

SABMiller says it has a head start in Colombia

SABMiller's strategy in Colombia was already suited to deal with new competitors, management told investors last month as the company prepares to contend with a fresh wave of competition in its single largest market.

By Nick Hedley 4 Dec 2014



The world's second-biggest brewer controls 98% of Colombia's market through its Bavaria subsidiary, which sells brands such as Aguila, Club Colombia, Miller Genuine Draft, and now also Grolsch.

Before SABMiller bought the company in 2005, Bavaria successfully fended off competition from entrants such as soft drink group Postobón - having ultimately bought Postobón's brewery.

But Postobón is planning a return by joining Chile's biggest brewer, Heineken-controlled Compania Cervecerias Unidas. They will invest 400m into a joint venture called Central Cervecera de Colombia (CCU) to build a factory near the Colombian capital of Bogota.

The plant's initial capacity of 3million hectolitres a year is worth about 15% of the current beer market. SABMiller expects to have one to two years before CCU starts producing beers locally.

CCU has an exclusive contract to import, produce and distribute Heineken products in Colombia. Heineken, the world's third largest brewer, recently turned down an SABMiller takeover offer.

Bavaria president Grant Harries said last month the company's strategies were "quite suitable" to counter competitive threats given existing plans to ramp up marketing spending "on clearly identified commercial growth opportunities". These include growing the group's portfolio of local and international premium brands - the segment Heineken would be competing in.

Bavaria plans to increase its marketing spend on identified growth opportunities, while continuing with its "pricing restraint" strategy as part of its efforts to make beer more affordable and accessible in Colombia, in the wake of a substantial excise hike in 2010.

Bavaria is trying to drive consumption per capita by making beer more affordable, growing its easydrinking portfolio, and increasing the frequency of consumption by promoting more at-home, midweek and weekend consumption.

Per capita consumption in Colombia is 43l a year, behind regional economies such as Brazil (67l a year) and world leader the Czech Republic (132l).

SABMiller Latin America president Karl Lippert said "it is difficult to imagine a scenario where we couldn't match them (CCU)", and that "SABMiller could handily match them dollar for dollar".

Lippert said it was "useful to have a direct competitor" as it galvanised the business while stimulating the beer market. When Postobón entered Colombia in 1994, beer volumes across the country grew 20% within two years, he said.

Source: Business Day

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