



## MANAGING DIRECTOR'S REVIEW

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THEO A F DE ROND • Managing Director

### A THIRST FOR STRONGER GROWTH

The seeds of change that were sown by my predecessor, Jac van Herpen, together with the dedicated and able management team produced a strong financial performance for Guinness Anchor Berhad in the financial year ended 30 June 2003.

Having assumed the post of Managing Director in June 2003, it is my pleasure to make this review and report to you that Guinness Anchor Berhad registered double-digit percentage growth in profits, double-digit growth for Tiger and Heineken, and carved for itself a bigger share of the market.

The challenge that lies ahead of us now is to further consolidate our position, grow our market share and improve our financial performance in an environment that is very competitive.

#### Highly Competitive MLM

The duty-paid malt liquor market (MLM) remained highly competitive but, unlike previous years where growth stagnated, it began to show signs of better growth. This was beginning to translate into higher consumption of beer and stout until the Iraq War and the Severe Acute Respiratory Syndrome (SARS) outbreak somewhat curtailed the expected higher rate of growth. Smuggling activities and cheaper priced Asean imports also continued to prevail and, as in previous years, dealt a blow to better growth prospects.



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All these factors aggregated to result in the MLM growing by just over one per cent, which is still about the same as in previous years. But what is most heartening is that, amidst the marginal MLM growth and unabated intense competition, Guinness Anchor Berhad improved its financial results and further consolidated itself in the beer and stout market.

### Growing Value

It was our strategic direction which plotted the path for growing more value for and from our brands and our company. The distinctive strength of Guinness Anchor Berhad has always been in our portfolio of brands. By cleverly leveraging on this strength with effective brand portfolio management, we continued to grow the value from our brands by associating them as the brands fitting for the right drinking moments sought by each segment of consumers.

The leading performers in our portfolio are Tiger and Heineken which spearheaded our higher growth. Sales volume for Tiger and Heineken grew by double digits as a result of increased brand visibility, niche marketing and promotional activities. Tiger PowerHitz charity concerts, Tiger "Thirst for Life" thematic campaign and contest, Heineken Green Room and Heineken Thirst sessions helped increase the visibility of these brands in the right outlets, glasses and hands.

GUINNESS, on the other hand, carved for itself a new niche in the stout market, with the introduction of the "Someones going to do it, why not you?" thematic campaign. As a follow-up to the previous campaign that propositioned the value of inner strength and self-belief, this new campaign propositions the value of determination, resilience and the focus to achieve dreams to today's generation of drinkers. By being challenging and inspiring for a younger market segment, GUINNESS has stoutly consolidated its position in the market.

Rejoining the beer segment is Anchor Smooth which was relaunched with a new, refreshing taste and modern look. It stirred up loyal fans and gained a fair share of new drinkers who enjoy this popular easy-to-drink local brew.



Kudos for new thematic campaigns

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### Increased Organisational Effectiveness

In addition to investments in our portfolio of brands, we committed heavy investments to further enhance our organisational effectiveness. This includes RM33 million to upgrade our Sungei Way Brewery to boost production efficiency and product quality and RM6 million in a customer relationship management (CRM) system which includes sales force automation with market intelligence and customer insights.

In the brewery upgrading exercise, during which we will automate the whole brewing section, we have completed the first phase of automating the silos for malt intake and malt treatment. The brewhouse automation system has also been replaced with a more powerful and up-to-date one. The next two phases will involve automation of the fermentation cellars and bright beer cellars and is scheduled to be completed by end-2004.

The upgraded and modern brewery together with a technologically advanced sales implementation and CRM system will bring Guinness Anchor Berhad to a new level in organisational effectiveness.

The sales implementation and CRM system brings our distributors, outlets and consumers closer to us and also arms us with key information to stay on top in a highly competitive market environment. It enables us to place emphasis on quality, distribution, visibility, promotion, pricing and customer services for us to continuously tap into the right distribution channels and outlets.

We have rolled out the sales force automation nationwide under which the sales teams are armed with hand-held PCs. The real-time sales and outlet data have enabled us to be spot on in our analysis of the market, thus empowering us with relevant market intelligence for informed decision making. This has made us proactively responsive and on target in meeting customer and market requirements.

With this, we have been successful in our efforts to provide the perfect drinking moment through the right freshness of products in their right presentation, the right brands in the right outlets, and the right brand visibility through the right merchandising and promotions.

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Product freshness wins the way for our products

Thumbs up from the Minister of Housing & Local Government for our HACCP & ISO 9001:2000 certifications

"God of Prosperity" increasing our brand visibility during festive season

### Scaling the Heights of Productivity

The good returns on our investments in growing value and organisational effectiveness have been made possible by the readiness of our most valuable assets – our employees – in being one with us in scaling the heights of productivity.

Reflective of the good industrial relations we have with our employees, Guinness Anchor Berhad and the Union of Beverage Industry Workers, which represents our more than 300 technical, clerical and sales staff, speedily concluded negotiations and signed a new collective agreement in the year under review.

It was a special and significant Collective Agreement as it introduced a variable performance bonus that rewards employees for their productivity, loyalty and their individual contributions. This bonus scheme is the first ever performance incentive package in the beverage industry.

Our strategic direction has clearly increased the strength of Guinness Anchor Berhad and our brands. With a strong management team and a quality workforce, I am confident that we will be able to further grow our market and financial performance.