



Kasapreko Company Ltd

Emerging Global Enterprises



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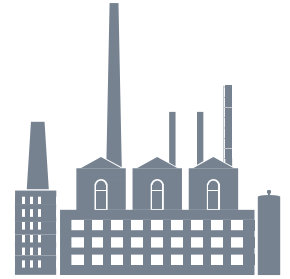
Foreword

This excerpt forms part of a larger 12-case study report that was carefully put together by Africa Foresight Group over a period of two years to understand the works and environments of *hidden champion companies* on the continent. We are proud to present this sneak-peek as part of our annual flagship conference Africa@Scale 2019 in Oxford.

Interested in the full report and more case studies? Check our website www.africaforesight.com for updates and follow us on social media: Facebook, Twitter and LinkedIn – Africa Foresight Group (@africaforesight)

Case 01

Kasapreko Company Ltd. is one of Ghana's premier beverage distributors. It was the first Ghanaian-owned beverage manufacturer with more than 600 employees. Building off the success of products such as Alomo Bitters and Kasapreko Gin, the company has developed both locally and internationally generating approximately \$70m in revenue. Kasapreko distributes its brands throughout the West Africa subregion with a strong network of local distributors.



Country of origin: Ghana

Sector: Food and beverages

Challenge: Exchange rates, low quality of inputs, capacity issues and counterfeiting

Future: Expansion of international footprint and further exploration of the non-alcoholic sector as well as other revenue-generating activities

COUNTRY PROFILE

Ghana is located in West Africa and is found along the Gulf of Guinea and the Atlantic Ocean. The country is one of the fastest-growing economies in Sub-Saharan Africa.

8.1%

recorded GDP growth rate in 2017 (World Bank, 2019)

\$66_{bn}

2018 GDP estimation of Ghana's thriving economy

\$1,641

Comparatively, Ghana has a much higher GDP per capita than other Sub-Saharan African countries (2017)

Ghana has a young population, with approximately

57%

of Ghanaians being under the age of 25 years. (2019)

The President, **Nana Akufo-Addo's** vision for the country is creating meaningful employment for the country's youth along with stabilizing the economy.

History

Ghana was inhabited in the middle ages and the age of discovery by mainly the Akans, one of the major tribes in Ghana. With the passage of time and through migrations, the Kingdom of Ashanti was established and became the most powerful in the region.

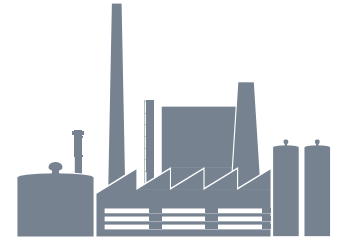
The Kingdom of Ashanti operated first as a loose network, and eventually as a centralised kingdom with an advanced, highly specialised bureaucracy, centred in the capital city of Kumasi. Before Akan's contact with the Europeans, the Ashanti people had created an advanced economy based on gold-bar commodities and then traded with the other African countries.

The Europeans, namely the Portuguese, first had contact with the Akan people in the 15th century, when they established a trading post on the coast of Ghana named "the Gold Coast". The trade was based on the extensive availability of gold and this attracted the Dutch to also establish a trading post in Ghana and they also began trading in gold. By the 17th century, many European countries had joined in the gold trade, each building a castle as their fort and trade building.

Towards the end of the 1800s, the British colonised most parts of Ghana and claimed the gold coast as part of their territory. There were many clashes between the Akans and the British, which led to a 100-year civil war. After winning a series of elections, the first President of Ghana, Kwame Nkrumah, declared Ghana's autonomy from the British and established the country as an independent state..

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Economics

Ghana has recognised that its GDP growth is slowing down. To reinstate growth to a state similar to the earlier part of the decade, a campaign termed Ghana vision 2020 was instituted. This plan envisions Ghana as the first African country to become a developed country between 2020 and 2029 and a newly industrialised country between 2030 and 2039. Vision 2020 is a document that was put together by the National Development Planning Commission (NDPC) as Ghana's blueprint for sustainable socio-economic development. The plan envisaged the use of Science and Technology to rapidly address Ghana's development to improve the quality of life for all, at the same time maintaining the integrity of the environment.

Ghana is a net importer of goods and services.

39%

imports of goods and services
as a percentage of GDP (2019)

Most imported products are for local consumption. Export commodities are gold, cocoa, timber, tuna, bauxite, aluminium, manganese ore, diamonds, and horticultural produce. Ghana export power to neighbouring Togo and has a provisional agreement to export power to Côte D'Ivoire if the latter requires it.

Entrepreneurship

The rate of entrepreneurial intention is relatively low in Ghana. Yet, there is a large focus on job creation through entrepreneurship for many of the country's unemployed youth. This has resulted in the introduction of entrepreneurship as a subject and course in the university and many young people are encouraged to consider entrepreneurship as a career path.

Despite this, most young people still prefer the security that comes with formal employment, particularly for university graduates. Given the lack of policy focus on the enablement of local businesses for decades, it will likely take a while for Ghanaians to have a less risk-averse mindset towards entrepreneurship.

Investment and tax climate

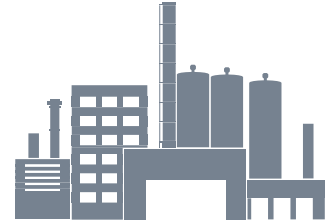
Increased inflation and devaluation of the Ghanaian cedi since late 2013 has dampened Ghana's earlier macroeconomic success story. Ghana's power sector, especially on the distribution side, remains one of the biggest factors negatively affecting the economy. In 2015, the government signed a three-year **\$918 million** extended credit facility agreement with the International Monetary Fund (IMF) in an effort to stabilize Ghana's struggling economy. Under the IMF program, inflation has declined but the economic situation remains difficult, with a fiscal deficit of at least nine percent and a debt-to-GDP ratio of **73 percent** in 2016. Ghana will likely seek an extension of the IMF program as the new government works to renegotiate targets to ensure long-term economic success..

Multiple factors are hindering foreign direct investment. Among the major ones are burdensome bureaucracy, weak productivity, costly and difficult financial services, underdeveloped infrastructure, ambiguous property laws, unreliable power and water supply, and an unskilled labour force. Despite these challenges, Ghana's abundant raw materials (gold, cocoa, and oil/gas), good governance, political stability, and policy reforms make it stand out as one of the better locations for investment in sub-Saharan Africa.

Among the most promising sectors are agribusiness, food processing, textiles and apparel, downstream oil, gas, and mineral processing, as well as the energy, especially renewable energy, and mining-related service subsectors.

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BUSINESS CASE STUDY

Kasapreko Company Limited: From gold to beverages

Dr. Kwabena Adjei founded Kasapreko in 1989 in his garage in Nungua, a suburb of Accra, and started with 5 people. He did not have a passion for beverages, but he had the right sense of business opportunities. The alcohol business was a niche in the 1980s in Ghana, and Nungua was the hub of gin making. Dr. Adjei was initially into the gold business but due to competition and threats, he gave it up and ventured into the beverage (alcohol) business to bridge a gap in the market. Although Gin had been the biggest and most popular product in the brewery business, most breweries were just not interested in standardised packaging. Most breweries made use of varied packaging at different points in time, making identification of their products difficult without their logo. Contrary to his competitors, Dr. Adjei decided to pursue a differentiation strategy. He introduced a new flavor which he sourced from London and standardized his bottle sizes. Customers started to recognize his products as a "serious" brand and the company received increased attention. Dr. Adjei also started to standardise his packaging boxes, but the production of these was still manual. A few more flavours were added, and many failed, leaving only a few that survived in the long-term. The growing demand for quality alcoholic beverages had to be met and Kasapreko was at the right place at the right time.

Kasapreko's Gin was the foundation of the company since Gin dominated a major share of the alcohol market in Ghana for a long time. People used gin for a variety of things in terms of consumption, including traditional rites. Although Kasapreko's Dry Gin was the groundbreaker for the firm's success, Alomo Bitters has become the flagship and highest selling product of the company. Consumers' love for Bitters made Kasapreko venture into the Bitters market and eventually commercialized its production.

The birth of Alomo Bitters as a product is unique. In his passion to give consumers the best Bitters, Dr. Adjei met with the Centre for Scientific Research into Plant Medicine in Mampong Akuapem in the early 1990s. The Centre produced herbal medicines and the idea was to combine herbal medicine with alcohol. After three years, their collaborative research emerged and led to the development of herb related alcoholic bitters that cured various diseases - Alomo Bitters. One of its main unique selling points was its aphrodisiac properties.

Business Model: Creating a unique African brand

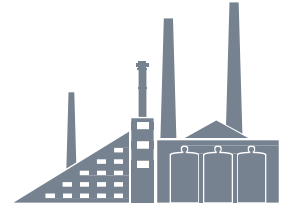
In 2018, Alomo bitters was twenty years on the market. The bitters were the first commercialized herbal drink from Ghana. Some businesses have tried to emulate both the business model and the bitters' flavor, nevertheless, they failed. So, what makes Kasapreko's business model outstanding?



Kasapreko's state-of-the-art production line

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Kasapreko is successful due to...

Quality

...is our hallmark, we ensure that we are serving the right grade of products. We take the whole processes very seriously, from input through production to storage.

Consistency

...ensuring that we invest in the right machinery and technology to be able to offer constant and consistent production

Variety

Ability to produce new SKUs to soothe our consumer's needs and tastes. e.g., lime cordial mixer, K20 whisky (first whisky in a sachet to be produced and sold in Ghana).

Affordability and accessibility

Ensuring that our products are affordable to our consumers through building good relationships with distributors nationwide and ensuring that the products are available in all parts of the country

Loyalty

Remaining loyal to Ghanaians is our main success factor. That is what inspired the setting up of this business. In the '80s there was a demand for spirit products. Dr. Kwabena Adjei wanted to produce something affordable but of as high quality as imported products meeting the needs and demands of Ghanaians.

Competition has not been successful at reaching Kasapreko's high-end reputation because "we believe they have missed our mark of quality products and pricing", Kwofie says. Instead, Kasapreko offers both alcoholic and non-alcoholic beverages across a range of more than 10 different product categories.

The company has six leading brands in terms of volume: Alomo, K20 Whisky, Kasapreko Gin, Lime Cordial, Tonic Wine, and Carnival Strawberry Liquor.

Alomo bitters is the flagship brand and provides the growth the business needs, however, the perpetuation of the company's differentiation strategy into the non-alcoholic beverage segment is also putting the company in a more favourable position against competition.

In 2015, Kasapreko ventured into Carbonated Soft Drinks (CSD) and added product lines such as Royal Cola, Royal Apple, Royal Orange, and Lemon Lime. Royal Cola is marketed as an affordable and high-quality alternative to Coca Cola with inputs that are sourced from Germany. Kasapreko's most recent product innovation is Choco Malt – a malt drink with chocolate flavour which is the first of its kind in the Ghanaian market.

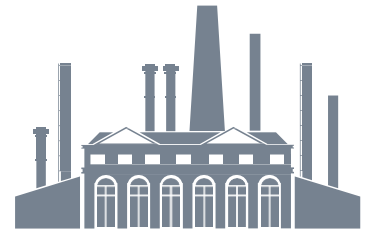
Kasapreko segments customers by product category, market trends, and pricing. The company's products are mainly targeted at consumers who engage in hard manual or industrial work.

Currently, about **80%** of Kasapreko's customers are males, although variants of Alomo were introduced to attract other consumers that did not enjoy the bitter taste of the classic Alomo drink. 'Carnival', for example, is the prime product for female consumers in Ghana. Tonic wine also picked up quite well among other clientele in Ghana.

– Mr. Evans Kwofie, Marketing Manager

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Kasapreko faces the challenge of keeping up with the changing taste of the youth. The company thus introduced 'Opeimu' and three variants of its flagship Alomo brand to attract a younger clientele that does not like the very bitter taste, high levels of alcohol or that is simply more adventurous: 'Alomo Black' has almond extracts infused in it and presents a unique aroma, 'Alomo Silver' has lower alcohol levels (35%) and is less bitter, and finally Alomo Gold has fruity extracts which makes it a little sweet and has lower alcohol levels (30%) as well. Although the oldest of these variants, 'Alomo Silver', is only about a year and a half on the market, it is doing well in terms of volume. Kasapreko's brands are unique and stand for high quality. However, appealing to different age groups, gender, and taste preferences requires effective positioning and tailored marketing strategies. Kasapreko aims to follow the footsteps of global African spirit brands such as Amarula or Savanna Dry from South Africa and underwent an expensive rebranding that was carried out by a South African agency. The marketing strategy for Kasapreko's younger brands is driven by the aphrodisiac benefits of the drinks, whereas Alomo is rather marketed as a mature and serious brand. Kasapreko advertises on regional media channels like DSTV, partners with various embassies in Ghana to sponsor their events and is even active in talks on the radio about health risks of consuming low-quality beverages.



This is how we want to tell our story, coming from Ghana. Alomo is a brand that you can enjoy at social gatherings like all other alcoholic beverages. However, this one comes with added value in the form of the herbal extract.

– Mr. Clarence Amenyah,
Head of Internal Business Development

Ensuring a reputation for quality is key for Kasapreko in building up a global leading African beverage brand. The company had subscribed to its recipe and products to international standards with fully automated lines. The firm has even been granted ISO 2000 certification which makes it the only local beverage company that has ever received the certification.



We think that taking this step to attain ISO certification is a great step for us, it shows that we care for quality. We could have done our quality certifications in-house, but we have gone a step further and invited SGS to do the audit for us so we get this certification, and this puts a big stamp on the quality systems and products that we have¹

– Richard Adjei, Managing Director of Kasapreko

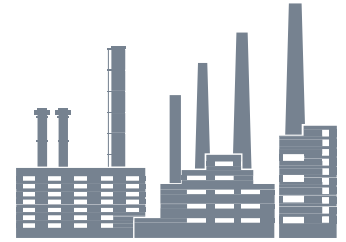
In 2000, the business moved from Nungua to the Spintex road, all in the Greater Accra Region, and occupied a 3acre land. Now, the factory occupies 10 acres of land. Heavy investments into fully automated activities started between 2010 and 2012. Kasapreko invested about \$30m in machinery and training, acquired the 'Rolls Royce' of the bottling industry and a Krones manufacturing line that had one line producing 30,000 bottles per hour and the other line, 40,000 bottles per hour.



Kasapreko's premium alcoholic beverages have enjoyed widespread patronage in Africa and the diaspora

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Expansion Strategy

Kasapreko diversifies two-dimensionally: through its brands and geographically. Usually, a team of two is sent out to evaluate the potential of new markets in terms of competition, substitutes, and taste. Furthermore, strong partnerships were formed with the Ghana peacekeeping force, for example, that has introduced Kasapreko's products into several countries on their missions. It should be noted here that there is no VAT on exports which creates a considerable incentive, as net profit on exported goods is **80%** instead of **25%** on goods sold locally.

In 2010, Kasapreko decided to expand its business beyond Ghana. Currently, Nigeria, Togo, Burkina Faso, and Cote d'Ivoire are the main countries with which it has built up exclusive distribution networks. To push Kasapreko's multiple brands abroad, each distributor's exclusivity is tied to the product, i.e., selling either Alomo or Gin for example. Nigeria was the number one target and hit spot on. The Nigerian beverage market was limited to non-alcoholic bitters and the demand for alcoholic bitters was very high before Kasapreko entered in 2010. Between 2010 and 2012, **10** distributors were appointed in Nigeria. The distributors pick up the products from Accra and their trucks drive them to Nigeria.

This approach guarantees minimum transportation costs, as Nigerian truck drivers understand the customs processes, borders and are eligible to pay less in duty. Expanding into Togo was also straightforward as people in the Volta region had already started penetrating the Togolese market with Kasapreko drinks. There was also one individual distributor from Burkina Faso that bought Kasapreko's products from Kumasi even before the partnership was officially established. Now, this distributor makes about **\$200,000 – 250,000 per month**.

Furthermore, Kasapreko has officially registered with the Food and Drugs Authority (FDA) for smooth exportation to the USA. Mainly, West African, Korean, and Japanese communities living in the USA are the primary target communities.

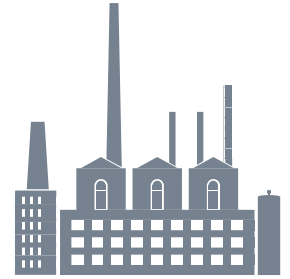
Under its flagship programme, One-district One-factory (1D1F), the government is assisting Kasapreko Company Limited to access a **\$20 million** Exim Bank loan to build a subsidiary state-of-the-art factory at Tanoso in the Atwima Nwabiagya District in the Ashanti Region to serve the northern sector of the country. The construction of the factory, which will be multipurpose, is to begin immediately and is expected to be completed by the end of the year. The new factory is anticipated to create about **3,000** direct and indirect jobs for the youth, particularly those living at Tanoso and its environs.

Challenges

Kasapreko's international footprint also poses major challenges to the company, specifically the foreign exchange aspect of it. Low quality of inputs and capacity issues of local companies make Kasapreko highly dependent on imports for production: ethanol is sourced from Brazil, sugars from Switzerland, packaging material from Italy, Germany, and India. Even glass bottles are imported from South Africa, China, and Nigeria since they are not produced in Ghana yet. The devaluation of the cedi is a major problem as well as a delay with clearing the imported goods at the port. Currently, the Ghanaian government controls the amount of foreign exchange in the country and thereby controls export volumes. Detailed documentation is required which increases administrative work.

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The government has further introduced powerful incentives for foreign-owned companies in the manufacturing sector, such as duty and tax breaks. Therefore, foreign companies can boost earnings which creates a competitive advantage in the market. It comes as no surprise that local companies have started to pretend to be foreign companies.

Nigeria used to be the largest export market for a long time until the recent economic crunch, counterfeiting, and competition, which made volumes fall in the past two years and a half. As Nigerian customers were not able to pay dollars, Kasapreko started to accept Naira, but could not exchange them for dollars either. With the Naira's depreciation in the past years, Kasapreko lost about half the value of its Naira-based transactions. The situation has been improving since the Naira has started stabilizing. Additionally, producers of fake Alomo bitters managed to get their products registered and became official competitors that forced Kasapreko to lower its prices.

Company Structure and Financing: Family business structure

Kasapreko is a family-owned business that has currently about **200** employees. Taking into account allied companies, Kasapreko has about **500** employees. The company is led by Mr. Richard Adjei (CEO) as the successor of his father, an executive committee made up of various directors and all department heads that report directly to the CEO. Decisions are taken at the department level and presented to the board of directors for approval. Company officials say that decision making is much faster at Kasapreko due to the family-like structure which in their view makes processes more flexible. Moreover, Kasapreko fosters a culture of open communication: The Chairmen, for instance, have had an open-door policy since the very beginning. Employees are incentivized through competitive remunerations and rewards.

Generally, the feeling of having a stake in the company is something that is highly valued by the firm's employees. The oldest employee was part of the company for 25 years – a very long time for an organization that started operations only 28 years ago. Nowadays, leadership is slightly transitioning from older to younger generations.

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Incorporating changes in a family-owned business is easy. Corporations usually have 10 to 15-year goals. We also have 5-year goals, but when we decided to make changes to the goals because things are not going as planned, implementation is fast and easy.

– Mr. Clarence Amenyah,
Head of Internal Business Development

The company's salesforce is divided by country regions and territory distribution executives who monitor trends of distribution. In Ghana, about **60 local distributors** are spread across the regions, **8 to 10** alone in Accra.

Except for key accounts such as hotels or supermarkets, Kasapreko distributes only through exclusive partner distributors. It has several sister companies that are producing carton packaging, harvesting extracts for herbal concentrates, or generating ethanol from cassava.

Despite a subsidiary company's ethanol production, Kasapreko supplements its supply mainly by imports to meet the high demand.

In terms of financing, Kasapreko's activities are secured through bank loans, internal funds, and payment plans with its suppliers. Especially with its international suppliers, Kasapreko has managed to build up strong relationships that are based on high levels of trust.

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Outlook

The growing consciousness for health is one of the strong trends Kasapreko is planning to look into in the future. The firm has several beverages in the pipeline that are specifically targeting this type of consumers. Kasapreko will also strengthen its presence in the United States of America and expand its international footprint even further. Its strong international sales activity has proven advantageous to withstanding local competition. African communities overseas will play a major role here as market entry points.

Other key milestones for the next 5 years will be to improve the firm's position in the non-alcoholic market, to decrease the cost of production, and to become a packaging house for other brands. Kasapreko has already started packaging for Nestlé, Orijin, Adonko, Special Ice, and Frytols in Ghana.

Lastly, giving back to society has been an important concern for the company. Kasapreko is already involved in charity projects for water production and education. More recently, the firm has focused on health issues and supported the national Cardiothoracic Centre financially in its operations.

What will be the next big growth opportunity for Kasapreko?

POLICY SNAPSHOT

Ghana Investment Promotion Centre

The Ghana Investment Promotion Centre Act (Act 865) was passed in 2013 and this led to the creation of the Ghana Investment Promotion Centre (GIPC), a government agency responsible for the encouragement and promotion of investments in Ghana."

The GIPC's mandate is to improve the investment climate through policy and plan development, marketing and promotions, project identification, record keeping, and data collection, analysis, and dissemination.

If deemed appropriate, and with the approval of the President, the Board of the GIPC can declare priority areas of investment and negotiate additional incentives and benefits for "strategic investments."

With a stated goal of enabling both FDI and local investment, the Centre allows qualified companies the opportunity to take advantage of available tax incentives. In addition, the act allowed for an exemption of import duties on machinery and equipment parts for qualified enterprises. Qualified enterprises also enjoy access to freely convertible currency and a dispute resolution process.

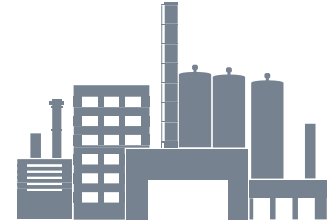
The Ghana Investment Promotion Centre is seen as an integral part of government efforts to create employment and opportunity in the Ghanaian economy. While the GIPC has a mandate to support domestic as well as foreign business, it is clear that attracting foreign companies to Ghana remains a key priority.



Kasapreko has a multinational reach with distributors across different geographies

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“One District, One Factory”

Despite the focus on foreign investment from the GIPC, the new administration has set up other programs and initiatives to promote the development of local manufacturing in Ghana.

One such initiative is the **“One District, One Factory”** program launched by the New Patriotic Party (NPP) as part of its platform in the run-up to the 2016 election.

“One District, One Factory” has a goal of distributing Ghana's industrial growth – and the corresponding employment – throughout the country.

As a result, it is hoped that the project will improve economic wellbeing while also preventing rural-urban migration, and promoting the development of local, value-added manufacturing.

“One District, One Factory” calls for the creation of one new factory in each of Ghana's **216 municipal districts**.

By promoting geographically distributed development, it hopes to bring industry and jobs to areas of the country outside of the main economic hubs, and in the process facilitate the creation of between **7000** and **15,000** jobs per district (totaling **1.5-3.2 million** nationwide) by 2021.

This is by providing district-based companies with demonstrated potential, and companies willing to open, or relocated in underserved districts, a suite of services to help establish and grow their business.

Companies accepted into the program are eligible for government assistance in the form of investor matching.



Kasapreko's highly diversified product line includes both alcoholic and non-alcoholic beverages