

## Kingdom Breweries: A Taste of Class in Cambodia

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Yet another beer in a market some say is already overflowing? Kingdom Breweries is aiming to give Cambodia one more for the road less traveled.

Situated north of the city center, with vistas across the Tonle Sap, Kingdom's HQ has the feel of a boutique brewery one might find in the West—a charming mix of dark wood paneling and gleaming stainless steel tanks.

Peter Brongers, CEO of Kingdom Breweries, is no stranger to Cambodia—he has been visiting the Kingdom for over 15 years and sees real potential. "There is a lot of room for economic development as almost nothing is here; there's a market for almost everything you can think of," he told *Economics Today*.

Since writing the business plan in late 2008, the venture took shape quickly, he said, with discussions leading to Leopard Capital's involvement in mid-2009. The US\$4 million operation now has capacity of 20,000 cases of beer per month, and Kingdom Beer is already on sale at over 400 locations in Phnom Penh. The beer recently went on sale in Siem Reap, Preah Sihanouk and Battambang provinces.

The rapid expansion of Kingdom seems at odds with a competitive market dominated by two large breweries—Cambrew and Cambodia Breweries—as well as several smaller operations.

Most breweries in Cambodia are foreign dominated, Brongers noted, something Kingdom Breweries wanted to avoid. "We wanted to put a real Cambodian identity into the market," he said.

Certainly, the brand is instantly recognizable as Cambodian, from the curiculed Khmer script, to the naga on the bottle, forest animals like the clouded leopard and the Kouprey, and the iconic spires of Angkor Wat.

The ingredients, though, are all imported. Hops come from the Czech Republic, malt from Germany and yeast from France. The gleaming tanks that are the beating heart of the brewery came from Slovakia, long a centre of brewing excellence.

"It's not that we don't want to use local products," "Unfortunately, things like hops and malt don't grow in this climate. These are simply ingredients that don't exist here."

Whatever can be sourced in Cambodia, has been, however, with the boxes bought from Cambodia-based Harta Packaging.

Certainly, the impression is of no expense spared. The riverside location is a draw, enabling a boutique-style brewery with a plush taproom, its elevated position offering wide vistas of the Tonle Sap. Kingdom even boasts a fully equipped lab, where white-coated boffins swill frothy beers in conical flasks.

"We didn't try to save money on ingredients or equipment because we thought that, as long as you buy the best equipment in the world and put the best ingredients in, it can't be bad," said Brongers.

The current operation is the result of careful planning. After looking at special economic zones and empty garment factories, Kingdom settled on a building north of the Japanese Friendship Bridge, an area that is increasingly popular for offices and factories. The building, a former Nestle soy milk factory had several advantages, not least a wastewater treatment ready for use.

"One of the principles that we set out when we decided to go ahead with this project was to be responsible operators, socially as well as ecologically," said Brongers. Kingdom's carbon footprint and waste production are considered carefully.

An integrated, innovative approach both saves money and lessens environmental effects. For example, water that must be heated to boiling for the brewing process is first passed through solar heaters, bringing it up to 95°C without using any energy. The final heating uses half the LPG, meaning the US\$6,000 system pays for itself in nine months.

But not everything has gone completely smoothly. The taste of the beer was initially deemed too strong by Cambodian consumers so Kingdom "toned it down a bit," said Brongers. The Clouded Leopard Pilsner, introduced in September, now has a mild but recognizably hoppy aftertaste with a hint of refreshing bitterness.

That minor hiccup aside, Brongers said setting up the brewery had been straightforward. "Outside of Cambodia, I think there's a big misconception about the complexity, pitfalls and potential difficulties that investors will be confronted with if they enter Cambodia," he said. "In fact, [everything] has gone amazing fast and without any serious issue from the regulatory side. We have not been confronted with any hindrance or any bribery. We were actually surprised how clean and fast every single aspect of the investment process went."

Logistics are also "very easy," said Brongers. Containers of malt are shipped in, while the smaller volumes of hops arrive by air freight.

Human resources, always a challenge in Cambodia, were not an issue for Kingdom, Brongers claimed. "We actually found some very good people and built up a team over the last year. They are all really motivated and support the product and want to make it a success. Many employers always complain about the ease that staff in this country move from one job to another. We had no issue at all—every single employee that joined us from day one is still here and nobody has left us."

The signs are that Kingdom's beer is developing a similar loyalty among drinkers. Those not yet won over can look forward to new beers—a dark beer in mid- to late 2011 and more exotic flavors such as mango or Kampot pepper in 2012. Alternatively, clients can craft their own unique beers at production runs starting from 5,500 litres, equal to 1.5,000 bottles or 600 cases.

In some ways, small is beautiful in the beer trade. "Our intention was to make a brewery that is not too large, that can focus on a high quality product and can project an image in the market of quality and class," explained Brongers. "Being a small brewery gives you the opportunity to be very creative and flexible in the products you bring to the market."

Early next year a draft system with disposable, one-use lines to ensure freshness and hygiene will be introduced. Exports are also on the cards, although Kingdom is in no rush. "As a top quality Cambodian product, of course we look for export. But we don't want to rush into it." Large Cambodian populations in France, Australia and North America could soon become the next Kingdom connoisseurs.