

The challenges facing South African Breweries¹ (SAB) when the new Liquor Act is implemented.

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¹ SABMiller plc was created in 2002 when SAB acquired 100% of Miller Brewing Company, the second largest brewery in the United States by volume at that time. This transaction positioned SABMiller plc as the second largest brewery in the global market.

CONFIDENTIALITY CLAUSE

To Whom It May Concern

Re: Confidentiality Clause

Due to the strategic importance of this research, it would be appreciated if the contents remain confidential and not be circulated for a period of five (5) years.

Sincerely

A handwritten signature in black ink, appearing to read 'A. Dabechuran', written in a cursive style.

A. Dabechuran

096914

DECLARATION

DECLARATION

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

Signed.....

Date.....

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I thank the Lord Almighty for giving me the strength and courage to complete this study.

Thanks to my wife and son for being patient and supporting me during this period.

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² Main market is defined as a segment identified at SAB that comprise shebeens, both licensed and unlicensed.

ABSTRACT

South African Breweries-Beer Division referred to as SAB, is a subsidiary of SABMiller plc. SAB manufacture, market and distribute alcoholic beverages and alcoholic fruit beverages (AFB's) throughout Southern Africa.

Their strategy is to drive volume and productivity in major markets, optimise and expand market positions, seek value-adding opportunities to enhance their position as a global brewer and grow their brands in the international premium segment (<http://www.SABMiller.com/pdfs/SABMiller%20Factsheet%20Update%20Feb%202004.pdf>).

However, the current Liquor Act (Liquor Act No. 27 of 1989) is being revised and is under going many changes. It makes provisions for shebeens³, retail chain stores, petrol stations and supermarkets to become licensed to trade in alcoholic products. The imminent changes are meant to promote the development of a responsible and sustainable liquor industry in a manner that facilitates the entry of new participants⁴ (<http://www.saccet.org.za/liquorpres.html>).

“One of the key issues for discussion as the provinces' drafted legislation for the retail licenses was how to encourage the normalisation of illegal retailers, or shebeens. An estimated 200 000 shebeens are currently outside the regulatory net,” said Deputy director-general Astrid Ludin (<http://business.iafrica.com/news/260060.htm>).

Given the above, it is estimated that the customer database of SAB will increase substantially. This study concentrates solely on shebeens as “the entry of new participants”. Will SAB be adequately prepared to meet and satisfy their customer demands and operational obligations? Will they be adequately resourced or do they start planning now? Do they have anything to worry about? This study investigates SAB's readiness to service a substantially increased customer base.

³ Shebeens are unlicensed informal outlets, trading illegally in the sale of alcoholic products.

⁴ The entry of new participants in this study refers to shebeens.

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Chapter 1 OVERVIEW

1.1 Introduction

For SAB to remain successful, lead their industry and to maintain that competitive advantage, SAB must be creative and constantly innovate, consistently provide reliable and on time services, continue to learn and improve, deliver excellent quality products, reduce operating costs and continuously scan their internal and external operating environments.

SAB focuses all their efforts and attention on customer service. They understand that the “customer is king” and live by this “rule”. Their ultimate objective is to ensure that every customer is a satisfied one.

Markinor, an external market research company, conduct quarterly customer service audits on behalf of SAB. These audits relate to customer service offered by Sales and Distribution. Results of depots are analysed, interpreted and rated, the findings of which are communicated to senior management. Based on the results, depots providing exemplary customer service are recognised and rewarded at an annual Marketing, Sales and Distribution conference. Gold awards such as the “Managing Directors Depot of the Year” or the “Managing Directors District of the Year” could be earned, each with a huge monetary value. Winning depots ensure every staff member is rewarded.

Forward looking companies such as SAB capitalise on strengths and talents of a diverse work force by attracting, retaining, developing and motivating them through ethical and responsible actions. SAB treat all staff with respect and dignity. Employees are encouraged to participate in solving problems in the organisation. In return, they are recognised and rewarded for outstanding efforts and contributions. SAB believe in open, honest and respectful communication and freedom of expression, hence allowing individuals and teams to develop to their full potential.

Unless SAB reformulate their operational strategy and prepare now, the additional 200 000 customers expected country-wide, will certainly impact negatively on customer service.

From a distribution perspective, a fine balance must be made when assigning delivery days⁵ and time windows⁶ to the new customers; together with existing customers. Geographical areas, fleet configuration (size, quantity and mix) and credit facilities also need to be considered. The question now is how will they simultaneously address the issue of satisfying the needs of both new and old customers?

1.2 Aims of the Study

SAB estimates that only 18 000 outlets (some 10%) are currently licensed and is actively trading and approximately 200 000 outlets are unlicensed. Licensing would result in the sustaining of close to one million formal jobs in the economy, improving South Africa's formal employment figures by about 15% (<http://beernet/Newsflashes/index.htm>).

Hence, the objectives of this study are:

- To establish whether SAB will be adequately resourced to meet their operational obligations when the new Liquor Act becomes effective.
- To identify gaps and problem areas SAB will face with this new transition and report such to senior management.
- To report to senior management on opportunities identified in this study.

Key customer service elements that SAB focuses on are addressed in this study. With the implementation of the proposed Liquor Bill or the legalisation of shebeens, not only is the number of customers expected to increase substantially, but a wider geographical area will also require servicing. Does this mean that an increase in resources such as delivery vehicles; forklifts, staff, equipment, premises and stock will be required? The researcher aims to address all these issues.

⁵ Delivery days are agreed days an order is delivered to a customer.

⁶ Time windows are agreed time frames orders are delivered to customers. For example, a time window of between 08h00 and 11h00 would mean that a delivery takes place anytime between 08h00 and 11h00.

By planning an efficient and effective operational strategy now, SAB can prepare to meet their distribution obligations and customer demands when the proposed new Liquor Bill is implemented. Undertaking this study will hopefully reveal strengths, weaknesses, gaps, opportunities and problems. Recommendations or suggestions made to senior management now, could prepare SAB for the future.

1.3 **Limitations of the Study**

- SAB-Beer Division is a subsidiary of SABMiller, a company that has vested interests spanning over 40 countries in 4 continents. Beer Division refers to South Africa only. This division is made up of 5 regions, 21 districts, 40 depots and 12 distributors (see chapter 2, figure 2). Due to financial and time constraints, this study was confined to SAB Springfield Depot (SPF) located in Kwa-Zulu Natal. All SAB depots are confined to specific delivery boundaries and Springfield is no different. Customers interviewed were selected from the Springfield Depot customer database only. All other depots were excluded from this study.
- SAB's operations and manufacturing activities operate independently. Hence, this study concentrates on the operations activities of SAB only, that being distribution and warehousing and excludes the activities of manufacturing.
- Due to company policy and procedures, only limited or published financial data is made available.
- There are many variables in this environment and changes are imminent. This study will therefore be applicable until December 2004.
- The survey conducted in this study relates to alcoholic beverages supplied by SAB only. Wines, spirits, sorghum beer and other products are therefore excluded.
- This study revolves around the proposed changes in the Liquor Bill aimed at facilitating the entry of new entrepreneurs into the liquor industry, available at (www.sacc-ct.org.za/ppu_liqr.html). This study however, does not investigate the impact petrol stations, retail chain stores and supermarkets will have on SAB.

1.4 Research Methods

Cooper and Schindler (2003:24) reports that research is any organised inquiry carried out to provide information for solving problems. Business research is a systematic inquiry that provides information to guide business decisions. This includes reporting, descriptive, explanatory and predictive studies.

The role of research – business research in particular – has never been as imperative as it has become in the new economy. Organisations are increasingly faced with the need to continually assess competitor movements, scan their external and internal environments and gain a greater insight into customer needs faster than they ever had to. This places greater emphasis on ensuring that the basis for business decision-making has a stronger information focus.

According to Kotler (2000), marketing research is an indispensable marketing tool for assessing buyers' wants and behaviour and the market size. Research on its own, may yield heaps of information but it is in the analysis of this information where the true value lies.

Cooper and Schindler (2003:14) states that good research generates data, being derived by practices that are conducted professionally and that can be used reliably for managerial decision making.

Discussed hereafter is the approach taken to this study, the data collected and the procedure used to conduct the survey. These are covered in greater detail in chapter 3.

1.4.1 The Research Approach

Cooper and Schindler (2003:319) reports that the communication approach involves surveying people and recording responses for analysis. The great strength of the survey as a primary data collecting approach is its versatility. It does not require that there be a visual or other objective perception of the information sought by the researcher. Abstract information of all types can be gathered by questioning others. This is also true of intentions and expectations. Information about past events is often available only through surveying people who remember the events. Thus, the choice of a communication versus an observation approach may seem an obvious

one; given the directions in which investigative questions may lead...Surveying is more efficient and economical than observation.

A structured, self-administered questionnaire (APPENDIX B) was used as the tool to collect all data in this exploratory case study. The questionnaire was designed by the researcher, assisted by staff members from the Springfield Depot. The study was confined to Springfield Depot, the largest depot by distribution volume in Kwa-Zulu Natal. Sales representatives of the main market distributed, interpreted and administered the questionnaire.

Primary data was obtained by interviewing key staff, government personnel and randomly selected customers. Information was also retrieved from SAB's in-house computer programs and their Intranet. Secondary data were sourced from SAB's in-house magazines, their Intranet, the Internet, government publications and the local media. A covering letter (APPENDIX A) detailing an overview of the study, was attached to the questionnaire (APPENDIX B). The covering letter was used to assure confidentiality, encourage participation and to gain support of participants.

1.4.2 Data Requirement

Geographical areas will certainly impact on distribution therefore the questionnaire addressed the location of shebeens (APPENDIX C to H). Similarly, trends such as sales volume, brands, required delivery days, times and pack sizes can be analysed by sales representatives (APPENDIX I). Comparison by geographical location can identify changes in brands and or pack sizes.

Additional customers will affect the type of credit facilities required, stock levels, distribution and warehousing hence questions surrounding these issues were specifically formulated to determine what impact these will have on SAB. Questions addressed were of the following nature:

1. When the new Liquor Act comes into effect, would you become licensed to trade in the sale of beers and AFB's?
2. Do you currently sell beers and AFB's?
3. If yes, what brands and pack size do you sell?
4. If you are licensed, would you prefer a delivery from SAB?

5. If yes, what quantity (in cases) would you purchase per week?
6. What delivery day would you prefer?
7. What time would you prefer a delivery?
8. Where do you currently get your stock from?
9. Is the stock delivered to you or do you pick up your own stock?
10. If SAB delivers to you, what credit facility do you expect?
11. Which is your fastest selling brand?
12. Which is your fastest selling pack size?

Further detailed information on data collected is addressed in chapter 3.1.

1.4.3 Survey Procedure

Springfield Depots' sales representatives of the main market segment conduct daily rep calls⁷ in various geographical locations. Their calling schedule is planned well in advance to ensure that each area is covered and that all customers are visited as per their tailored service package. Each sales representative is allocated geographical areas and these areas are visited at least once a month. In their line of duty, the researcher believed it was an ideal opportunity for the representatives to conduct the survey.

Five sales representatives of SAB were each given 20 questionnaires. During their trade visit, these representatives handed questionnaires to the shebeen representative who then completed the forms. SAB's representatives translated and interpreted the questionnaire when it became necessary. On completion, they returned all questionnaires to the researcher for analysis.

⁷ Rep calls are regular visits made by sales representatives to customer premises, thereby building good relationships and enhancing customer service.

1.5 Structure of the Study

1.5.1 Chapter 2

Chapter two of this study covers the literature review. The liquor industry is currently regulated by the Liquor Act No. 27 of 1989, and has been amended many times since. The Department of Trade and Industry and other departments responsible for economic affairs, reviewed existing laws, revised and tabled a Liquor Bill (B131-98) which replaced the original version. This Bill aims to address inequalities of the past, the harmful effects of alcohol, discourage monopoly control, facilitate the entry of new players into the liquor industry, social control and engineering and to establish a regulatory framework to advise government on liquor policy matters.

An overview of the liquor industry describes the important role players such as SAB, Stellenbosch Farmers Winery (SFW), Gilbey's, E Snell and Co., Douglas Green Bellingham (DGB), National Sorghum Breweries, retailers, government, the Federated Hospitality Association of S A and the South African Council of Churches.

A brief history of SAB is described, indicating its establishment in 1895 up until the acquisition of SABMiller in USA in 2002/3. Discussed thereafter is the restructuring of Beer Division in 2004, the reasons for change and challenges facing SAB.

Springfield Depot's unique offerings such as the small drop⁸ activities, fleet maintenance, owner driver program, sales related issues and the company value chain, are described. Finally, the proposed new legislation is highlighted and ends with the conclusion of chapter two.

1.5.2 Chapter 3

Chapter three provides an overview of the research methodology, the research design and the instrument used, the sampling design and procedure, the administering of the study, the response rate and finally the analysis of the data. The researcher collated and analysed all data from the questionnaires using Microsoft software. Information relating to sales, distribution,

⁸ A customer ordering less than 50 cases per week and is within a 25 kilometer radius is categorised as a small drop customer (see chapter 2.5.5).

warehousing and credit were addressed in the questionnaire. After collating the data, the information were summarised graphically.

1.5.3 Chapter 4

Chapter four reviews external and internal forces that could affect SAB. After analysing the results obtained in chapter three, interpretations and recommendations are made for each question on the questionnaire. The chapter reviews and make recommendations regarding resources such as staff compliment, vehicle requirements and warehousing needs.

1.5.5 Chapter 5

Chapter five discusses additional staff and vehicles that will be required to service an additional 426 customers. The derivation of these numbers is also explained. Other aspects highlighted in chapter five were problems experienced during the study, other observations made and areas identified for future research. This last section scans both the internal and external environments in order to gain that competitive advantage and lead its industry.

Chapter 2 LITERATURE SURVEY

2.1 Introduction to the Legislative History

The liquor industry is currently regulated primarily by the Liquor Act (Liquor Act No. 27 of 1989), as amended in 1993 and 1995. Since 1996, the Department of Trade and Industry, together with provincial departments responsible for economic affairs, has conducted a review and evaluation of existing laws. The Department published a Liquor Policy Document and a draft bill in July 1997. At the end of August 1998, the government tabled the Liquor Bill (B115-98). Following public hearings in mid-September, the Portfolio Committee on Trade and Industry tabled a revised Liquor Bill (B131-98) that replaced the original version. The National Assembly approved the bill just before it adjourned. It must now be considered by the National Council of Provinces.

The bill aims to address the potentially harmful effects of alcohol misuse without neglecting "the economic benefits of the liquor trade". The memorandum accompanying the bill notes that, in addition to the family violence, illness, crime, and workplace problems associated with alcohol abuse, "The history of liquor regulation in South Africa is an integral part of segregation, in that liquor was used as a means of social control, social engineering and labour mobilisation". Practices such as the "tot" system (the provision of alcohol to farm labourers in lieu of wages) and restrictions on the involvement of black entrepreneurs in the liquor industry gave alcohol an important role in perpetuating inequality. Key provisions of the Liquor Bill would:

- establish a uniform national administrative and regulatory framework for the liquor industry;
- discourage monopoly control in the industry by limiting "vertical integration"--in other words, preventing any one person or firm from having a controlling interest in businesses registered in more than one of three main categories: manufacturing, distribution, or retail sales of liquor;
- facilitate the entry of new entrepreneurs into the liquor industry;
- broaden the prohibition on the use of alcohol as a substitute for or supplement to wages;

- create a National Liquor Advisory Committee to advise the government on matters relating to liquor policy, to promote research on the impact of alcohol consumption on society and to encourage public education and social responsibility programs on the potentially harmful effects of alcohol; and leave a number of matters, including trading hours, to the discretion of provinces or municipalities, available at (www.sacct.org.za/ppu_liqr.html).

2.2 The History of South Africa's Liquor Laws

Table 1 briefly describes the history regarding the Liquor Laws of South Africa and is available at (www.hotelandrestaurant.co.za/news/2001/june/liquor.asp).

1883	The Introduction of Liquor Licensing Act for the Cape Colony.
1928	Liquor Act 30 established for the Union of SA, excluding Transkien territories.
1934 – 1977	Act 30 amended 34 times, mainly to liberalise austere controls, but failing to address the causes of the existence of unlicensed traders (shebeens).
1989	Liquor Act 27 introduced.
1995	Act 27 amended to make provision for nine provincial liquor boards.
1998	Liquor bill introduced to regulate manufacturing, wholesaling and retailing tiers of the industry. Bill referred to Constitutional Court following vigorous debate.
November 1999	Court ruled the bill unconstitutional, finding that national liquor laws intruded on provincial powers and that provinces were responsible for legislation for retail liquor licensing
April 2001	Western Cape becomes the first province to propose its own liquor legislation

Table 1: History of South Africa's Liquor Laws

2.3 An Overview of the Liquor Industry

Industry Characteristics

The liquor industry is characterised by a high degree of monopolisation. There is extensive horizontal and vertical integration. At the lowest tier, there is a large unregulated informal sector and there remain a strong racial bias within the industry. Production of liquor is characterised by a high degree of monopolisation. Two corporations, SAB and RK Investments

(Rembrandt and KWV), dominate the industry. SAB has interests in beer as well as wine and spirits, whereas RK Investments is primarily involved in wine and spirits. Most South African wine is produced in the Western Cape. The major producer is KWV. Other producers include Distillers, Stellenbosch Farmers Winery (SFW), Gilbeys, Douglas Green Bellingham (DGB) and E Snell and Co. The main wholesalers of wine and spirits are Distillers, SFW, Gilbeys, Seagram and DGB. All are members of the Cape Wine and Spirit Institute (CWSI), which accounts for 90% of wine and spirit sales in South Africa. Distillers and SFW are, in turn, controlled by RK Investments and SAB. In each case, RK Investments holds 60% of shares and SAB 30%.

Almost all malt beer consumed in South Africa is produced in the country, primarily by one producer, South African Breweries (SAB). SAB Beer Division has 98% of the local malt market. Malt beer or “clear beer” is brewed from malted barley and flavoured with hops, includes Lager, ale, stout, etc, and in SA has an alcohol content of between 4 and 5.5%. Sorghum Beer is brewed from sorghum malt and mielie-grits. The maximum alcohol content of sorghum beer is restricted by law to 3% by weight.

National Sorghum Breweries (NSB) established Vivo Breweries which opened a malt beer plant in July 1994. An Indian company, United Breweries, bought 30% shares in NSB. However to date, NSB and Vivo have not made an impact on SAB’s virtual monopoly.

Cider, draught beer and smaller volume labels are growing well ahead of the market, but off a low base. Namibia Breweries showed a 30% surge in sales. These sales are mainly through the formal sector, but Licensee’s Guardian predicts that in the medium term the informal sector may also turn to other brands.

SAB’s monopoly is reflected in its performance. SAB’s beer interest (including SAB’s Beer Division and International Beer Interests) has consistently performed better than SAB’s other interests, including complementary beverages, retail and hotels and manufacturing (www.gov.za/bills/1997/liquorc.pdf).

With the important stakeholders in the liquor industry highlighted above, below is relevant and related extracts from various stakeholders in the environment that affects the new Liquor Bill.

“While industry is fully supportive of economic transformation, it maintains as a priority, the licensing of retailers, at whatever applicable tier of government, is still the most important liquor industry issue requiring urgent legislative attention,” said industry spokesman Dr Vincent Maphai (<http://beernet/Newsflashes/index.htm>).

The Liquor Bill was passed by the National Assembly on Tuesday afternoon (2nd September 2003) with 173 votes in favour of the measure and 33 votes against... Piloting the legislation through the Assembly, Trade and Industry Minister Alec Erwin said the government's intention was to regulate *"and largely separate the three tiers within the industry"*. They were manufacturing, distribution and the retail of liquor products. *"However, we have always been cognisant of the need for flexibility in this regard so as to meet differing economic realities and needs,"* he said (<http://business.iafrica.com/news/267727.htm>).

An article entitled “Liquor industry objects to draft bill” reports that the liquor industry has argued the proposed Liquor Bill is fundamentally flawed and will hamper, rather than promote, empowerment in the industry....retailers Woolworths, Pick ‘n Pay, Shoprite Checkers and Makro also voiced their objections to the bill, Business Day reported. The main objectives of the bill, to regulate the industry, were however welcomed according to Sapa (<http://business.iafrica.com/news/236614.htm>).

Federated Hospitality Association of South Africa (FEDHASA) also voiced their opinion. FEDHASA supports many of the principles and objectives of the bill and in particular those provisions that will facilitate easy entry for new participants into the industry. FEDHASA believes it is paramount the Government ensure that all legislative and regulatory matters affecting the Accommodation and Commercial Food industries, do not create any barriers nor disincentives but support, promote and facilitate the new entry of SMME’s in particular, which in turn will play a significant role in the vital need for job retention and creation into the new millennium. FEDHASA believes that it is equally important that appropriate steps are taken to ensure that all establishments trading in liquor are brought into the administrative and regulatory frame work and that the industry is united in its endeavors to

address and reduce the negative socio economic costs and implications of alcohol abuse (<http://www.fedhasa.co.za/Members/CurrentAffairs/submissionliquorbill.htm>).

“The purpose of the Liquor Bill, is to address the socio – economic consequences of liquor in our society. It must be stated from the outset that I recognise the economic benefits of the liquor industry. Let us not forget that the previous regime is liquor regulations as a means of social control, social engineering and labour mobilisation. The previous Government passed laws that kept blacks from brewing and accessing alcohol, and the “tot” system was used by whites to pay black workers in many areas. This resulted in a different approach to each of the two different constituencies, one of the discrimination, lack of development and high levels of unemployment in black communities and one of the concentrating mass of wealth, political power and benefits in the white communities. The consequences were countless raids, harassment, arrest, prosecutions and imprisonment of blacks. Also, it led to social breakdown, family violence, alcohol related disease, crime and accidents in poor black communities. A large illegal liquor trade emerged in townships. In order to address this legacy, the government is introducing a new policy that seeks to balance the economic benefits of liquor trade with the negative socio – economic consequences of alcohol abuse,” said MEC for Finance and Economic Affairs Jabu Moleketi, when addressing parliament on 10 April 2003 (<http://www.finance.gpg.gov.za/speeches/liquor2004.htm>).

Kwa-Zulu-Natal Minister for Economic Development and Tourism Roger Burrows released the draft KwaZulu-Natal Liquor Licensing Bill on July 4th, 2003. The draft Bill states that the objects of the legislation are to provide for the retail sale of liquor, the regulation of micro-manufacturing of alcoholic substances, the manufacture and sale of sorghum beer and to address and reduce the economic and social costs of excessive alcohol consumption (http://www.kzn-deat.gov.za/bulletin/liquor_bill.html).

South Africa's leading producers of wine and spirits have expressed their deep concern that the National Liquor Bill now serving before parliament may hamper rather than promote economic empowerment within the liquor industry. *“The best point at which to promote economic empowerment, job creation and small business development is by addressing the vast number of unlicensed operators at the retail level,”* said Forum director, Advocate Riaan Kruger (<http://www.fastmoving.co.za/detail.jsp?providerNo=2355>).

The South African Council of Churches (SACC) reports that other matters for concern remain the absence of guidelines or a frame of reference on which provinces will need to decide, such as:

- Trading hours
- Sales in supermarkets
- Sales at petrol stations

In the last mentioned case, it is important to point to the concern for public safety as it relates to driving (<http://www.sacc-ct.org.za/liquorpres.html>).

An article entitled “Apartheid Liquor Act on its last legs - INDUSTRY REGULATION” by Heather Formby reports that South Africa's apartheid Liquor Act is due to be amended, but the changes are too slow for major players in the industry who are asking for a moratorium on prosecutions under the old Act and challenging its legal status. Cape-based supermarket chain 7-Eleven is taking the matter to the Constitutional Court, arguing that the Liquor Act is unconstitutional. It will be a test case for retailers with a grocer's license, one of the archaic licenses granted under the old government. It bans retailers from trading on Sundays and enforces strict trading times during the week, allowing the sale of wine only.

7-Eleven met other retailers last week to discuss issues relating to the Act to be put forward on their behalf. Pick 'n Pay has been lobbying for years to change the outdated legislation. Last week Gareth Ackerman, managing director of Pick 'n Pay Group Enterprises, publicly criticised the Act, saying it was "*outdated, insensitive to a multi-religious society and laughable in the wake of a growing international tourism market*". He called for a moratorium to allow retailers to trade longer hours and in beer as opposed to wine only over the Christmas season. Even some police want the legislation changed, as much of their time is spent tracking down those trading illegally - a number which Law Review Project chairman Leon Louw says amounts to about 90% of total traders.

The Law Review Project reviews existing laws and makes recommendations for changes to government. In its review of the Liquor Act, the Law Review Project facilitates what is called the Liquor Industry Initiative, representing all interested parties in the liquor industry. The project is also calling for a moratorium. It wants laws to be changed to stop the prosecuting of shebeens over the festive season. Louw says the ministers of Trade and Industry, Justice, and

Safety and Security will be approached. Calls for a moratorium come in the wake of an effort by the Department of Trade and Industry to invite submissions for a new Liquor Act. These have come from groups as diverse as churches, bottle stores, street vendors and supermarkets.

Provinces have until the end of the month to make their submissions, putting forward ideas for change from the various bodies they represent. Lana van Zyl, Deputy director of Consumer Protection Services at Trade and Industry, says guidelines were sent out to the various parties. She says officials from her department and representatives from the provinces will meet in January to discuss the submissions. The guidelines include other issues such as the procedure and criteria used to grant liquor licenses, the composition of the Liquor Board, who should be involved in the administration of the Act, and so on. Others, such as Rebhold MD Jacques Kempen, believe the Act should go far wider and look at wholesalers, where the market is controlled by fewer players. But discussions on the Act could take a while and people are becoming impatient with the slow pace of change. There is a good case for exceptions to be made - some sectors of the liquor industry must comply with a law out of step with the times (<http://www.btimes.co.za/96/1222/news/news.htm>).

Gauteng's new liquor laws may pave the way for the sale of alcohol on Sundays. The Gauteng Liquor Act of 2003, which comes into effect in April next year, is also set to clamp down on illegal sale of alcohol and to give residents a say over whether liquor will be sold in their neighbourhoods.

"Discussions around limited trading on Sundays are not yet finalised but there is a possibility that Gauteng may be the first province to allow alcohol sales on a Sunday," said newly appointed chief director for liquor licensing in Gauteng, Moses Moeletsi. He said the provincial liquor board decided to do away with the old 1989 legislation because it was not sufficiently regulating the industry. *"Members of the community also complained that there were too many illegal traders and, in some instances, even too many legal traders in the same area,"* he said.

The new law takes into account the interests of the community with regards to those who have the right to trade. The board also took into consideration social issues such as crimes committed in and around drinking establishments. *"We had to consider the facts of rape, the use of children to purchase alcohol and the disintegration of families because the industry is*

not properly regulated," said Moeletsi. There are 7 400 licensed traders in the province. But not everybody is happy with the new laws. The South African Liquor Traders Association - the largest body in the province - this week voiced its dissatisfaction with the new rules. Association president Saint Madlala said the Act did not take into consideration realities on the ground.

"Trading is not allowed within 500m of a school, place of worship or place where people board public transport. But that means that thousands will now not be able to trade. What about the fact that in some of these places, the traders were there before the arrival of the schools? A lot of people are going to be out of work," said Madlala. He said that although people wanted to comply with the law, many would find it difficult.

"The new rule about drinking in only a designated area also makes it difficult because most people prefer to buy from taverns and drink at home or elsewhere. Few people sit at the taverns and drink because of the history of people being arrested at taverns during the apartheid era," he said.

The new law will also:

- compel everyone who has an interest in selling alcohol to obtain a license - even if they are "shebeen" owners or want to sell alcohol only during a special event;
- put in place six local committees (Joburg, Tshwane, Ekurhuleni, Bronkhorstpruit, Vereeniging and Randfontein), made up of community and legal representatives, which will make recommendations on whether or not applicants should be granted liquor-trading licenses;
- put in place license inspectors, who will also have powers to use force to inspect premises;
- outlaw alcohol consumption in public places unless they are in a designated and licensed drinking area. Drinking in a park on a Sunday afternoon will constitute a criminal offence;
- compel applicants to advertise their intentions to apply for a liquor license in at least two newspapers that circulate in the area in which they intend to trade. Applicants must also place a

sign on the physical prospective trading premises stating clearly their intention to apply for a liquor license;

- makes it illegal for anyone below the age of 18 to buy alcohol or to be in an area which has been determined a licensed and designated drinking area;
- makes it illegal for a residential structure to be a licensed area;
- makes it illegal for any child to assist in the trade of alcohol, especially if a parent is the trader; and
- does not allow any concoction or home-brewed beer to be sold.

There will be a window period during which unlicensed traders will be given permits provided they have lodged an application for a proper license. How long this grace period will be is still to be decided. In addition, anyone who fails to comply with the board's ruling can be fined up to R200 000. Judgments by the board are equal to those of a civil court (<http://www.suntimes.co.za/2003/09/07/news/gauteng/njhb01.asp>).

South Africa's R30-billion liquor industry is in for a major shakeup if the rest of the country's provinces take their lead from the Western Cape, which will soon have completely new liquor legislation. Likely to become the basis for law before the end of this year, the Western Cape's proposals have been praised in some quarters and criticised in others. The hottest issue in the proposals is the intention to allow grocery stores to sell beer and spirits, creating the fear among liquor store owners that many will close as customers drift away. The intention of the proposed legislation is to attempt to address the problems that existing laws have failed to do. This includes formalising an industry in which, according to Western Cape minister of finance, business promotion and tourism Leon Markovitz, 80% of liquor in South Africa is sold to consumers in and from unlicensed premises.

In the Western Cape alone, there are estimated to be around 20 000 shebeens operating without licenses. In 1999 the official figures of the province's liquor board recorded the number of liquor licenses at 4 841. The proposed changes will have wide-reaching implications for commercial enterprise and entrepreneurship, including easier access to licenses for legitimate

traders and heavy penalties for those who transgress the law. Other aspects include zoning and community protection. Despite the proposed legislation having been in the pipeline for at least a year, many of the licensed liquor retailers in the Western Cape are apparently unprepared and very possibly face closure. Picardi Rebel marketing and operations director Darren Swersky has said that liquor store operators face *"tremendous pressure and will be squeezed out of the market by the supermarket giants"*.

"If grocery stores are to sell liquor, then it should be on separate premises. That way they will have to employ more people, and therefore this will create jobs," he said. According to business regulation director in the provincial authority Helgard Wagener, the Western Cape government could not allow the problems associated with current legislation to continue in the face of international trends. *"We never protected the butcher or baker. We simply had to make a choice,"* said the director.

Also watching proceedings closely are liquor producers and wholesalers. Some may soon have to face negotiating with giant retailers who may expect them to buy shelf space and insist on paying only on 90 days, rather than COD. But there will also be the benefits of bigger deliveries to fewer outlets and the opportunity to tell smaller retailers and on-consumption outlets to buy from their local supermarket rather than order the odd case of whisky, vodka, brandy and gin.

Also notable in the discussion document is the provision for heavy penalties, including the confiscation of vehicles, property and stock used in the aiding and abetting of any illicit liquor trade, which could impact on far more than just the venue where the liquor is sold. Penalties will also be imposed on landlords who knowingly allow their property to be used for illegal trading. Andre Steyn, Distell's corporate affairs director, says while the company is concerned about small business it is "fairly neutral" about the proposed law. *"It's difficult to say if the legislation is good or bad. If there's a need for it, then so be it. The simple reality is that supermarkets are already major clients of ours. Expanding their ranges would not require anything substantial,"* he said. Reacting to public concern that the sale of beer and spirits and potential dropping of current strict trading hour regulations would increase alcohol abuse, Markovitz says the objectives of the Green Paper are *"to create a liquor licensing policy which will strive to protect the community against any abuse of alcohol"*.

"The proposal suggests that the removal of unnecessary barriers to entry will be accompanied by the imposition of strict measures against licensed traders who transgress the law - especially those who supply illegal operators or use them as 'runners' and 'fronts'. This Green Paper emphasise the social accountability the Western Cape Government has towards its citizens, with the proper regulation of the illegal distribution of liquor, and the detrimental effects which alcohol abuse can cause within the community," said Markovitz.

Research conducted by the Medical Research Council in the rural South Western Cape found that between 67% and 76% of domestic violence cases were alcohol-related, while a 1999 study conducted among 960 suspects held at nine police stations in Cape Town, Durban and Johannesburg found that 22% were under the influence of alcohol at the time of their alleged crimes - 33% in Cape Town. *"The annual cost to the South African economy due to the abuse of alcohol is estimated to be R8, 5-billion. However, with the proper enforcement measures in place, as this Green Paper suggests, we believe that the significant contribution the liquor industry makes towards the country's economic activities will be better appreciated,"* said Markovitz. Leon Markovitz, the Western Cape's minister of finance, business promotion and tourism, is leading the way to new liquor laws in South Africa (<http://www.hotelandrestaurant.co.za/news/2001/june/liquor.asp>).

The Liquor Bill establishes a regulatory framework for the liquor industry that is geared to creating opportunities for new entrepreneurs to enter the liquor trade while simultaneously preventing monopoly control. However, the Bill is less effective in committing resources to alcoholism rehabilitation, family services, public education, and other programs to combat the effects of alcohol misuse, (www.sacc-ct.org.za/ppu_liqr.html).

“Liquor Bill passed by National Assembly” by Donwald Pressly was posted on Wednesday, 03 Sep 2003 and it states that the Liquor Bill was passed by the National Assembly on Tuesday afternoon with 173 votes in favour of the measure and 33 votes against. The chairman of committees who was chairing the second reading of the Bill, Geoff Doidge, said the Bill would be sent to the National Council of Provinces for concurrence. While it is not yet on its agenda, a parliamentary official indicated that it was likely to come before the second house of Parliament in October (<http://business.iafrica.com/news/267727.htm>).

Piloting the legislation through the Assembly, Trade and Industry Minister Alec Erwin said the government's intention was to regulate "*and largely separate the three tiers within the industry.*" They were manufacturing, distribution and the retail of liquor products. "*However, we have always been cognisant of the need for flexibility in this regard so as to meet differing economic realities and needs. We have been pragmatic and not dogmatic on the matter provided we know what is happening and that we do effect a degree of economic separation of the three tier,*" he said.

The Democratic Alliance's Mark Lowe expressed concern that although the Bill recognised the exclusive power of provinces to issue retail liquor licenses, provincial MECs were required to control the issuing of retail licenses through a regulatory mechanism of a board under the Public Finance Management Act.

In interchange, Lowe suggested that "*some commentators have seriously wondered if the minister hasn't been bought by an industry still buried in apartheid legislation whose key players are now able to perpetuate the status quo inherited and keep empowerment and transformation at bay.*" Erwin objected to this and called Lowe "a twerp". Doidge said he would rule later on whether these comments were unparliamentary.

Lowe argued that the Bill, as amended by the Department of Trade and Industry, accommodated the industry monopolies by allowing cross-holdings in the manufacturing and distribution sectors. Their ability as monopolies to control the trade rests on their control at the wholesale distribution level and this effectively keeps the industry in the same few hands, leaving any restructuring of its entirety at their and the minister's discretion.

The DA noted that manufacturers who controlled the distribution of beer — 80 percent of which was drunk in the black townships — had originally been given three years to divest. This had been taken out of the amended Bill (<http://business.iafrica.com/news/267727.htm>).

Draft Liquor Licensing Bill - July 4, 2003

Kwa-Zulu Natal Minister for Economic Development and Tourism Roger Burrows this morning (Friday) released the draft Kwa-Zulu Natal Liquor Licensing Bill. *“This draft Bill is being released to enable the public to comment and provide input. It is currently a draft Bill and is not set in concrete. After consideration of the comments, the draft Bill will be submitted to Cabinet and then to the provincial parliament for consideration,”* said Minister Burrows (http://www.kzn-deat.gov.za/bulletin/liquor_bill.html).

Written comments are to be transmitted to the Department by August 15, 2003 and current time frames suggest that the province should have legislation in place by the end of the year. Copies of the draft Bill will be made available to interested parties by the Department and advertisements are being placed in various publications calling for comment on the draft Bill.

The draft Bill states that the objects of the legislation are to provide for the retail sale of liquor, the regulation of micro-manufacturing of alcoholic substances, the manufacture and sale of sorghum beer and to address and reduce the economic and social costs of excessive alcohol consumption.

The draft Bill aims to establish a KwaZulu-Natal Liquor Licensing Authority which will be a public entity in terms of the Public Finance Management Act (No 1 of 1999). It also ensures procedures for the nomination and appointment of members of the Authority, a chief executive officer and staff.

Furthermore, the draft Bill creates an Appeal Tribunal for the handling of liquor license appeals. The draft Bill determines the categories of liquor licenses that may be applied for and will reduce the current 25 types to a suggested six.

The draft Bill also establishes exact procedures for applying for liquor licenses and registration. According to the draft legislation licenses will be granted for a period of nine years and operations that are currently licensed will be required to obtain a license in terms of this new legislation within a year of the legislation being promulgated. The new legislation allows for penalties and for licenses to be revoked should any conditions that are set be broken.

The draft Bill also aims to:

- Ensure that written consent for business trading in terms of local authority town planning or zoning regulations has been obtained;
- Control the transfer of liquor licenses to other persons or premises;
- Prohibit and control unhealthy concoctions;
- Enforce penalties against offences in terms of the legislation;
- Provide for regulations and
- Ensure transitional arrangements.

Any restrictions on the days or hours of trading will be made by the Liquor Licensing Authority during the approval of specific licenses, according to the draft Bill. The legislation strictly prohibits the sale of liquor to people under the age of 18 years and to a person who is violent, drunk or disorderly or under the influence of a drug having a narcotic effect.

The Liquor Authority is also required according to the draft legislation to advise the Minister responsible for liquor affairs in KwaZulu-Natal on establishing and implementing a social responsibility programme in respect of alcohol consumption. This is to be done after consultation with the Department of Health.

Releasing the draft Bill, "*The current legislation (Liquor Act No 27 of 1989) is widely regarded as outdated and extremely inefficient in its practical application,*" said Minister Burrows.

A national Liquor Bill was introduced to the National Assembly for the first time in 1998 and was subsequently referred by the President to the Constitutional Court. The gist of the judgment handed down by this Court as it affects the province was that the licensing of retailers of liquor, the licensing of micro-manufacturers of liquor and the licensing of the manufacturers and retailers of sorghum beer are clearly provincial competencies. Provincial legislation is therefore required to regulate these matters.

"The national Liquor Bill, which is currently being reworked, was tabled by the Minister of Trade and Industry earlier this year. It currently contains a default provincial bill should provinces not enact a provincial Act within a year of the passing of the national Liquor Act. This provincial legislation is thus required by law. We have obtained considerable legal advice in the production of this draft Bill. We have consulted some of the best law drafting

practitioners and considered the legislation of other provinces and even other countries," said Minister Burrows. *"Many citizens are concerned with how the province deals with liquor license applicants. I urge all stakeholders and interested parties to put their comments and suggestions in writing as soon as possible. This is the chance for the public to have their say,"* concluded Minister Burrows (http://www.kzn-deat.gov.za/bulletin/liquor_bill.html).

Liquor Bill Debate

South Africa's leading producers of wine and spirits have expressed their deep concern that the National Liquor Bill now serving before parliament may hamper rather than promote economic empowerment within the liquor industry. The Wholesale Merchant Forum of the Wine and Spirit Industry of South Africa last week told Parliament's Trade & Industry committee that it fully supported the objectives of the Bill but that the draft document contained fundamental flaws which could seriously impede investment and economic growth.

The Forum is a voluntary trade association of producing wholesalers which manufacture, market and distribute branded alcoholic beverages throughout South Africa and overseas. Members include major South African companies such as Distell and KWV, South African subsidiaries of international companies such as Guinness UDV and Pernod Ricard, medium-sized concerns such as Vinfruco and Winecorp, and small family businesses such as Mooiuitsig Wynkelders.

Together they market 61% of all wine sold in and exported from South Africa. They are also responsible for 83% of whisky, 95% of brandy and 80% of alcoholic fruit beverages and spirit coolers marketed in South Africa.

"The best point at which to promote economic empowerment, job creation and small business development is by addressing the vast number of unlicensed operators at the retail level," said Forum director, Advocate Riaan Kruger.

The Forum also expressed concern that the Bill prohibits a manufacturer from selling liquor to a retailer except with the permission of the Minister of Trade & Industry as a condition of registration. The previous Bill stated that a manufacturer may sell liquor to any licensed person. It is unclear why this specific section has been replaced with unfettered discretion being given to the Minister.

"This will give rise to a situation in which individual applicants for registration can be treated selectively and on the basis of different sets of rules. The unintended consequence is that industry participants will be reluctant to embark on long-term investments because of the uncertainty that this creates," said Kruger.

According to the Forum, this conferral of a wide, open textured discretion is not only harmful to accessibility, legitimacy and simplicity, but may also be unconstitutional. The Forum thus proposes that the Bill be amended to allow a manufacturer to sell and deliver its products directly to the retail trade.

Another flaw in the Bill which will hamper tourism growth is a clause which states that a manufacturer may not sell liquor produced by it to any bona fide tourist, except as a term of condition of registration granted by the Minister.

"The previous Liquor Bill stated that a manufacturer may sell liquor produced by it directly to the public for consumption on and off the registered premises (tourists). It is unclear why this section has been replaced with a discretion being given to the Minister and the Forum has similar concerns about this unfettered discretion," said Kruger.

Tourism is an important contributor to the South African economy and so-called "wine tourism" is a growing trade. Members of the Forum own and operate popular tourist facilities such as Nederburg, Spier, Oude Libertas, Graham Beck Wines, The Bergkelder, Laborie, Van Ryn Brandy Cellars, Bellingham and many others. The Forum therefore proposes that the Bill be amended to allow a registered manufacturer to sell liquor produced by it, directly to tourists on registered premises.

"Liquor legislation should not duplicate other legislation and should not impose different burdens on industry participants than those imposed in other industries. We feel strongly that competition matters should be regulated by the Competition Act and that empowerment should equally be regulated by the envisaged Empowerment Act," said Kruger.

He said the challenge was to transform the industry by being constructive and not disruptive and the members of the Forum reiterated their offer to engage the Department of Trade & Industry on a section-by-section analysis to settle the final wording of the Bill.

"A much better liquor dispensation can be put in place by renegotiating and rewriting the existing statutory provisions pertaining to the liquor trade and by then creating functional administrative bodies to properly control the manufacture, distribution and the sale of liquor," said Kruger (<http://www.fastmoving.co.za/detail.jsp?providerNo=2355>).

Analysing the above, one can certainly associate some of them with SAB, as almost all aspects affects their business. Below reflects the history of SAB and how much of what was reported above, blend in.

2.4 History of SAB

South African Breweries (SAB) was established in 1895, just after the establishment of Johannesburg as a mining town in 1886. Its flagship brand, Castle Lager was launched in 1898 and became an immediate success, at only 6 pence per glass. SAB's annual profits increased to £100 000 at the time, and assets surpassed £1 million, making SAB the fastest growing non-mining firm in South Africa by the early 1900's.

Because of taxes on beer in the 1950's, the demand for beer fell. To address this problem, the three largest brewers in South Africa at the time – Ohlsson's, United Breweries and SAB – consolidated. Although SAB was the smallest of the three, the new brewery retained the SAB name. In August 1962, the new brewery faced a phenomenal market opportunity when the restriction on drinking by black South Africans was lifted.

From mid-1960s to the early 1990s, SAB followed a strategy of growth through diversification. This was a consequence of the political isolation of South Africa at the time and the fact that SAB already had 98% of the South African lager beer market. Its strategy of diversification included launching a hotel division in 1966, acquiring the Pepsi bottling division in South Africa in 1974, a 49% share in Appletiser in 1979, the purchase of Scotts Stores Group and Edgars in 1981 and 1982, and investments in the Lion Match Company, Da Gama Textiles and Plate Glass in 1987, 1989 and 1992 respectively. SAB also started to expand its operations beyond South Africa, starting with sub-Saharan Africa in 1970, with breweries in each of its neighbouring countries, Swaziland, Botswana and Lesotho. By the end of the 1990's, SAB was the largest brewer in Africa, and held brewing interests in Zimbabwe, Tanzania, Mozambique, Angola, Ghana, Kenya and Zambia. Over half of the beer consumed on the African continent was produced by SAB.

The sanctions that were imposed on South Africa in the mid-1980s prevented SAB from expanding anywhere else but on the domestic market. However, when these sanctions were lifted in the early 1990s, SAB started a process of international expansion. It acquired stakes in Hungary in 1993, China in 1994 and Poland and Romania in 1996.

A new CEO, Graham Mackay, came on board in 1999 and there was a renewed focus on core brewing activities. Non-core interests, such as textiles, matches and retail were sold. SAB became the largest brewer in eastern Europe in 1999 with its acquisition of Czech brewers Radegast and Pilsner Urquell, and became active in Moscow, China and India. In March 1999, SAB's globalisation strategy culminated in its shifting of its primary stock market listing to London, as a means to raise hard currency for acquisitions.

SAB's strategy was to focus on operating improvements and efficiencies. The pan-African strategic alliance entered into between SAB and the Castel group, with effect from April 2001, capitalised on the complimentary geographic profile of the two groups in Africa. While SAB's operations were concentrated in the south and the east of the continent, the Castel group's interests were in 16 francophone countries of West, Central and North Africa. In addition, SABI (International) Africa had made carbonated soft drinks (CSD) acquisitions in Angola and Zambia and had increased lager beer investments in Uganda and Mozambique.

The group entered a new region, Central America, in November 2001, with brewing and soft drinks acquisitions in Honduras and El Salvador. SAB's management believed that this market offered potential for growth in both volume and profit, as *per capita* beer consumption was relatively low in these countries compared with other Latin American markets.

SAB had expanded rapidly in China, where its joint venture operation, China Resources Breweries (CRB), was well positioned as the country's second largest brewer. The company purchased five new breweries during the 2001 / 2002 financial year in the north east of the country, where CRB was market leader.

SAB also acquired two new breweries in India, giving it a presence in four of the five largest beer consuming states in the country. It also successfully launched Castle Lager as a premium brand in the cities of Delhi and Mumbai.

SAB had continued to internationalise its business listing on the London Stock Exchange and under Mackay's leadership, had steadily consolidated its position as a global brewing company. In 2002, SAB was still criticised, however, for its over-exposure to the perceived risk of emerging markets. The decline in the exchange rate of the South African rand against the US dollar in the late 2001 had impacted significantly on the strong underlying performance of the South African operations.

The steady decline in the real value of the South African rand, escalating political instability in Zimbabwe and lack of confidence in African leaders, all contributed to high levels of "Afro-pessimism", and were reflected in SAB's relatively low P/E ratio in 2001 / 2002. However, SABMiller was created in 2002 when SAB acquired 100% of Miller Brewing Company, the second largest brewery in the United States by volume at that time. The transaction represented a significant step in the consolidation of the global brewing industry and has positioned SABMiller plc as the second largest brewer in the global market. SAB plc acquired 100% of Miller Brewing Company, the second largest brewer in the United States, in July 2002 and changed its name to SAB plc. SABMiller has, either through majority ownership or associate relationships, a brewing presence in over 40 countries across Europe, North and Central America, Asia, Africa and South Africa (University of Witwatersrand Business School Case Centre, July 2003 *S A Breweries* Johannesburg pp. 1-3).

SABMiller's primary listing is on the London Stock Exchange. It is included in the FTSE 100 Index, with a secondary listing on the JSE Securities Exchange South Africa as the JSE 40. SABMiller's total beverage volumes for the year ended 31 March 2003, were 151.4 million hectolitres of which lager constituted 115.8 million hectoliters. In November 2001, SABMiller became the first international brewer to enter Central America to become the largest brewer and soft drinks bottler. SABMiller entered Europe through its purchase of Dreher in Hungary in 1993 and since then has developed through acquisition and organic growth into one of the largest brewers in Europe. SABMiller's widespread commercial activity creates wealth which benefits all our stakeholders - governments, for example, gained US\$1.6 billion in the 2003 financial year in direct company taxes alone. SABMiller's alcohol policy issues insist, as a prerequisite, that all SAB companies adhere to a responsible advertising, packaging and promotions code. This ensures, as a minimum, that those under the legal drinking age are not targeted. SABMiller directly employs over 42,000 people with many thousands more in associate companies - over 28,000 in China alone. Based on our jobs multiplier estimates, over

2 million people are dependent on SABMiller for their livelihoods. During the financial year ended 31 March 2003, SABMiller companies around the world invested US\$13 million in contributions to their local communities. This represented 1.7% of group pre-tax profits. The acquisition of Birra Peroni, the second largest brewer in Italy, was the first significant SABMiller investment in Western Europe. In the carbonated soft drinks market, SAB is one of the largest bottlers and distributors of Coca-Cola products outside the USA.

Since SAB plc's London listing in March 1999, the shareholder base has diversified, with the majority of shares now held in the USA and UK. Over the same period, the company's FTSE100 ranking has risen from 80 to 42 as at April 2003 SABMiller entered the Chinese market, now believed to be the largest beer market in the world by volume, in 1994 and is one of the few profitable foreign brewers operating in China, (http://www.SAB.com/book_index.asp?bookmark=fast_facts.asp).

2.4.1 Global Operating Profit Contribution for SABMiller

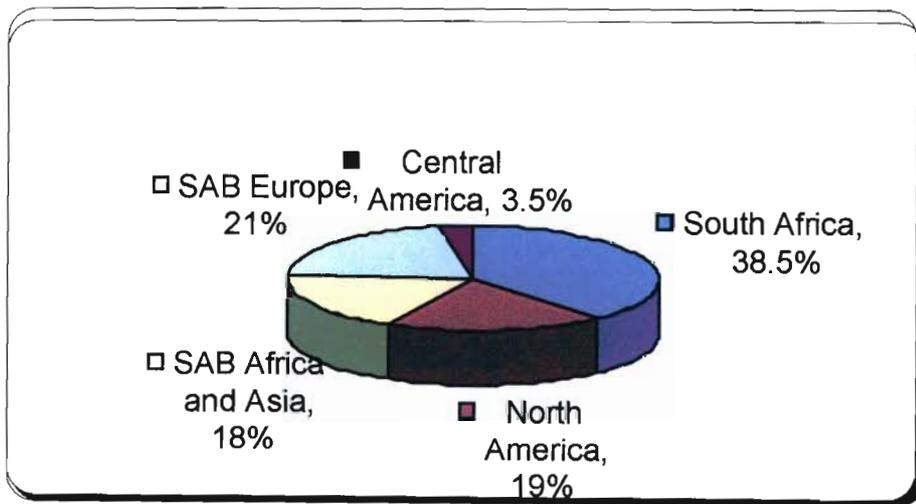


Figure 1: SABMiller – Global Fit

<http://beernet/Strategy/4>

Figure 1 indicates that South Africa contributes the highest operating profit towards SABMiller at 38.5%, followed by Europe at 21%, North America at 19%, Africa and Asia at 18% and Central America the least at 3.5%.

2.4.2 Current Management Structure at SAB – Beer Division

2.4.2.1 National Sales and Distribution Management Structure

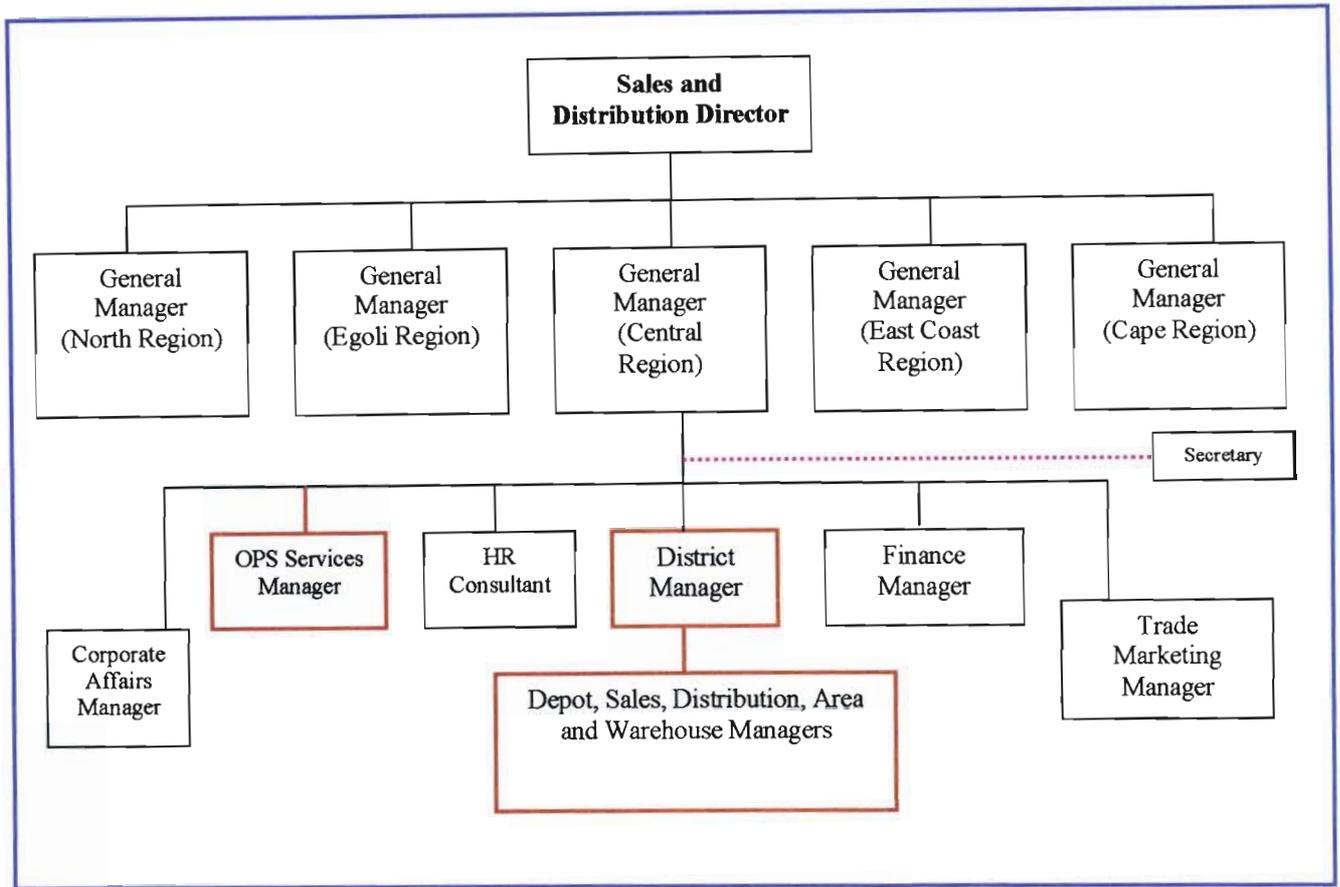


Figure 2: Operations Management Structure

<http://beernet/Strategy/4>

After an extensive 3 week consultation process with all stakeholders, the Sales and Distribution Director of SAB, Mr R Goetzsche announced restructuring within the group. SAB–Beer Division consists of 5 regions (previously 7), 21 districts, 40 depots and 12 distributors. Figure 2 shows the senior management structure. All General Managers are accountable for each region and they report to the Sales and Distribution Director. District Managers report to General Managers in each region and are responsible for the depots below them. As suggested in table 2, regions are made up of districts and districts are made up of depots and distributors. Table 2 below indicates the current status and make-up of each region.

2.4.2.2 National Structure of SAB – Beer Division

Region	District	Depot	Distributor
East Coast Region <i>Based at Prospecton and comprise 4 districts</i>	North Coast	Springfield and Empangeni	Mkuze
	Midlands	Pietermaritzburg and Ladysmith	Greytown, Midlands, Madadeni and Vryheid
	Prospecton	Prospecton	
	South Coast	Port Shepstone, Umtata and Butterworth	
North Region <i>Based in Pretoria and comprise 4 districts</i>	Tswane	Waltloo	
	Garankuwa	Garankuwa	
	Limpopo	Polokwane and Tzaneen	Makhado and Thohoyandou
	Mpumalanga	Witbank, Nelspruit, Standerton and Groblersdal	Dwarsloop and Ermelo
Egoli Region <i>Based at Isando and comprise 5 districts</i>	Soweto	Baragwanath	
	West	Chamdor	
	Joburg Central	Denver	
	East	Wadeville and Alrode	
	Isando	Isando	
Central Region <i>Based in Bloemfontein and comprise 4 districts</i>	North West	Rustenburg and Mafikeng	
	Vaal	Vereeniging and Phuthaditjhaba	Bethsab
	Highveld	Potchefstroom and Welkom	
	South Central	Bloemfontein, Kimberley, Kuruman, Hartswater and Upington	
Cape Region <i>Based at Newlands and comprise 4 districts</i>	Cape Inland	Belville	Worcester and Vredendal
	Cape Peninsula	Ottery	
	Eastern Province	Perseverance and Knysna	Southern Cape
	Border	East London and Queenstown	

Table 2: SAB National Structure by Region

2.4.3 What were the Drivers for Change?

The reasons for the restructure were varied. The future distribution footprint was identified and aligned with the strategy and growth initiatives of the business. This structure prepares SAB for new legislation and creates a more flexible and dynamic structure to take on competition. Previously, there was a lack of defined delivery borders within SAB and amongst depots. The on-going cross border trading impacted negatively on operational cost. Hence the clarification of delivery borders and customer allocation to depots have been identified and corrected.

The restructuring has given regions opportunities to focus on job enhancement and removal of duplication of work and clutter, the hope of creating effective leadership structures, enhancing the management of the business value chain and optimising resources. Ultimately, the restructuring will impact positively on their bottom line rand per hectolitre. Most of these were presented to the East Coast Region by the General Manager and is available on SAB's intranet (http://beernet/khula/KZN_Comms1_Khula_140104.ppt).

2.4.4 Challenges Facing SAB

The following information is available on SAB's intranet (<http://beernet/strategy/1>).

2.4.4.1 Economic Transformation

Part of the economic transformation process is that the government continues to drive and promote Black Economic Empowerment (BEE). Whether it is by equity ownership, human resources development and employment equity, procurement or owner drivers, SAB fully supports the transformation process.

2.4.4.2 Socio – Economic Development

A robust domestic economic fundamental with lower price and interest rate is expected to emerge. Gross domestic product (GDP) and final consumer expenditure (FCE) growth is projected at an average 3% up until 2008. Inflation is expected to return and remain within the target range of 3 to 6% from 2004 onwards. It is believed that the manufacturing sector will be threatened by a stronger rand and that real disposable income will grow marginally.

Investments in the economy would stabilise the unemployment rate. Structural fundamentals will have a positive impact on beer consumption, compared to the negative impact of the previous 5 years. There will be a need to cater explicitly for a bi-polar market

2.4.4.3 Liquor Legislation

The initial intent appeared to be that government was trying to drive economic transformation through a 3 tier system. This basically meant that manufacturing, warehousing and distribution would be separated and situated at different locations. Government expected to create more jobs this way. However, agreement was reached with relevant stakeholders to separate issues of liquor regulation and Black Economic Empowerment (BEE). Now the introduction of a three tier system is unlikely.

Focus needs to be directed on the formal regulation of the approximately 200 000 shebeens country-wide. SAB will encourage the licensing of shebeens and will also consider BEE needs if distribution require expansion, to accommodate additional customers that licensing will deliver.

2.4.4.4 Anti-Alcohol Lobby

There is growing local and international focus on alcohol and alcoholic products. The World Health Organisation (WHO) is constantly promoting a global lobby against alcohol. Four areas that would impact on SAB would be:

- Warning labels will be required to be reflected on all packaging.
- There would be restrictions on sponsoring sports.
- Advertising restrictions so as not to target alcohol sales to any person under the age of 18 years.
- Argument for increased excise tax

However, SAB will continue to be proactive in developing responses to these challenges by timeous establishment of alternative marketing platform/s, lobby key stakeholders, profiling health benefits of moderate alcohol consumption and an increase exposure of Corporate Social Investments (CSI).

With regards to excise, a huge disproportionate burden falls on beer, the treatment is unequal especially with sorghum. To add to this, there are many evasions by others in this market.

2.4.4.5 HIV / AIDS

The National Department of Health 2002 survey indicates 26.5% infection rate amongst pregnant women attending neo-natal clinics. The population growth is expected to decline to 0.2% by 2009. SAB will continue to undertake research on the impact of both staff and their consumer base. Reduction in the population growth will certainly impact negatively not only to SAB but other companies also.

2.4.4.6 Competitor Activity

A structural deficit or shortage is projected from 2005 onwards for the lower priced wine. Some pressure will be experienced in 2004 owing to lower exports, bumper crops and higher imports. The premium segment will see an increased competitor activity. This is due to the Heineken / NBL / Diageo alliance and global brand entry of Budweiser via local alliances. Replicating the distribution of SAB will come at a huge cost for competitors. It is assumed that competitors will cherry pick areas in which they will compete.

The flavoured alcoholic beverages (FAB's) and ready to drink (RTD'S) products are expected to grow, especially by bulk packs. Empowerment partnerships such as Distel and the wine industry may grow and capture market share from SAB.

In a telephonic interview with a senior sales representative from E.Snell and Co., the representative indicated that deliveries to shebeens, when legalised, would have a huge negative impact on their operational costs, which would also negatively affect their net profit. Admittedly, he stated that more staff and vehicles may be required to service additional customers but that no formal studies were conducted to justify this.

The Sales Manager at UDV suggested that they will gladly deliver to licensed shebeens provided that the order placed is not less than R1000.00. He believed they would see an increase in the bottom line because delivering directly to shebeens would cut out the middle man. Some benefits could be passed on to the customer. However, one concern he had was the

risk associated with shebeens in townships. He indicated that townships are high risk crime zones. The criminal element would risk the lives of drivers, crewmen, vehicles and their stock. Their distribution is outsourced therefore he does not see them having to invest in additional vehicles and labour. No formal studies were conducted to determine the impact shebeens would have UDV.

SAB will continue to monitor competitor developments and develop proactive responses.

2.4.4.7 Personal Interviews - SAB

The Distribution Manager of SAB Springfield indicated in a personal interview that there is no doubt in his mind that approximately 5 additional vehicles will be required to service an additional 320 customers, let alone 426. He also said that there may be a need for an additional telesales person. When asked about costs and what impact legalising shebeens would have, he mentioned that the operating cost will definitely increase. However, they are working on projects and new strategies on overcoming this impact.

The Depot Manager of SAB Springfield indicated that the impact on cost to deliver to additional customers would be negligible as the number of customers would warrant a delivery. At a management meeting, he indicated that by centralising departments such as credit and finance, a possibility exists that telesales and distribution planning may also become centralised. Other challenges discussed were choosing the right contractors to service additional customers, fleet quantity and configuration, sustaining staff and customer loyalty and the probability of working on weekends.

Risks associated with delivering to additional customers discussed at the same meeting addressed issues such as staff migration to competitors, the liquidation of high volume outlets, potential lack of future market knowledge, the creation of a negative perception of SAB being a monopoly, an influx of outsourced staff thus diluting the SAB culture, the short-term return on investment for contractors and the expected increase in labour cost.

2.5 Springfield Depot

2.5.1 Business Background

Mr Meyer Kahn, the then Group Managing Director officially opened Springfield Depot (SPF) on 24th April 1990. Situated on 6.25 hectares of property at Inanda Road, Springfield Park in Kwa-Zulu Natal, the initial location study confirmed that Springfield Depot was the “epicenter of the greater Durban delivery area”. SPF currently services 1850⁹ customers; 929 customers by distribution and a further 921 by sales representatives, which includes 426 unlicensed outlets. The average delivery radius is around 65 km’s and the furthest customer is situated about 120 km away from the depot. SPF distribution boundary includes Edwin Swales Drive in the South, up to the Tugela boundary in the north, the greater Durban area in the east and inland up to Cato Ridge in the west.

The capacity of the warehouse is approximately 16 000m² and can hold a volume of about 100 000 hectolitres¹⁰ (hls), an equivalent of more than 1 000 000 cases of beer at any given time. The original strategy of the group was to use SPF as an additional regional storage facility to supply other depots, hence the size.

SPF sales and distribution operation includes 20 wage and 53 salaried personnel. The wage staff is made up of 2 drivers, 13 warehouse and 5 fleet staff. Salaried staff is made up of 25 sales, 20 depot (includes operations managers), 2 credit, 1 finance, 1 human resources and 4 fleet staff.

District North Coast, as shown in table 2, delivers a volume of approximately 1.5 million hls annually, which is an equivalent of 42.6 % of the regional volume. Of this volume, SPF delivers 1.018 million hls, an equivalent of 28.9% of total regional sales. SPF’s delivery fleet consist of 11x18 ton truck-tractors (see photo’s 3 and 4 below) , 3x20 ton truck-tractors, 11x18 pallet¹¹ trailers, 3x30 pallet trailers, 2x3 ton rigid¹² vehicles and a 1 ton bakkie (see

⁹ This figure (1850) will change as new customers are taken on.

¹⁰ Hectoliters (hls) is a standard unit used to measuring volume of beer. One hectoliter is equivalent to 0.0816 liters.

¹¹ A pallet refers to the number of cases of a particular pack size on a pallet. For example, a pallet of quarts contains 66 cases of beer and 1 case contains 12 x 750 ml bottles. A pallet of 340 ml cans contains 117 cases and each case contains 24 cans.

photographs 1 and 2 below). To cope with increased volumes during holiday periods, additional vehicles are hired from private contractors at pre-agreed rates. The fleet is fitted with on-board computerised invoicing, printer and hand-held systems that has the ability to complete financial transactions at customer's premises.



1. One ton rigid bakkie



2. Three ton rigid truck (solid side panels)



3. 18 ton truck-tractor attached to 18 pallet trailer with closed tarpaulins, protecting products



4. 18 ton truck-tractor (opened tarpaulin) showing how products are stored when transported.

¹² A rigid is a type of vehicle that does not have a trailer attachment. It is a single unit vehicle with a load carrying capacity of between 2 and 14 tons.

“The distribution capability of SAB in South Africa is exceptional. We’re able to deliver to every one of our suppliers or our customers within 24 hours of request. Many of them who are bigger volume customers receive immediate deliveries on day of request and we can deliver to 17000 customers anywhere in the country on those standards and that’s not something any of our competitors can replicate,” said Managing Director of SAB, Mr Tony van Kralingen.

Under the current Liquor Act and according to company policy, SAB is only allowed to supply its product to customers that have valid liquor licenses. Customers are required to produce their liquor licenses annually to SAB. This practice ensures that SAB complies with current liquor legislation. SAB delivers only to the address or premises reflected on an invoice, information that has originally been obtained from the liquor license.

The current Liquor Act stipulates that it is illegal for unlicensed shebeens to trade in the sale of alcohol. Hence it becomes illegal for SAB to deliver their products to unlicensed shebeens or premises.

2.5.2 Management Structure At Springfield Depot

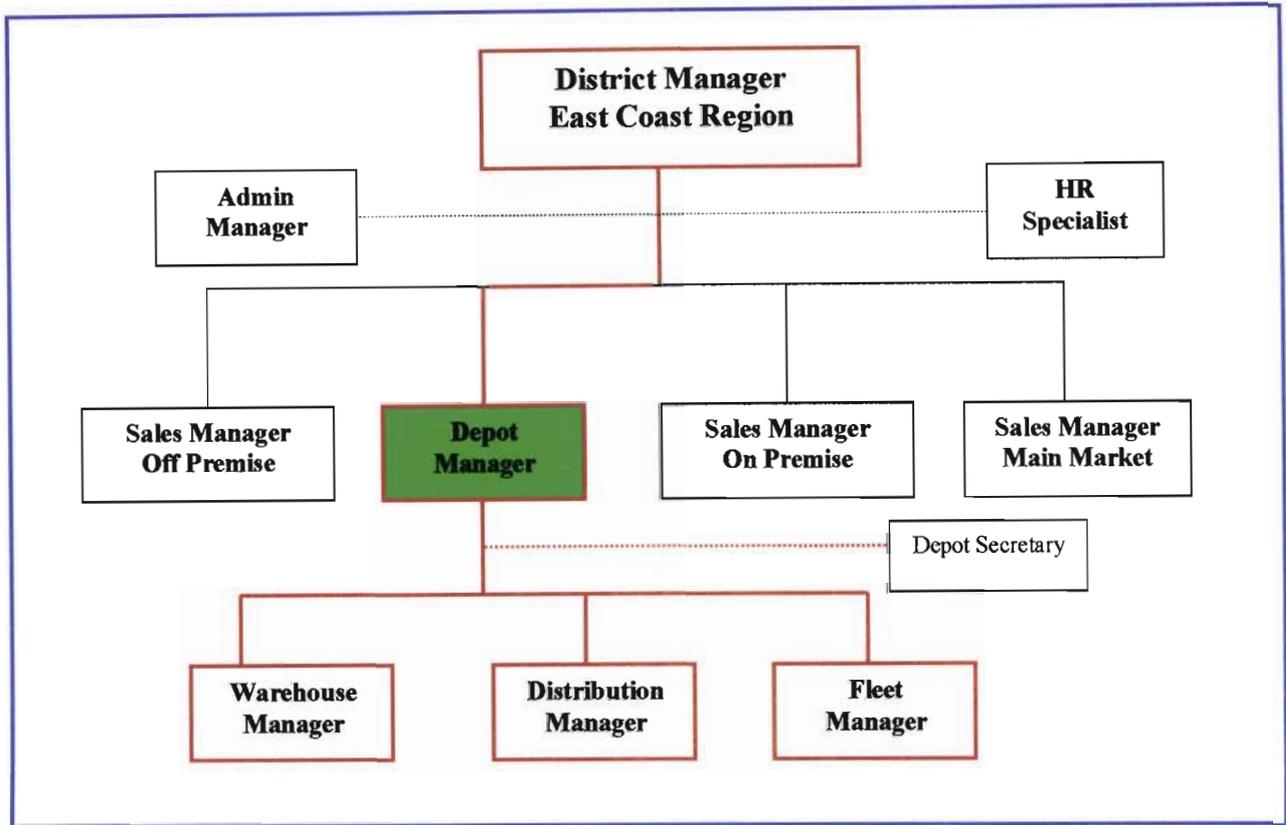


Figure 3: The Management Structure - Springfield Depot

— Indicates Operations Activities

Figure 3 shows the management structure at Springfield Depot. All Sales Managers and the Depot Manager report to the District Manager. The Administration Manager and Human Resource Specialist provide a supporting function to the District Manager. Filtering further down, the Warehouse Manager, Distribution Manager and Fleet Maintenance Manager report to the Depot Manager. Each manager has their own teams below them.

2.5.3 Main Market

The main market is a segment consisting of shebeens, both licensed and unlicensed. It is in this segment that SAB see huge potential in volume growth.

“Past liquor legislation has resulted in a distorted industry structure, characterised by a “legal” or licensed retail sector overshadowed by a vast “illegal” or unlicensed shebeen sector. This distorted structure is illustrated by the fact that unlicensed shebeens greatly outnumber their licensed counterparts. It is currently estimated that there are over 200 000 shebeens operating within South Africa versus approximately 25 000 licensed,” said SAB’s Sales and Distribution Director, Mr R Goetzsche.

2.5.4 Volume Delivery Mode, Brand and Pack Analysis

2.5.4.1 Volume Delivery Mode Analysis

The volume contribution by delivery mode at Springfield Depot indicated in figure 4 shows that 61% of the total volume is delivered by owner drivers, 32% by SAB drivers (mechanised), 3% by small drop and 4% is sold via calling¹³.

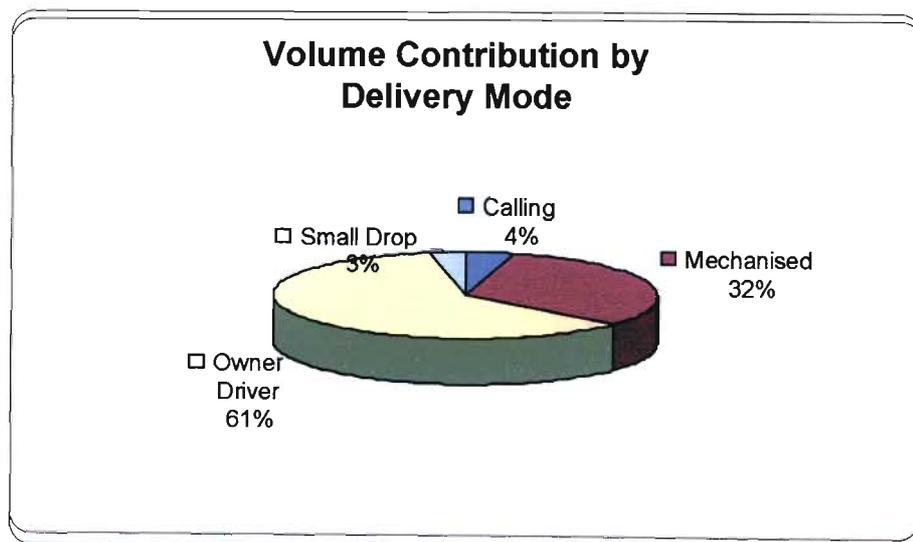


Figure 4: SPF Volume Contribution by Delivery Mode

¹³ Most depots have a calling facility that allows customers to purchase for cash directly from depots.

2.5.4.2 Brand Analysis

Recent (January 2004) sales analysis revealed that Carling Black Label (CBL) has overtaken Castle Lager (CL) by some 10%. As shown in figure 5, CBL leads the brand portfolio at SPF with 40.8%, followed by Castle Lager at 30.2%, Hansa at 10.3%, Castle Milk Stout (CMS) at 7.4%, Amstel at 4.8%, Redd’s Premium Cold at 3.6% then the other minor brands. Miller Genuine Draft (MGD) was recently introduced to the brand portfolio and initial studies indicate that this brand has huge growth potential.

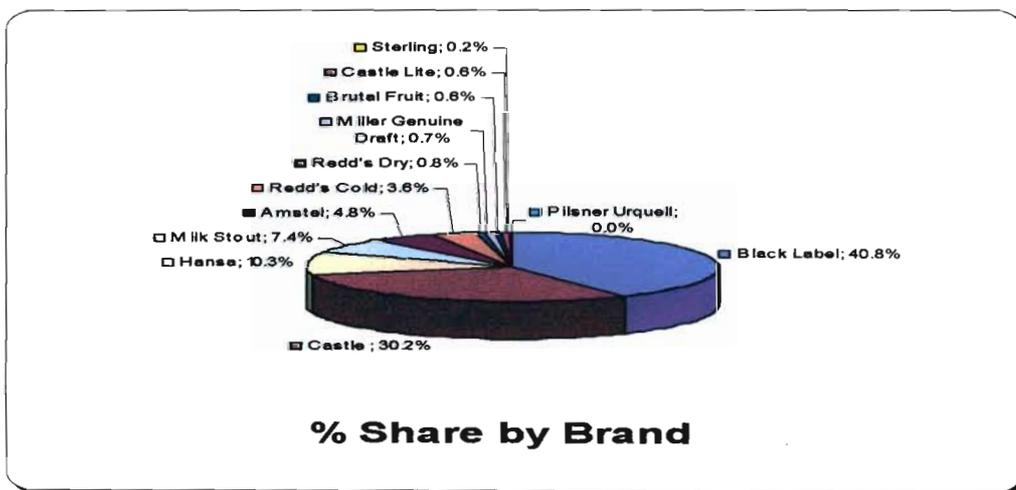


Figure 5: SPF - Brand Analysis by Volume

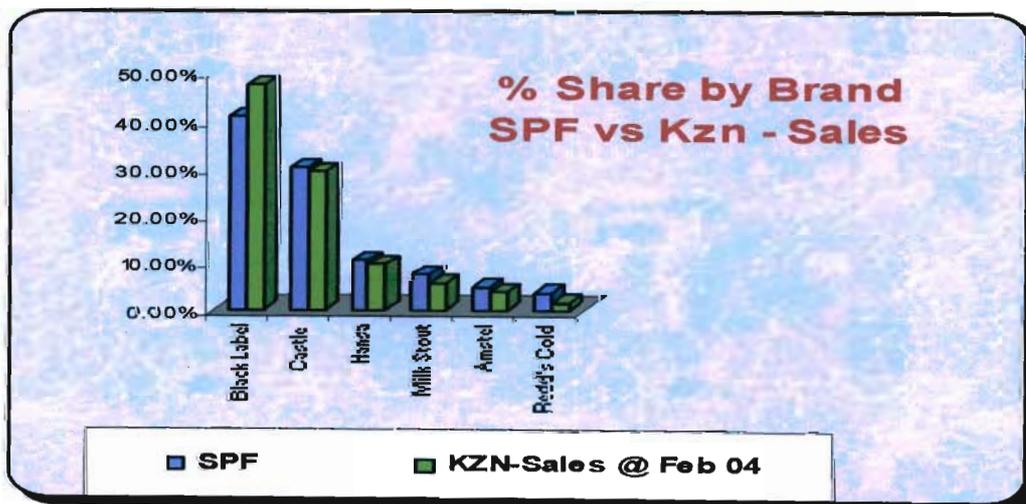


Figure 6: Brand Analysis by Volume – SPF vs Regional Sales

Figure 6 shows a similar trend when compared to the regions sales.

2.5.4.3 Pack Size Analysis

Figure 7 shows the fastest selling pack size. Clearly 750ml returnable¹⁴ (RB) quart bottles takes the lead at 76.8% followed by 340ml cans at 8.6%, 340ml non-returnable bottles (NRB) at 4.6%, 375ml returnable bottles at 2.9%, 660ml returnable bottles at 2.7% and so on. The 30 and 50 L draught (Dht) contributes 0.3% and 1.4% respectively.

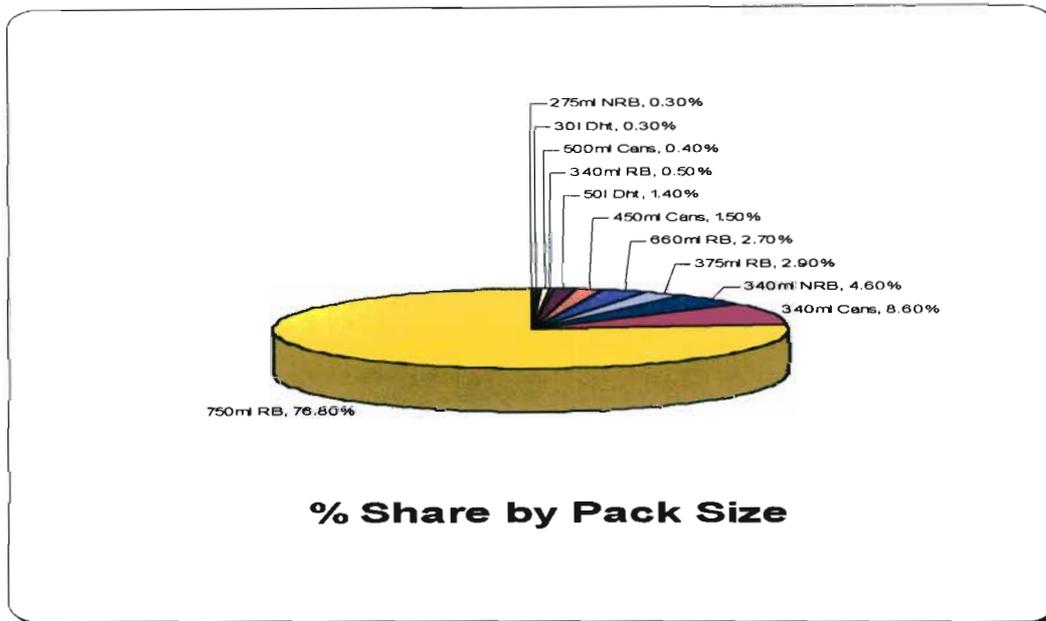


Figure 7: SPF - Pack Analysis by Volume

Nationally, the 1st 4 pack size follows a similar trend when compared to SPF. Under “other” in figure 8, the 660ml, 450ml and 50l pack size is much higher at SPF when compared to national figures. These pack sizes makes up 5.6% of the 7% shown in Figure 8. A contributing factor to the 660ml, 30L and 50L pack sizes share could be attributed to Kwa-Zulu Natal having a bigger share of the Redd’s and draught market (Redd’s is sold in 660ml’s). In addition, many special event activities are arranged regularly. At these events, mostly 30L and 50L draught are sold.

¹⁴ A returnable refers to a pack size or item that has a deposit value. These include quarts, pints, loose pallets and draught kegs.

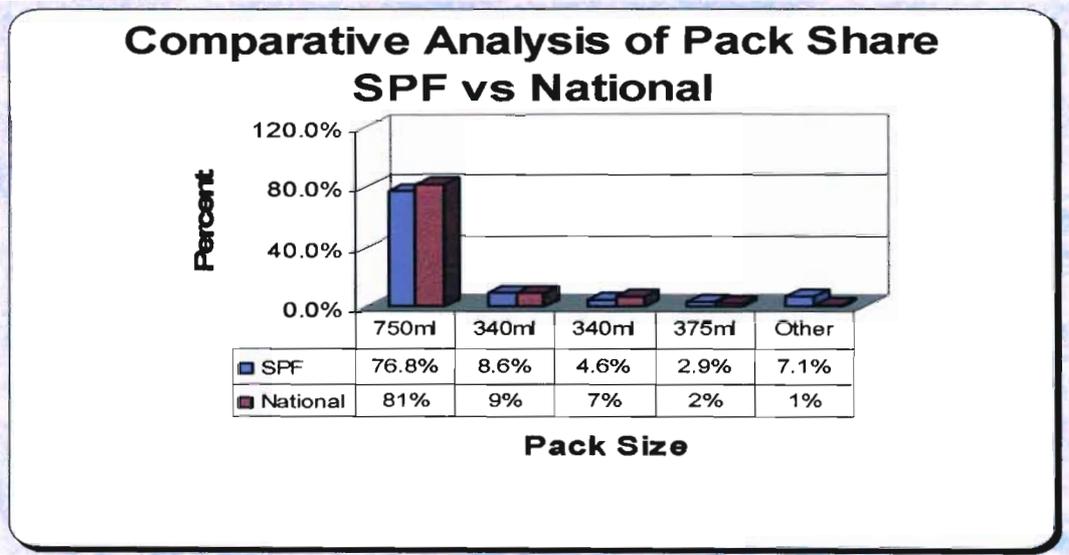


Figure 1: Pack Size Analysis - National vs SPF

<http://beernet/Strategy/1>

Table 3 below reflects brands and pack sizes sold at Springfield Depot and at other depots.

Brand \ Pack	750ml	660ml	500ml	450ml	375ml	340ml	330ml	275ml	30L	50L
Castle	<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>
Carling Black Label	<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>				
Castle Milk Stout	<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>				
Amstel	<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>	
Pilsner	<input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>				<input type="checkbox"/>
Castle Lite		<input type="checkbox"/>				<input type="checkbox"/>				
Redd's		<input type="checkbox"/>				<input type="checkbox"/>				
Redd's Dry		<input type="checkbox"/>				<input type="checkbox"/>				
Carling						<input type="checkbox"/>				
Miller Genuine Craft							<input type="checkbox"/>			
Pilsner Urquell							<input type="checkbox"/>			
Ortural Fruit Kiwi								<input type="checkbox"/>		
Ortural Fruit Mango								<input type="checkbox"/>		
Ortural Fruit Litchi								<input type="checkbox"/>		
Ortural Fruit Strawberry								<input type="checkbox"/>		

Table 1: Brand and pack size supplied by SAB

Brand and pack size currently supplied by SAB

The latest introduction to this brand portfolio was Brutal Fruit Strawberry. Sales analysis reveals that this brand is showing some very positive and promising trends. **Note:** This brand was not available at the time the research survey was carried out.



Brands supplied by SAB (Excludes 30 and 50L draught)

2.5.5 Small Drop Operation

A customer that order less than 50 cases a week is categorised as a small drop customer. This category of customers is different from what is identified as “normal” customers. SPF has the largest small drop customer base, servicing around 250 within a 25 km radius. A small drop customer qualifies for a today load¹, provided he places his order before 10h00 on the day he requires a delivery. Small drop customers contribute approximately 3% per annum of the total depot volume.

¹ A today load is known as a load delivered to a customer who places his order on the same day.

2.5.6 Regional Fleet Maintenance

The regional fleet consists of 70 trucks, 96 trailers and 64 special events and equipment. SPF has a fully equipped on-site workshop that regularly maintains and service the regions fleet. For SPF, minor repairs are attended to immediately depot thus preventing delays and compromising customer service. The highly skilled and experienced staff has a combined service record of over 50 years. The fleet department ensures that every SAB vehicle is roadworthy and meets the minimum requirements of the Road Traffic Act.

2.5.7 Owner Drivers

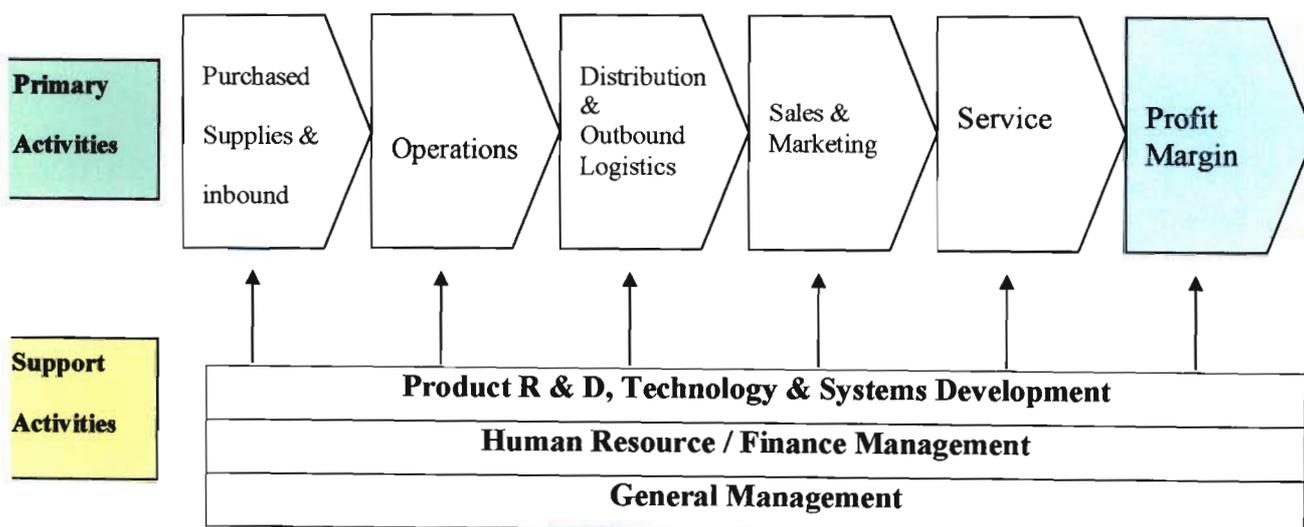
Based on the SAB Cartage Development Phase Agreement (2002), the owner-driver program is built on commercially sound principles, supported by comprehensive training and development initiatives to ensure the long term sustainability of the program. Entry management includes resourcing levels, the sourcing and selection process and the business setup phase. The development phase comprises comprehensive training, understanding of the commercial business model, appointment of a business advisor and final assessment of competence. The empowerment phase results in the ownership of a truck-tractor vesting in the owner driver and the drawing of dividends from his business. Finally, exit management deals with succession planning, volume related right-sizing and cartage agreement terminations due to breach. The very nature of the legal relationship with the owner driver has necessitated the drafting of many contracts. The policy also addresses issues effected by the changing statutory environment and has been compiled in a manner that regular updates can be included as and when legislation changes. The above can only be managed, measured and monitored through the application of audits and management information systems.

2.6 Company Value Chain

According to Thompson, Strickland (2003:129), the primary analytical tool of strategic cost analysis is a value chain identifying the separate activities, functions and business processes that are performed in designing, producing, marketing, delivering and supporting a product or service. The chain of value creating activities it takes to provide a product or service starts with raw materials supply and continues on through parts and components, production, manufacturing and assembly, wholesale distribution and retailing to the end user. A company's value chain shows the linked set of activities and functions it performs internally. The value chain includes a profit margin because a mark-up over the cost of performing the firm's value-creating activities is customarily part of the price (or total cost) borne by buyers – creating value that exceeds the cost of doing so is a fundamental objective of the business. Disaggregating a company's operations into strategically relevant activities and business processes exposes the major elements of the company's cost structure. Each activity in the value chain incurs costs and ties up assets; assigning the company's operating costs and assets to each individual activity in the chain that provides cost estimates for each activity. Quite often, there are links between activities such that the manner in which one activity is done, affect the cost of performing other activities.

For instance, Japanese producers of videocassette recorders were able to reduce VCR prices from \$1300 in 1977 to under \$300 in 1984 by spotting the impact of an early step in the value chain (product design) on a later step (production) and deciding to change the product design to drastically reduce the number of parts.

Figure 2: Company Value Chain (Thompson, Strickland 2003)



Similarly, figure 10 below briefly shows the primary activities of SAB's value chain for the ordering process, the departments that are affected and the final execution of orders. These involve in-bound logistics, sales / telesales, credit, planning, warehousing and distribution (outbound logistics). Behind the scenes or support activities are general management, technology and systems, research and development, human resources and finance.

The Ordering Process

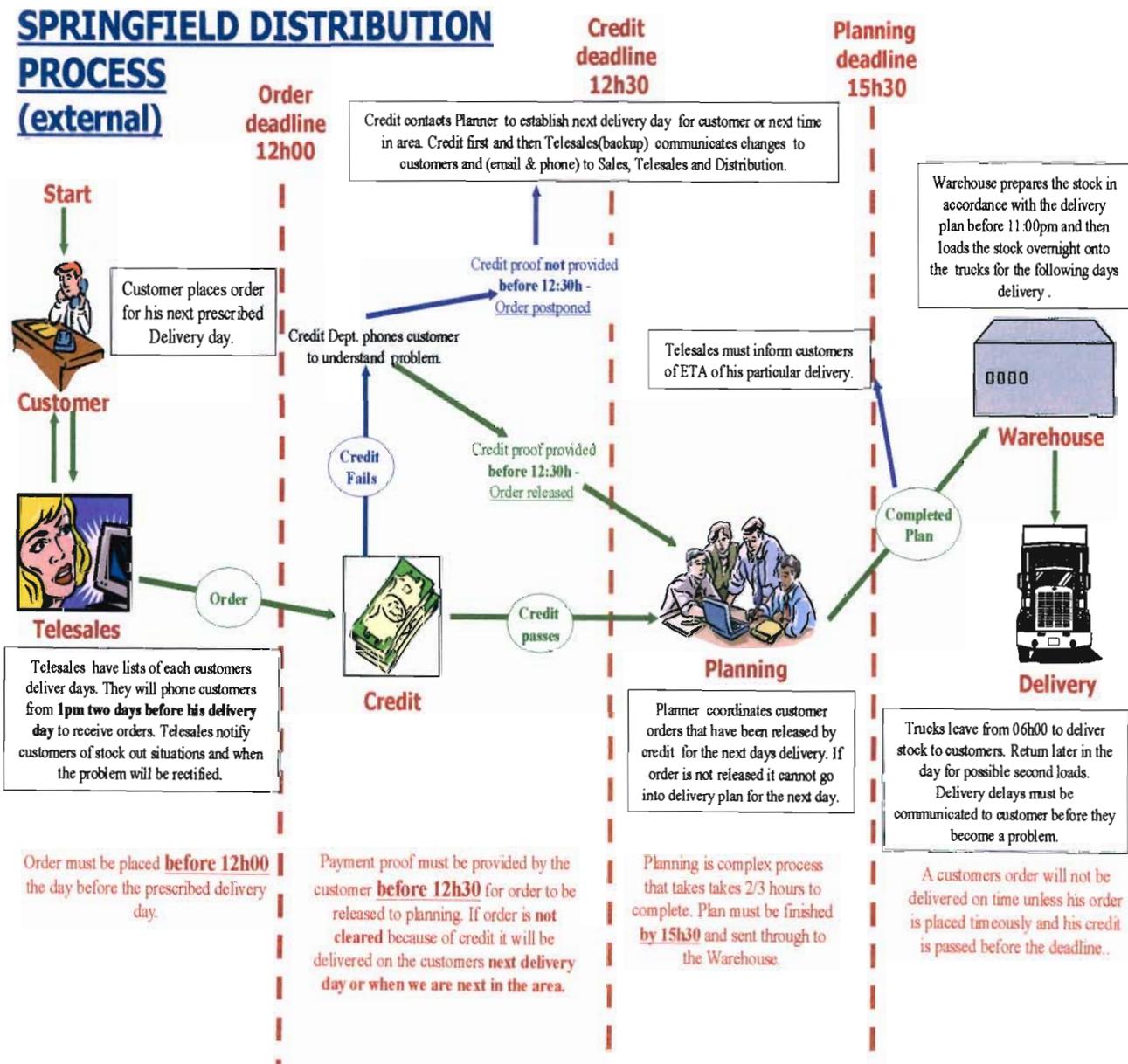


Figure 3: The Ordering Process

2.7 Proposed New Legislation

Described below are extracts of the final draft of the Kwazulu-Natal Liquor Licensing Bill. The Kwazulu-Natal Liquor Licensing Bill aims to provide for the licensing of the sale of liquor in the province and for matters connected therewith

(<http://www.kzn-deat.gov.za/pub/Draft6KZNLiquorLicensingBill.doc>).

Chapter 1 of this Bill indicates that the objects of Act are to provide for the regulation of micro-manufacturing, distribution and sale of liquor; and to address and reduce the economic and social costs of excessive alcohol consumption, and to provide for matters connected therewith (<http://www.kzn-deat.gov.za/pub/Draft6KZNLiquorLicensingBill.doc>).

Issues relating to this study are addressed in **CHAPTER 3** of the Bill, some of which are indicated below.

Compulsory Licensing

31. Subject to section 3(1), no person shall sell liquor unless that person is licensed or deemed to be licensed in terms of this Act to sell liquor. A person who obtains a valid liquor license in terms of this Act is a registered person.

Categories of License

32. (1) An application for a liquor license in terms of this Act may be made in respect of the following categories:
- (a) The retail sale of liquor for consumption on the premises where the liquor is sold;
 - (b) The retail sale of liquor for consumption off the premises where the liquor is sold;
 - (c) The retail sale of liquor for consumption on and off the premises where the liquor is sold;
 - (d) the retail sale of liquor in terms of a special liquor license;
 - (e) the micro-manufacture, including wholesale supply, of liquor; and
 - (f) the manufacture and sale of sorghum beer.

(2) Subject to section 38 (2), application may be made for a license for any period not exceeding nine years. Each license shall be valid from the date it was granted or deemed to be granted by the Authority and shall stipulate the period of duration of the license including the date of termination of the license.

(3) Any registered person may apply for re-licensing in terms of this Act six months before the expiry of the license referred to in subsection (2).

(4) A person who is licensed to sell liquor in terms of a special liquor license section 32(1)(d) may sell liquor only at a special event and at a specified time and place or under circumstances specified in the licensing certificate concerned.

Municipal Necessary Consent

35. (1) An applicant who intends to sell liquor from fixed premises shall only be licensed if any consent necessary in terms a law relating to town planning or townships and any provision of a town-planning or zoning scheme, bylaw or regulation, has been obtained from the relevant municipality. An applicant who intends to sell liquor from fixed premises shall apply for such consent to the relevant municipality before making application in terms of this Act.

(2) The municipality shall consider such application for consent and grant or refuse such consent in writing within 90 calendar days of receipt of the application.

(a) Within fourteen calendar days of receipt of such application the municipality shall cause to be published in at least two local newspapers notice of such application.

(b) The municipality shall invite objections to such application to be delivered in writing to the municipality within a further fourteen calendar days. Within forty-five calendar days of receipt of the application the municipality shall cause public hearings to be held

concerning the application and the objections, provided that this shall only occur if at least one objection to the application has been duly received.

- (c) If the municipality refuses such consent it shall supply written reasons for such refusal. The written reasons shall be delivered by hand or sent by registered post to the applicant together with the written notice of the refusal of consent.

Effects of Licensing

- 40. (1) The license certificate of a person or a duly certified copy of the certificate, shall be sufficient proof that the person -
 - (a) has met all the requirements for a valid license; and
 - (b) has been licensed in terms of this Act.

- (2) A registered person shall reflect his, her or its licensed status and license number on all of that persons trading documents, and shall display a certified copy of the license certificate at any fixed premises in respect of such licensing.

- (3) Upon the issue of a license the registered person shall be permitted to commence trade forthwith and without regard to any further formalities;

- (4) A registered person shall for the duration of the license show a clear and continuous commitment to the social responsibility programme contemplated in section 6(c).

2.8 Conclusion

This chapter reviewed aspects pertaining to the legislative history, the history of South Africa's Laws, briefly described the history of SAB and the Springfield Depot and a discussion on the proposed new legislation. Chapter three follows with details of the research methodology applied.

Chapter 3 RESEARCH METHODOLOGY

3. Introduction

According to Cooper and Schindler (2003:5), the study of research methods provides you with the knowledge and skills you need to solve the problems and meet the challenges of a fast – paced decision-making environment. We define business research as a systematic inquiry whose objective is to provide information to solve managerial problems. Business research courses recognise that students preparing to manage business, not-for-profit, and public organizations-in all functional areas-need training in a disciplined process for conducting an inquiry of a management dilemma, the problem or opportunity that requires a management decision. Three factors stimulate an interest in a scientific approach to decision making:

1. The manager's increased need for more and better information.
2. The availability of improved techniques and tools to meet this need.
3. The resulting information overload if discipline is not employed in the process.

During the last two decades, we have witnessed dramatic changes in the business environment. Emerging from an historically economic role, the business organisation has evolved in response to the social and political mandates of national public policy, explosive technology growth, and continuing innovations in global communications. These changes have created new knowledge needs for the manager and new publics to consider when evaluating any decision. Other knowledge demands have arisen from problems with mergers, trade policies, protected markets, technology transfers and macroeconomic savings-investment issues. The trend toward complexity has increased the risk associated with business decisions, making it more important to have a sound information base.

As in the case of the proposed new Liquor Bill, there will be more variables for SAB to consider when making decisions. The complexity and risk associated with their business decision need to be considered very carefully. Below are variables that would impact on this decision making process.

3.1 THE RESEARCH DESIGN

3.1.1 The Methodology

Cohen and Manion (1994:46) reports that surveys are useful in gathering data aimed at describing the nature of existing conditions.

A descriptive, cross-sectional approach to this exploratory case study was used. The study targeted illegal shebeens operating within the delivery boundary of Springfield Depot. The rationale for using this method was that the study was descriptive and that comparisons could be concluded.

3.1.2 Research Instrument

According to notes from The Graduate School of Business entitled Business Research Methods (2003), the term “survey” actually refers to one, or some combination of two, procedure(s): questionnaires; and interviews. A questionnaire almost always is self-administered, allowing respondents to fill them out themselves. All the researcher has to do is arrange delivery and collection.

Cohen and Manion (1994:50) states that whether the survey is large scale or small scale, it involves one or more of the following data collection techniques: structured or semi-structured interviews, self-completion or postal questionnaires, standard tests or attitude scales.

Judd, Smith and Elliot (1991:53) indicates that each form of data collection technique has advantages and disadvantages and the researcher needs to consider the factors in relation to the suitability of each technique to the research question, the specific population targeted for research as well as relative costs.

As indicated in chapter 1.4.1, a structured, self-administered questionnaire (APPENDIX B) was used as the tool to conduct the survey. The questionnaire was designed by the researcher, assisted by relevant and sufficiently experienced staff of SAB from the Springfield Depot.

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Piloting the questionnaire was considered crucial in determining whether the questions would be understood and how long it would take for participants to complete the survey. Pre-tests were conducted amongst staff members from different departments and a few existing customers. Tests were conducted to find faults, eliminate ambiguity and to determine the relevance of the questions in the questionnaire in relation to this study. Adjustments were made to obtain the most relevant and applicable information that would differentiate the study at hand. A covering letter (APPENDIX A) conveyed the objectives of the study, outlined participation requirements and assured confidentiality.

3.1.3 Sampling Design and Procedure

According to Cooper, Schindler (2003:196), much research involves populations that can be identified with some geographic area. When this occurs, it is possible to use area sampling, the most important form of cluster sampling. This method overcomes both the problems of high sampling cost and the unavailability of a practical sampling frame for individual elements. Area sampling methods have been applied to national populations, country populations and even smaller areas where there are well-defined political or natural boundaries.

Leedy (1997:204) defines convenience sampling as a non-probability sampling method that takes units as they present themselves to the researcher.

This study involved 100 illegal shebeens located over a vast geographical area. The geographical areas covered included Durban CBD, Dalton, Pinetown, Kwa Mashu, Clare Estate, Inanda, Chesterville, Ntuzuma, Cato Manor, Stanger, Tongaat, Mandini, Ndwedwe, Clermont, Inchanga, Boths Hill, Hillcrest and Kwa Dabeka in Kwa-Zulu Natal, hence a convenience area sampling method was used.

“The off-premise¹⁶ market consists of 365 customers (19.73%), the on-premise¹⁷ market customer base is 564 (30.49%) and the main-market is made up of 921 (49.78%) customers for the Springfield Depot. The top 40 customers contribute 72.3% of Springfield Depots total

¹⁶ Off-premise refers to the sale of alcohol at an outlet where consumption does not take place on the premises itself. The alcoholic product is consumed elsewhere.

¹⁷ On-premise refers to the sale of alcohol at an outlet where consumption takes place on the premises itself. These stores could be legal or illegal, licensed or unlicensed.

volume,” said the Depot Manager Mr M Wasling. As noted earlier, 426 of the 921 main market outlets are unlicensed.

Convenience area sampling were done in the areas indicated above, where the level of activity in liquor sales is considered to be medium to high. Sales representatives requested participation as they visited these outlets. A total of 100 out of 426 (23.47%) questionnaires were filled in by shebeen representatives.

Initially twenty questionnaires were given to six sales representatives. Each were thoroughly briefed on the importance and objectives of the survey. The representatives were each given a month to complete the survey. The representatives completed the survey during their customer visits, according to their work schedule. The survey was conducted on a random sampling basis.

The results (APPENDIX C-I) were captured on Microsoft’s Excel and using the data collated, simple bar graphs were produced. Inferential statistic could not be performed because no correlation with the data captured could be found.

3.1.4 The Administration Process

The researcher requested permission from senior management of SAB for sales representatives of the main market to assist in carrying out the survey. He motivated that SAB could benefit from the outcome of this study. Other motivating factors used were that time and money would be saved; that SAB’s sales representatives were familiar with the shebeen locations and their people and that the representatives had built good relationships, therefore the chances of them participating would be greater.

All representatives completed the questionnaires well within their designated time limit with the exception of one. After completing 6 questionnaires, this representative was promoted to management trainee. His job functions changed, so he “abandoned” the survey. The outcome of his survey is shown in (APPENDIX H). Due to the unrepresentative sample size taken in the area he operated in; his results were discarded as the researcher felt they could skew the outcome of the study. As can be seen in (APPENDIX I), his results were excluded.

All completed questionnaires were handed to the researcher who began collating, analysing and interpreting the data.

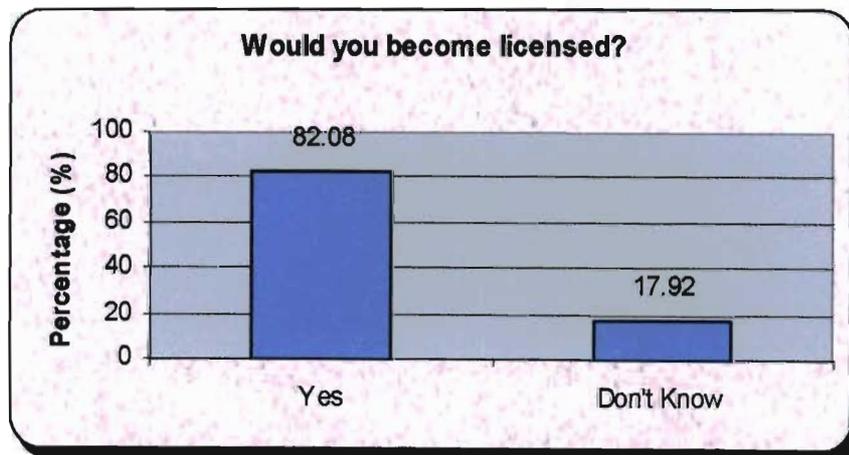
3.1.5 Responses

Two weeks after handing out the questionnaires, the researcher realised that the progress was too slow and called a meeting with all the representatives to identify problems and to address issues. After solving a few problems, the researcher urged them to speed up the process. By the third week, approximately 75% questionnaires were complete. At month end, an encouraging 100% return rate was achieved. In recognition of this fantastic effort by the representatives and to show his appreciation, the researcher sincerely thanked all the representatives at a management meeting and personally rewarded each one with a golf shirt.

3.2 Data Analysis

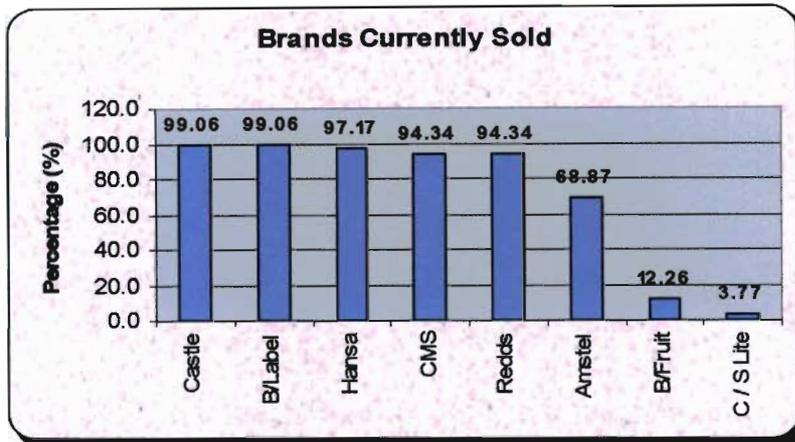
The 100% response rate received from the survey was analysed. Each response was categorised and tallied according to the questions addressed, then expressed as percentages and graphed, showing trends of the different criteria required. Detailed below, is the analysis thereof. Conclusions and recommendations of each analysis follow in chapter 4.1

The first question analysed was would shebeen owners become licensed if they had the opportunity to. Graph 1 shows that 82.08% would become licensed and 17.92% said they didn't know. It is interesting to note that none selected the option no.



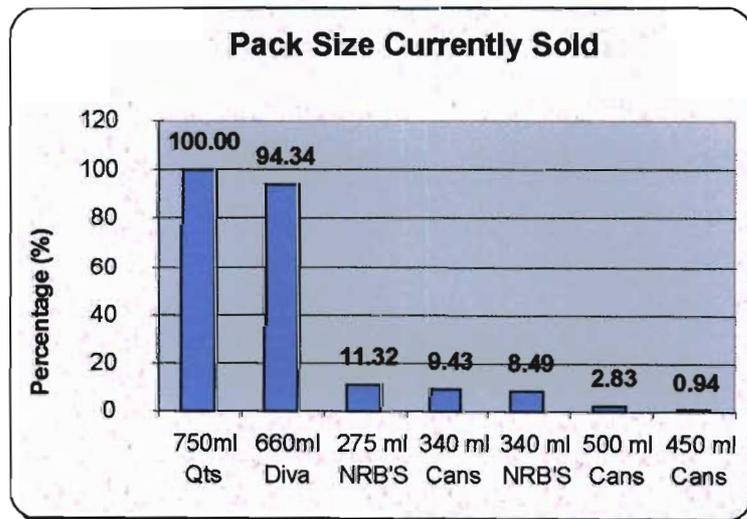
Graph 1– Question 1: Would you become licensed?

Graph 2 shows the different brands sold at shebeens. 99.06% shebeens sell Castle Lager (CL) and Carling Black Label (CBL), 97.17% sell Hansa, 94.34% sell Castle Milk Stout (CMS) and Redd's Premium Cold, 68.87% sell Amstel, 12.26% sell Brutal Fruit and 3.77% sell either Castle Lite or Sterling Lite.



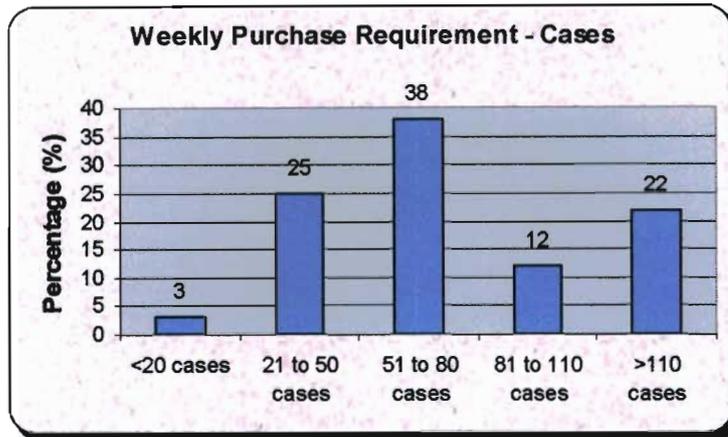
Graph 2– Question 3.1: Brands currently sold?

As shown in graph 3, all shebeens sell the popular 750ml quarts, 94.34% sell 660ml Redd's, 11.32% sell 275ml, 9.43% sell 340ml cans, 8.49% sell 340ml non-returnable bottles, 2.83% sell the 500ml cans and 0.94% sell the 450ml long-tom pack size.



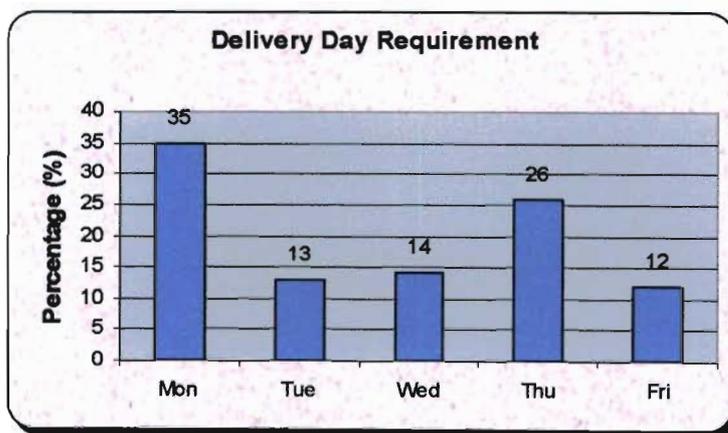
Graph 3– Question 3.2: Pack size currently sold?

Response to the question about their purchase requirements per week is shown in graph 4. A mere 3% said their requirement would be < 20 cases, 25% said they would require between 21 and 50 cases, 38% said their requirement would be between 51 and 80 cases, 12% said they would require between 81 to 110 cases and 22% said their requirement would be greater than 110 cases.



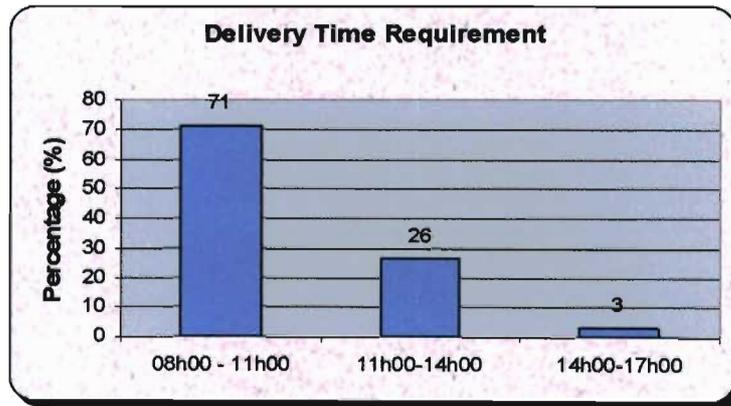
Graph 4– Question 5: Weekly purchase requirements?

Graph 5 reveals that 35% would require a delivery on Monday, 13% on Tuesday, 14% on Wednesday, 26% on Thursday and 12% on Friday. Almost every shebeen trade on Saturdays and Sundays, yet surprisingly, none indicated that they would require a Saturday delivery. It must be noted that currently SAB does not deliver on Sundays. However, this could become a possibility in the future.



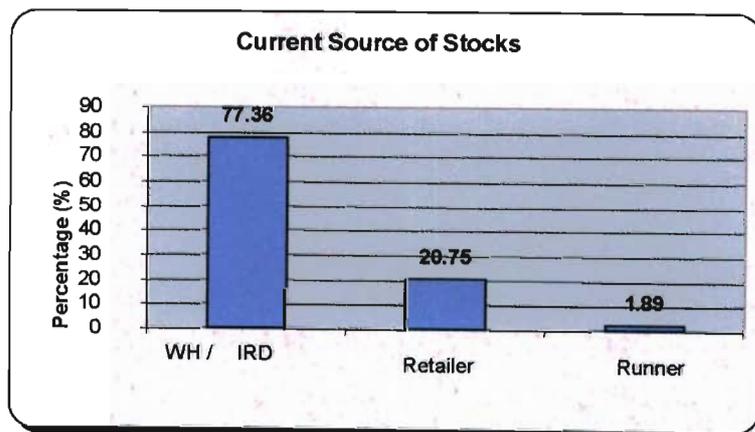
Graph 5– Question 6: Delivery Day Requirements

Times delivered to customers are as important to SAB as to customers. Delivery time requirements are agreed up front with customers during the account application phase. As shown in graph 6, amazingly 71% of shebeens would require a delivery between 08h00 and 11h00, 26% would require their delivery between 11h00 and 14h00 and 3% don't mind receiving a delivery between 14h00 and 17h00.



Graph 6– Question 7: Times Window Required

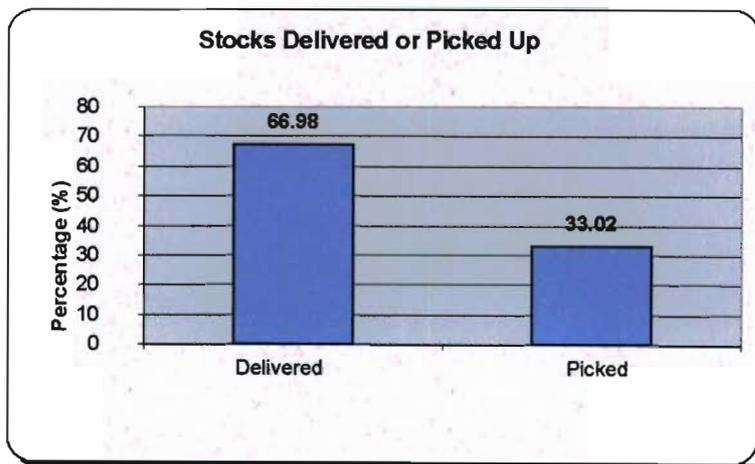
Graph 7 revealed that 77.36% purchase their stocks from Warehouses (W/H) such as Makro and Trade Centre or Independent Redistributors (IRD) such as Rattan's, the Liberty Group, etc. 20.75% indicated their stocks are obtained from retailers or convenience stores and 1.89% purchase from runners¹⁸.



Graph 7– Question 8: Current Source of Stocks

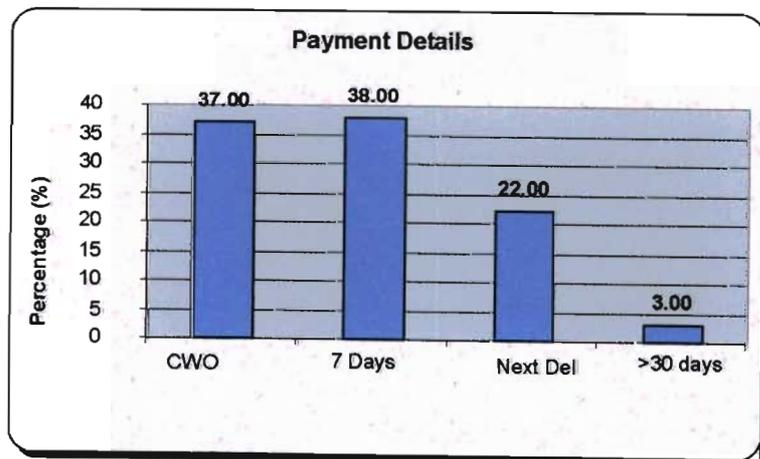
¹⁸ Runners are independent entrepreneurs that purchase from warehouses and informal redistributors and supply to shebeens.

One question asked in the survey was if the shebeens were licensed, would they prefer a delivery from SAB. 100% responded yes. Although 66.98% said their stocks were delivered and 33.02% said they picked up their own stocks, as shown in graph 8, all shebeens would expect a delivery from SAB. SPF has an on-site calling facility and if for some reason a delivery cannot be done to some outlets, they were welcome to use this facility.



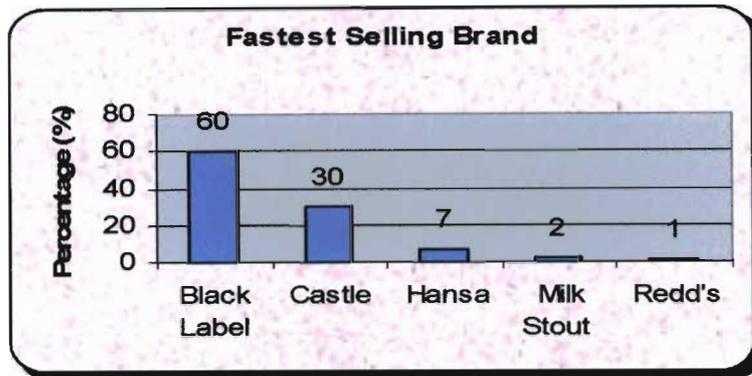
Graph 8– Question 9: Are stocks delivered or picked up?

From a payment point of view, graph 9 indicates how shebeens would prefer paying for their orders. This however, may not be in line with SAB’s credit policies. 37% would prefer paying cash with order (CWO), 38% would prefer a 7 day credit facility, 22% would like to pay with their next delivery and a hopeful 3% would like a 30 day payment term.



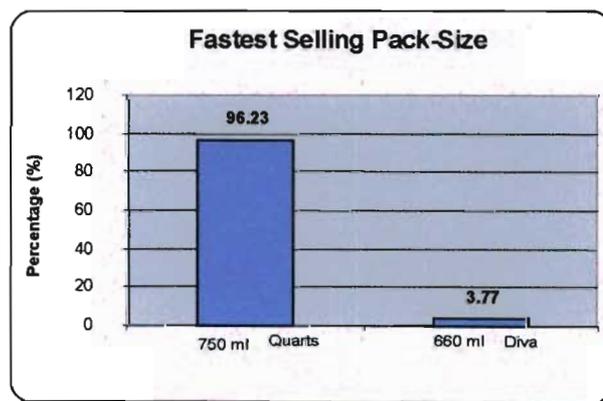
Graph 9– Question 10: What credit facilities do you expect?

As can be seen in graph 10, 60% shebeens indicated Carling Black Label was their fastest selling brand, 30% said Castle Lager was on top of their list followed by Hansa at 7%, Castle Milk Stout at 2% and Redd's at 1%.



Graph 10– Question 11: Fastest selling brand

The analysis indicated in graph 11 came as no surprise as this was very much expected. 96% of shebeens indicated that the 750ml returnable quart bottle is the fastest selling pack size, followed by the 660ml diva bottle with 3.77%.



Graph 11– Question 12: Fastest Selling Pack Size.

3.3 Conclusion

From the analysis indicated above, it can be concluded that, whether the service is related to distribution, credit or warehousing, additional customers will have an impact on SAB. Chapter four investigates and interprets each of these questions and makes further recommendations.

4.1 Introduction

What is Change?

Change is an alteration of an organisations environment, structure, technology or people. If it weren't for change, the manager's job would be relatively easy. Planning would be simple because tomorrow would be no different from today. The issue of organisation design would be solved. Because the environment would be free from uncertainty, there would be no need to adapt. All organisations would be tightly structured. Similarly, decision making would be dramatically simplified because the outcome of each alternative could be predicted with almost pinpoint accuracy. It would, indeed, simplify the manager's job if, for example, competitors did not introduce new products or service, if customers did not make new demands, if government regulations were never modified, if technology never advanced or if employees' needs always remained the same.

However, change in an organisation is reality. Handling change is an integral part of every manager's job.

External Forces Creating Change

External forces that create change come from various sources. In recent years, the marketplace has affected firms such as Bell Atlantic and Domino's by introducing new competition. Bell Atlantic, for example, is experiencing competition from cable companies to provide local phone service. Domino's too, must now contend with a host of new competitors such as Pizza Hut, which also moved into the home delivery market.

Government laws and regulations are also an impetus for change. In 1990 for example, the passage of the Americans with Disabilities Act required thousands of businesses to widen doorways, reconfigure restrooms, add ramps and take other actions to improve accessibility.

Technology also creates the need for change. In the new millennium, the Internet and e-commerce have changed the way we get information and how products are sold. Recent developments in sophisticated equipment have created significant economies of scale for many

organisations. New technology and competition from discount brokerage houses caused Merrill Lynch (the brokerage firm) to offer its clients the opportunity to make trades over the Internet without a broker.

The assembly line in many industries is also undergoing dramatic change as employers continue to replace human labour with technologically advanced mechanical robots and the fluctuation in labour markets is forcing managers to initiate changes. For instance, the shortage of software developers has required many software firms to redesign jobs and to alter their reward and benefit packages.

Economic changes, of course, affect almost every organisation. The recent dramatic decreases in interest rates fostered significant growth in the housing market. Hence more jobs, more employees hired and significant increases in sales of other businesses that support the building industry.

Internal Forces Creating Changes

Internal forces can also stimulate the need for change. These internal forces tend to originate primarily from the internal operations of the organisation or from the impact of external changes.

When management redefines or modifies its strategy, it often introduces a host of changes. For example, when Oracle developed a new strategy of competing more aggressively in Internet e-commerce markets, members had to change how they performed their jobs -- marketing efforts shifted dramatically and sales representatives now sell a full array of Oracle products rather than specialising in a particular product line.

The introduction of new equipment represents another internal force for change. Employees may have their jobs redesigned, need to undergo training to operate new equipment or be required to establish new interaction patterns within their formal group. An organisations workforce is rarely static. Its composition changes in terms of age, education, gender, nationality and so forth. In a stable organisation in which managers have been in their position for years, there might be a need to restructure jobs in order to retain more ambitious employees

by affording them some upward mobility. The compensation and benefits systems might also need to be reworked to reflect the needs of a diverse workforce and market forces in which certain skills are in short supply. Employee attitudes, such as increased job dissatisfaction, may lead to increased absenteeism, resignations and even strikes. Such events will, in turn, often lead to changes in management policies and practices.

With the imminent change in the Liquor Act, SAB will most certainly be affected. Some issues addressed below are pertinent to change that SAB must take into consideration in order to run an efficient and effective operation.

4.2 Interpretation of Results

The study revealed some very interesting facts that SAB should consider. Following the analysis conducted in chapter 3.2, conclusions and recommendations are made below.

4.2.1 Analysing Question 1 (Would you become licensed?)

All of the 17.92% respondents stated they did not know if they would become licensed or not because they needed clarity on how taxes, financials records and reporting, premises renovations and costs, minimum staffing wage / salaries and legal expenses and other requirements would affect them. Another concern was that these shebeens operational and overhead costs are low, hence a low turnover. Any additional costs would seriously affect their net operating profit. An opportunity exists for SAB to assist shebeen owners and their staff on training and development, so that they could operate their businesses optimally, which may be beneficial to both parties. Skills Development Levy (SDL) could be claimed from the South African Revenue Services (SARS).

Of the 100 shebeens surveyed, none indicated they would not want to be licensed. This shows more commitment towards growing the economy and the country as a whole. This would ultimately lead to reduced crime and unemployment levels. Added to this, many see huge benefits by becoming licensed, such as acquiring new business skills and the possibility of expanding their businesses, conducting business legally therefore not being constantly faced by the arms of the law and claiming back legitimate business taxes from SARS.

4.2.2 Analysing Question 3.1 (What brands are sold?)

Question 3 addresses the issue of brands currently sold at these shebeens. An opportunity exists for sales and marketing to leverage promotions of brands that are not sold at certain shebeens. From the survey, it would be easy to identify which shebeens did not sell certain brands. Popular or unpopular brand trends can also be determined by geographical areas.

Analysis from graph 2 reveals that 68.87% shebeens sold Amstel, 12.26% sold Brutal Fruit and 3.77% sold either Castle Lite or Sterling Lite. Sales managers can use these figures to boost sales of these products and create awareness that would make them become more popular. However there could be a possibility of brand cannibalisation.

According to the survey conducted, Mary Jane's Tavern in Richmond Farm for example, does not sell Milk Stout. Neither does Mthembu's Tavern in Shakaskraal, Mthuyi's Spaza in Mzinyathi, Munas Kraal in Hambanathi and Mbuyazi's Tavern in Ethembeni.

Mwolokohle's Tavern in Ndwedwe and Khanyile's Spaza in Inanda does not sell Hansa. Cathuza in Amaoti, Mjara's Tavern in Durban and Mr.Mthembu at Dalton Hostel does not sell Amstel.

4.2.3 Analysing Question 3.2 (What pack size are sold?)

The pack size information can also be used to leverage sales by pack size, brand and geographical areas; brand because only certain brands are packaged in certain pack size. Brand and pack size are important to project accurate stock forecasts and holdings. Pack sizes such as the 750ml and 660ml bottles require deposit values. These could be used for projecting budget figures when more glass injection is required. This analysis would also assist suppliers in maintaining minimum stock levels. More importantly, swings and changes in patterns could be picked up in different geographical areas.

For example, Mjara's Tavern, situated in Central Durban does not sell Amstel. Further investigations could determine why this shebeen doesn't sell Amstel. Perhaps a brand

awareness promotion with discounted pricing could be conducted. The same could be said for Mangubane Tavern in Dalton.

Another example is Mfukwe's Place situated in Chesterville does not sell Hansa. A similar strategy as above could be conducted.

4.2.4 Analysing Question 5 (How many cases per week would you require?)

Information on weekly purchase quantities would be invaluable for the distribution and planning departments. From this information vehicle quantities, configuration and capacity could be determined to meet delivery requirements. Again, geographical locations need to be taken into account during planning routes. The complicated aspect of planning additional customers together with existing customers could initially become a nightmare. Every new customer would have to be visited to determine their location, delivery requirements and vehicle constraints.

It must be noted that shebeens currently purchase their requirements mostly from large Warehouses and Independent Redistributors. When deliveries begin directly to shebeens, an increase in sales volume is not expected, but a shift in volume is definitely expected. An increase in volume is obviously expected where new shebeens begin to trade. Hence stocks and projections will only be affected negligibly. However, the impact on distribution, planning and customer service would be huge.

According to the analysis revealed in graph 4, 31% of these shebeens automatically qualify as small drop customers as their cases requirements are equal to or below 50 cases per week.

4.2.5 Analysing Question 6 (What day would you prefer a delivery?)

From the analysis indicated in table 4 (page 65), Mondays appear to be the only day significantly affected by an increase in customers (from 17.44% to 22.66%). It is also assumed that all 426 new customers may become customers of SAB (which may not necessarily be so). However this does not necessarily mean a reduction in vehicles; because geographical locations and number of orders will obviously have to be considered.

Again, shown in table 4 for example, currently 162 customers receive a delivery on a Monday. With additional customers, this figure would increase by another 145 customers to 307. This would be from the total delivery area of SPF. A volume smoothing exercise can be undertaken to have an even spread across all delivery days. Saturday deliveries for example, could be increased from 4.94% to about 15 to 20%. Similarly, Wednesday and Thursday's volume could be reduced to say around 20%

Number of current customers	929					
Additional Customers	426					
New Total Database	1355					
	Mon	Tue	Wed	Thu	Fri	Sat
No. of customers currently delivered to	162	180	227	227	191	67
% Current Delivery Day's	17.44	19.38	24.43	24.43	20.56	7.21
New delivery day requirements	145	48	60	117	56	0
% Delivery Day Required (Additional Customers)	34.04	11.27	14.08	27.46	13.15	0.00
Total delivery day requirements	307	228	287	344	247	67
% Delivery Day (With Additional Customers)	22.66	16.83	21.18	25.39	18.23	4.94

Table 4: Analysing Current and Future Delivery Day Requirements

4.2.6 Analysing Question 7 (What time would you prefer a delivery?)

Graph 6 indicates that 71% of shebeens would require a delivery between 08h00 and 11h00. However, 28% of these shebeens would be converted to small drop customers as their purchase requirements would be less than 50 cases per week (graph 4). Small drop customers are given customised services, differentiated by delivery vehicles. Hence, time requirements will dramatically reduce the pressure normally experienced by the larger sized delivery vehicles. The time window analysis therefore excludes small drop customers. This means that, with an additional 43% (71%-28%), there will definitely be a need for more vehicles to accommodate this demand.

4.2.7 Analysing Question 8 (Where do you get your current stock from?)

Licensed shebeens does not mean an increase in volume for SAB. There will merely be a shift in volume from Warehouses and Independent Redistributors. It is expected that Warehouse and Independent Redistributor volumes will decrease. This will certainly impact on planning, vehicle quantities, configuration, capacity and distribution to various geographical locations. The number of vehicles currently used to deliver to these mechanised outlets will therefore reduce. This is primarily because; instead of delivering to one outlet as is current, SAB will now have to deliver to many more customers, situated in different geographical areas, hence more vehicles and personnel will be required to service this additional demand (see table 6 in chapter 5).

4.2.8 Analysing Question 9 (Are stocks delivered or picked up?)

Analysing the response of participants from the questionnaire revealed that 100% would require a delivery from SAB when they become licensed. However, 33% responded that they did pick up their own stock. For SAB this means there will be an increase in calling customers. Therefore there is a high possibility that an additional cashier may be required.

4.2.9 Analysing Question 10 (What payment type details would you prefer?)

The choice of payment will be determined by SAB and not the customer. The question of payment details was asked to get a response from this market and how it would impact on the credit departments staffing requirements. SAB will encourage as many shebeens to become licensed. However, shebeens would be faced with start-up capital problems. SAB will look into finding solutions to work around these problems.

4.2.10 Analysing Question 11 (Which brand is your fastest selling?)

Analysis of the fastest selling brand reveal that Carling Black Label leads (60%), followed by Castle Lager (30%), Hansa (7%), Redd's (1%) and Castle Milk Stout (2%). Castle Lager, which is the flagship brand, takes 2nd place from CBL. To regain its "rightful" place, huge promotions, creating awareness with posters, advertising on radio and television could be done

to boost sales of Castle Lager. Similar promotional drives could be undertaken to increase sales of other brands.

4.2.11 Analysing Question 12 (Which pack size is your fastest selling?)

An opportunity exists to promote other pack sizes such as the 660ml bottle, thereby increasing the sales of Redd's. These figures are useful for presenting budget figures and projecting future requirements to eliminate stock-out situations during production runs. Simultaneously, packaging suppliers could use these figures to plan their production more accurately. Stocking out of pack sizes results in loss of sales, unfavourable customer service, inconvenience, double-handling and re-deliveries. All these factors increase operating cost and therefore impact negatively on net profit.

4.3 Recommendations

It is recommended that SAB investigate the possibility and viability of opening more distributors in high activity areas. In this way, instead of SAB having to deliver to shebeens, distributors could supply to them directly. SAB would still own the distribution network but would avoid additional operational costs and additional resources such as staff and vehicles.

Alternately, SAB's rand per hectolitre or operational cost is guaranteed to increase if these 426 customers are taken on. This is due mostly to additional resource requirements i.e. staffing would increase by 22.37% and vehicles by 18.75%. To add to this, sales would not increase proportionately. SAB need to address the following issues:

4.3.1 Should they take on these new customers or not? By not taking on the additional customers, they don't have to absorb the increase in operational costs. But, by not taking them on, what are they saying to their future, to consumers, to their competitors and customer service?

4.3.2 By taking on the additional customers, many established Independent Redistributors and Warehouse liquor stores will down-size or may even liquidate because these customers would buy directly from SAB. This would result in job losses. In addition, the relationship with Independent Redistributors and Warehouses would worsen. SAB would become very unpopular within this market.

4.3.3 Another careful consideration SAB should give is the question of additional staff required. Let's take an example of the figures presented in Table 6 (chapter 5). The table suggests an additional telesales person would be required. If one looks at the ordering process at SAB (figure 10), the cut-off time for placing orders is 12h00 for a delivery the next day. So what do telesales people do from 12h00 to 16h00? SAB can implement a rule for the new customers to place their orders say between 13h00 and 15h45 **but** 2 days in advance, so that planners can accommodate them for the required delivery day. As an example, if a customer wants his delivery on a Wednesday, he must phone on a Monday between 13h00 and 15h45 or if he wants a delivery on a Tuesday, he must place his order on a Friday. In this way, instead of employing an additional person as table 6 suggests, an additional telesales person may not be required if the above scenario is implemented.

4.3.4 Table 6 also suggests 2 additional **splitters**¹⁹ would be required. Instead of employing permanent staff to fulfill this requirement, SAB could employ casual workers from a reputable labour brokering company. These people could be used over a period of time. Assessments can be done to determine if these additional staff would be required or not. In terms of the Labour Relations Act, it is easier to “dispose” off casuals than permanent staff.

4.3.5 In general, SAB could conduct initial trials using casual staff to determine whether there is a requirement for additional staff or not. If necessary, permanent employment could be offered to them. Table 6 suggests 2 additional credit personnel may be required. But by centralising departments such as credit, additional staff in this department may not be required.

4.3.6 Independent contractors such as owner drivers, who have the distribution expertise, can be awarded contracts to service these additional customers. The contract could be worked in line with SAB's BEE policies. Strategies can be formulated together with

¹⁹ Splitters are warehouse staff members who physically make up specific, non-standard orders. An example of this might be 5 cases of 340 ml Castle cans, 2 cases of Black Label 375ml pints and 6 cases Amstel 750ml quarts.

these contractors in terms of service level agreements, sales, marketing, order taking and so forth.

4.4 Conclusion

Although analysis reveals that additional resourcing such as staff and vehicles will be required to service additional customers, this may not necessarily be so. Some recommendations made above could be implemented to eliminate the need for say, employing additional staff. Volume, brand and pack size will not affect storage space as the warehouse can easily accommodate the additional demand; especially when the warehouse utilisation averages around 65%, as is currently.

As indicated in tables 6 and 7 respectively, personnel required to service an additional 426 customers, would increase by 22.37%. Vehicles required to service this additional demand would increase by 18.75%. The cost of an additional truck-tractor is approximately R 750 000 and a double handler forklift costs around R 350 000 (obviously depending on exchange rates). A shift in volume will mean that sales volume will not increase. Volumes from new customers only (those that are not trading currently) are expected to be negligible.

Therefore, if SAB has to take on the additional customers, the operational costs will undoubtedly increase. Unless other strategies are implemented to avoid the increase in costs, taking on 426 additional customers would have a definite negative impact on their net profit.

Chapter 5 DISCUSSION

Table 5 below shows the previous financial years figures used to calculate additional staff and fleet requirements, if 426 additional customers are taken on. Based on these, additional resourcing requirements are indicated in tables 6 and 7.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Avg.
DISTRIBUTION VOLUME TARGET	60189	67896	51616	49651	69183	56309	59067	81376	96729	69469	53848	67800	65261
W Customers - HL per month	15981	16646	11985	11985	16646	13317	13317	18311	15981	15981	15981	16646	15231
W Distribution Volume	44208	51250	39631	37666	52537	42992	45750	63065	80748	53488	37867	51154	50030
New Distribution Vol. from Original	73	75	77	76	76	76	77	77	83	77	70	75	76
TUNABLE PACK MIX - 85%	51161	57712	43874	42203	58806	47863	50207	69170	82220	59049	45771	57630	55472
HS @ 99.5% BASED ON PACK MIX	50905	57423	43654	41992	58512	47623	49956	68824	81809	58753	45542	57342	55195
TOTAL	111094	125319	95270	91643	127695	103932	109023	150200	178538	128222	99390	125142	120456
SAB MECH - Initial Volume	35550	40102	30486	29326	40862	33258	34887	48064	57132	41031	31805	40045	38546
SAB MECH - New Volume	22219	25064	19054	18329	25539	20786	21805	30040	35708	25644	19878	25028	24091
SB Drivers Current	2	2	2	2	2	2	2	2	2	2	2	2	2
SB Drivers will be req'd	1	1	1	1	1	1	1	1	1	1	1	1	1
Owner Drivers - Initial Volume	67767	76445	58115	55902	77894	63399	66504	91622	108908	78216	60628	76337	73478
Owner Drivers - New Volume	81598	94594	73148	69521	96969	79352	84443	116402	149041	98726	69894	94417	92342
Variance	20	24	26	24	24	25	27	27	37	26	15	24	25
Current Owner Drivers	11	11	11	11	11	11	11	11	11	11	11	11	11
Additional Owner Drivers Required	2	2	2	2	2	2	2	2	4	2	1	2	2
Total OD's will be req'd	13	13	13	13	13	13	13	13	15	13	12	13	13
Small Drop - Initial Volume	1806	2037	1548	1490	2075	1689	1772	2441	2902	2084	1615	2034	1958
Small Drop - New Volume	2889	3259	2478	2383	3321	2703	2835	3906	4643	3335	2585	3254	3133
Variance	60	60	60	60	60	60	60	60	60	60	60	60	60
Current small drop drivers	3	3	3	3	3	3	3	3	3	3	3	3	3
Drop drivers will be req'd	4	4	4	4	4	4	4	4	4	4	4	4	4
W Customers - Current	929	929	929	929	929	929	929	929	929	929	929	929	929
Additional Customer	426	426	426	426	426	426	426	426	426	426	426	426	426
Total customer base	1355	1355	1355	1355	1355	1355	1355	1355	1355	1355	1355	1355	1355
Additional Customers	46	46	46	46	46	46	46	46	46	46	46	46	46
Current Telesales Personnel	3	3	3	3	3	3	3	3	3	3	3	3	3
Total Telesales will be req'd	4	4	4	4	4	4	4	4	4	4	4	4	4
Current Distribution Controller	1	1	1	1	1	1	1	1	1	1	1	1	1
Controllers will be req'd	1	1	1	1	1	1	1	1	1	1	1	1	1
Current Distribution Manager	1	1	1	1	1	1	1	1	1	1	1	1	1
DM/Managers will be req'd	1	1	1	1	1	1	1	1	1	1	1	1	1
Current Credit Personnel	2	2	2	2	2	2	2	2	2	2	2	2	2
Credit personnel will be req'd	3	3	3	3	3	3	3	3	3	3	3	3	3
Current Splitters (Total)	6	6	6	6	6	6	6	6	6	6	6	6	6
Spliters will be req'd	8	8	8	8	8	8	8	8	8	8	8	8	8
Current Calling Cashiers	1	1	1	1	1	1	1	1	1	1	1	1	1
Cashiers will be req'd	2	2	2	2	2	2	2	2	2	2	2	2	2

Table 5: Calculations based on previous years budgeted volume figures

Table 6 below, shows the current staff compliment that would be affected at Springfield Depot. Based on Table 5, it also shows how many staff will be required with an additional 426 customers. The last column shows additional staff that will be required in totality, to service an additional 426 customers. This equates to an increase in staff by 22.37%.

Personnel Requirements with additional 426 customers			
Staff	Current	Will Require	Additional Staff
Telesales	3	4	1
Calling Cashier	1	2	1
Credit Personnel	2	3	1
Owner Drivers	11	13	2
Owner Driver - Crews	44	52	8
S A B Drivers	2	1	-1
Small Drop Drivers	3	4	1
Small Drop - Crews	4	6	2
Splitters	6	8	2
Total	76	93	17
% Increase			22.37

Table 6: Additional Staff Requirements

Table 7 reflects current and additional vehicles that will be required when 426 new customers are taken on at Springfield Depot. Additional vehicles equates to an increase in fleet by about 19%.

Vehicle Requirements with additional 426 customers			
Vehicle	Current	Will Require	Additional
Trucks / Tractors (OD'S)	11	13	2
18 Pallet Trailers	10	12	2
Trucks / Tractors (SAB)	2	1	-1
Small Drop Bakkies	3	4	1
Forklifts	6	8	2
Total	32	38	6
% Increase			18.75

Table 7: Additional Vehicle Requirements

5.1 Problems experienced during the study

Studies of this nature are rarely conducted without constraints and this was no exception either. Some of the problems experienced are outlined below.

- 5.1.1 Participants were initially reluctant to divulge information about their businesses. They believed that by divulging the type of information requested, could be used against them and would be reported to the police. The sales representatives assured them of the confidentiality clause. Over a period of time, representatives built up fantastic relationships with the shebeen owners and this was partly why they eventually obliged.
- 5.1.2 Some shebeen owners or their staff did not understand English. Questions had to be interpreted either in Zulu or sometimes Xhosa. Fortunately our representatives speak and understand both languages very well. For this, the researcher is truly grateful to the representatives.
- 5.1.3 Shebeens were sometimes closed. They had to be re-visited on the return trip or on the next rep call cycle.
- 5.1.4 Participants were reluctant to divulge their contact details. This made it extremely difficult for the researcher to contact them, if this was required.

5.2 Other Observations

- 5.2.1 The survey conducted involved unlicensed shebeens only and every shebeen sold some product of SAB. As mentioned already, all indicated they would prefer a delivery from SAB to avoid them being inconvenienced, to ensure they do not experience stock out situations and that they would be guaranteed a delivery (weather permitting).
- 5.2.2 All shebeens trade on Sundays and they expect changes in the Liquor Bill to allow them to trade in the sale of alcohol on Sundays. They do not expect restrictions on trading times.

- 5.2.3** It is interesting to note that none of the shebeens sell 375ml and 330ml bottles. For the 330ml pack size, this means that they don't sell Miller Genuine Draught (MGD) or Pilsner Urquell (PU) – here again a brand, sales and marketing opportunity exist.
- 5.2.4** Certain shebeens don't sell certain brands. For example Kwa Makhosi Tavern in Kwa-Dabeka does not sell Brutal Fruit, Castle Lite or Sterling Lite and Mashasha Store in Inchanga follow the same pattern. By analysing geographical locations, brand and pack size trends can be picked up. Further opportunities for increasing awareness and sales of these brands could be obtained from this analysis.
- 5.2.5** Although every shebeen operates 7 days a week, a very surprising outcome was that none of the shebeens preferred a Saturday delivery. If they experienced stock outs on a Saturday, they would have to purchase from IRD's, WH's or from some other source.
- 5.2.6** It was observed that none of the shebeens sold 30L or 50L draught barrels. This is primarily due to equipment such as CO2 gas, gas bottles, refrigeration and taps required to operate these barrels effectively. This could be dangerous if the gas is not stored according to Health and Safety regulations. Furthermore, it may be cumbersome and costly for shebeens to install such systems. It may also be very expensive for consumers.
- 5.2.7** Approximately 28% of shebeens will qualify as small drop customers because their requirements would be less than 50 cases per week and an additional 33% of customers could call for beer from the depot. This is suggested in graph4 and 8 respectively.

5.3 Areas Identified for Future Research

- 5.3.1** Why are brands such as Miller Genuine Draft (MGD), Pilsner Urquell (PU), 30L and 50L Castle and Hansa draught not sold at these shebeens? Perhaps greater awareness needs to be created by way of promotions, advertisements and education.
- 5.3.2** What impact would petrol stations, chain stores such as Pick 'n Pay, Shoprite Checkers and Spar would have on SAB when legislation allows them to trade in the sale of alcoholic products?

- 5.3.3 What impact will Internet and e-mail technology have on SAB? How would these new inventions in technology affect current and new customers?
- 5.3.4 How would new technology impact on customers located in rural areas? Would they be affected?
- 5.3.5 To alleviate the expected increase in operational costs, investigate the possibility and viability of opening more distributors. Would this impact negatively or positively on SAB?
- 5.3.6 What are competitors doing to accommodate shebeens when they become licensed? Will it impact on them? What are they doing about it?
- 5.3.7 It is possible that deliveries may be allowed to take place on Sundays. Would it be viable for SAB to deliver on Sundays? Is SAB prepared for this?
- 5.3.8 Many shebeens operate in townships. These shebeens and its surroundings are generally associated with criminal elements, due to lack of proper structures in place, such as security. How safe is it to deliver to shebeens? Are drivers, crewmen, vehicles and stock at risk if SAB delivers to shebeens?

5.4 Summary

Although there is negative pressure from certain anti-alcohol groups about legalising shebeens, there are many more organisations in support of this. For one, the unemployment rate will reduce because many more people will be earning an income and therefore the crime rate and poverty will also reduce. In this way, there will be a boost in the economy. Although this may initially have a negative impact on SAB's operational costs, processes and methods could be implemented to work around these, as indicated in chapter four.

With all these in mind and going forward, SAB must consider how they will own the distribution channel, maintain a program for "contractors" taking on new customers, the possibility of operating seven days a week, outsourcing non-core functions, converting depots to "distributors", maintain staff and customer loyalty, maintain market share, the potential closure of high volume customers, new competitors entering the markets and staff migration to the opposition and so forth.

APPENDIX A – Questionnaire Covering Letter

Dear Colleague

The current Liquor Act is under going many changes, one of which is the legalisation of shebeens to trade in the sale of alcoholic beverages such as beers and alcoholic fruit beverages (AFB's). This study concentrates **solely** on the above and the objective is three fold:

- With additional customers to service, compounded by a vast geographical location, what impact will this have on SAB?
- To prepare SAB in providing good customer service by ensuring adequate resources are available, when the need arise,
- The completion of this study will enable me to complete my Masters in Business Administration.

Against this backdrop, may I please ask that you take 5 minutes of your precious time to complete this survey? I thank you in advance for your contribution and co-operation. Please understand that you are under no obligation to participate in this survey.

If you do choose to participate, however, your participation is crucial to the accuracy, consistency and validity of the outcome of this study. I personally guarantee confidentiality on the information you provide. The results will better equip SAB to exceed your expectations by providing additional resources such as vehicles, personnel, premises, etc.

Yours sincerely

Anand Dabechuran

MBA Student – University of Kwa-Zulu Natal

Cell No. 082 9217 490

APPENDIX B – Questionnaire

CUSTOMER SERVICE QUESTIONNAIRE

Name of Shebeen	
------------------------	--

Location	
-----------------	--

Contact Name and Number	
--------------------------------	--

1. When the new Liquor Act comes into effect, would you become licensed to trade in the sale of beers and ciders?

Yes	No	Don't know
-----	----	------------

2. Do you currently sell beers and ciders?

Yes	No
-----	----

3. If yes, what brand/s and pack size do you sell?

3.1 BRANDS

	Castle
	Black Label
	Hansa
	Milk Stout
	Redds
	Redds Dry
	Amstel
	Castle Lite
	Sterling Lite
	Brutal Fruit
	Miller Genuine Draft
	Pilsner Urquell
	Castle Draught
	Amstel Draught
	Hansa Draught
	Other
	Other

3.2 PACK SIZE

	750 ml quarts
	660 ml diva
	500 ml cans
	450 ml cans
	375 ml pints
	340 ml dumpies
	340 ml cans
	330 ml dumpies
	275 ml dumpies
	30 L draught
	50 L draught
	Other
	Other

4. If you are licensed, would you prefer a delivery from SAB?

Yes	No
-----	----

5. If yes, what quantity would you purchase per week?

	< 20 cases
	21 to 50 cases
	51 to 80 cases
	81 to 110 cases
	> 110 cases

6. What is your preferred delivery day?

	Monday
	Tuesday
	Wednesday
	Thursday
	Friday
	Saturday

7. What time would you prefer a delivery?

	0800 to 1100
	1100 to 1400
	1400 to 1700
	Other

8. Where do you currently get your stock from?

	Wholesaler
	Retailer
	Convenience Store
	Other

9. Is the stock delivered to you or do you pick up?

Delivered	Picked up
-----------	-----------

10. If SAB delivers to you, what credit facility do you expect?

	Cash with Order
	Payment in 7 days
	Payment with next Delivery
	Payment in 30 days or more
	Other

11. Which is your fastest selling brand?

	Castle
	Black Label
	Hansa
	Milk Stout
	Redds
	Redds Dry
	Amstel
	Castle Lite
	Sterling Lite
	Brutal Fruit
	Miller Genuine Draft
	Pilsner Urquell
	Castle Draught
	Amstel Draught
	Hansa Draught
	Other
	Other

12. Which is your fastest selling pack size?

PACK SIZE

	750 ml quarts
	660 ml diva
	500 ml cans
	450 ml cans
	375 ml pints
	340 ml dumpies
	340 ml cans
	330 ml dumpies
	275 ml dumpies
	30 L draught
	50 L draught
	Other
	Other

13. **Comments / Suggestions**

Please feel free to make any comments or suggestions:

Once again, I would like to thank you for your time and contribution. I am sure the results of this study would be beneficial to all parties concerned

APPENDIX C

No.	Rep	Outlet	Location	Brands Not Sold	Cases	Delivery Day	T/Window	Fastest Brand
1	1	Sithembiso Shandu	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Thu	0800 - 1100	Black Label
2	1	Mr Mthembu	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Wed	1100 - 1400	Black Label
3	1	Mjara's Tavern	Durban	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Thu	0800 - 1100	Black Label
4	1	Mangubane	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Thu	0800 - 1100	Black Label
5	1	Mr Zondi	Dalton	Redd's & Dry, Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Mon	0800 - 1100	Castle
6	1	Zama Dlamini	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Thu	0800 - 1100	Castle
7	1	Thabethe	Dalton	Redd's & Dry, Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Thu	0800 - 1100	Castle
8	1	T Msezane	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Wed	1100 - 1400	Castle
8	1	Gcamu	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Mon	0800 - 1100	Milk Stout
10	1	Kwamadladla (1)	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Castle
11	1	Musa's Tavern	Ungeni Road	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Thu	0800 - 1100	Black Label
12	1	Kwamadladla (2)	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Thu	0800 - 1100	Castle
13	1	Shabane	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Thu	1100 - 1400	Black Label
14	1	Madlala	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Thu	0800 - 1100	Black Label
15	1	Bongani	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Thu	1100 - 1400	Castle
16	1	Mzobe Restaurant	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	<20	Thu	0800 - 1100	Black Label
17	1	Dlamini	Dalton	Castle / Sterling Lite, BF, MGD, PU, Dht	81 to 110	Tue	0800 - 1100	Black Label
18	1	Dalton Beerhall	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Thu	1100 - 1400	Castle
19	1	Maluthuli T/A	Dalton	Redd's & Dry, Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	81 to 110	Thu	0800 - 1100	Castle
20	1	Embo	Dalton	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Thu	0800 - 1100	Black Label

APPENDIX D

No.	Rep	Outlet	Location	Brands Not Sold	Cases	Delivery Day	T/Window	Fastest Brand
21	2	Mondli Ndlovu	Clermont	Castle / Sterling Lite, BF, MGD, PU, Dht	81 to 110	Wed	1100 - 1400	Castle
22	2	Hluhluwe Tavern	Clermont	Sterling Lite, BF, MGD, Dht	>110	Fri	0800 - 1100	Hansa
23	2	Kwa Makhosi	Kwa-Dabeka	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Thu	1100 - 1400	Black Label
24	2	Shukushukuma Tavern	Inchanga	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Tue	0800 - 1100	Black Label
25	2	Mashasha Store	Inchanga	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Thu	1100 - 1400	Castle
26	2	Vukuyibambe	Clermont	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Wed	1400 - 1700	Black Label
27	2	Thandokuhle	Botha's Hill	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Thu	0800 - 1100	Black Label
28	2	Afrika T/S	Clermont	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Thu	1100 - 1400	Castle
29	2	Corner House Bar	Clermont	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Wed	1100 - 1400	Castle
30	2	Gugu Mavundla	Clermont	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Mon	0800 - 1100	Hansa
31	2	Bell Inn Tavern	Kwa-Dabeka	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Tue	1100 - 1400	Castle
32	2	Club 39	Clermont	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Wed	1400 - 1700	Castle
33	2	Mkhulu's Tavern	Hillcrest	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Wed	1100 - 1400	Castle
34	2	Nice and Easy	Clermont	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Thu	1100 - 1400	Black Label
35	2	Nhlanhla Maphumulo	Hillcrest	Castle / Sterling Lite, BF, MGD, PU, Dht	81 to 110	Thu	1100 - 1400	Castle
36	2	Ntsu's Royal Tavern	Botha's Hill	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Mon	0800 - 1100	Black Label
37	2	Linda's Tavern	Hillcrest	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Wed	1100 - 1400	Castle
38	2	Kwa Mxo	Clermont	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Thu	0800 - 1100	Castle
39	2	Cynthias Tavern	Botha's Hill	Castle / Sterling Lite, BF, MGD, PU, Dht	81 to 110	Tue	0800 - 1100	Castle
40	2	O.J.S. Mkhize	Kwa-Dabeka	Castle / Sterling Lite, BF, MGD, PU, Dht	81 to 110	Tue	1100 - 1400	Castle

APPENDIX E

No.	Rep	Outlet	Location	Brands Not Sold	Cases	Delivery Day	T/Window	Fastest Brand
41	3	Basement Tavern	Inanda	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Thu	0800 - 1100	Black Label
42	3	Mzode Tavern	Waterloo	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
43	3	Skokkie	Groutville	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Mon	0800 - 1100	Black Label
44	3	Mary Jane Tavern	Richmond Farm	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Fri	0800 - 1100	Black Label
45	3	Mthembu's Tavern	Shakaskraal	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
46	3	Mathousand Tavern	Amatikwe	Castle / Sterling Lite, BF, MGD, PU, Dht	81 to 110	Mon	0800 - 1100	Black Label
47	3	Mbuyazi T/S	Ethembeni	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	81 to 110	Mon	0800 - 1100	Black Label
48	3	Matiwane Liquor Store	Stanger	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
49	3	Mwolokohle	Ndwedwe	Redd's & Dry, Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Mon	0800 - 1100	Milk Stout
50	3	Mthuyi Spaza	Mzinyathi	Milk Stout, Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Fri	0800 - 1100	Black Label
51	3	Munaskraal	Hambanathi	Milk Stout, Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Thu	1100 - 1400	Black Label
52	3	Msobho's Tavern	Mellville Mill	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
53	3	New World	Ntshawini	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
54	3	Masithande Spaza	Sundumbili	Milk Stout, Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Fri	0800 - 1100	Black Label
55	3	Magubane Tavern	Sundumbili	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Mon	0800 - 1100	Black Label
56	3	Emmanuel Tavern	Ntshawini	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Fri	0800 - 1100	Black Label
57	3	Qwabe's	Shakashead	Castle / Sterling Lite, BF, MGD, PU, Dht	81 to 110	Thu	0800 - 1100	Black Label
58	3	Khanyile Spaza	Nanda	Castle / Sterling Lite, BF, MGD, PU, Dht	81 to 110	Mon	0800 - 1100	Black Label
59	3	Gwija	Amaoti	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Fri	0800 - 1100	Black Label
60	3	Lathuza	Amaoti	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Fri	0800 - 1100	Black Label

APPENDIX F

No.	Rep	Outlet	Location	Brands Not Sold	Cases	Delivery Day	T/Window	Fastest Brand
61	4	N J Sibiya	Kwa Mashu	Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Thu	0800 - 1100	Castle
62	4	Nzama	Ntuzuma	Castle, Hansa, Milk Stout, Amstel, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Fri	0800 - 1100	Black Label
63	4	Dlamini	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Wed	0800 - 1100	Hansa
64	4	Bingo's Spaza Tavern	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Tue	1100 - 1400	Black Label
65	4	Desmond Tuck Shop	Bambagi	Sterling Lite, BF, MGD, PU, Dht	21 to 50	Tue	0800 - 1100	Black Label
66	4	Esihlahleni Tavern	Kwa Mashu	MGD, PU, Dht	51 to 80	Wed	1400 - 1700	Black Label
67	4	Eswazini Tavern	Emzinyazthi	MGD, PU, Dht	>110	Tue	1100 - 1400	Black Label
68	4	Goba Tuck Shop	Amaoti	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Wed	0800 - 1100	Black Label
69	4	Emgazini	Kwa Mashu	Sterling Lite, BF, MGD, PU, Dht	>110	Tue	1100 - 1400	Castle
70	4	Fana's Place	Kwa Mashu	Sterling Lite, MGD, PU, Dht	>110	Mon	0800 - 1100	Hansa
71	4	Mphatheni's Tavern	Kwa Mashu	Sterling Lite, MGD, PU, Dht	>110	Tue	1100 - 1400	Castle
72	4	Mcanyana Tuck Shop	Inanda	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Tue	1100 - 1400	Black Label
73	4	Mabaleng Tavern	Kwa Mashu	Sterling Lite, MGD, PU, Dht	51 to 80	Wed	1100 - 1400	Black Label
74	4	N Ndlovu	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Fri	0800 - 1100	Hansa
75	4	Msomi	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Tue	0800 - 1100	Black Label
76	4	Jigane	Ntuzuma	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Fri	0800 - 1100	Black Label
77	4	Lizy Tuck Shop	Inanda	Sterling Lite, MGD, PU, Dht	51 to 80	Tue	0800 - 1100	Castle
78	4	Ladies Bar	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Wed	0800 - 1100	Black Label
79	4	Kwa Mngwini	Kwa Mashu	Redds Dry, Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Wed	1100 - 1400	Black Label
80	4	Gugu Hadebe	Ntuzuma	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Thu	1100 - 1400	Black Label

APPENDIX G

No.	Rep	Outlet	Location	Brands Not Sold	Cases	Delivery Day	T/Window	Fastest Brand
81	5	Hlako's Tavern	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
82	5	Madam Tavern	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
83	5	Mfukwe's Place	Chesterville	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
84	5	Ndoda Ntuli	Chesterville	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
85	5	Hondlulu 2	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Hansa
86	5	Mom Biyela	Mayville	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Castle
87	5	Easy Big Tavern	Phoenix	Castle / Sterling Lite, MGD, PU, Dht	81 to 110	Fri	0800 - 1100	Black Label
88	5	Maphumulo T/S	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
89	5	Maphumulo Tavern	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
90	5	Meyiwa Tavern	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	<20	Mon	0800 - 1100	Black Label
91	5	Mkhabela	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
92	5	Mseni's Store	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
93	5	Manyoni	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Black Label
94	5	Devas Tavern	Palmview	Castle / Sterling Lite, BF, MGD, PU, Dht	>110	Fri	1100 - 1400	Castle
95	5	Mbali Tavern	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Castle
96	5	Mahawini Tavern	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Castle
97	5	Sthaymane's Place	Chesterville	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Redd's
98	5	Lucas Banda	Mayville	Castle / Sterling Lite, BF, MGD, PU, Dht	81 to 110	Mon	0800 - 1100	Castle
99	5	Fakazile T/S	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Mon	0800 - 1100	Hansa
100	5	Manqdba T/S	Kwa Mashu	Castle / Sterling Lite, BF, MGD, PU, Dht	<20	Mon	0800 - 1100	Black Label

APPENDIX H

The data received from rep 6 as indicated below, were excluded from the results obtained.

No.	Rep	Outlet	Location	Brands Not Sold	Cases	Delivery Day	T/Window	Fastest Brand
101	6	Africa Tavern	Clermont	Castle / Sterling Lite, BF, MGD, PU, Dht	51 to 80	Thu	1100 - 1400	Castle
102	6	Happy's Tavern	Inanada	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Fri	0800 - 1100	Black Label
103	6	Khuba Tavern	Groutville	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Fri	0800 - 1100	Black Label
104	6	Mokoena Tavern	Ntuzuma	Castle / Sterling Lite, MGD, PU, Dht	51 to 80	Thu	0800 - 1100	Black Label
105	6	Thubelihle Tavern	Kwa Dabeka	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Fri	1100 - 1400	Castle
106	6	Wimmie's Tavern	Umlazi	Castle / Sterling Lite, BF, MGD, PU, Dht	21 to 50	Fri	0800 - 1100	Hansa

APPENDIX I

As can be seen from the analysis below, the data obtained from sales representative 6 were also excluded here. From the data below, information can be trended to find patterns with particular representatives or areas.

Criteria Analysed	Rep 1	Rep 2	Rep 3	Rep 4	Rep 5
Delivery Day Requirements	%	%	%	%	%
% Delivery required on Mon	15	10	55	5	90
% Delivery required on Tue	5	20	0	40	0
% Delivery required on Wed	10	30	0	30	0
% Delivery required on Thu	70	35	15	10	0
% Delivery required on Fri	0	5	30	15	10
TOTAL	100	100	100	100	100
Weekly Case Purchase	%	%	%	%	%
% Weekly Case Requirements-<20	5	0	0	0	10
% Weekly Case Requirements-21 to 50	10	5	30	45	0
% Weekly Case Requirements-51 to 80	45	5	50	30	75
% Weekly Case Requirements-81 to 110	30	20	20	0	10
% Weekly Case Requirements->110	10	70	0	25	5
TOTAL	100	100	100	100	100
Delivery Time Requirements	%	%	%	%	%
% Delivery Times required bet. 0800 - 1100	75	35	95	55	95
% Delivery Times required bet. 1100 - 1400	25	55	5	40	5
% Delivery Times required bet.1400 - 1700	0	10	0	5	0
TOTAL	100	100	100	100	100
Fastest Selling Brands	%	%	%	%	%
% Black Label	50	30	95	65	60
% Castle	45	60	0	20	25
% Hansa	0	10	0	15	10
% Milk Stout	5	0	5	0	0
% Amstel	0	0	0	0	0
% Redd's	0	0	0	0	5
	100	100	100	100	100

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