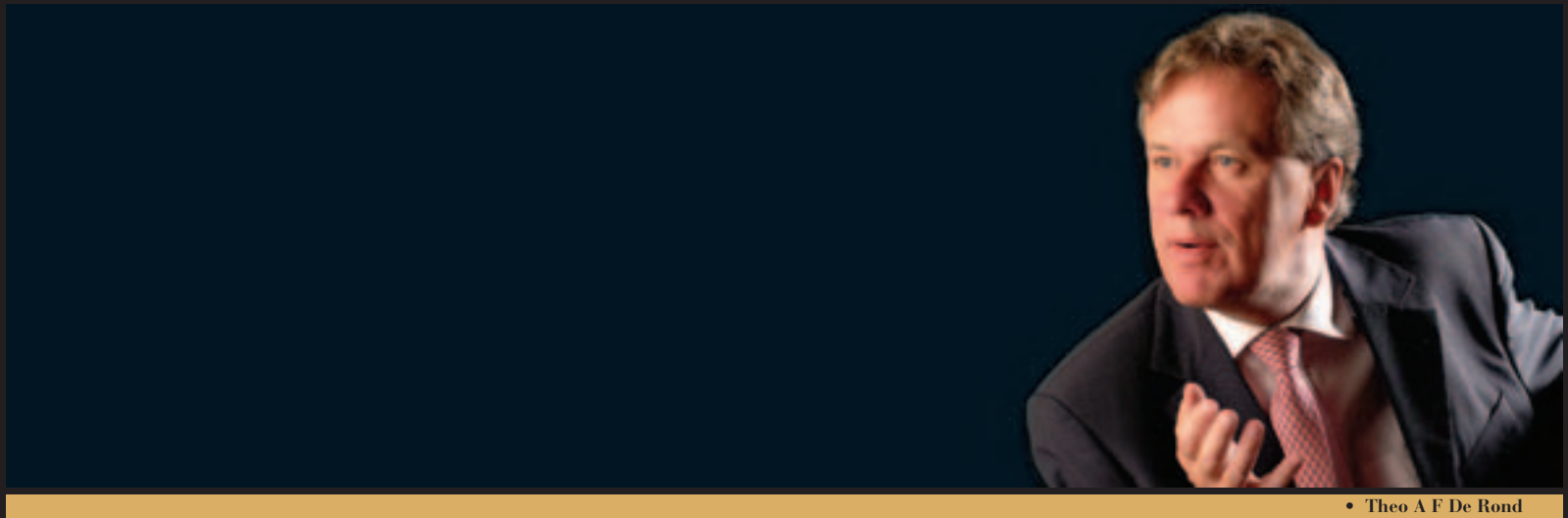


Managing Director's Review



• Theo A F De Rond

Brewing Success in a Competitive Environment

Guinness Anchor Berhad brewed success – an achievement which is commendable considering that the better economic climate was not matched by an equally favourable market environment.

As in previous years, Guinness Anchor Berhad was operating in a trying and challenging market environment. The 10 per cent higher excise duty levied by the Government on beer and stout last year was a major contributory factor. On one hand, it checked an increase in consumption for a period of time while on the other, it contributed towards making smuggling of beer and stout even more lucrative. The rise in excise duty resulted in an increase in consumer prices, making

it even higher than prices in other countries in the region. The widening gap in the price difference saw more contraband beer and stout finding their way into our market and a greater loss in Government revenue. This, together with continued availability of lower-priced imported beer and stout, exerted more pressure to the already extremely competitive market.

The stronger Malaysian economy, however, helped to address this dampener and bailed the duty-paid malt liquor market (MLM) out of its sluggish growth pattern to end the year with a commendable 5 per cent growth.

The favourable external factor as reflected in the stronger economy augured well for Guinness Anchor Berhad. Only competition posed a major stumbling block to stymie the momentum of growth. Fortunately, Guinness Anchor Berhad had the distinction of its internal strength to surmount the challenges of competition. Combined, both these factors made it conducive for Guinness Anchor Berhad to achieve outstanding results and end the year with a growth rate that outstripped that of the MLM.

This internal strength was built up over the years, forged by investments in innovation, technology, portfolio of brands, and people. The investments are paying off

Managing Director's Review



• New thematic advertising campaigns and promotions for the competitive edge

handsomely, as seen in not only the improvement in organisational effectiveness and cost efficiencies but also in growing the strength of our portfolio of brands and relative market shares, which contributed to the very creditable overall growth and financial performance.

Our investments in brewery automation contributed significantly towards bolstering our internal strength. Leveraging on state-of-the-art technology, we have an advanced and powerful automation system to efficiently brew more consistent and better quality beer and stout and set a production record of an all-time high brewery output. As a result, Guinness Anchor Berhad was able to deliver a record volume of beer to meet the year-end festivities demand.

Better market insights

Strategic investments in hand-held computers and Customer Relationship Management system provided better and more efficient market insights.

Equipping our sales force with handheld computers had enabled Guinness Anchor Berhad to have immediate access to valuable and accurate data on quality, distribution, visibility, promotion, pricing and customer service as well as stock levels at distribution channels and outlets. The Customer Relationship Management system which electronically linked Guinness Anchor Berhad with distributors throughout Peninsular Malaysia enhanced touch points with customers and consumers. It also enabled Guinness



Managing Director's Review



• Tiger wins again



• Tiger leads and is appreciated the world over



• Popular following of the leading premium international beer

Anchor Berhad to track the effectiveness of the brand portfolio and product promotional campaigns.

These increased operational efficiency gave better understanding of market, customer and consumer needs and made the crucial difference in effective brand portfolio management. Brand marketing and promotional activities were therefore more targeted and more effective in growing the value of brands and enhancing the strength of the diverse portfolio of brands.

Tiger and Heineken lead again

Our brands continued to gain popularity as they were seen more and more in the

right glasses in the right hands in the right outlets. All these meant higher visibility of our brands, stronger acceptance and popularity, and better demand as reflected in Guinness Anchor Berhad further growth in market share for its beers and stouts.

Tiger and Heineken repeated the last two years' sterling performance of double-digit percentage growth in volume. Tiger is growing to be the popular beer in Malaysia and the world over, while Heineken, remains the leader in the premium international beer segment. Combined, they again led Guinness Anchor Berhad's onslaught for dominance of the beer market. Guinness registered the best-ever volume growth in recent years on account of the new bottle and packaging as well as



Managing Director's Review



• The pulse of Guinness Anchor Berhad. Together, they pulsate and drive success

the thematic advertising and promotional campaigns that stout drinkers could associate with. This further consolidated Guinness Anchor Berhad's dominance of the stout market.

“ViVA” la GAB!

Market, customer and consumer insights, effective brand portfolio management and our people are the all-time important ingredients to brew success. Guinness Anchor Berhad recognises this as reflected in the internally launched Vision and Values or “ViVA”, as we have coined it. While “ViVA”, which aptly means “to live” in Latin, is an internal corporate mission programme, I thought I should take this opportunity to share it with shareholders as it emphasises that we value

our consumers as our lifeline; our brands, as our pride; and our people and partners, as our pulse. It underscores the values we place importance on to guide us so that *Together, We Brew Success*

As rightly spelt out in the Values, *Our people are the pulse of our business. Our customer focus, commitment, integrity and teamwork are the engine that powers our growth.* It is our people, whom we have so rightly invested in, that have been integral in our success. Guinness Anchor Berhad had, over the years, made substantial investments in our people for their personal and career development and this will continue as we go forward.

In addition to our people, Guinness Anchor Berhad takes pride in the importance and the

Managing Director's Review



• Our brands of success

emphasis we place on safety, health and environment. Reflective of this is the inclusion of the Sustainability Report in this Annual Report.

Guinness Anchor Berhad will continue to invest in its future to be able to continue to brew success and brace ourselves for any eventualities in a market fraught with challenges of competition. The new fiscal year will see continued investments in innovations to further boost operational efficiency and organisational effectiveness. The introduction of the Smart Tap, the worldwide

patented ready-to-use draught beer system, is a case in point.

But in an ever-changing and evolving market that is ever dependent on so many factors to dictate and influence its growth, the ingredients that we have today may not necessarily brew us success tomorrow. We have to be ever vigilant and proactive to ensure that we have the right ingredients at the right time to make it just right for success. This is our challenge in going forward.