



Managing Director's Review

Theo A F de Rond

managing director's review

Overcoming a Chain Reaction

Our 2004 financial year was full of tough challenges that were triggered by the highest increase in excise duties the industry had ever encountered. As it is, our industry is already very challenging and highly competitive due to prevailing market conditions and the nature of our business.

This hike in excise duties resulted in higher beer and stout prices and consequently resulted in lower consumption. On top of that, more people switched to spirits, which became relatively cheaper to drink due to a much smaller duty increase. As a result, overall demand fell and the MLM volume contracted, causing MLM volume to shrink by six per cent for the financial year.

The slowdown in the construction industry and the Government's action to weed out illegal workers, resulted in the repatriation of a large number of foreign workers. This also significantly affected demand for beer and stout as a considerable part of the demand for our malt liquor beverage brands comes from this industry.

In addition, smuggling activities increased substantially, indirectly due to the higher excise duties on beer and stout that made it more lucrative to smuggle these products, which could now be sold at higher prices in the open market. The incidence of

smuggled imported beer also continued to rise sharply and appears to be much harder to curb despite greater enforcement by Customs officers.

In its effort to overcome the problem of smuggled imported beer, the Government introduced tax stamps on imported beer products. This objective was to curb smuggled beers from being sold in our local market by differentiating the duty paid imported beer with tax stamps. The full effect of this implementation has yet to be felt by the industry as there were several operational and distributional problems experienced during implementation.

A Leaner, Meaner GAB

Despite all these challenges facing us, we stood by our philosophy of focussing on our three core strengths - organisational effectiveness, operational efficiency and our diverse portfolio of brands. The eventual result is a leaner, meaner and more resourceful GAB. Our determination, commitment and conviction helped us emerge even stronger and more profitable than in the past years.

managing director's review



L-R: Marielle Sas, Project Manager; Theo de Rond, Managing Director and Andrew Cheong, General Manager-Sales celebrate the launch of the Smart Tap



VIVA! VIVA! VIVA!

managing director's review

In our efforts to reinforce our position in the market and increase market share, we intensified our marketing and promotional activities to target new consumers and launched several brand initiatives to improve our overall brand profile. Over the year, we continuously invested heavily in our brands to come up with new avenues to maintain our lead in the market and offer our consumers the best.

In spite of adverse market conditions, innovation and creativity brewed success in the marketing department as leading brands like Tiger, Heineken and Guinness continued to outperform the market and further strengthened their positions in terms of market share. Both Tiger and Heineken had a good year and turned in better results, improving their market share. Guinness also had a commendable year and continued to strengthen its position in the stout market.

The Smarter Choice

With heavy investments in technology and infrastructure, GAB clearly has the ability and facilities to produce high quality beer and stout of consistent value and superiority. We will always continue to give our customers the best service and the freshest products.

In July last year, GAB introduced a first in Malaysia, an innovative draught beer dispensing system known as the Smart Tap. Prior to the nationwide roll out, we carried out a three-month pilot test with 15 outlets and the results were outstanding in terms of freshness, quality and convenience.

The Smart Tap was designed to save space, cut down on wastage and serve quality, fresh and chilled beer. In a nutshell, it brought additional value to businesses. The Smart Tap was yet another initiative that clearly demonstrated our commitment to keep customers satisfied and consumers happy.

ViVA and GAB Updated

Our investments in innovation, in our portfolio of brands and in our people have proven to be successful in effectively enhancing our organisational culture. One highly effective initiative that focusses on the way we work is our Vision and Values, in short ViVA. Everyone at GAB today lives and breathes ViVA and it has become the backbone of our organisation and one of the drivers of our Company.

During the previous financial year, we launched a campaign to make ViVA known to all members of staff and to encourage and

managing director's review

empower all departments to adopt the Company's core vision and live its values. The past financial year saw ViVA being introduced to our customers and suppliers.

ViVA is clearly making waves and creating an impact in the way we work at GAB and the way consumers and business partners are appreciated. It plays a pivotal role in ensuring that there is one philosophy, one culture and one direction where all staff operate as a team and move in the same direction towards realising our vision.

Following ViVA, we also launched another campaign called the Total Productive Management (TPM), a campaign with full support from Heineken Technological Services. TPM focusses on our processes to maximise efficiency and effectiveness. TPM has begun in the production units of the business and it is our mission that it expands to other areas and units of GAB. This focus on business processes and our people puts us on the fast track to be a highly innovative company.

Our next step will be to roll out GAB's new corporate logo, that

reflects our new visual and corporate identity that is fundamentally based on the shortened version of Guinness Anchor Berhad and "Cheers". It is part of our on-going efforts to update GAB at all times in an environment that is always evolving and changing. This new corporate identity reflects that we are moving forward all the time, continuously updating our Company in line with these changes.

Since late last year, work began on our headquarters block in Sungei Way Brewery to give it a much-needed and long-awaited face-lift. This is aimed at updating the look and feel of the office reception, which is the first touch point for visitors. It is crucial that the office reflects the identity of the Company and the nature of the business.

In addition to updating the headquarters block, we also undertook to update and upgrade the brewery with new technology to further improve operational efficiency. Today, we can boast a fully automated system at the brew house as we strive to maximise capacity and optimise production. This is part of our ongoing efforts to upgrade the brew house.

managing director's review



Tiger brings English football euphoria to Malaysian shores



Thorough and regular checks on the canning line ensure optimum operational efficiency

managing director's review



GAB's contribution to support rehabilitation works in the countries affected by the 26 December tsunami.



"Have a Heart, Lend a Hand" - GAB employees also do their part to help those in need

managing director's review

Corporate Citizenry

At GAB, we have always supported many charitable causes over the years and this year was no exception. In the wake of the terrible tragedy that struck many parts of Asia on 26 December last year, our Company was there to respond. We made an outright donation of RM200,000 to support rehabilitation works in the countries affected by the tsunami.

Moved by the suffering that afflicted so many, our staff rallied together to lend a hand to those in need and, through a charity event themed "Have a Heart, Lend a Hand", they managed to raise another RM76,425 which was donated to the United Nations Children's Fund (UNICEF). To give further support towards this noble effort, Diageo Foundation matched Ringgit for Ringgit the amount collected by our staff's fund-raising efforts.

We also contributed through our brands. Our Tiger Sin Chew Chinese Education Charity Concerts continued to organise another round of concerts to raise funds for Chinese schools throughout the country. Meanwhile, the Guinness Torch Fund, which was set up in 1996, launched its ninth fund in 2004/2005.

The Year Ahead

Although we started off on a negative note, we believe we have kept up a good momentum and concluded on a stronger footing. Our ability to draw on the experience of our stakeholders such as Diageo and Asia Pacific Breweries Ltd, as well as handle challenges in the past, have made us what we are today and prepared us well for these trying times.

Innovation and efficiency are of paramount importance if we are going to remain ahead of the competition. It is how we capitalise on good opportunities and formulate effective strategies in the wake of new challenges that makes us stand united and strong in everything we do. These are core values, not only in the way we market our brands, but also in all our ways of working, thinking and employing good business systems.

We have the right people, the right products and the right infrastructure in place. Let's move forward to develop a successful brew for another exciting year ahead.