

How an elephant learned to dance



The Senator story

The first of a 3-part series on the story behind Kenya's world-class product innovation

In 2003, the management team of East African Breweries Limited (EABL) had a problem. The company was the dominant alcoholic drinks company in the region, routinely winning awards for corporate excellence and building a highly respected local management team. But there was a persistent headache: despite being the market supremo with 95% of the commercial beer market, EABL only held 44% of the country's overall alcohol consumption.

This was not just an issue for the brewer: it was also a problem for society at large. The larger share of the alcohol market (56%) was divided between traditional brews and illicit liquors. These products (some of which even had "modern" packaging) were leaving a trail of destruction behind them. The most extreme case was that of Mukuru Kwa Njenga and Mukuru Kaiyaba in November 2000, where 140 people reportedly died, many went blind and hundreds were hospitalized after consuming an illegally brewed and poisonous liquor called *kumi kumi*. The media was awash with similar stories at the time.

Former Chief Executive Gerald Mahinda called his team to action. As a responsible corporate citizen with years of brewing experience, the company felt obligated to provide a quality but affordable alternative to address the negative effects of some of the illicit brews. But the challenge of producing a beer that was affordable, respectable and of decent quality was huge. It had never been done before.



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Today, Senator Keg is regarded as an enormous success story, and has been featured in the international press and studied in business schools around the world.

Senator has won great popularity amongst its target consumers, and is christened "Obama" by its fans. Indeed its success has mirrored that of its more famous namesake, now no longer a senator but the holder of the most powerful office in the world. Five years down the line, our "Senator" too has beaten the odds to become Kenya's largest selling beer by volume.

This three-part special series tells the Senator story, from idea to execution. It is the story of a game-changing innovation by a determined management team - one that has had enormous social impact.

The elephant's first dance moves

Before the early 1990s most Kenyan alcohol consumers drank Tusker, EABL's iconic brand. Tusker was positioned as a socio-cultural motif that brought people together and made drinking a social pastime. At the time, no other beer brand could match Tusker's appeal.

However, the 1990s became the dark decade for the country's alcohol industry. Extreme taxation of alcohol saw retail prices sky rocketing. At the beginning of the decade the alcohol industry contributed 29% of total excise revenues; this rose to 56% in the mid-nineties. From a price of 13.50 Shillings in 1991, Tusker sold at 50 shillings in 2000. The economy was in a fragile state: low incomes and declining purchasing power combined with the excessive prices pushed the lower end of the market away from the mainstream alcohol market. Consumption of cheaper home-made and other brews began to grow as the commercial alcohol market dropped from 400 million litres in 1991 to just 240 million in 2001.

EABL's parent and key shareholder, Diageo, has a strict corporate philosophy embodied in its corporate values statement, calling upon employees amongst other things to take pride in what they do and how they do it. The public health aspect of the low-cost beer project neatly fitted into Diageo's social responsibility objectives, and at a management meeting Mahinda directed that if it was to attack this market it would have to do it the right way. The cards had been dealt and the management rolled up their shirt sleeves.

The company began making its first forays into new territory. But there were many surprises in store. The customers whom EABL had now set its sights on were in locations which, to their chagrin, had a very different drinking culture. "We were surprised to find many bars in low-income markets did not even stock mainstream branded beer," says EABL marketing manager Lemmy Mutahi.



EABL set up a multi-functional team was created to find the solution to this seemingly intractable problem. Its remit was to do the impossible: produce a high-quality beer for the lower end of the market with a great taste, and do it at a price that sells. Senior managers soon realised that they were trying to fit pieces into a jigsaw puzzle that had never been visualised before. It was vital that no critical aspect was left out, and the team was therefore constituted from the production, sales, marketing, research and finance departments. Even the external marketing agency had a slot.

The challenge was enormous. The only thing the team knew for certain (from a survey carried out six months into the launch of Senator beer in 2003) was that there was great potential in the lower-income market - and the market was growing fast. But what kind of product should be produced? How should it be marketed and distributed? How should it be positioned to win favour against cheaper products with very different cost structures? These were difficult questions, and EABL was in uncharted waters.

Experience had also shown that using the same market distribution routes as other EABL brands had eaten into their own market share. Customers simply shifted their allegiance and settled for the cheaper Senator brand. A new route to market had to be found.



The breakthroughs

The success that is Senator today did not come easily. For a start, the team realised that it little understood the demand side and there was divergent opinion on what moved the market. To harmonize their thinking through a better understanding of the consumer, team-members literally put on their boots and made weekly visits to Nairobi's informal settlements to make a direct connection with the consumer. Delving into the lives of the prospective consumers was vital to understand what drove them and ensure the product was what they wanted and not what the company thought appropriate. Although EABL has always taken pride in its extensive brewing experience it was not prepared for this one.

"It came as a shocker to us. We had assumed we understood the market but we did not. What we thought and what we came across were different," says Lemmy Mutahi, who led the team into Kibera in search of the answers they sought. "But putting a multi-functional team on the ground brought in quick answers. We used our respective areas of expertise to consider the motivation and needs of the customers, the appropriate product including the colour of the brew, and relevant messaging.

The project team did not disappoint. It kept the microscope on price in consideration of the country's poverty levels. Breakthroughs were realized in three key areas; materials, packaging and pricing. High-quality barley would be used, but would not be allowed to push the price up.

James Musyoki, a renown brewer and the then Managing Director Kenya Breweries, advised that the solution could only be realised by reducing packaging costs to bare minimum as well as by securing the government's undersanding of the illicit problem and convincing them to agree to grant remission on tax for the sake of the health and lives of the people consuming illicit. He further led the production team to package the beer in bulk 50 litre kegs instead of half a litre bottles

Trouble areas for keg packaging emerged, however: such as the lack of electricity that is required for dispensing from kegs in these outlets, as well as the matter of dispensing warm beer through kegs. These problems were addressed through technical innovations including fitting manual pumps and formulating a beer with reduced Co2 for warm dispensing.

But the team members continued to bite their nails over

the pricing of the product. Despite the price reductions the innovations brought, they had not yet arrived at the 20-shilling price point that would give them leverage over the lower-end competition. The ultimate solution as Musyoki suggested lay in asking for a reduction in tax, a process he led himself to great success.

A win-win approach to convincing the government was adopted. The market served by traditional and illicit brews was outside the tax net. EABL argued that a proportion of this market could be brought into the tax net through excise taxation on non-malted keg-distributed beer. Additionally the product on offer was safe and would address the public health concerns associated with the impacts of the illicit brews. The new beer would address the economic and social problem at one stroke, and the brewer in turn could do business.

Sensitive to the benefits but wary that it would be exposing itself to reduced tax through the new product eating into the existing market, the government settled on granting a 30% tax remission instead of elimination. The EABL team rejoiced. "The man-hours spent in trying to get the right formula had finally borne fruit," says Thomas

Senator is christened "Obama" by its consumers - and its success mirrors that of its more famous namesake

Okoth EABL's brand manager for Senator.

Senator's quick success in reducing illicit drinks and improving the health of the people saw the government increase the tax remission from 30% to 42% in 2005 and to 100% in 2006, thereby facilitating a further reduction in price.

Senator hits the market

Senator Beer was launched in November 2004 at a price of 20 Shillings for a 300 ml mug and became an instant hit. An aspirational product, it attracted those who, though of modest circumstances, wanted to be viewed as a cut above the rest - and enjoy a safe but affordable beer. Initial doubts from distributors and consumers soon vaporised. EABL had a surprise hit on its hands.

EABL also realised it had to learn new marketing dance steps. Innovative marketing techniques replaced EABL's traditional popular product launches and billboard advertising. The company's managers created a presence in live shows in Nairobi's informal settlements to dispel misconceptions about the beer and recognize the crucial market segment. An initially small but high-potential distributor network was recruited within communities to deal with the challenge of infrastructure constraints.

Senator is a study in how an elephant learned to dance on a new dance-floor. EABL, a company of proud heritage and highly professional management, forced itself to 'cross over' into Kenya's informal sector and use its existing skills as well as learn new ones. In doing this, EABL displayed the nimbleness, flexibility of approach and quick decision-making associated more with start-up firms than corporate giants. EABL's ambition was not merely to match low-end products in price; it was to unseat them by delivering a superior offering to a market segment rarely offered quality.

Today Senator has managed to wrest 44% of the informal alcohol market and continues to grow. In 2008, it grew tremendously; thereby giving other EABL brands a serious run for their money. Brand Manager Thomas Okoth notes that owing to its rapid success, Senator is no longer classified within EABL as an emerging brand.

The success of Senator Beer is best understood in the words of Sir Richard Branson, a global branding pioneer: "Nothing seems more obvious to me than that a product or service only becomes a brand when it is imbued with profound values that translate into fact... Everybody appreciates being treated decently. Everybody wants excellence and value. Everyone likes to have fun and to feel part of something bigger than themselves."

IN YOUR DAILY NATION TOMORROW: A look at the impact of Senator on ordinary lives.





The beer that changed ordinary lives



Continuing The Senator story

The second of a 3-part series on the story behind Kenya's world-class product innovation

Nick Juma is one of several patrons relaxing over a drink and watching the Labour Day celebrations on television at his regular bar in Kawangware on May Day. He and his business partner Joe have taken a break from their 'mitumba' business at the busy Kawangware market.

Nick is an avowed consumer of Senator Beer. "Before Senator, I was a heavy drinker of "Makali" (A term used to refer to Chang'aa and other illicit brews). My relatives were concerned about the severe weight loss I was experiencing. That is behind me now. Senator does not destabilise me and I can walk out of here and go home or back to work or even visit my father without the strong stench and level of drunkenness of "Makali." Drinking Senator has improved my relationship with my family. It does not affect my appetite either." His partner Joe agrees and adds that the harsh after-effects of "Makali" are absent in Senator.

The steadfastness that Nick and Joe show to Senator is not unusual among their drinking peers. Brand ownership and loyalty is usually the positive result of a deliberate and sustained effort by an enterprise to interact closely with its market to address consumer needs and wants - and Senator is a prime example of exactly such an effort.

The realisation by EABL that it was fast losing sales to traditional and other brews in the early 1990s drove it to proactively seek out the lower-end market to understand the critical business opportunities that these demand-side shifts presented. The company moved to close the gap by giving the market Senator Keg, a top-of-class but moderately priced product.

The lower end of Kenya's alcohol market is dominated by traditional and illicit brews. Although traditional home-brews produced for small consumption are not generally associated with risk, the distillates produced for the commercial market have been associated with myriad health problems: alcoholism, blindness and even death. The chemical substances with which these tipples are laced to "improve" the product or speed up fermentation have been blamed for these problems. Nick explains that several of his "miti ni dawa" drinking friends bear visible facial deformations which he attributes to these tipples. He is adamant that EABL must ensure that Senator remains on the market.

"If I am sick I cannot survive"

His reasoning is echoed by Kamau Thiige, enjoying his Senator in a pub within Kawangware, who states simply that his health is his wealth and his existence is dependent on being healthy. "I am an electrician and if I am sick, I cannot work and therefore cannot survive."

Barely five years into its existence, Senator is the undisputed market leader in this segment with a 44% market share. Many factors drive its success, but at the core is affordability. Market research commissioned by EABL in 2003 determined that an effective price in this segment had to be in the twenty-to-thirty-shilling price range. Hundreds of man-hours went into formulating a quality beer at the price of traditional beer. The effort yielded Senator which was launched at the initial twenty shillings for a 300 ml beer mug.



Illicit brews bring great attendant health dangers

It is a price sensitive market, as a recent increase confirmed. A five-shilling rise in November 2008 hit sales tremendously, a clear indication that the brew's future is dependent on EABL maintaining costs at a minimum and the government retaining and the government retaining the current 100% duty remission.

But there is more to Senator than price. Quality is its big differentiator. In a segment where anything goes, the brew's consumer has been taken to another level through brand quality experiences. Because Senator is manufactured by a company with a corporate reputation to protect, the discerning customer rests assured that the product is safe. The corporate philosophy of Diageo, EABL's parent company, drives both its corporate citizenship and marketing practice. Marketing is done in line with strict guidelines that emphasize its social obligations to responsible drinking and to the well being of the community. For instance in selecting a name for the brand during its launch, those implying potency - which may well have resonated with the target market - were rejected on this principle.

Consumers are content in the knowledge that the packaging of the drink insulates it from any adulteration. The barrel is tamper proof. Anything that didn't go in at source will not go in during distribution or serving.

Giving respect and dignity - to seller and buyer

Product quality had to be matched with customer service. EABL undertook business and quality management training for its distributors and retail outlets. The majority of these outlets were simple operations that were recruited into the business as a result of the community appeal they possessed. Many were either informal or even illegal. EABL supported the formalization process through licensing to ensure that business was done within acceptable standards.

Following this, outlet operators received training aimed at supporting the marketing effort.

Mama Leonida, a retail outlet owner in Makina, Kibera says: "Previously we were trying to evade arrest by the local administration. I can now provide services to my customers comfortably without looking over my shoulder all the time. My consumers are decent people who pay and sit comfortably and we interact like other people elsewhere. I feel respected now which is good for me and my family besides the regular income that I now earn."

Mama Leonida: "My consumers are decent people who pay and sit comfortably and we interact like other people elsewhere"

Staying true to the vision, EABL has taken this a notch higher in the effort to make quality a holistic concept through the "Base Poa" campaign. Base Poa is the branded concept given to Senator Keg outlets which are setting the benchmark for consumer and trade standards in this market. Base Poa provides quality consumer experiences delivered through selected outlets nationally. They combine: quality management, hygiene standards and stock control, consumer service and an impressive brand presence.

A typical Base Poa is a branded outlet in which facilities have been upgraded with EABL's support and staff trained on the overall service process including cleaning of facilities such as pumps and glasses. The "Base" is relatively superior to the external environment and entrepreneurs strive to be enlisted into the campaign. Regular audits are conducted to ensure that the set service standards are consistently met.

Education and uplift - a better business for all

At the "Base" where Nick and Joe are enjoying their drink, the pub is well lit, tables are kitted and the floors are clean. Customers can easily see their preferred drink being served into fresh calibrated glasses assuring cleanliness and a standard serving. Uncommonly for the area, the physical facilities including the washrooms are faultless. Nick asserts that this is "his base" where he drinks, and is attracted to the joint by its clean and

calm atmosphere.

The public hygiene aspect of Base Poa is being implemented in association with public health officers who work with EABL to improve health standards. According to Thomas Okoth, Brand Manager for Senator, 1,000 outlets have so far received the training and retailers are eager to get selected into the next round which targets another 1,000.

outlet owners able to do business in a clean and decent setting and able to educate their children

The campaign will also target Base Poa employees. By providing support for employees through incentives such as health insurance it aims to boost their morale with a view to better service and retention. It is a win-win situation for both employee and employer. Mary Wambui, who proudly dons a branded Senator apron as she serves her customers in a Base Poa outlet in Kibera, notes that the already improved environment has benefits for all parties. "Clients are happy about the standards introduced in Base Poa outlets. When we sell in an organised setting, we get more clients and a better type of client. A Friday evening such as this will see a full house which means bigger tips for me. I'm educating my two children comfortably through the income I am making."

Management guru Peter Drucker observes: "Unless commitment is made, there are only promises and hopes... but no plans." Base Poa crystallizes the commitment to quality which Senator Beer promises its customers. It is a concept that aims to realize consistency in service quality and responsiveness.

EABL recognises that pricing alone will not keep it in business in this market, and there is much more to Senator than an attractive price. Indeed, the EABL Senator team takes great pride in the holistic nature of the exercise. The greatest satisfaction to the company, says Corporate Affairs Director Ken Kariuki, is the impact on ordinary lives. "We have seen people transformed from illicit alcohol dependants risking their lives, to responsible drinkers who appreciate quality and whose behavior is also tempered. We have seen outlet owners able to do business in a clean and decent setting and able to educate their children. That is what makes it all worthwhile. A positive impact on society is what business should be about."

In tomorrow's Daily Nation: The final part of the Senator Story





Senator: The win-win-win beer!

Continuing The Senator story

The final part of the Senator Story shows the wider impact of the beer

The local alcohol industry is tremendously valuable for the nation. Quite apart from creating products that consumers enjoy, it employs considerable numbers, generates good profits for shareholders and large sums in tax for government. EABL, for example, paid a total of 21b for year ended 30 June 2008 to the exchequer. In addition, the business provides a market for thousands of farmers and raw-material suppliers whilst indirectly benefiting at least 800,000 people.

Alcohol is, however, a controversial product. Some members of society worry greatly about its effects on behaviour and many have called for an outright ban on all alcohol advertising.

The biggest problem with alcohol, however, lies with a particular type of product. The World Health Organisation (WHO) estimates consumption of illicit brews at 50% of the overall market worldwide - a proportion that is even higher in developing countries. In Kenya at the time of

The commercial alcohol market shrink from 400 million litres in 1991 to about 240 million in 2001

launching Senator Beer in 2003, the non-conventional commercial alcohol market stood at 56% and was growing. Illicit brews exacerbate many social problems: drunkenness, poverty and public health issues are the most serious. They are mostly brewed in very unhygienic circumstances, often contain lethal additives, and do not contribute to the public exchequer.

Unfortunately, many governments attack the wrong enemy. WHO notes the typical control measures that are often applied to commercially produced alcohol, such as tax rises or reductions in availability and advertising. These measures hit responsible producers but have no impact on illicit alcohol production or consumption. In fact, these measures often worsen the problem as the inevitable price rises make commercially-produced alcohol less affordable to lower-income consumers, who have no choice but to settle for illegal brews.

In Kenya, tax increases to reduce drinking and contribute to excise revenues in the 1990s saw the commercial alcohol market shrink from 400 million litres in 1991 to about 240 million in 2001.

Health and business go together

According to WHO, most consumers will prefer to drink a branded alcohol product they know is produced to high quality standards. WHO notes, however, that the choice is not open to consumers if the price of branded alcohol beverages is set at unaffordable levels.

Senator Keg, EABL's path-breaking low-cost beer, is an innovative example of joint action taken by governments and responsible alcohol producers to discourage illicit alcohol consumption and associated health problems by promoting consumer choice.

In the global food and beverage industry, most eyes are on health and wellness. Branded companies are greatly concerned about the health effects of their products, and go to great lengths to ensure that their production is not only conducted to the highest quality standards, but that the goods are sold in a responsible manner. "It is of no benefit to any company that cares about its reputation, to have consumers abuse its products. We sink or swim with our consumers, and so their health and well-being is of great interest to us," says EABL's Corporate Affairs Director Ken Kariuki.

East African Breweries took great interest in the challenges of low-cost drinking, and found the answer through Senator Beer. The company is naturally conscious that global companies are being held to a higher and higher standard of responsibility. Drunkenness is a major social problem that keeps many people trapped in a cycle of poverty and addiction. EABL's corporate brand embraces the public health agenda to give itself a long-standing, sustainable business.

Diageo is a leader and pioneer in spreading the message on responsible drinking

Diageo, EABL's principal shareholder, is a signatory of the UN Global Compact that commits member companies to uphold international human rights standards and promote them in its global operations. Diageo is a leader and pioneer in spreading the message on responsible drinking and is supportive of measures to tackle alcohol-related disorder and reducing misuse.



Initiatives such as Senator and other activities to promote responsible drinking therefore tie in perfectly with its global corporate social responsibility agenda.

"Senator has changed the face of Kibera"

Senator has its own advocates. Ouma Nyakach is the Assistant Chief of Sarang'ombe Location in Kibera, and is all praise for the beer. "Senator has changed the face of Kibera. Previously I used to handle 350 domestic cases a week associated with drunkenness and related hospitalization and death. We have formed a committee of five to promote safe drinking and I popularize Senator in the public forums we hold, because it has promoted a level of sobriety. Families are spending more time together and there is improved dialogue, thereby strengthening the family unit. I now deal with only five to seven cases a week. If you see a government officer praising an alcohol brand, then it must have improved lives," he adds.

Cogno Limited, a Senator Beer distributor in the same area, affirms that Senator has created employment and given dignity to thousands who were previously engaged in illicit business. "From a hide-and-seek situation with the authorities, retail outlet owners particularly women who were brewing and selling 'Chang'aa' can now earn regular income and transform their lives doing legal business. Senator has contributed to more pubs opening, more jobs being created and more people consuming alcohol within supervised, licensed premises."

Today the distributor network has grown to 55. This in turn supports a retail network of about 5,000 retailers. Notably, entrepreneurship skills have been inculcated within this network to provide skills in stocking, quality and marketing. These skills are supported with merchandising and facility infrastructure. According to Thomas Okoth, Brand manager for Senator Keg, the Senator business supports well over 300,000 Kenyans.

The big shift

Developed as a "recruiting" brand, the beer is targeted at converting consumers of other drinks in its price range through its aspirational positioning. Marketed on the quality platform, it gives assurance to thousands (hitherto electing to drink traditional liquors or condemned to illicit brews of indeterminate quality) that they are drinking safe alcohol. Although no research has yet been undertaken to assess the direct impact of Senator on public health, its rapid growth in sales to become the leading beer by volume is indicative of a big shift in numbers from illicit brew to legal alcohol.

Because of Senator Keg, nearly half of what was an informal market is now buying a safe product and contributing to the exchequer. Senator's distinct route to market, which ensures brand availability to the target, assures government of new tax receipts and EABL of new consumers.

The success of Senator Beer is, however, dependent on government's determination and goodwill to arrest a social problem. It is vital that its low price should be retained or even reduced further to expand the market. With local consumers beginning to feel the effects of the global recession, pro-active measures to prevent the return of illicit brews must be adopted. (Government's position on ensuring sustainability of Senator?).

The 'win-win-win' beer

Just five years since it was launched, the unparalleled success of Senator has astounded pundits - and even EABL itself. Senator made an initial contribution of just 2% to company revenue, but this has since grown to 14%. Initially

targeted at lower-income settlements in major urban areas, its achievements lend confidence for expansion of its reach into rural areas to provide similar benefit.

David, a distributor and a 'Base Poa' (Senator benchmark retail outlet) owner best epitomises the growth and potential of Senator Beer. "I wanted to be a distributor of Chang'aa because I knew there was potential in that market. The hassles associated with its production and distribution process, however, proved overwhelming. I settled for Senator which provides a legal alternative and targets the same market. I am confident about the potential in this business and want to upgrade my Base Poa further. We need to dispel the perception that Senator is 'inferior' in any way, and expand our market."

Ouma Nyakach, Assistant Chief: "Families are spending more time together and there is improved dialogue, thereby strengthening the family unit"

In a market where a big proportion of the population lives on less than a dollar a day and the inflation rate is just over 26%, it is apparent that EABL's unusual step in coming down to the base of the consumer pyramid is paying dividends. The company painstakingly developed a brand-new product, designed a whole new route to market, and came up with a fresh marketing strategy to deliver the new product. The Senator Story has been documented and studied by leading business schools.

Former Group Managing Director Gerald Mahinda is in no doubt about Senator's importance. "We expect Senator to play a big role in growing our share of the beer market. It's a 'Win-Win-Win' product for us. EABL wins by reaching a new part of the market. The consumer wins by gaining a great-tasting, safe product. The distributor wins by tapping into a sustainable flow of income. And the government wins by addressing a serious social problem - and boosting its coffers in the process."

