

## The Effects of Excise Tax on Pricing Strategies: Evidence from Zambian Breweries Plc

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### Abstract

This study examined the impact of excise tax on the operations, financial performance, and strategic decision-making of Zambian Breweries Plc., a leading player in Zambia's brewery sector. The research was driven by growing concern that escalating excise duties continue to erode profitability, limit expansion, and constrain competitiveness within the local alcohol manufacturing industry. Guided by the objectives to identify key issues arising from excise tax, analyze its effects on financial performance and competitiveness, and evaluate brewery responses to these fiscal pressures, the study adopted a qualitative research design. Data were collected through semi-structured interviews with managerial and operational staff, providing insights into the lived experiences of employees dealing with tax-related challenges. Findings revealed that excise taxation exerts substantial pressure on the company's financial structure by inflating production costs, squeezing profit margins, and reducing available capital for investment. Participants emphasized that frequent and unpredictable changes in tax rates disrupt financial forecasting and undermine strategic planning, forcing management to redirect resources toward tax compliance rather than innovation and market expansion. Furthermore, the study found that these fiscal challenges often lead to price adjustments that may weaken competitiveness against informal or untaxed beverage producers. In this context, Zambian Breweries has developed adaptive strategies including cost optimization, focusing on core brands, and implementing more conservative investment policies to sustain financial viability. The analysis also demonstrated that the company's response strategies align closely with theoretical perspectives such as the Resource-Based View (RBV), Agency Theory, and Stakeholder Theory. From the RBV standpoint, Zambia Breweries leverages its internal capabilities, such as brand equity, human capital, and operational expertise, to withstand fiscal shocks. Agency Theory highlighted the tension between managerial accountability to shareholders and the operational limitations imposed by tax burdens, while Stakeholder Theory emphasized the need for balanced decision-making that considers consumers, employees, suppliers, and regulators. Collectively, these perspectives underscore that the company's adaptive strategies are both reactive to immediate fiscal constraints and proactive in sustaining long-term operational resilience. The study concludes that while excise taxes serve an essential fiscal purpose for national revenue, their unpredictability and magnitude can have adverse consequences for private-sector growth and employment sustainability. Therefore, a more stable and consultative excise tax policy framework is necessary to balance public revenue generation with private-sector competitiveness. The research recommends enhanced collaboration between government institutions, industry associations, and brewery management to create a more predictable fiscal environment that encourages investment, innovation, and long-term sustainability within Zambia's alcoholic beverage industry.

**Keywords:** Excise Tax, Financial Performance, Brewery Sector, Strategic Management, Zambia Breweries

### 1. Introduction

Excise taxation plays a critical role in revenue generation and consumption regulation in many developing economies. In Zambia, excise taxes are heavily applied to products such as alcohol, tobacco, and fuel. While these taxes serve important fiscal and social objectives, their impact on firm-level decision-making remains underexplored.

This study focuses on *Zambian Breweries Plc* to examine how excise tax influences pricing strategies. A key milestone in this journey was the establishment of the *Zambia Revenue Authority (ZRA)* in 1994, which streamlined tax administration across the country. Since its formation, the *Zambian government* has consistently relied on excise taxes, particularly on alcohol, as an important fiscal tool. Over the years, there has been a noticeable trend of increasing excise duty rates as part of broader efforts to enhance national revenue collection.

Before 2020, excise duty rates were adjusted periodically as part of the national budget, typically targeting both revenue collection and public health objectives. However, these adjustments often did not keep pace with inflation, which meant that the real value of excise duties diminished over time. In contrast, the period post-2020 has seen a more aggressive approach to increasing excise tax rates, largely driven by the government's efforts to finance its national budget and reduce public debt. For example, the 2024 and 2025 national budgets proposed or implemented significant increases in excise duties on alcoholic beverages, with the excise duty on clear beer rising from 40% to 50%, and duties on spirits and wine increasing from 60% to 80% (PwC, 2025; Regfollower, 2025). These adjustments underscore the government's dependence on excise taxes as a key tool in fiscal policy, as well as the growing pressure on industries such as brewing to adapt to these higher tax rates.

The study aims to answer the following question: How does excise tax influence pricing strategies in *Zambia's brewing industry*.

### 1.2 Problem of the statement

The specific problem this study addresses is the lack of empirical evidence on how excise tax policies directly affect the pricing strategies at firm level of *Zambian Breweries*. Understanding this relationship is essential to guide both policymakers and industry stakeholders in designing balanced tax frameworks that sustain government revenue while ensuring business competitiveness and market stability in *Zambia's beverage industry*.

Excise tax is widely used in *Zambia* as a fiscal and regulatory tool in the brewery sector. Existing studies and policy discussions lean towards examining tax from a macroeconomic perspective, focusing on revenue generation, public health objectives and consumer price effects. On the other hand, limited empirical research has examined how excise price adjustments influence firm-level pricing strategies within *Zambia's brewing industry*.

The selection of *Zambian breweries plc* as a single case study is justified on the basis that it is the dominant player in the industry and is directly impacted by excise tax reforms. As a market leader, its pricing decisions have significant industry influence, making it a critical case for pass-through and strategic pricing adjustments.

Several studies have examined the general effects of taxation on business operations; few have specifically explored how excise taxes influence pricing strategies within the *Zambian brewing industry*. For instance, Ezuem and Sagbara (2024) found that excise taxes on alcoholic beverages in *Nigeria* negatively affected financial performance but did not address their impact on pricing decisions. Similarly, Litho (2022) highlighted that high tax costs in *Zambia*, particularly in the mining sector, impose heavy burdens on businesses, yet failed to assess how such taxes influence price-setting behaviors in the brewing sector. Moreover, Andronova, Haabazoka, and Kasonde (2022), argued that *Zambia's* fiscal policies, though aimed at promoting investment, often result in high tax burdens and policy instability that undermine business confidence.

### 1.3 Study Objectives

- To explore the key issues arising from excise tax in *Zambia's* brewery sector.
- To analyze why excise tax issues, affect the financial performance and competitiveness of breweries in *Zambia*.
- To investigate how breweries in *Zambia* respond to excise tax challenges in shaping their pricing and investment decisions.

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## 2. Literature Review

### 2.1 Introduction

This literature review synthesizes existing knowledge on how excise taxes on alcoholic beverages impact the pricing strategies, operational decisions, and financial performance of companies in the brewing industry. The review specifically explores the effects of excise tax policies on *Zambian Breweries* by connecting global and regional findings to the local context. It identifies key themes and research gaps, justifying the need for this study by highlighting the importance of excise tax in *Zambia's* brewing sector.

Excise tax is an essential tool used by governments to generate revenue, but its influence on pricing and market dynamics in developing economies like *Zambia* is underexplored. While there is a considerable body of research on the impact of excise tax on firms in developed economies, studies that focus on emerging markets, particularly *Zambia*, are limited. This literature review helps fill this gap, contributing to the academic conversation on fiscal policy's effect on industry performance and competitiveness.

### 2.2 Excise Tax and Its Impacts

#### Global Perspective on Excise Tax

Excise taxes on alcohol are a widely used fiscal policy tool for both revenue generation and public health objectives.

According to the World Health Organization (WHO, 2020), excise taxes are effective in reducing alcohol consumption and related harms. In countries with higher excise taxes, studies have shown that alcohol consumption rates tend to decline, and alcohol-related health problems decrease (WHO, 2020). For example, in the European Union, higher excise taxes have led to reduced alcohol consumption in countries like Sweden and Finland (WHO, 2020). However, the effectiveness of these taxes is highly dependent on how they are implemented, including the rate and enforcement mechanisms.

Despite their benefits, excise taxes in many developing countries are underutilized or poorly structured. In Africa, excise taxes on alcohol are typically lower than in developed countries, limiting their potential to reduce consumption while failing to generate sufficient revenue. Moreover, the implementation of these taxes can be inconsistent, leading to a lack of clarity and enforcement issues (WHO, 2023). This presents a unique challenge for countries like Zambia, where the brewing sector plays a significant role in the economy.

### **African Perspectives**

In African countries, excise taxes are a key source of government revenue, but the impact on the brewing sector is mixed. Research from countries like Nigeria and South Africa demonstrates that while excise taxes contribute to public revenue, they can also place a significant financial burden on breweries, affecting their profitability and growth (IIARD, 2024; National Treasury of South Africa, 2014). In South Africa, for example, breweries face increasing tax rates, leading to higher production costs, which they often pass on to consumers. However, this also results in reduced sales volume, particularly for price-sensitive consumers (National Treasury of South Africa, 2014).

The issue becomes more complex in Zambia, where excise tax rates have been consistently rising, as seen in the most recent tax reforms (PwC, 2025). While the government seeks to increase revenue through these hikes, the impact on the formal brewing sector, including *Zambian Breweries*, remains largely understudied. This gap in the literature is crucial for understanding the local economic environment and the brewing industry's response to fiscal policies.

### **Zambian Perspective**

Zambia's tax system has undergone various reforms, particularly since the establishment of the Zambia Revenue Authority (ZRA) in 1994. Excise duties on beer and spirits have been an essential part of the national budget, with the government frequently adjusting rates to meet revenue targets (ZRA, 2020). The most recent increases, particularly post-2020, have been aggressive, aiming to reduce Zambia's national debt and finance public services (PwC, 2025; Regfollower, 2025).

In Zambia, excise tax rates on alcoholic beverages have increased significantly in recent years. For instance, the proposed excise duty increases on clear beer from 40% to 50% and spirits from 60% to 80% in the 2024 and 2025 budgets reflects the government's fiscal tightening (*Zambian Breweries*, 2024). These increases directly affect the pricing and profitability of breweries like *Zambian Breweries*, which must navigate the increased cost pressures while maintaining competitive pricing.

## **2.3 Excise Tax and Pricing Strategies**

### **Pass-Through Mechanism: Absorbing or passing on the Cost**

One of the primary responses of breweries to excise tax increases is the decision to either absorb the additional cost or pass it on to consumers. This mechanism is influenced by the elasticity of demand for the product and the competitive landscape. In South Africa, studies have shown that breweries often engage in "overshifting," where they increase prices by more than the excise tax to cover other rising operational costs (ResearchGate, 2016). This strategy, while effective in increasing short-term revenue, can lead to decreased demand, particularly in lower-income segments.

In Zambia, price sensitivity is a critical factor. Research shows that price increases in low-income markets, like Zambia, often lead to a significant drop in demand (NIPFP, 2025). This creates a challenging environment for breweries like *Zambian Breweries*, which must balance the need to maintain profitability with the potential negative impact on consumer demand.

### **Brand Portfolio Management**

To mitigate the impact of excise taxes, breweries often adjust their brand portfolios. One effective strategy is the promotion of lower-cost, locally brewed products, such as opaque beers (e.g., Chibuku) that are often taxed at lower rates than premium products like clear beer (National Breweries, 2023). This strategy allows breweries to maintain market share while accommodating price-sensitive consumers.

*Zambian Breweries* has employed a similar approach, diversifying its product range to include more affordable options while maintaining premium offerings. This brand portfolio management is essential in a market like Zambia, where a substantial portion of the population remains highly sensitive to price changes.

### **Competitive Dynamics and Market Positioning**

Excise tax policies can reshape the competitive landscape in the brewing sector. High or unstable tax rates may discourage new entrants into the market, particularly small breweries that struggle to absorb the additional tax burden. Formal companies, such as *Zambian Breweries*, may also find themselves at a disadvantage compared to the growing illicit alcohol

market, which is unregulated and untaxed. This creates a scenario where formal companies must constantly adapt their pricing strategies to maintain their competitive edge (Zambian Breweries, 2024).

Research has shown that high excise taxes often lead to increased activity in the informal market, where consumers can purchase cheaper, unregulated products. This further complicates the ability of formal breweries to effectively compete, particularly in price-sensitive market segments.

## **2.4 Impact of Excise Tax on Financial Performance**

### **Profitability and Cost Structure**

Excise tax directly impacts the cost structure of breweries, often leading to higher production costs. Studies in Nigeria have found a significant negative correlation between high excise taxes and a brewery's financial performance, as increased tax rates reduce profit margins (IIARD, 2024). Similarly, the 2023 financial reports of Zambian Breweries highlight that increased excise duties, coupled with rising raw material costs, have put significant pressure on their profitability (Lusaka Securities Exchange, 2024).

For companies like Zambian Breweries, which rely on economies of scale, these additional costs can affect not only profitability but also their ability to reinvest in operations and expansion. The rising tax burden may limit the company's flexibility in managing its cost structure.

### **Revenue Growth and Investment Decisions**

Excise tax increases can deter long-term investment and negatively affect revenue growth. Unpredictable tax regimes make it difficult for companies to forecast revenue and plan for the future. In particular, the brewing industry requires large capital expenditures for production facilities, marketing, and distribution, which may be delayed or halted in the face of an unstable tax environment (IMF, 2023).

Zambian Breweries, like many other large companies, depends on long-term planning to make strategic decisions regarding capital investments. The unpredictability of excise tax increases, coupled with other fiscal challenges, can significantly hinder this process.

### **Illicit Market Growth**

One of the most significant financial impacts of high excise taxes is the rise of the illicit alcohol market. The unregulated market, which avoids tax payments, directly competes with formal producers, offering cheaper products (National Treasury of South Africa, 2014). This undermines the formal sector, as breweries like Zambian Breweries lose market share to illegal alternatives. The growth of the illicit market not only erodes the tax base for the government but also diverts revenue away from legitimate businesses, posing a serious financial threat.

## **2.5 Excise Tax and Consumer Behavior**

### **Price Sensitivity and Consumption Patterns**

The relationship between price and consumer behavior is a critical aspect of excise tax policy. Research shows that consumers in low-income markets are highly sensitive to price changes. A significant increase in alcohol prices, due to higher excise taxes, can result in reduced alcohol consumption or a shift to cheaper alternatives (ResearchGate, 2022).

In Zambia, where traditional and informal alcohol consumption is widespread, excise tax increases may drive consumers to cheaper, illicit options. This shift in consumption patterns presents challenges for formal breweries, particularly in low-income segments.

### **Elasticity of Demand for Alcoholic Beverages**

The price elasticity of demand for alcohol is another important consideration. In developed economies, the demand for alcohol tends to be inelastic, meaning that price increases have little impact on consumption. However, in developing economies like Zambia, the demand for alcoholic beverages is generally more elastic, and price increases can lead to significant changes in consumer behavior (NIPFP, 2025).

For Zambian Breweries, the elasticity of demand is a critical factor in deciding whether to pass on excise tax increases to consumers. Understanding the local market's price sensitivity is essential for making informed pricing decisions that maintain both profitability and market share.

## **2.6 Government Policy and Fiscal Stability**

### **Tax Policy Stability and Predictability**

For breweries to plan and make strategic decisions, a stable and predictable tax policy is essential. Frequent tax changes, especially unannounced increases, create uncertainty for businesses. Research indicates that such instability leads to reduced investment and hindered growth (World Bank, 2023). In Zambia, the frequent fluctuations in excise tax rates, particularly since 2020, have created an environment of uncertainty for breweries like Zambian Breweries.

A predictable and transparent tax policy would allow breweries to adjust their pricing strategies, plan for expansion, and

make informed decisions about their operations. The current instability in Zambia's excise tax rates presents a significant challenge for businesses in the brewing sector.

### **Tax Compliance and Regulatory Challenges**

Breweries face significant challenges in adhering to complex and fluctuating tax laws. The Zambia Revenue Authority (ZRA) is tasked with enforcing these laws, but there are concerns about enforcement capacity and the rise of the illicit alcohol market. Zambian Breweries, as a formal company, faces the challenge of complying with the tax laws while also competing with unregulated producers who evade taxes (ZRA, 2020).

This regulatory challenge highlights the need for stronger enforcement and better policy coordination to protect formal businesses and ensure a fair playing field for all producers.

### **2.7 Gaps in Literature**

Much of the existing literature on excise tax in the brewing industry focuses on developed economies, leaving a gap in understanding how excise tax policies affect companies in developing countries like Zambia. Research on the impact of excise tax on the brewing sector in Sub-Saharan Africa, particularly Zambia, is scarce.

There is limited research on how internal resources and capabilities, such as brand reputation, operational efficiency, and financial capacity, help companies respond to excise tax pressures. Most studies focus on external factors like market conditions and competition, without considering how internal strengths can help mitigate the impact of excise taxes.

### **2.8 Theoretical framework**

This study draws on multiple theories to explain how excise tax affects pricing strategies, operational decisions, and financial performance at Zambian Breweries. Using these theories provides a structured understanding of both internal and external factors influencing corporate responses to fiscal policies.

#### **Resource-Based View (RBV) Theory**

The Resource-Based View (RBV) theory posits that a firm's competitive advantage stems from its unique resources and capabilities, which must be valuable, rare, inimitable, and non-substitutable (Barney, 1991). For Zambian Breweries, internal resources such as brand reputation, skilled workforce, production efficiency, and financial capacity are critical in adapting pricing strategies in response to changes in excise tax. RBV provides a framework to analyze how the company leverages these resources to maintain competitiveness despite rising taxation pressures, highlighting the strategic role of internal capabilities in external tax environments.

#### **Agency Theory**

Agency theory examines the potential conflicts of interest between principals (shareholders) and agents (managers), emphasizing mechanisms to align these interests (Jensen & Meckling, 1976). In Zambian Breweries, managers must make pricing and operational decisions that satisfy both regulatory requirements and shareholder expectations under varying excise tax conditions. Agency theory helps explain managerial decision-making challenges, particularly in situations where tax-induced costs may reduce profitability, creating tensions between risk-taking, compliance, and shareholder value maximization.

This theory is important because it helps to explain how the brewery's management makes decisions under conflicting pressures: maintaining shareholder value while complying with excise tax policies that may impact profitability. Agency theory provides a framework for understanding how managers balance these competing interests and make strategic decisions that align with both regulatory requirements and shareholder expectations. Therefore, it is justified as it offers valuable insights into managerial decision-making processes, particularly in situations where external tax pressures affect financial performance.

#### **Neoclassical Investment Theory**

Neoclassical investment theory suggests that investment decisions are influenced by the cost of capital, expected returns, and external factors, including taxation (Tobin, 1969). Excise tax changes affect the expected profitability of investments in production expansion, product development, and brand positioning for Zambian Breweries. Applying this theory allows the study to examine how fiscal policies influence strategic investment and pricing decisions by altering anticipated returns, highlighting the financial dimension of taxation on corporate strategy.

#### **Stakeholder Theory**

Stakeholder theory emphasizes that firms should consider the interests of all stakeholders not just shareholders in their decision-making processes (Freeman, 1984). Excise taxes affect a wide range of stakeholders, including consumers, employees, suppliers, and government agencies. For Zambian Breweries, understanding stakeholder impacts is essential in designing pricing strategies that ensure regulatory compliance, social responsibility, and market competitiveness. Stakeholder theory thus provides a lens for evaluating the broader social, economic, and operational consequences of excise tax policies.

## 2.9 Excise Tax and Pricing Strategies

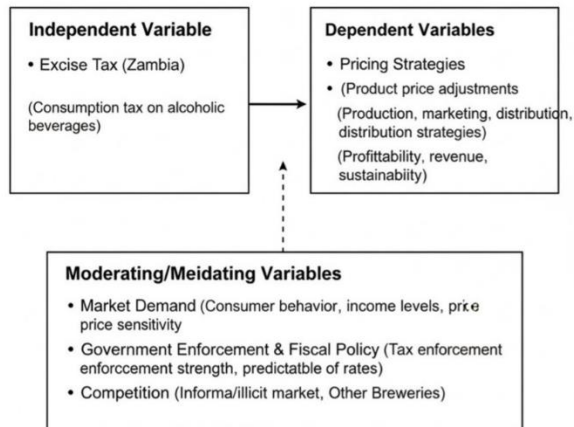


Figure 1: Conceptual Framework

## 3 Research Methodology

The study adopts a qualitative case study design. Data were collected through semi-structured interviews with industry participants and analysis of company documents.

A purposive sampling technique was used to select participants with relevant knowledge. Thematic analysis was employed to identify patterns and themes related to pricing strategies and tax impacts.

This approach allows for an in-depth understanding of the phenomenon within its real-life context.

## 4 Findings and Discussion

This chapter interprets and contextualizes the findings presented in Chapter Four, providing a critical discussion of how Zambia Breweries responds to excise tax pressures in shaping pricing strategies, financial performance, and long-term business decisions. This chapter connects the empirical results with the study's theoretical framework, objectives, and existing literature, highlighting the implications of excise tax on operational efficiency, investment decisions, and market competitiveness. By analyzing the patterns, narratives, and themes identified from participants, the chapter offers an in-depth understanding of the strategic, financial, and managerial challenges posed by taxation, while exploring how the company leverages internal resources, aligns stakeholder interests, and adapts to sustain growth.

### 4.1 Implications of the Demographic Profile

The demographic profile of the participants has important implications for the study's findings and their interpretation. The diversity of positions, spanning executive leadership, operational, and analytical roles, ensures that the perspectives captured are multidimensional, reflecting both strategic oversight and day-to-day operational realities. The predominance of mid-to-senior level professionals with extensive experience suggests that the insights provided are informed by deep institutional knowledge and practical familiarity with pricing strategies, tax compliance, and organizational decision-making.

### 4.2 The Implications of the Rising Excise Tax Burden

The persistent and escalating excise tax burden experienced by Zambia Breweries reflects a broader regional and global discourse on the economic and strategic consequences of fiscal policy in the brewing industry. Literature consistently demonstrates that while excise taxes are effective revenue-generating tools, they often impose significant cost pressures on producers, particularly in developing economies (IIARD, 2024; National Treasury of South Africa, 2014). Similar to findings across Africa, Zambia Breweries operates within a volatile tax environment characterized by frequent adjustments that constrain long-term planning, disrupt pricing stability, and erode profitability (PwC, 2025; IMF, 2023). Such instability aligns with the Neoclassical Investment Theory, which asserts that uncertainty surrounding tax rates diminishes expected returns, discouraging capital expansion and innovation.

### 4.3 Compliance and Regulatory Pressure

The findings on Compliance and Regulatory Pressure reveal that Zambia Breweries operates within a complex and constantly evolving fiscal environment where adherence to excise tax regulations demands significant administrative effort, financial resources, and technical expertise. Participants consistently highlighted the procedural burdens associated with frequent tax amendments, inconsistent communication from authorities, and the need for continual interpretation of ambiguous policy directives. Such regulatory uncertainty aligns with the arguments of OECD (2023) and KPMG (2024), which emphasize that unclear tax frameworks in emerging markets often undermine operational predictability and erode

managerial efficiency. Within Zambia's context, these bureaucratic frictions translate into high compliance costs and workflow disruptions, constraining strategic agility and diverting managerial focus from value-creating activities toward administrative oversight.

The theme resonates strongly with Agency Theory, which explains how managers are tasked with reconciling regulatory compliance with shareholder expectations. At Zambia Breweries, the managerial dilemma is pronounced: ensuring flawless compliance to avoid penalties and reputational risks often conflicts with the drive to maximize profitability and efficiency. This reflects broader findings by Jensen and Meckling (1976) and more recent corporate governance analyses by PwC (2025), which demonstrate that heightened regulatory oversight tends to increase monitoring costs and bureaucratic inertia within firms. The pressure to remain fully compliant effectively transforms compliance units into cost centers, vital for legitimacy yet tangibly detracting from operational flexibility.

#### **4.4 Impact on Product Pricing**

The findings on Impact on Product Pricing reveal that excise tax adjustments exert a direct and multifaceted influence on Zambia Breweries' pricing strategies, profit margins, and competitive positioning. Participants consistently emphasized that increases in excise duty compel the firm to raise product prices, albeit cautiously, to avoid alienating price-sensitive consumers. This strategic dilemma reflects a classical tension in tax-incidence economics: the need to maintain profitability while preserving affordability and market share. As OECD (2023) and EY (2024) observe, in markets with elastic demand and rising fiscal obligations, consumer responsiveness to price changes intensifies, compelling firms to adopt nuanced, multi-tiered pricing responses. Within this context, Zambia Breweries' pricing decisions are not merely reactive to tax hikes but embedded within a broader strategic framework that balances fiscal responsibility, consumer perception, and brand competitiveness.

#### **4.5 Influence on Market Competitiveness**

The findings on market competitiveness strongly align with existing literature, which suggests that excise taxation, while intended to enhance government revenue, often produces unintended market distortions. Prior studies, such as Keen and Slemrod (2022) and African Tax Administration Forum (2023), argue that excessive taxation in the alcohol industry can reduce the formal sector's competitiveness by incentivizing informal production and smuggling. The participant insights mirror these dynamics, indicating that Zambia Breweries' competitive landscape is increasingly shaped by the proliferation of untaxed and unregulated players. This reinforces the view presented by Munyeka (2020) that fiscal policies in developing economies can unintentionally erode industrial competitiveness when not complemented by effective enforcement mechanisms.

#### **4.6 Financial Performance Challenges**

The financial strain imposed by excise taxation on Zambian Breweries reflects patterns widely observed in the literature, where taxation emerges as both a fiscal instrument and a constraint on firm-level growth. Studies across Africa (e.g., IIARD, 2024; IMF, 2023) confirm that persistent tax increases compress corporate margins, disrupt liquidity, and weaken firms' reinvestment capacity, findings that align closely with the financial pressures identified in this study. Similar to Nsubuga and Akinboade's (2020) findings in Uganda, rising excise duties in Zambia have created a cyclical constraint on breweries' operational efficiency, forcing management to balance short-term compliance with long-term financial sustainability.

#### **4.7 Strategic Pricing Responses**

The adaptive pricing mechanisms employed by Zambia Breweries mirror global and regional patterns identified in the literature, where excise taxes compel breweries to innovate in pricing architecture to maintain both competitiveness and consumer loyalty. As noted by ResearchGate (2016) and NIPFP (2025), breweries in emerging economies frequently adopt mixed strategies, absorbing partial tax costs, implementing tiered pricing, or reconfiguring product sizes, to balance fiscal obligations with market sensitivity. The study's observations align with this empirical evidence, showing that strategic pricing in Zambia's brewing sector is not merely reactive but an embedded component of long-term fiscal resilience.

#### **4.8 Cost Management and Efficiency**

The theme of Cost Management and Efficiency reflects Zambia Breweries' strategic commitment to operational optimization as a countermeasure to the fiscal pressures imposed by excise taxation. The discussion resonates with global findings that highlight cost restructuring and process optimization as critical survival strategies for firms in heavily taxed industries. Studies by KPMG (2024) and EY (2023) indicate that breweries in sub-Saharan Africa, facing similar excise burdens, increasingly rely on lean operations, local sourcing, and supply chain rationalization to preserve margins without compromising product quality. In this regard, Zambia Breweries' approach aligns closely with these broader industry patterns, transforming cost management from a defensive tactic into a core strategic capability.

#### **4.9 Policy Engagement and Advocacy**

The theme of Policy Engagement and Advocacy captures Zambia Breweries' strategic participation in shaping the fiscal and regulatory landscape through continuous dialogue with policymakers, industry associations, and other stakeholders.

The discussion aligns with existing literature emphasizing that corporate advocacy is no longer a peripheral activity but a core strategic function in highly regulated sectors such as alcohol production (World Bank, 2023; KPMG, 2024). Active engagement in tax policy formulation enables firms to influence the regulatory agenda, mitigate policy uncertainty, and foster a stable business environment. As such, Zambia Breweries' advocacy initiatives reflect an evolved understanding of governance, where compliance and influence intersect to sustain corporate resilience.

## 5 Conclusions and Recommendations

### 5.1 Conclusion

#### Exploring the key issues arising from excise tax in Zambia's brewery sector

This objective was achieved through qualitative analysis of insights gathered from interviews with key personnel across different departments of Zambia Breweries. The study identified several recurring issues linked to excise taxation, including rising tax burdens, complex regulatory procedures, and delays in policy communication. Participants highlighted how frequent tax adjustments disrupt operational planning, increase administrative costs, and exert continuous financial pressure on the company. Themes such as Rising Excise Tax Burden and Compliance and Regulatory Pressure revealed that taxation not only affects pricing but also creates uncertainty that complicates long-term strategic decision-making. Through these findings, the study successfully illuminated the multifaceted challenges breweries face in maintaining stability within an unpredictable fiscal environment.

#### Analyzing why excise tax issues affect the financial performance and competitiveness of breweries in Zambia

This objective was achieved by examining how excise taxes influence core financial and market dynamics within Zambia Breweries. The findings under themes such as Financial Performance Challenges and Influence on Market Competitiveness demonstrated that high taxation directly increases production costs, compresses profit margins, and reduces available capital for investment. Participants revealed that tax-driven price adjustments often lead to reduced affordability and heightened competition from informal and illicit alcohol producers, further weakening market share. Drawing on the Resource-Based View and Agency Theory, the analysis showed that the interplay between fiscal policy, cost pressures, and managerial decision-making significantly constrains the company's ability to sustain profitability and growth. The study therefore established that excise tax issues are central determinants of both financial performance and market competitiveness.

#### Investigating how breweries in Zambia respond to excise tax challenges in shaping their pricing and investment decisions

This objective was achieved through an in-depth exploration of the adaptive strategies Zambia Breweries employs to mitigate the impact of excise taxation. Themes such as Strategic Pricing Responses, Cost Management and Efficiency, Policy Engagement and Advocacy, and Investment and Expansion Decisions revealed a multifaceted approach centered on operational efficiency, market segmentation, and proactive policy dialogue. Participants described how the company absorbs partial tax costs, adopts tiered pricing, optimizes production processes, and engages policymakers to advocate for fair taxation. The findings also indicated that investment priorities are increasingly guided by fiscal predictability and return potential, in line with Neoclassical Investment Theory. These insights collectively demonstrate that Zambia Breweries employs a blend of strategic flexibility, innovation, and stakeholder engagement to sustain competitiveness in a high-tax environment.

### 5.2 Recommendations

- The Zambian government, through the Ministry of Finance and Zambia Revenue Authority (ZRA), should develop a predictable, transparent, and consultative excise tax framework. Sudden and frequent tax changes create uncertainty that disrupts business planning and investment decisions.
- Management at Zambia Breweries should continue enhancing cost-management initiatives, focusing on process optimization, waste reduction, and local sourcing. By leveraging internal capabilities and advanced production technologies, the company can minimize the impact of excise taxes on operating costs.
- Industry bodies such as the Beer and Alcohol Manufacturers Association of Zambia (BAMAZ) should play a more active role in advocating for balanced taxation policies. Coordinated lobbying and data-driven policy engagement can strengthen the industry's voice when negotiating tax reforms with government authorities.
- Regulatory authorities should enhance clarity, timeliness, and accessibility of tax-related information. Many participants reported delays in policy communication and ambiguous compliance requirements. To address this, ZRA should implement digital platforms and training workshops to simplify filing procedures and improve communication with regulated companies.
- Zambia Breweries, in collaboration with its shareholders, should pursue diversification strategies to reduce dependency on heavily taxed product lines. This includes exploring low-alcohol or non-alcoholic beverages, as well as expanding into export markets with favorable tax regimes.

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The authors declare that they are not aware of any competing financial interests or personal relationships that may have influenced the work described in this document.

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### **Ethical considerations**

The article followed all ethical standards appropriate for this kind of research.

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