

AB INBEV'S INVESTOR SEMINAR 2018

JOHANNESBURG, SOUTH AFRICA

WEDNESDAY, 8 AUGUST 2018

VP OF MARKETING AFRICA – ANDREA QUAYE

SLIDE 1

Good morning

Fifteen years ago, when I first joined SAB here in Johannesburg, I could not have predicted that one day I would run marketing for Africa, for the by-far largest brewer in the world.

But when the combination happened, and I was offered the job of running marketing in Africa for AB InBev a friend pointed out to me that I had actually been preparing for this role my entire life.

I was born to a Ghanaian father and a Brazilian mother and I'm a proud citizen of South Africa as are my husband and our 2 young girls.

I studied in France, and began my career at Unilever, then SAB and now at AB InBev.

So, you could say this is my dream job and I'm thrilled I have the opportunity over the next 30 minutes to share ABI's approach to marketing in the African continent.

SLIDE 2:

As Ricardo shared with you, there are a lot of tailwinds blowing in the African marketplace with the population growing, Urbanization & GDP.

SLIDE 3:

If you think about the impact of this growth through the lens of the category expansion framework; the mix of affordability, core and premium priced brands will change over time but the real opportunity lies in the size or quantum in overall drinkers first the pie will get significantly bigger as will each sub-segment.

And yet, as enviable as those macro trends might be, they in themselves will not deliver our growth targets.

Because as Ricardo also told you, we don't just want to grow. We want to grow rapidly and we want to grow profitably.

SLIDE 4:

And the reality is that while the African marketplace presents us many great opportunities, it also presents us with many new challenges. The biggest challenge is that the African consumer universe is highly diverse and changing rapidly and dramatically.

Africa is the most diverse continent in the world, it's astonishing, 2000 different ethnicities & 1500 different languages... So diverse that in some cases two Africans are more genetically different from each other than a Chinese and a European are from each other.

SLIDE 5

And from a competitive standpoint, as Africa develops, the marketplace will become increasingly competitive with more and more FMCG's battling for the same discretionary income. Therefore, our competitive frame is broad and includes other beers, other alcohols, other beverages and other consumer goods.

Because with consumers' irregular income they can pay for any of these products.

SLIDE 6:

And we know that if we have brands that truly resonate, that are supportive of their values, we become more of a staple and we will be able to ride out these changes with less oscillation. As things get tough, it's other products that get taken out of the basket and not our brands.

SLIDE 7:

Consequently, we must cultivate highly relevant brands with strong pull brands that African consumers truly value. We cannot simply rely on our scale to create the profitable growth we intend to sustain. We must market uniquely strong brands.

And so we believe we must continually add more pull to our push, to create a bigger impact.

SLIDE 8

To do that, we believe we must take a highly progressive approach to marketing.

Marketing to consumers in today's Africa requires a deep understanding of their humanity along with an imaginative approach to make our brands more useful to the way Africans live their lives.

We must unpack and challenge the stereotypes of being African, the one that says we are all poor and destitute, and explore how understanding their dreams, values, needs and desires can create powerful brand propositions and enduring consumer franchises leading to better business results.

SLIDE 9

Now, I want to share how we are specifically applying this approach to a few key consumer groups: the Cautious Climbers, the emerging middle class, Afropolitans, Women and Value Seekers.

SLIDE 10

Let's start with the Cautious Climbers, the largest and core consumer group for FMCG's.

A large number of Africans are drawn to peri-urban and urban centres to realise their dream of a better life for themselves and their families. Their piece jobs allow them to live from day to day and even send some money back to their home villages. They are cautious because, despite the fact that they have some sort of income, one wrong decision or one un-foreseen occurrence will pull them down into a state of poverty.

And yet, the counter point is that they are also characterised by a high level of optimism and aspiration; after all most have access to water, electricity and products that previous generations didn't, and so they remain positive about their ability to progress.

Let's go through 3 examples of how we cultivate highly relevant brands with strong pull within this consumer group.

SLIDE 11

Let's talk about 2M the easy drinking core beer brand that embodies the joyful and vivacious spirit of youthful Mozambicans also known as Eixx. Allow me to digress, the first time I visited Mozambique in 2003, I fell in love with the country and its people who smile as they speak, the taste of their amazing seafood, the upbeat atmosphere of people dancing the Marabenta and the realisation that it is in this environment Mozambicans find the perfect balance between living & work.

And every sip of 2M, captures this essence, through its uniquely refreshing and easy drinking liquid, through the vibrant colours of its packaging, the art and music in its communication.

It is no surprise that 2M has one of the highest affinity scores across the continent.

SLIDE 12

Let's move onto the 2nd example, Hero Lager. Hero Lager is a brand that originated from the South-Eastern region in Nigeria, the home of the Igbo, one of Nigeria's largest tribes.

Instead of designing a National beer brand, we went Regional. We did so because we understood how differentially important "pride in origin" was to the Igbo people, after all in the late 60's they fought to separate from the Northern dominated Nigerian state.

They felt that the money used to govern Nigeria was predominantly from their region, and that other regions were not contributing enough.

They believed that their potential was being capped. And so when we launched Hero Lager, a brand steeped in Igbo culture, traditions and iconography there was an immediate and deep affinity with this 32 million large community.

So deep is Hero's affinity with the Igbo people, that in May this year, the Igbo King, at a formal ceremony, bestowed Hero Lager with a Red Cap an authentic symbol of leadership & authority. This red cap is on top of every single bottle of Hero.

SLIDE 13

To illustrate this further, in South Africa, Carling Black Label understands how visceral and personal the expression of one's masculinity is. In the 80's & 90's, the worker hero was the Carling archetype for a people that were practically and figuratively imprisoned in their own country; their sweat and labour built the economy, and was a source of great pride during the times of the liberation struggle.

In the 2000's, South African men wanted to be more aspirational they wanted to be portrayed as achievers without the bling or material trappings.

This gave birth to the Champion Man a redefinition of South African masculinity where power and manliness were combined with achievement and more modern sensibilities.

SLIDE 14

Today, masculinity is moving to a space where physical strength and pure masculine power are not nuanced enough.

Today's Masculinity is about truth and substance, a place where men embrace their masculinity based on knowledge, intelligence and thoughtfulness.

SLIDE 15

So those are some examples of how we have understood the values and dreams of the "Cautious Climbers" to create powerful brand propositions and enduring consumer franchises.

SLIDE 16

Let's now talk about the emerging middle class.

Approx. 100m middle class Africans live in urban areas and this number is growing exponentially. What makes this group of people unique are the tensions that exist in their everyday lives. There are 2 that stand out for me:

SLIDE 17

Firstly, despite their modern and global outlook they are deeply attached to their culture and traditional roots. It is not unheard of for someone to live in the suburbs, with all the material trappings and yet still slaughter a cow in his backyard to thank the ancestors for his daughter's graduation.

There is a certain fluidity within this group that you will not find anywhere else. So for international brands to be successful they need to reflect an understanding of this context.

SLIDE 18

Secondly, the African middle class isn't defined by their earning power.

Traditional ties between individuals and large family networks remain a major feature of life in Africa. We call this the spirit of Ubuntu. Take Kofi, a public relations executive in Accra, Ghana, whom we interviewed:

He earns a good monthly salary but sends 30% of his earnings at the end of the month to support relatives living in his home village. While these transfers mean he has less to spend on himself, they increase the spending power of his family members in his rural village, and this fills him with pride and strengthens his ties to his roots.

For brands to be successful, it is key they understand the balance between individual pleasure & giving back to communities.

SLIDE 19

A quick and simple example is the launch of Budweiser in Nigeria. We deliberately positioned Bud as the benchmark of premium beers while tapping into some local context.

We expanded the metaphor of "King of beers" to beyond the liquid and linked it to the need the Nigerian consumer has to be a King. We brought it to life through many touch points, some of which you can see on this slide, like the King's Throne and the King's Cavalcade.

We believe that this connection is one of the reasons the brand was so quickly and broadly accepted in Nigeria.

SLIDE 20

The scenario in South Africa is different; the middle class is larger, more evolved and fragmented. In the past an overt display of materialism was the only way to show progress, you can see that on this page this may appeal to consumers in some L1 countries, but we now see it is manifesting differently in South Africa.

Today South African consumers are looking for brands that are suited to their individual interests and need states like Ambition, Discernment, Sophistication, Innovation and Rejuvenation.

SLIDE 21

So, we require a portfolio of brands that taps into the need for multiple and unique dimensions of progress.

Budweiser is well positioned to use Ambition as an expression of progress, Stella Artois will lean into the need to express one's progress through sophistication, Corona's "this is living" proposition will fulfil consumers need to express their progress through rejuvenation and reconnecting with themselves, while the need for discernment is covered off by Becks' German purity law's offering and lastly Castle Lite fulfils the need consumers have to display their trendiness as social currency.

We are confident that this multi brand approach, with local insights, and plug & play global toolkit will ensure we can scale the new brands quickly.

SLIDE 22

Let's talk about another important consumer group: LDA- 24 years, we call them the Afropolitans.

By 2025, 60% of all the world's population growth will be in Africa. This means there will be 150 million more Afropolitans for us to compete for. This is awesome.

SLIDE 23

Today's & Tomorrow's Afropolitans expect brands to be authentic about the quality of product but they also expect brands to have a point of view on social issues, because they see themselves as social activists.

It is important that we continue to build purpose led brands based on a deep knowledge of our liquids, that link to the emotional benefits shaped by how our consumers see and live their lives.....

Let me share 2 examples of how we are approaching the Afropolitans.

SLIDE 24

Castle Lite, is South Africa's most iconic beer brand that appeals to this Target Market who want to let their hair down and enjoy life, however they do not want to compromise their future progress.

Castle Lite is loved for its occasion based innovation that gives consumers social currency, by which I mean something new to talk about while also bringing novelty and excitement into beer drinking occasion.

I want to share with you our latest innovation, the Castle Lite 910 resealable pack, targeted at expanding the in-home party occasion.

We successfully collaborated with 2 Hip Hop artists Nadia Nakai & Frank Casino, to launch a music video which was then cut into a 30" spot.

SLIDE 25

Let me share with you a less obvious example, an example that taps into the need Afropolitans have for brands to be purpose led and to deal with key social issues.

This is a story of how a classic beer brand, took a bold risk to be part of the solution while appealing to and inspiring the next generation of Champions.

The reality is that the changing role of women is repositioning the role of men in society.

SLIDE 26

#NoExcuse, launched last November, it is a movement that calls South Africa's responsible men to take a stand against Gender based Violence .

Not only did this campaign win a Grand prix at Cannes this year, but most importantly it has captured the attention of the everyday South African Man sparking debates and engagement on this crucial issue.

We are proud to share that based on our research 86% of people that saw this campaign perceive Carling in a more positive light.

SLIDE 27

Let's talk about how we are approaching women African women are fully aware of the patriarchal society we live in. However, African women have decided that if we are not given a seat at the table, we will build our own table.

SLIDE 28

Take Ghana for example, it has more women entrepreneurs than any other country in the world, with 46% of all business owned by women. And the reason for this is simple corporate jobs are scarce and biased towards men, so women have chosen to start their own businesses.

SLIDE 29

To give you another example in South Africa, the Nationalist party Apartheid mind-set entrenched the separate development of women. And beer was seen as a category for men, that was not welcoming and open to women.

SLIDE 30

So in the past, proper women were not to be seen in public drinking beer, they were meant to be home sipping ciders or wines. Let me share 2 examples of how we are approaching women.

To disrupt the perception that beer is only consumed by men, earlier this year we were inspired by the Skol's "reposter" campaign from our Brazilian business where 6 well known illustrators were asked to recreate previous Skol posters that reinforced gender stereotypes.

SLIDE 31

We picked South Africa's most progressive and mixed gender brand to make a statement. We picked Castle Lite to challenge the perception that Beer is not for women

We have learnt over the years that the bitterness of beer is a barrier for some women. So, we are deliberate about introducing innovations that overcome this barrier.

SLIDE 32

In 2013, we took our first step and successfully launched Flying Fish, a flavoured beer, a fun and disruptive brand. The liquid and the full mix were designed to overcome key barriers and to appeal to women's tastes.

We are proud to say that this brand has recruited an equal amount of male and female drinkers into the beer category. Our next move is to launch Hansa Golden Crisp.

Positioned as a core+ offering, designed to be easy drinking; has low bitterness levels, low ABV and an easy to open ring pull.

We are excited about introducing the first African beer brand with a female muse, positioned to appeal to a broad spectrum of women in South Africa. You'll be the first to taste this innovation tomorrow afternoon.

SLIDE 33

Finally, let's talk about a consumer group that has historically been overlooked: the value seekers.

This group is often referred to as Low-income consumers this term can easily be stereotypical for marketers, if "low income" is all we see when we market to these consumers. The first time I travelled to rural Tanzania, I remember clearly how much pride and dignity I saw in the women and men I met.

SLIDE 34

On a recent trip to Polokwane, here in South Africa, one comment from a consumer stood out for me, he simply said to me "if you listen to us and see the way we are then people will buy and drink your product."

The trick is that while we have to deal with their reality of significantly lower and highly irregular discretionary income the key life social goals of these consumers are not that different from the rest of Africans.

SLIDE 35

So, affordable and easily accessible products, like Eagle & Impala, are a requirement because that is the reality we have to deal with. But our marketing needs to deal with the fact that they are still human beings, with important social needs & goals.

SLIDE 36

These are but a few examples of how my team and I are approaching marketing on the continent.

I hope that it's evident that we have a very clear understanding of what we must do as marketers here in Africa. We understand our objective is to drive rapid, profitable growth on a sustained basis. We understand that this kind of growth will require us to continuously build additional "pull" into our brands.

We understand that we must engage consumers based on who they are today, not based on dated stereotypes. We are excited about this unique challenge, because we have the right marketing people. We have the right marketing strategies. And most important, we have the right marketing mindset for 21st Century Africa.

We know our ability to deliver rapid, profitable growth depends on our ability to deliver the most effective marketing ever seen on the African continent and we are determined to deliver that.

Thank you, and now I'll be happy to take any questions later on.