

KEROUCHE BREWERIES

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CORPORATE BROCHURE

Winning the battle

Alan Swaby talks to an inspirational business leader in Kenya who has taken on the might of the land and by force of will, won



T

o fight Goliath, David needs to be either very brave, completely reckless or not completely understand what he's letting himself in for. Tabitha Karanja, CEO and founder of Keroche Breweries in Kenya, fits into the last category. She freely admits that if she had known what she would have to face in getting the business to where it is today, she probably would have never embarked upon the journey.

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Fortunately, she did, because in her own small way, Karanja has—and still is—helping to shape the future of how business operates in Kenya and in so doing, helping to improve conditions in the country for the benefit of all.

It all started in a relatively modest and largely unnoticed way. Karanja and her husband were already in the retailing business but were interested in branching out into manufacturing. A long and

wide-ranging period of research somehow managed to highlight a gap in the alcoholic beverage market. Karanja explains: “Outside the urban areas, there is very little disposable income in Kenya and packaged beer and spirits are largely out of reach. People therefore turn to homemade brews which are potentially very harmful. Deaths from contaminated drinks are not uncommon.”



As a result, Keroche Breweries was launched in 1998 with the aim of producing affordable, high quality and hygienic drinks—a move that earned favour with the government not only for its tax-raising powers but also as a way of squeezing out dangerous bootleg suppliers. The first offering was more akin to a vodka but with a limited alcoholic content—a ready-to-drink vodka mixed to precision with purely distilled water, to be enjoyed with colas and fruit drinks by consumers. The drink reinforced its role as a social lubricant rather than a quick road to alcoholic oblivion.

From the beginning, Keroche started out as it meant to continue. Here was an aspirational yet affordable product, well packaged and supported by mainstream TV and radio promotion. Working on a very tight budget, everything was done in-house and much of it by hand. “It makes me smile now,” says Karanja, “but for a long time the only automation we had was actually filling and capping the bottle. Sticking on labels and packing into cartons was all done manually.”

Distribution was also pretty makeshift. Karanja and her team would choose an area, establish a depot and then encourage local bars to come and pick up some product to try. It took 10 years of development and hands-on hard work before Keroche got to the point where distribution could be handled completely by third parties.

Although investment in machinery was limited in the early days, Karanja has always held the view that the finest raw material should always be used. “We look to European standards,” she says, “knowing that in this way, not only will our manufacturing exceed any of the local standards that have to be followed but it also gives us a strong marketing theme for our brand.”

Eventually, Karanja came to the conclusion that the company would need to enter



However it still is, and has already run out of brewing capacity, requiring the business to develop plans for expansion, including building its own malting plant which would offset the impact on profitability that poor exchange rates with the Euro are having.

It's often said that what doesn't kill us makes us stronger and Karanja uses her experience in

guiding Keroche to where it is today in her 'second career'. "The obstructions we had to fight stifled initiative and ultimately hold back the country. We have the potential for being a much more prosperous society; but we will only get there by encouraging a new generation of entrepreneurs."

As such, Karanja spends much of her time spreading her philosophy of 'the law of victory' where there is only one option in business—success. It's a doctrine that has taken Keroche from scratch to an annual turnover of 1.5 billion shillings; but it still holds less than a five per cent share of the beer market. If this has caused her competition heartburn, how will they feel if she hits her target of a 20 per cent market share? www.kerochebreweries.com ■

the beer market—a prospect much easier said than done. "For 75 years, beer had been a monopoly in the hands of East African Breweries Limited (itself part of the multinational Diageo group) which had long and very close ties to the government. We simply never appreciated just how difficult they could make life for us by wielding the clout that they had."

Had Keroche Breweries applied for a licence to brew beer, it is unlikely that it would ever have got one. As it was, Karanja decided to cut a little corner and create the new beer brewing venture on the back of the original licence to make alcoholic beverages. There was another piece of luck, as the management of her bank must have been a bit sleepy at the time and handed over a loan of 500 million shillings (€5 million) without actually realising the risk they were being exposed to. When head office in London discovered the situation, alarm bells started

ringing and a team flew out to see what could be done to revoke the loan. As it happens, Keroche had already paid back the first year's interest in full and by so doing, had bedded down some of the fears they had.

Keroche used the funds to buy European brewing equipment to go with the European raw materials and developed two beers: Summit Lager and Summit Malt, aimed at middle and premium markets respectively. Keroche opted for a sugar-free recipe, which was contrary to many other local beers, but it created a cleaner, more natural-tasting drink that soon had word of mouth spreading the good news of Summit Lager and Summit Malt as natural beer, sugar-free, with no hangover and truly Kenyan.

Nevertheless, it was still an uphill battle, with the dominant player doing all it could to restrict distribution. "EABL completely over-reacted," says Karanja, "even to the extent of paying bar owners not to stock our beers. It also used its contacts in the government to debate the desirability of allowing Keroche to be in the market."






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