

OLD MONK: IS GLASS HALF EMPTY OR HALF FULL?

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INSTRUCTOR'S NOTES

CASE DESCRIPTION

This case discusses and evaluates the strategic options, marketing strategies and brand management techniques to be adopted in the revival of a dormant but iconic brand. This case revolves around the challenges and struggles of Mr. Hemant Mohan, in resurrecting Old Monk brand in a highly regulated and competitive beverage and liquor industry in India. Irrespective of the nostalgic value and brand equity attached to the Old Monk, the task before Mr. Hemant Mohan is daunting because of unfriendly government regulations, intense competition of foreign brands, the literal monopoly of government-run liquor retail chains and changing consumer tastes and preferences. In this context, this case evaluates and discusses the different strategic options, marketing and branding strategies to be adopted by Mr. Hemant Mohan. This case poses questions like is leveraging Brand Equity alone sufficient in the revival of Old Monk? Will brand extension of Old Monk be helpful for its survival? Irrespective of the nostalgic value and brand equity attached to the Old Monk, will the siblings be able to resurrect the old glory?

This case is written keeping the undergraduate and postgraduate of management in mind and is more suitable for brand management and strategy. This case is designed to be taught in one class consisting of 90 min and students may have at least 5-6 h of outside preparation and study for discussion and assignments.

CASE SYNOPSIS

Hemant Mohan, Managing Director and Vinay Mohan, Director (In charge of Sales and Non-Alcohol portfolio) of Mohan Meakin Private Ltd are having an unenviable and daunting task of reviving an underperforming iconic brand, 'Old Monk'. They are aware of the fact that the old glory days of the brand have gone long back, but are not shying away to resurrect the fortunes of a struggling brand, Old Monk. Unlike older days, the alcohol and beverage industry in India is facing intense competition from global players like Bacardi. Moreover, consumer tastes are shifting to premium whiskeys, and there is an overall slump in the rum consumption across the world. To make matters worse for the struggling Old Monk, Supreme Court of India has banned the sale of liquor in the bars and hotels nearby National Highways in the year 2016, further accelerating the decline in sales. Is leveraging Brand Equity alone sufficient in the revival of Old Monk? Will brand extension of Old Monk be helpful for its survival? Irrespective of the nostalgic value and brand equity attached to the Old Monk, will the siblings be able to resurrect the old glory?

Learning Objectives

This case is written keeping the undergraduate and postgraduate of management in mind and is more suitable for brand management and strategy. The case has four primary objectives. They are:

1. Identify and evaluate the marketing strategies for the resurgence of the dormant brand, i.e, Old Monk.
2. Evaluate the role and significance of nostalgia factor to revive the declining sales of Old Monk brand.

3. Assess the pros and cons of choosing between Premiumization versus Affordability to bring back the glory of Old Monk brand.
4. Discuss and examine the various marketing strategies to be taken to make Old Monk resurgent brand in its category.

Issues: Brand Revival, Nostalgia, Premiumization, Brand Extension and Brand Equity.

Disciplines: Brand Management/Strategic Management/ Entrepreneurship

Industries: Brewery, Distillery, Alcoholic beverage

Setting: India 2018.

Intended Audience: Undergraduate/MBA

Assignment Questions

Students should read the case and come to class prepared to discuss the following questions:

1. Will the Nostalgia factor revive the past glory of Old Monk?
2. Should Hemant Mohan focus on Premiumisation or Affordability of Old Monk?
3. Is leveraging Brand Equity alone sufficient in the revival of Old Monk?
4. Will brand extension of Old Monk be really helpful in the long run for the company?
5. Can Old Monk be steered back from the abyss?

Road Map for Discussion

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|-----------|-------------------------------------------------------|
| 1. 5 Min | : Case Introduction. |
| 2. 20 Min | : The Cult of Old Monk. |
| 3. 20 Min | : Old Monk's Dismal State of Affairs and its Decline. |
| 4. 40 Min | : Brand Revival Insights and Solutions for Old Monk. |
| 5. 5 Min | : Wrap-Up. |

DISCUSSION PLAN

Question 1: Will the Nostalgia factor revive the past glory of Old Monk?

Nostalgia plays a major role in sales of any product. Each product has its own back-story and legacy which adds value to the product. For example, Paper Boat, (ethnic beverages company) focuses on nostalgia factor in their advertisement and that connects the heart of customers to the old fond memories. Similarly, the old monk has its own story and legacy. Any consumer would like a part of it. Soon after the death of brigadier Kapil Mohan, the whole internet was stormed by videos, memes, messages, tributes targeted to old monk. People remembered the value of old monk and continue to consume it. But, unfortunately, mere nostalgia factor alone will not help the revival of the old monk. This nostalgia factor would remain for a shorter period and would fade away soon. The alcohol and beverage industry in India is facing intense competition from global players like Bacardi. These foreign brands have struck a formidable value proposition of quality and flavour. The old glory of old monk has now been subsidized by competitors like Smirnoff which has been attracting the younger consumers by bringing in pre-mix rum at relatively lower prices.

Moreover, consumer tastes are shifting to premium whiskeys, and there is an overall slump in the rum consumption across the world. Also, the government regulations are not helping much. The increasing incidence of diabetes amongst Indians is also one more reason for the decline in the consumption of rum amongst the Indians. Likewise, the average income of the middle-class population has increased prompting them to take a shift to premium

whiskeys. The millennials the potential customer segment is more of brand switchers than the brand loyalists. Hence, nostalgia factor alone cannot revive the past glory of Old Monk as it needs to be reinvented itself to still appeal to young and new drinkers as they are preferring premium brands and may skip one or two steps in consumer decision journey.

Question 2: Should Hemant Mohan focus on Premiumisation or Affordability of Old Monk?

Hemant Mohan should focus on both as improving the value on a brand without any sales have no meaning. Similarly improving volume without a value will hamper the company in the long run. Hence, Hemant should focus on both volume and value for Old Monk. Limited editions of premium Old Monk rums should be launched at a regular interval, as these limited editions would cater to the elite and aspirational middle-class consumer segment and help the company to acquire new consumers. Concentrating on both aspects of Volume and Value would help Hemant Mohan to cater to all customer groups- starting from masses to high-end customers and remain the dominant player in the segment of brown spirits.

Old Monk has a reach on people of all incomes; it is one of the cheapest rum available in the market, so volume is not the issue. Hence, rolling out limited edition premium bottles for the high-end customers and keeping the regular bottles intact for the rest of the public would help him to achieve both value and volume. For example, The encouraging and huge customer support for the launching of “*Old Monk Legend*” even at a high price of Rs. 1200/- which proves that the brand is still preferred and valued amongst the consumers.

Question 3: Is leveraging Brand Equity alone sufficient in the revival of Old Monk?

Even though, leveraging its brand equity is one of the major steps in the revival of the Old Monk, it alone is not sufficient. Because, the critical weak points for the Old Monk entity are not just branding inefficiencies but also it suffers from poor and clumsy distribution strategy, inconsistent vision, stagnation in the product development process, over dilution of brand image with dirt cheap tetra pack SKUs just to drive volume sales. On the other hand, for premiumization of the brand of Old Monk, it suffers from poor or less than ideal presence in above the line promotions like Carlsberg Club Glasses, Chivas Regal Music CDs, and Bacardi House-party theme CDs. On the other hand, a large number of foreign and domestic drinks have entered the market and Old Monk’s belief that only nostalgia and its brand equity is enough for its growth shows their complacent attitude. Because, the closest competitor Bacardi has many flavours, whereas old monk has only one. More flavours can attract more taste buds to the brand, thereby increasing the overall sales, but unfortunately, Old Monk has a single flavour to cater to the customers.

Moreover, entire alcohol and beverage industry are facing the headwinds as rum accounts for only 10% of consumption among overall spirits and there is going to be the annual decline of 0.5% of rum consumption in future as mentioned by the market research organizations. The Increasing awareness amongst the population in general and diabetic population in particular about the adverse health effects due to the consumption of alcohol is one more challenge to be addressed by the Old Monk. There is also a threat of over-using and milking of Brand Equity, as it can make brand stale and bland. Thus, apart from leveraging the brand equity Old Monk needs to focus on product refinement and experimentation to best understand the changing consumer behaviour and bring innovative products to be relevant in the changing times.

Question 4: Will brand extension of Old Monk be really helpful in the long run for the company?

Brand extensions are a critical success factor or focal point to ensure the long-term success and survival of the brand. Brand extension in case of Old Monk brand ensures the diversification of value offerings in premium ("*Old Monk Gold Reserve*" for affluent and alcohol enthusiasts), mid-range ("*Old Monk Legend*" for young professionals and students) and value for money (regular Old Monk in Compact Tetra-Packs for lower-middle-class population) segments. Therefore, Brand extensions can capitalize on a wider customer base which in turn would increase the economies of scope and economies of scale while reducing the dependence on a particular target group of customers. The ever-changing consumer behaviour, tastes, and preferences can be addressed by time extension of the brand by catering to the changing dynamics of consumers. Brand extension needs to be introduced as it reduces the risk to core business especially liquor business is considered and treated as a sin industry in many of the states in India. The ban on the liquor selling outlets bordering the national highway in India is a testimony of the vilification of the liquor and beverages industry. The ever-changing regulations towards alcohol industry in India across the states and ban on liquor outlets nearby the highways reduce the sales and it dwindles your economies of scope and scale.

In such situations of unfriendly government regulations, brand extension will be really helpful in the long run. If one brand sales go down, the company can still sustain itself on the revenue generated by the other brands in its portfolio. For example, ITC, whose major revenue generator is tobacco, but it has extended its brand into other industries so that it can survive, even if government regulations go against it. Even in case of Old Monk brand extensions have helped the company sales to reach over 5 million cases which are considered a major increase considering the gradual decline in the consumption of rum across the world. Even earlier the Golden Eagle Beer was one of the major selling brands of this company. Similarly, venturing into new liquor segments would profit the company. Tapping the whiskey and vodka markets with a brand image already OLD Monk has would benefit the company.

Question 5: Can Old Monk be steered back from the abyss?

The company can be steered back from the abyss. Because Old Monk is a brand that surpasses age and class barrier which is rarely seen in a spirit's brand. Irrespective of various acquisition bids made by the rivals, the promoters never thought of selling the brand, as they knew that a good product will always pass the test of time, however turbulent they are. Apart from its much-liked taste and flavor, one of the big pluses for the old monk is it enjoys an emotional connection with customers and changing the trend of consumers tasting brown spirits first, presents a greater platform for the old monk. It's also one of the most inexpensive and value for money drink in its category. With right marketing campaigns, rational distribution system, innovative advertising campaign, new packaging, change in logo making it more appealing to the younger generation, Old Monk can be steered back to old glory. On the other hand, its popularity and formidable presence in the army canteens can be further encashed by propagating that Old Monk is the first preferred choice of soldier; can be appealing amongst the patriotic consumers.

The acquisition of powerful distributors and increased margins for the retailers in the unserved market could bring a change in the fortune for the Old Monk. Hemant can also consider exporting Old Monk and other brands in his portfolio to the neighbouring countries with similar tastes, preferences, and demographics.

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