueline van Faassen, said: "When two great brands like Heineken and James Bond join together, excitement is guaranteed. Heineken and James Bond are closely linked: both are aspirational, premium, iconic and international. . . ." (Quoted in *Fortune* 2012)

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Heineken's manifold marketing efforts have yielded commercial benefits. Sales in the twenty African countries in which Heineken operates now make up 22 percent of the multinational's earnings before interest and taxes (EBIT)—this despite the fact that African countries represent only 13 percent of Heineken's global sales volume and 14 percent of its global revenue, and that they contain only 9 percent of the company's assets (Heineken 2013a). It is therefore unsurprising that Heineken's CEO, Jean-Francois van Boxmeer, has declared that "Heineken has a strong commitment to grow with Africa" (quoted in Aderinokum 2012).

Kenya Breweries Limited

Between 1991 and 2001 the consumption of regulated alcoholic drinks in Kenya collapsed by some 40 percent in volume as the Kenyan government imposed ever-higher taxes (Okong'o 2013). Yet Kenyans did not stop drinking. Rather, they switched to a range of informal or illicit concoctions beyond the taxman's reach. Indeed, Diageo's own research suggested that as much as 50 percent of all alcohol in Kenya was so consumed (Clinch 2013). *The Economist* captured one aspect of the illicit market in a 2010 article.

> The Korogocho slum is one of the poorest in Nairobi, Kenya's teeming capital. Its 120,000 residents occupy a stinking square kilometer by the city rubbish dump. Nearly three-quarters are under 30 years old. Many are alcoholics.
>
> The equivalent of $1 is enough to buy four glasses of illegally brewed *chang'aa*—and oblivion. Some drink the local special, jet-five, so called because the fermentation of maize and sorghum is sped up with pilfered jet fuel. It can damage the brain. Elsewhere in Nairobi, *chang'aa* is spiked with embalming fluid from mortuaries.
>
> The name, meaning literally "kill me quick," is well chosen. This and other methanol-based kickers are sometimes fatal: 10ml of methanol can burn the optic nerve; 30ml can kill. Even without the kicker the brew is impure. The water is filthy with fecal matter. When police recently made some raids, decomposing rats and women's underwear were found in servings of *chang'aa*. But the price and the potency are more tempting than the heavily taxed bottles of beer that are the staple of richer Kenyans.

Today most commercially produced beers in Kenya continue to have high excise taxes associated with them. These taxes are as much as 70 KSh (U.S.$.80) per liter (Wahome 2013), in a country where the per capita income is under U.S.$5.00 per day (CIA 2012). Consequently, individuals making and peddling informal and illicit beers might be forgiven for thinking they have little to fear in terms of commercial competition. In reality one particular commercially made Kenyan beer is poaching their customers: Senator Lager. In 2012 Diageo's pioneering brew racked up nearly U.S.$157 million in sales (Wahome 2013), doing so one 35-KSh jug (U.S.$.40) at a time (Sonne, Maylie, & Hinshaw 2013).

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The appearance and popularity of Senator Lager happened due to a confluence of circumstances. In 1998 in Machakos, Kenya, eighty people died in a single night after drinking chang'aa laced with methanol. In 2000 one hundred and thirty people perished in a single night in Machakos, almost four hundred were hospitalized, and some twenty people were permanently blinded (Carraway 2010). Subsequent drinking-related fatalities, though smaller in number, cemented the Kenyan government's desire to do something regarding chang'aa.[3] At the same time, Diageo was looking for new market opportunities at the lower end of the beer market. The two made an agreement: Kenya Breweries Limited (KBL—a Diageo subsidiary, via East African Breweries Limited) would produce a hygienic, alcoholic beverage with less alcohol by volume than chang'aa at a price that would appeal to Kenyans earning less than 200 KSh (U.S.$2.00) a day.[4] In return the Kenyan government would rescind all excise taxes on any such KBL drink. From the government's side, the hope was that public health would be served. From KBL's side, the hope was that new markets could be cultivated. The arrangement was at once a social project and an entrepreneurial endeavor.

To lower production costs and increase room for profit margins, KBL, like SABMiller's Nile Breweries, developed its own beer recipe derived from sorghum, which, as in Uganda, is widely grown throughout Kenya by small plot producers. The beer itself, though initially offered in bottles, evolved to be offered in keg form, which lowered packaging costs and resulted in less breakage during shipping. Chang'aa producers were recruited to become Senator distributors and sellers—to give them "an alternative source of (legal) income" in the words of KBL's managing director (quoted in Okong'o 2013)—with the goal of eliminating would-be competitors and increasing Senator's market share. KBL's early advertising budget was not spent on television and print media; Senator's target demographic could not afford televisions and likely did not buy newspapers. Instead it took grassroots form. Informal shacks were painted for free in the "Senator" name. Samples were handed out. Neighbors were paid to give word-of-mouth testimonials to neighbors. High population-density slums close to the Senator plant were of particular interest since these areas offered high potential consumer densities, too, which minimized shipping and distribution costs. Because Senator came to be a draught offering, dispensed from kegs, barkeepers and consumers were given reusable Senator jugs somewhat resembling a bong; drinkers thought they were getting larger servings from the jugs, and therefore more beer for their money. This helped drive sales (Barclay 2008).

Senator Lager also benefited from a dose of good timing and a clever word association contributed by customers. By late 2004 KBL's beer had assumed the official name of "Senator Keg." Unofficially drinkers were calling it "Obama," in honor of Barack Obama and his recent election to the U.S. Senate. Obama the Senator fostered interest in Senator beer. In fact, an internal post-launch market survey showed slight erosion in sales

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of Diageo's premium brand, Tusker, as even middle- to upper-income drinkers shifted allegiance "downward" to the trendy beer (Okong'o 2013). What was mere interest then became near mania in Senator Keg when Obama won the presidential election in 2008 and was reelected in 2012.

Today some four out of every ten liters of commercial beer consumed in Kenya is Senator Lager. Nearly one hundred thousand people (including more than 13,000 Kenyan farmers) are employed in a supply chain running from sorghum fields and rural areas to slums, city centers, and suburbs (Okong'o 2013). The brand is being expanded not only throughout Kenya, but also regionally (Diageo 2012). A virtuous cycle is resulting, at least in the eyes of Diageo and KBL executives. For one, just as the Kenyan government wanted, fewer drinkers are consuming dangerous or illegal brews in lieu of their safer, commercial option. This is demonstrated by the fact that studies show the share of disposable income Kenyans are spending on alcoholic beverages has remained unchanged even as sales of Senator have boomed (Sonne, Maylie, & Hinshaw 2013). In turn, booming sales of Senator are boosting Diageo's bottom line while laying the groundwork for consumers to "trade up" to other Diageo products. Indeed, Diageo's annual results in 2012 showed a 21 percent growth in commercial beer consumption regionally. The Kenyan Revenue Authority reported in the third quarter of 2012 that commercial "non-malt beer consumption" (a euphemism largely understood to mean Senator Keg, mostly) increased by nearly 60 percent in Kenya alone (Wahome 2013).

Yet such growth should not hide inherent ironies. Recall that Senator Keg was developed partly for public health reasons. Chang'aa tends to have an alcohol content of 40 percent or more by volume, while Senator Keg has an alcohol content of "only" 6 percent by volume. Some argue that even if drinkers consume just as much Senator Keg as chang'aa, at least they will ingest less alcohol in the process. In reality, however, some have begun ingesting more alcohol. The flagship commercial beer of East African Breweries Limited is Tusker Lager, which has an alcohol content of 4.2 percent by volume. When middle- and upper-income Kenyans opt for cheap Senator Lager (35 KSh a pint, or about U.S.$.40) over Tusker Lager (at no less than 100 KSh a pint, or about US$1.14), what is facilitated is the purchase of more alcohol for much less money. Needless to say, this is hardly a recipe for combating alcoholism or alcohol abuse, threats to public health in their own right.

The "Big Three" and the Modern "Scramble for Africa"

Though the list of African commercial beers is long and growing, the most successful offerings are produced by only a handful of brewers. In fact, a mere three multinationals are behind over 81 percent of all commercial beer sales in Africa. SABMiller and its subsidiaries have grabbed 38 percent of commercial sales and Heineken has 18 percent (Clinch 2013). The other member of "The Big Three" is Castel, which represents 25 percent.

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SABMiller has announced that it is on course to invest no less than U.S.$500 million in Africa every year for the next four years ($2.5 billion between 2012 and 2017) (Edwards 2012). It has the resources to do so in part due to steps taken in concert with Castel, with whom it has had a strategic alliance since 2001.

At the turn of the century SABMiller (at the time, just SAB because SAB's acquisition of Miller did not happen until 2002) and the privately owned Castel group reached this alliance after assessing their comparative advantages. Because SAB had an established presence in southern and eastern Africa and Castel had a similar presence in western Africa, executives realized that battles to gain regional markets might drain their corporate coffers. Moreover, such attrition could allow Heineken, for example, to grab "their" markets. Détente took the form of share swaps. SAB was allowed to take a 20 percent stake in Castel's Africa operations, and Castel was allowed a 38 percent stake in SAB's (SABMiller 2001). In so doing, each multinational agreed to cede entire swaths of the African continent to the other.

Further, in 2012 SABMiller and Castle announced a continentwide mutual preemptive rights deal for Africa. This deal states that should either corporation look to sell any of its interests in Africa, the other corporation has "first rights" for buying them. This effectively offers SABMiller or Castel a way to shut out competitors from these two multinational corporations' claims. Recently SABMiller and Castel merged their management in Angola and Nigeria, the last two African countries where their operations overlapped but had been carried out independently. Explaining Castel and SABMiller's closer ties, Pierre Castel, Castel's French CEO, remarked, "After 10 years of alliance, it was deemed appropriate to review and upgrade our partnership (in Africa) with a strong focus on synergies" (quoted in Jones 2012).

If such continent-sweeping deals have a neocolonial air—think of the 1884 Berlin Conference where foreign ministers established ground rules for how European powers could exploit their own corners of the "dark continent"—then consider the biggest brewers' roots and corporate centers. Castel is French. Heineken is Dutch. Diageo is British. Even SABMiller, with its South African roots, is today headquartered in the United Kingdom.

Perhaps it is for this reason that corporate executives for Diageo, the fourth-biggest commercial brewer in Africa, have gone out of their way to highlight how "African" they are. Nick Blazquez, president of Diageo's Africa division, stated in a 2013 speech, "Whereas five years ago more than 50 percent of our leadership community were expatriates, Africans now account for two-thirds of Diageo leaders in Africa" (Diageo 2013b). Seni Adetu, the managing director of Guinness Nigeria, a subsidiary of Diageo, has struck a similar tone. When the Lagos newspaper *This Day* interviewed him in May 2013, he remarked that he felt "privileged leading one of Nigeria's foremost companies[,] . . . an organization that seeks to promote the re-Nigerianization of very senior CEO roles in Nigeria, the type of role

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that I fortunately occupy." To this he added that he was "representing generations of Nigerians yet unborn who would aspire to enrich their lives through the corporate ladder." Later in the same interview Adetu elaborated on what he did before coming to Nigeria. "The business I managed before this job at East African Breweries was a massive one," he said, "and I had the privilege of going there and leading a huge acquisition agenda for Diageo" (*This Day* 2013).

The Diageo executives quoted above inspire thoughts of the British colonial stalwart Sir Frederick Lugard. Like Seni Adetu, Lugard worked in East Africa (in Uganda) before his career took him to Nigeria. Like Adetu he had a London-based boss (King George V). Like Adetu as well he expressed appreciation for the role he was able to play in the success of a large enterprise. In Lugard's case, however, the enterprise was British colonization. In *The Dual Mandate in British Tropical Africa, 1926*, Lugard made the case for "indirect rule" in British colonies, by which the king would manage African affairs from afar, partly through his colonial governors, but especially "through native chiefs . . . [who are] keenly appreciative of our policy of indirect rule, and of the full powers they retain under their native institutions" (1926:197–98). In so doing, Lugard claimed, the British presence would achieve a degree of legitimacy that would advance British imperial interests.

It could be argued that Diageo has taken a page straight from Lugard's book. Paul Walsh, Diageo's CEO, watches the entire Diageo empire from London. Nick Blazquez, president of Diageo's Africa division, oversees regional concerns. In Nigeria, Seni Adetu manages more parochial matters. While it would be a stretch to call Walsh royalty, Blazquez a governor, and Adetu a chief, it is safe to say that each plays a part in serving interests far removed from Africa. Private corporations, after all, including their subsidiaries, are legally bound first and foremost to try to make money for investors and owners. Multinational brewing giants like SABMiller, Castle, Heineken, and Diageo are no different in this regard—which is why their structure and conduct lead to an interesting question. Imagine that a multinational corporation based in Europe adds yet another brewery to a list of breweries it owns in Africa. Further imagine that senior European executives place an African at the head of national operations in the African country where the brewery is located. The directive from corporate superiors to their subordinate is clear: produce a beer with local appeal. Given these facts, can it be said that the resulting beer is truly "African"? Smaller commercial brewers on the continent are proving adept at turning answers to this rhetorical question to their advantage.

Africa's Artisanal Beers

The largest brewers' strategies in Africa have allowed much smaller commercial brewers to establish their own market presence here. This is because some African consumers resist anything that hints of neocolonialism or

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foreign domination. Others simply like supporting locally owned and locally operated African businesses. Still others have beer appetites too specialized for the largest commercial producers. Smaller commercial brewers, then, can meet niche opportunities on the continent. Camelthorn Brewing Company (Pty) Limited, for example, is an underdog by any measure. The Windhoek, Namibia–based company produces a mere one thousand hectoliters of beer a year from its one modest property (Finweek 2011)—a far cry from the 279.2 million hectoliters produced in 2012 by SABMiller from its countless properties around the globe (Walsh 2013). What Camelthorn's customers want is an authentic artisanal product, and the company goes to great lengths to meet those demands. The CEO, Jörg Finkeldey, explains, "Social network(ing) drives our distribution. Is somebody driving to Otavi or Tsumeb? Then please take some Camelthorn along. They've run out again and are thirsty—can somebody help? No stock in Ongwediva? For a six-pack we find some courier who'll drop off the beer for us at the desired spot." The company employs eleven people. Rising demand means three more are set to be hired—an almost 30 percent increase in the company's workforce (Finweek 2011). It is safe to assume that executives at the largest multinational brewing companies are losing little sleep over Camelthorn's commercial success. Still, the fact that Camelthorn can be a commercial success speaks, in its own way, to the realities of some African beer markets.

The Brew in Nairobi is a microbrewery housed within a bar and restaurant called The Beer Bistro & Lounge. Aleem Ladak is the resident brewmaster and owner. "When I was growing up here it was only the big breweries' beers that were available. . . . There's a middle class that's really growing in Kenya—young professionals who have travelled or studied abroad, have some disposable income and want to try something different," he observes (quoted in McConnell 2012b). To slake their thirst and meet their specialized tastes, Ladak offers his handcrafted "Big Five" staple beers, a play on the five particularly dangerous animals that are hunted in Africa: Chui (leopard), a German-styled kolsch; Simba (lion), a pilsner; Tembo (elephant), a dark stout; Kifaru (rhino), a Belgian-style bock; and Nyati (buffalo), an American-style India pale ale. A 500 ml glass of any of these beers sells for around 350 Ksh (U.S.$4.00). By housing the microbrewery within his own bar and restaurant Ladak was able to build a commercial following for his artisanal creations.

Keroche Breweries Limited is a relative newcomer to the African commercial beer scene. Started in 2008, Keroche is an entirely Kenyan-founded, Kenyan-run business operating exclusively in Kenya, at least for now. Early on Tabitha Karanja, the company's CEO, focused on producing and marketing only two premium beers, Summit Lager and Summit Malt. So popular did these beers become that the company could only produce one-tenth of what the market was demanding. Karanja also noticed that many Kenyans were looking to augment the alcohol content of Diageo's Tusker Lager and Senator Keg, the country's most widely available commercial beers. In 2010,

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therefore, Keroche Breweries ventured into the spirits market by offering syrupy, vodka-based "alcopops" with the name brands Vienna Ice and Fiesta Ice. Both products contain 15 percent alcohol, with small, shot-sized bottles selling for about 35 KSh (U.S.$.40). Consumers did just as she hoped and began dumping the alcopops into their beers (Sonne, Maylie, & Hinshaw 2013). The net effect was that Keroche products were able to hitch a ride on other successful, usually Diageo, brands. Keroche's revenues increased, and the increased revenues in turn allowed Keroche to expand its commercial beer production. By 2012 Keroche had grabbed a 3 percent share of the Kenyan commercial beer market. The expansion continues. Plans for 2013 include breaking ground on a 2.5 billion KSh (U.S.$29.2 million) Keroche plant. According to Karanja, new production lines at the plant "will produce a variety of beers that could go up to 30 brands. . . . We intend to grow and take up 20 percent of the [Kenyan] beer market in a few years" (quoted in Wahome 2012).

Conclusion: Frothy Frontiers

South Sudan became Africa's newest independent country in July 2011, after more than 25 years of war. It is one of the world's poorest countries. A partial reading of its developmental challenges sounds like a government minister's nightmare: 38 percent of the population has to walk for more than thirty minutes one way to collect drinking water; 80 percent of the population lacks access to any toilet facility; only 10 percent of the population has access to electricity (and 9.6 % of them live in urban areas, where the power still comes and goes) (World Bank 2013); and virtually no road infrastructure exists beyond the capital of Juba, meaning some 60 percent of the population gets cut off from other communities for half the year due to floods in the rainy season (*The Economist* 2013). To make matters even worse, in 2013 South Sudan's government and military fractured. Civil war broke out in the country. Still, Southern Sudanese are not without commercial beer.

South Sudan Beverages Limited (SSBL), a subsidiary of SABMiller, churns out some one hundred and fifty thousand bottles of beer each day at its one plant in South Sudan, near Juba. To do so SSBL provides local employment, although it imports nearly everything but labor: malted grain from Europe, sugar from South Africa, fuel from Kenya to feed rows of generators. About the only local ingredient that goes into SSBL's products is water, from the nearby Nile River. The plant itself cost some U.S.$51 million to build. Only the oil and mobile telecoms industries have invested bigger sums in the country. What results are four brands of beer, the most nationalistic being White Bull, a light 4.2 percent lager (McConnell 2012a). Because Sudan is home to the largest collection of pastoral populations in Africa, and livestock husbandry is practiced widely in every region and state (see Feinstein International Center 2013), the White Bull name and label—if not the taste—have resonated with consumers. That said, it will likely take some time for SABMiller to earn back its investment in South Sudan.

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Nevertheless, SSBL's managing director, Ian Alsworth-Elvey, revealed much about SABMiller's motivations for entering South Sudan: "We recognized that if we got in here first we would have a big advantage. If it was a race, we wanted to win it" (quoted in McConnell 2012a).

As has been shown, the ways in which commercial brewers are attempting to "win the race" in Africa is stunning: the creation of economical sorghum- and cassava-based beers (with negotiated tax breaks on economic development grounds, due to contracting with small-plot farmers); the transformation of chibuku into the brand name Chibuku (lumpy, but a hygienic alternative to similar traditional brews); the development of technology for use in farmers' fields (automated processing units cleaning and packaging their crops) and in phones (interactive mobile apps); the melding of beer brands with popular entertainment (sports and movies); the co-optation of illicit alcohol producers and expansion into slums; the corporate acquisitions of a long list of subsidiaries and breweries.

When the economic and business life cycle models referenced in this article are juxtaposed against beer brewers' commercialization efforts in Africa, contrasting conclusions can be drawn.[5] For example, the biggest multinationals with a stake in Africa's beer markets face growth and profit challenges beyond the continent; accordingly, they look very much like businesses that are at, or nearing, maturity, placing them relatively close to a point of decline in the models. Inside the African continent, though, if investment patterns, revenue streams, and demographic trends are predictive, these same corporations look like "young" companies with much room for growth.

At the very least the African continent's dynamic economic and social realities are pushing the life cycle decline of some the world's largest multinational beer corporations to a more distant horizon. African consumers are doing more than just purchasing commercial beer, in other words; they are also buying time for these select companies. More intriguing, it is worth repeating what was stated early on in this article: most life cycle models, Vernon's particularly, are premised on the idea that industries, companies, and products emerge, mature, and then fade away in a sequential (often bell-curved) way. But this construct may be too rigid in the African context. African beer markets hold so much promise that some commercial brewers, especially a handful of multinational corporations, are poised to "reset" or "loop" from a latter life cycle stage back to an earlier one. In so doing, they have the chance to stave off decline—an intoxicating prospect for them.

Of course the commercialization of Africa's beer markets extends far beyond economics and market trends. Indeed, multinational brewers' actions in Africa lead to the question: are these corporations' actions generally "good" or "bad" for African societies? One could hypothesize that the usurpation of traditional brewing (i.e., Africa's artisanal beer makers) by large commercial brewers has had negative effects not only on local economies, but also social customs—from where and how relaxation takes place,

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to harvest rituals, to wedding and funeral ceremonies. Young people may be quite happy to see such changes. Elders perhaps less so.[6]

Another avenue for exploration addressed only in passing in this article is in the realm of public health: when compared to unregulated home-brews, do commercially produced beers truly offer a safer drinking alternative in terms of hygiene and controlled alcohol content? Similarly, how far-reaching and effective are various commercial brewers' "drink responsibly" campaigns in Africa, whether measured in terms of countering alcohol abuse, the spread of HIV, or domestic violence?

Still another area ripe for exploration—perhaps the most interesting area, in light of African history—can be framed in terms of neocolonialism: are multinational brewers merely engaged in one more neocolonial enterprise on the African continent? Or, in a move away from naked exploitation and toward nuanced corporate social responsibility, are these companies leveraging their international profits in mostly constructive ways with regard to, say, promoting conservation or widespread community development?

The author once observed the following Swahili saying in a bar in Tanzania: "Kutafuta pwani ili kuepuka mchele kavu" (Search the shore to avoid dry rice). Colloquially, this means that if you look hard enough, you will never come up empty-handed—you can always find something of substance to add to your well-being. Whether this is true in the case of the African beer markets will need to be answered by much more research and analysis.

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Notes

1. Raymond Vernon has variously been called "the discoverer of globalization" and a "globalism scholar." For an overview of Vernon's work and academic

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influence, see the obituaries in *The New York Times* (Aug. 28, 1999) and *The Economist* (Sept. 9, 1999).

2. See Utterback and Abernathy (1975); Utterback (1987); Utterback and Suarez (1993); Mueller and Tilton (1969); Gort and Klepper (1982); Klepper and Graddy (1990).
3. Illicit drinks like chang'aa are called different things in different parts of Kenya. For example, *busaa* and *mnazi* are two other such drinks. For this article, though, "chang'aa" is used as a catch-all term.
4. Kenya Breweries Limited (KBL) is technically a subsidiary of East African Breweries Limited (EABL). However, since Diageo owns EABL, KBL can be considered a subsidiary of Diageo.
5. See Note 2. See also Vernon (1966); Schumpeter (1934, 1939, 1942).
6. Generalizations should be approached with caution. In 2014 Guinness unveiled an advertising campaign featuring Brazzaville, Congo, "elders" known as *sapeurs*—a term derived from the original French name for the club the men belong to: Société des Ambianceurs et des Personnes Élégantes (SAPE, or The Society of Elegant Persons of the Congo.) In this club older men are quite open to change, especially with regard to fashion and also, as Guinness advertisers imply, to what commercial beer they should consume. See Evancie (2013); Crossan (2014); Guinness (2014).

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