SA distiller grows revenues in tough markets

The focus by Distell, a major South African distiller, on achieving profitable sales growth in increasingly competitive local and global markets saw the company grow revenue 18,4% to R8 billion on a sales volume increase of 14,4%.

For the year to June 30, 2007, trading income increased 25,3% to R1,1 billion, the result not only of strong revenue growt but also of the company's capacity to extract an ever better performance from company assets, according to MD Jan Scannell. He said the ability to continue improving throughput and operating efficiencies had made it possible to significar increase brand investment and boost marketing and sales support while growing net operating margin from 13,2% to 14,0

Scannell said an attractive product mix, greater market investment and the focus on intrinsic and packaging quality standa had resulted in greater consumer support across all product categories.

Locally, sales volumes increased 15,6%. "Newly affluent black middle-class consumers have grown dramatically in numbe and spending power, with all the beverage producers vying for their disposable income, which has resulted in intensified competition," he said.

International business contributed 18% of total revenue, with export volumes growing 9,8%. Spirit volumes grew 23,2%, thanks to solid performances in all key markets. Drive wine brands showed an impressive 12,6% volume growth despite th worldwide oversupply and the contracting market share experienced by many players. Scannell said Distell had performec better than the South African wine industry in foreign markets, growing its share of bottled wine exports. Earnings from wi exports had also "significantly increased."

Building alliances

To underpin its international activities, the company had been actively engaged in establishing strategic alliances with trad partners, concluding several important agency agreements intended to bolster its presence in Europe, while strengthening ties in North America, Europe and Asia Pacific. He said there had also been encouraging growth, although off a small bas in developing markets such as Russia, China, Vietnam and South Korea.

He said revenue derived from African countries had grown 20,0% on a volume growth of 11,8%. African countries outside the BLNS region (Botswana, Lesotho, Namibia and Swaziland) delivered revenue growth of 31,5%, although off a still relatively small base.

Scannell said although local business conditions were expected to remain relatively good, the tightening in credit availabilit and higher interest rates would probably curb consumer spending to some extent. This could have a negative impact on consumer expenditure on alcoholic beverages. He added that globally, the impact of higher energy prices and interest rate could also put the brakes on consumer spending and that the effects of the global oversupply of wine were not yet over.