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**ASIA PACIFIC BREWERIES' ANCHOR BEER IN  
SINGAPORE (A): A REPOSITIONING DECISION**

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*In August 2001, Dorit Grueber, Assistant General Manager (Marketing) and Melvyn Ng, Senior Brand Manager (Specialty Brands), were discussing Anchor's future and examining the remaining three options available to them. Asia Pacific Breweries was the largest brewery in Singapore with operations in several countries, including Malaysia, Cambodia, Thailand, Vietnam, China, and New Zealand. Anchor beer was a mainstream value label that had been in the market for more than 70 years. The brand suffered ten years of continuous decline in the 1990s and its market share had fallen to less than 6 percent. At this time some drastic decisions were clearly needed to either reposition or retire the non-performing brand. The two marketers were charged with the responsibility to evaluate the potential of Anchor beer and to define a new strategic role if possible. Melvyn Ng believed that repositioning was the best option but must now convince Dr. Les Buckley, General Manager, who had suspended all future expenditure on Anchor, that repositioning would return the sagging brand to profitability.*

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*Assistant Professor Chung Mann Yien, Cindy and Research Associate Shirley Tan prepared this case. The case is based on internal company sources and interviews with key personnel from Asia Pacific Breweries (Singapore) Pte. Ltd. The authors would like to acknowledge the support from Asia Pacific Breweries (Singapore) Pte. Ltd. As the case is not intended to illustrate either effective or ineffective practices or policies, the information presented reflects the authors' interpretation of events and serves merely to provide opportunities for class discussion.*

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## INTRODUCTION

*Anchor is consistently declining at a rate of 20 percent annually. The brand owner tried to re-position the brand several times in the past, which did not stop the continuous decline. The brand has reached the end of its life cycle. The question is how much residual value would the brand have with the current consumers and how long would they still consider to buy Anchor. It is more or less only a question of time when Anchor would not achieve any more substantial volume and profit. The problem is that the brand has no clear positioning in the portfolio; it is only used as an economy brand in the supermarkets, traditional coffee shops and hawker centres. The question is to either discontinue the brand or give it a new life, if this is possible at this stage.*

This was the challenge facing Dorit Grueber, Assistant General Manager (Marketing) of Asia Pacific Breweries Singapore (APBS) and Melvyn Ng, Senior Brand Manager (Specialty Brands) in 2001.

## BACKGROUND

One morning in August 2001, Dorit Grueber and Melvyn Ng were discussing Anchor's future and the remaining options available to them in her spacious office at the brewery in Tuas, Singapore. Anchor beer was a mainstream value label that had been in the market for over 70 years. Since the early 1930s, Anchor had reigned as a market leader but this glorious position was fast becoming history. After ten years of continuous brand decline, Anchor's market share had fallen to less than 6 percent in 2000. Although in the past decade several nationwide marketing campaigns were launched to turn around the flagging brand, none of them succeeded in recovering lost ground. At this time some drastic decisions were clearly needed to either reposition or retire the non-performing brand.

Dorit Grueber said to Melvyn Ng:

*The senior management has given us the exciting task to evaluate the potential of Anchor and to define a vision for the brand. I think this is a great opportunity for us to develop a great marketing strategy for the brand.*

Melvyn Ng replied:

*The more popular opinion is to discontinue the brand. But, I really wonder if we can reposition Anchor to target at the "20-25" segment.*

At this stage it was apparent to the two marketers that many of the future discussions would revolve around why the previous campaigns failed and should Anchor be repositioned or removed? At first the company had only two brands but now there were fourteen others including foreign labels. One concern arising from this was whether Anchor could capture the new segment with a relevant positioning without cannibalising the other brands of the company? If yes, how should this be done in a credible way? Melvyn Ng was expected to present his recommendations to Dr. Les Buckley, General Manager, who was a beer industry veteran at the helm of the company for many years. Dr. Les Buckley had earlier suspended all future expenditures on Anchor. If the two marketers were to propose repositioning, Melvyn Ng would need to present a cogent case to convince him that taking this new direction would return the sagging brand to profitability. Melvyn Ng wondered what he himself would recommend.

## THE HISTORY OF ASIA PACIFIC BREWERIES

The Asia Pacific Breweries (APB) was established on April 15, 1931 in Singapore. At that time, Singapore with 557,000 residents was a thriving entrepot and one of the three British Straits Settlements; the other two were Malacca and Penang. Formerly known as Malayan Breweries Limited, APB was a joint venture between Netherlands' beer conglomerate Heineken N.V. and Singapore's largest soft drink manufacturer, Fraser and Neave. They owned 42.5 percent and 37.9 percent of the company respectively. Tiger, the company's flagship brand, was launched in October 1932.

From the time of its founding, the Malayan Breweries was a small rival in the Singapore market for a few years, while German Beck's<sup>1</sup> Archipelago Brewery selling Anchor beer was the more dominant player. An ephemeral Singapore beer war thus began but ended as soon as the Malayan Breweries acquired its arch rival to consolidate its market position and also to expand its operations into Malaya. The management buyout was finalised in 1941.

From 1988 to 1996, APB embarked on rapid regionalisation through acquisitions and joint ventures. The company's first landmark joint venture agreement was signed with Shanghai's Mila Brewery in 1988. After the change of name in 1990 to reflect its new focus to build a regional presence, the company expanded its operations to Cambodia, Thailand, Vietnam, China and New Zealand, and built a network of fourteen breweries in these countries. In 1989, the company sold 68 percent of its beers in the Singaporean market; by 1999, geographic diversification had substantially reduced the figure to 30 percent.

The company's early commitment to quality management was well rewarded with ISO 9002 certification by Lloyd's of London and it was the first Asian brewery to receive this award. Successful brand building had also won the company a string of well-deserved accolades both locally and regionally. A recent survey by the *Far Eastern Economic Review* named APB a leading Asian multinational corporation and ranked it fourth among the 25 Singaporean firms selected from thousands of others. In the inaugural Singapore Brand Award, APB's Tiger was named the second strongest, after Singapore Airlines.

The company generated annual revenues of S\$1.009 billion, \$123.7 million of which was profit before interest and tax and it employed about 2,650 people throughout the region. Listed on the Singapore Stock Exchange main board, the Asia Pacific Breweries' total market capitalisation was worth about \$1.2 billion. **Exhibit 1** presents a five-year company financial statistics summary.

## INDUSTRIAL GROWTH AND COMPETITION

Singapore's beer industry enjoyed remarkable growth in the past decades as a result of rising affluence and a steadily increasing population. After the country gained independence in 1965, a burgeoning middle class rapidly emerged from the post World War II baby boomers. From 1965 to 1999, Singapore's real GDP per capita rose by about

eightfold from around S\$4,000 to over S\$32,000, surpassing that of China, Taiwan, Korea and all Southeast Asian countries. Both of these trends had positive impacts on industrial expansion and growth.

Until the late 1980s, the beer business in Singapore, as well as in other parts of Asia, was highly localised. Driven by domestic market saturation, western beer giants began to expand globally in the pursuit of new growth opportunities. Many penetrated Asian markets, in particular those with rising income levels and low beer consumption. When globalisation of beer companies gathered momentum, the result was a heightening competition for the Asian markets. Attempting to build an international presence for their flagship brands, some companies began to develop global networks to support distribution. The most aggressive ones scaled up their investments to build local brewing facilities. One example was Carlsberg Breweries A/S, a Danish beer giant, whose unswerving commitment to Asia led to the establishment of Carlsberg Asia, a joint venture with Chang Beverages, the producer of Thailand's best selling beer.<sup>2</sup>

In 1997, Asia became the world's largest beer continent, surpassing the North American market. Industrial growth rates were, however, lackluster from 1997 to 2000, due to the outbreak of a regional financial crisis. Despite the downturn, global brewing companies continued to be positive about the region's future growth potential. Heineken International, for example, expressed its optimism:

*Beer consumption per head is still low with on average only 10 litres per annum vs over 75 litres in parts of Europe. More than 50 percent of the world population is living in Asia. Therefore, even an increase of one glass of beer per person per annum will result in the substantial increase of total beer consumption.<sup>3</sup>*

Singapore's beer market, accounting for less than 1 percent of regional beer consumption, was insignificant compared to the other larger markets in Asia. Nevertheless, it was a profitable market and

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1 Beck's was the largest exporter of beers in Germany. This company was acquired by Interbrew in 2002. Source: Interbrew. (2003, February 1). *Integration of Beck's and Diebels provides quantum leap for Interbrew's brand portfolio*. Retrieved August 30, 2003, from <http://www.interbrew.com/index2b.html>

2 Carlsberg Breweries notified Chang Beverages of the termination of the joint venture on August 1, 2003, because the two companies had not succeeded in resolving their disagreements, which included, among other issues, asset transfer issues. Source: Carlsberg Breweries A/S (2003, August 1). *Carlsberg Breweries terminates joint venture in Asia*. Retrieved on September 16, 2003, from <http://www.carlsberg.com/info/>

3 Source: Heineken International. *Industry landscape*. Retrieved August 30, 2003 from <http://www.heinekeninternational.com/investor/company/landscape.jsp?page=5>

could be strategically important as a regional beer exhibition and marketing centre in the era of globalization. The reasons were that the country had a critical mass of qualified and bilingual marketing researchers, branding professionals and exhibitors, who were supported by strong infrastructures which facilitated communications between it and all parts of the world.

Singapore's beer industry experienced a 4 percent contraction during the Asian financial crisis. Beer companies operating in this country, however, did not cut back on brand investments in the belief that innovative marketing would boost local consumption. A new wave of innovative marketing campaigns was launched in succession. These efforts proved to be successful as beer sales increased by about 23 percent in 2001, much higher than the 7 percent for the region despite the fact that Singapore's economy was suffering a new crisis resulting from terrorism. Total beer sales in 2001 amounted to approximately S\$992 million.

The industry was still consolidated with two players dominating the market. APB was the industry leader with a market share above 70 percent followed by Carlsberg Asia with a market share of about 10 percent. Foreign competition was expected to rise because of the proliferation of free trade and economic cooperation agreements. All imported beers into Singapore were initially subjected to a tariff of 10 percent or S\$0.80 per litre, but the tariff had been gradually lifted to remove international trade barriers. Thailand and Philippines were the first two countries to receive a zero beer tariff preferential status in the 1990s. In 2001, the status was further extended to all Southeast Asian countries and New Zealand, and in 2002, to Japan.

## DISTRIBUTION CHANNELS

The three main distribution channels for beers were the traditional-on-premise, modern-on-premise, and off-premise channel. Approximately 40 percent of beer was consumed in the traditional-on-premise channel by a segment of blue-collar male workers, aged between 35 and 60 years, mainly employed in the local manufacturing industry. Singapore's largest GDP contributor, the manufacturing industry had developed rapidly as a result of the country's proactive economic policies offering generous incentives to western multinational manufacturers setting up local manufacturing plants. Because these workers benefited from subsidised national housing, they had the money to spend on food and beers. Local beers were distributed to them through

beverage outlets in hawker centres, coffee shops (local neighbourhood eateries serving inexpensive Asian food) and other neighbourhood pubs where they gathered after work for social drinking. In general, they valued fresh local beers with good quality and affordable prices.

Since the mid 1990s, modern pubs, discotheques, and bars had become an important aspect of local culture and part of the lifestyle of the modern and affluent young Singaporeans aged below 35-years old. Their emergence made the modern-on-premise channel become more important than before. The most prominent outlets became catchments of urban trendsetters. One example was Zouk, an innovative award-winning discotheque which became famous for hosting an annual open-air beach party in Sentosa, a small island linked to the Singapore mainland. Because of their high visibility, these outlets were strategic for new beer launches and brand campaigns.

The off-premise channel included convenience stores, supermarkets, hypermarkets and provision shops. Among them supermarkets and hypermarkets accounted for more than 60 percent of total off-premise beer sales. As beer drinking was still not part of everyday life in Singapore unlike in the western countries, the off-premise channel remained slow to take off. *"The local consumers didn't like to be seen drinking too much beer at home especially in front of their family members,"* Melvyn Ng explained.

Company statistics reported that the traditional-on-premise distribution channel was still the dominating sales segment, accounting for about 40 percent of total volume of beer consumed. Industry analysts reported that the modern-on-premise channel accounted for more than 30 percent of beer sales. More than 2500 of such on-premise outlets were in existence, including bars and restaurants.

## MANAGING A PORTFOLIO OF BRANDS

*Our vision is to create the No. 1 beer choice and experience for Singaporean consumers. That means a beer for every occasion and need-state. It is vital to inject energy and innovation into the category by offering a portfolio of strong brands that consumers can identify with.*

*Dorit Grueber  
Assistant General Manager  
(Marketing)*

A long time marketing veteran, Dorit Grueber had spent much of her career in the fast moving consumer goods industry in Germany, Hong Kong and Singapore before joining the large brewery. Her priority mandate was to secure widespread execution of the Needs-state segmentation model in the company and the partnering distribution outlets. "Formerly, people had difficulties selling more than one brand," she observed. To rectify the situation, the company adopted the Needs-state segmentation model, using it to establish a portfolio mindset in the company.

The Needs-state segmentation model was first introduced to DB Breweries, the company's counterpart in New Zealand, by a marketing consultant. Recently, having studied how it had worked successfully in the Pacific country, Dr. Les Buckley decided to implement it in Singapore to improve the existing practices. Dorit Grueber discussed the model. (See **Exhibit 2.**):

*Each brand has a clear positioning statement and strategy. We use the Needs-state segmentation model to describe consumer needs and to matched them with their brand positioning. You can segment all consumer needs in four quadrants. The axes are (horizontal) from individualistic to group-oriented and in the vertical part from extroverted to introverted. We have identified five Needs-states in Singapore: discernment, aspiration, socialising, bonding, and relaxation; and that is the sequence a brand can walk in its product life cycle. Bonding, relaxation, and aspiration account for the highest beer consumption. Additionally we use the same Needs-state model to segment retail outlets to define which brand would be a lead brand to align distribution and brand positioning/experience.*

## THE BRAND PORTFOLIO

APB's parent company, Heineken N.V., developed its global strategies based on the objectives to be one of the top global breweries, more profitable per hectolitres<sup>4</sup> than other international breweries, and

to build the most valuable brand portfolio with Heineken as the international flagship brand.<sup>5</sup> To penetrate the various Asian mainstream markets, APB developed local brands catering to local tastes and preferences. This approach which was similar to the brand strategy pursued by Procter and Gamble or Unilever focused on creating multiple diverse brands with distinct personalities and unique value propositions relevant to different consumer segments. Drawing upon the local lifestyles, cultures, or values cherished by the target consumers, different beer personalities were created and varied from country to country depending on local market conditions. The APB portfolio of brands for the region as presented in Exhibit 3 was valued at S\$820 million by Interbrand, a leading US brand consultancy company, based on the net present value of the future earnings which these brands expected to generate.

Heineken was introduced in Singapore in the early 1980s to expand APB's small portfolio of Anchor, Tiger and ABC Stout. Consistent with its international premium image, Heineken was priced 20 percent above Tiger. Tiger was the local industry leader with a market share of above 50 percent, well above Heineken's current 9 percent share. It was important that each of the brands would target at a different segment and the company distinguished the roles of the brands by using the Needs-state segmentation model. Dorit Grueber highlighted some differences between Tiger's and Heineken's positioning:

*Tiger is an Asian brand representing the Asian spirit, which is something that Heineken cannot take. Heineken has the credibility to be the international premium brand, as it is exported to more than 170 countries, which Tiger cannot claim to be. Tiger is all about understanding the Asian cultures, so its values are progression, manliness and friendship. Tiger is the beer we focus on during Chinese New Year, and you wouldn't see a similar festive package for Heineken.*

There were more than 10 international labels imported by APBS, including Mexico's Corona, to target at the growing import market that expanded as a result of a growing expatriate community in Singapore and some local professionals' taste for

<sup>4</sup> 1 hectolitre = 100 litres.

<sup>5</sup> Source: Heineken International. *Strategy*. Retrieved August 30, 2003, from <http://www.heinekeninternational.com/investor/company/>

foreign beers due to increased travel to other countries. These international labels were marketed in collaboration with foreign beer companies. The foreign companies preferred to leverage on the company's strong distribution network which would be too costly to develop or penetrate.

### ANCHOR'S DECLINE IN THE 1990S

Anchor was a heritage brand which the company owned, marketed and brewed. First launched in the 1920s, Anchor beer had become popular among the local population and also the British sailors docking in Singapore during the years when the country was still under British rule. Some of the sailors still insisted on drinking Anchor today whenever they were in transit at the port despite the wealth of other choices. Anchor appealed to the mainstream beer consumers because of its freshness, quality and affordability. Brewed in the finest European tradition in a sophisticated brewing process ensuring quality and consistency, Anchor was known as a hot weather beer characterised by its refreshing and cooling taste. The beer was available in the local market in three different sizes, namely, quart bottle (640ml), pint (330ml) and can (330ml).

Anchor's decline occurred after the company announced a new strategic initiative in the late 1980s. The new focus of the company was to develop Tiger into both a national and international brand. A strong brand with a commanding local position was critical for the firm's future expansion into Thailand, Vietnam, Cambodia, China, and the rest of the region. Dorit Grueber suggested why Tiger was chosen:

*Tiger has more strategic relevance to grow regionally, probably even globally. Tiger, even just the brand name itself, had a wonderful opportunity to be the number one Asian beer in the world, perhaps more than any other Japanese brand or Tsing Tao. I think Tiger, with the connotation of the name and the origin, is what the westerners think of Asia, as in the beaches and the tropics; Tiger can summarise these better than any other brand... Tiger has a lot of external validation from the foreigners. It's all about being Singaporean in Singapore and being Asian in the Asian countries.*

In addition to the fact that it had a greater potential to become an international Asian brand, Dr. Les Buckley highlighted the fact that the company chose to develop Tiger because it was able to obtain a trademark for this brand but not for Anchor. There were other Anchors available in North America, as well as in Europe. Extensive corporate resources and management attention were then channeled to build Tiger's brand equity and improve product quality. These efforts proved to be extremely successful as evident in Tiger's meteoric rise in Singapore. Its brand reputation rapidly spread to 50 countries to which it was exported.

In the face of intensified local competition triggered mainly by Carlsberg's entrance, Tiger beer, which had accumulated thirty regional and international gold medals, including the prestigious Beer Industry International Award in United Kingdom, continued to enjoy a stronger position over Carlsberg, maintaining a market share position of above 50 percent. In contrast, Anchor suffered visible signs of neglect. Lacking in marketing innovation and sufficient top management attention, Anchor reported declining sales in every single distribution channel.

Quality, honesty, and enjoyment were Anchor's core brand values before 1990. In 1992, in their first attempt to recapture a consumer base, brand managers at the company changed these values to manhood, steadfastness, and smoothness of taste, which were similar to those of Tiger. They widened their target age groups from 25-35 to 21-39 years to include young professionals and undergraduates. They added more red to the predominantly white label to create a younger image. Television commercials featuring Anchor as a saxophonist hoped to bring out the new sophisticated and trendy image the marketers envisioned. Two other branding campaigns based on similar themes and values were launched in succession to strengthen the image but all three had no positive impact on both sales and brand equity.

In 1997, new brand managers taking over Anchor decided to reposition it back to its original core values - honesty, local heritage, and enjoyment. The target remained young and mature adults, aged between 21 and 39 years. The new television commercial presented Anchor in a wedding with a theme of "other pleasures can wait." The taste of Anchor was strengthened with the addition of aromatic hops and increased bitterness after several

blind taste tests conducted by the company indicated positive responses. **Exhibit 4** presents the changes made to Anchor beer.

Dorit Grueber summarised her views on the repositioning efforts in the past decade:

*Although it was evident that some passionate marketers were trying to revamp the brand, nobody had a reason for Anchor's existence. The brand was repositioned a few times, but it always fell back as a value brand. The marketers want it to be a young and hip brand so that they could have some above the line activities, but it was mainly drunk and seen at the traditional-on-premise channel and experienced as a value brand.*

There was also a lack of sustained support for the brand; if a new approach failed to show success after a year, it was discontinued and a new strategy sought. In 1999, when these costly revitalisation campaigns failed to restore the brand's equity, the management decided to suspend its marketing expenditure to prevent further profit erosion. Although the management had considered whether or not it was time to de-list the brand, it concluded that despite the domestic decline, Anchor was strategically important in the regional market driving significant profits in emerging markets such as Vietnam and Cambodia. As a result of this move, Anchor was profitable for the first time in five years.

## REVISITING ANCHOR

When Melvyn Ng joined the company about two and a half years ago, his main responsibilities were to develop and supervise marketing programmes for a myriad of niche and specialty brands added in recent years to offer more choices to local residents, expatriates, business travelers, and tourists. As the new brand manager for Anchor, Melvyn Ng decided to spend some time investigating why Anchor had failed. He said:

*Look at the sales and marketing expenditure of Anchor for the decade. They were heading in opposite directions. A total of more than S\$3.5 million had been committed in these branding campaigns; all of them had no positive impact on sales. (See **Exhibit 5**.)*

At this time Anchor had also accumulated many of the problems commonly associated with under-performing brands. Signs of brand disconnectedness were present. Sales staff support for Anchor was low. And, there was significant negativism among the brand's internal stakeholders. Externally, trade support was dwindling. *"Nobody felt positive about the brand, from trade outlets to the production line, to the sales and marketing department, and to everywhere else. No brand manager wanted it in his portfolio,"* Melvyn Ng said. Anchor's perceptual map, as presented in **Exhibit 6**, measured the spread of perceptions of Anchor beer drinkers. It showed that consumer perceptions about the brand were very diffused with little distinctiveness showing through, except on purely categorical attributes like socialising. Almost all beers in Singapore were for socialising.

The report of an experimental research done in 1997 was particularly indicative. In that year, several blind and branded tests were conducted to test the new brew for Anchor beer. While most respondents in the blind taste test responded positively to the new taste, the responses from the same respondents in the branded tests were mostly negative. A new focus group study covering a large spectrum of drinkers and non-drinkers aged between 18 and 40 years was commissioned to understand the target group's perceptions and awareness of the brand. The results showed that although brand awareness was high in both consumer groups, there were major differences in the perceptions between the older and younger ones:

1. The older consumers had formed strong negative brand perceptions.
2. The younger consumers did not have any negative association except that the brand was somewhat old-fashioned.

Melvyn Ng elaborated on the findings:

*The older people were basically saying that Anchor was dying. It's a brand that had been re-launched and still didn't do well. The younger group recognised the brand, but in general they had no negative connotations. To them, it's just a brand that was there and they said: "Anchor? It's there. Fine, I will take a new look at it."*

And Dorit Grueber added:

*We found that the younger crowd had no real problems with Anchor since they were too young to have experienced it, whereas the older consumers had strong memories and would say that Anchor is an economy brand.*

## REPOSITIONING OPPORTUNITY

The "20-25" consumer group was a potentially new segment.<sup>6</sup> The segment was important because the young adults represented a major driving force of tomorrow's business. The Singapore Department of Statistics reported that 215,000 residents, about 6.5 percent of the country's population, fell in the age categories of 20-24 years in June 2001.<sup>7</sup> This segment of young consumers, including college students and young working professionals was a formidable group for two reasons. First, they had higher purchasing power having been brought up in two income families. In addition, higher educational qualifications had also led them to better starting salaries. Second, this generation of young people was eager to explore new products, including beers, wines and spirits, and they were more sophisticated and brand-conscious than their predecessors.

Meanwhile, Dorit Grueber brought in a new executive to join the Anchor project. Samantha Chan, a 23 year old sociology graduate of an Australian university, was young and unconventional and had a great deal of energy and innovativeness. Belonging to the target segment, she could understand the mentality, lifestyle, and psychology of the Singaporean young adults. Several focus group discussions were conducted with the young adults to understand their mindset. Subsequently, Dorit Grueber, Melvyn Ng, and Samantha Chan held numerous meetings with representatives from Leo Burnett, an international advertising agency, to discuss the findings. Some of the key discoveries that had marketing implications are presented below:

*Dorit Grueber: "The young adults in Singapore want to try something new. They want to break out of the existing; they try to establish some new ways. They are saying that one doesn't have to be a successful banker. You can be a deejay. It's also fine. Life is not perfect,*

*there are bumps here and there, but the most important thing is you don't need a solution for everything."*

**Samantha Chan:** *"We are "counter culture" basically. We don't want to be what everybody is and do what everyone else is doing. "Street-culture" and "extreme sports" such as wakeboarding are some examples of counter-culture activities, unlike basketball, soccer, and the traditional sports. Highly active and energetic, we love new fashionable goods, new games, new music, and novelty products appeal to us. The Internet and fashion magazines are a significant part of our lifestyle."*

Melvyn Ng: *"They value authenticity, humor, and confidence. There are major branding implications resulting from this. The traditional hard-selling marketing approach is not going to work here. The young adults want us to speak to them intelligently and they will decide if they want to buy or not."*

## THE OPTIONS

Melvyn Ng realised that there were three options and each of them had gathered mixed reactions from people. As such, he had to weigh the pros and cons of the options carefully before putting forward his recommendations. The first option was to keep the brand as a value brand consistent with the regional positioning. The biggest concern was whether the company needed a value brand in the local market given that the beer industry was moving toward a premium trend. Would this value positioning be sustainable over the long term? Would it have a distinct role in the company's brand portfolio?

The second option favoured by the brand's stakeholders was to remove the brand from the portfolio because of Anchor's declining profitability. But the strongest opposing factor to this option was that Anchor was known as the company's second largest owned local brand exported to thirteen other countries. Retiring the brand would have an impact

<sup>6</sup> The minimum legal drinking age in Singapore was 18 years old.

<sup>7</sup> Source: Singapore Department of Statistics. (2001). *Yearbook of Statistics Singapore*. Singapore: Singapore Department of Statistics.

on the company's regional reputation. In terms of brand awareness, there was still some intangible quality attached to this heritage brand.

The third option was to reposition the brand to the "20-25" segment. Although the company had already recognised the importance of the young adult segment and reached out to them through various young adult promotional activities using different brands, there was yet to be an active young adult brand within the company's portfolio. The young adults were understood to have rather low brand loyalty and they consumed little beer. Was there really a need to create a new young adult brand if future consumption was expected to be low? Given that the costs of generating awareness for a new brand could be too prohibitive, the company might gain more by exploiting the existing brand awareness of Anchor if it so decided to launch a young adult brand. But some questioned if Anchor had the credibility to succeed. If so, what should be the brand image? What advertising, packaging, and distribution strategies should follow? What should be the key performance indicators?

## **THE PROPOSAL PRESENTATION**

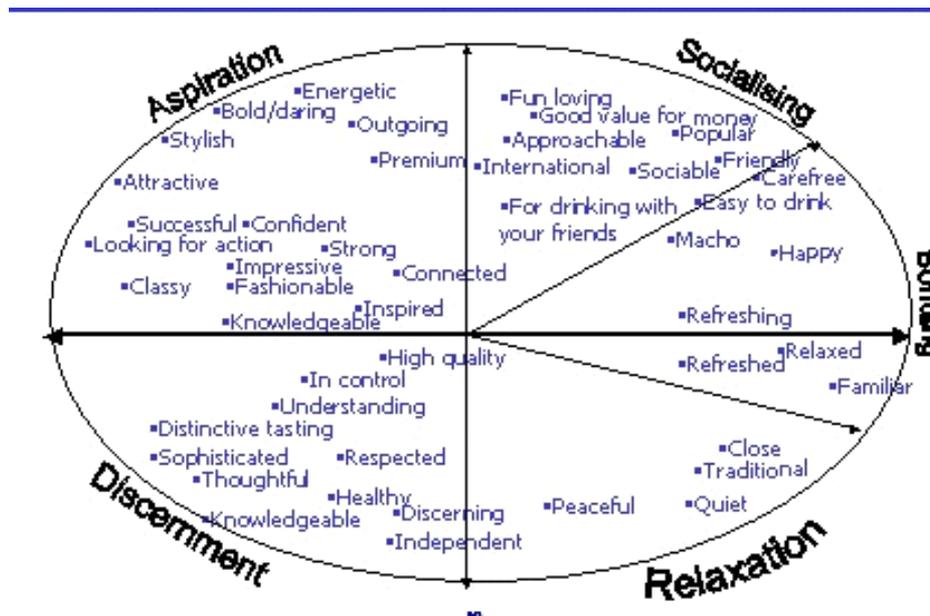
Melvyn Ng's presentation was scheduled to be on December 31, 2001 in the General Manager's office located on the highest floor of the company's building. He was set to present Anchor as Singapore's own young adult brand as he was confident in the new positioning and in the fact that it would foster a real connection with the target consumers. At the end of this presentation, Dr. Les Buckley, however, questioned if the new direction was commercially viable to pursue. While he felt that Melvyn Ng's proposal was compelling and credible, there was no guarantee that the new positioning would bolster sales. The brewery had traditionally stayed away from the young adult segment because there was no market to begin with; the young adults were not beer drinkers. If the company's resources were to be deployed now into the new brand strategy, would there be tangible returns in the months to come? Moreover, the risks of making a wrong decision were substantial, given that Anchor's next move would have a tremendous impact on the company's credibility and relationships with distributors. Dr. Les Buckley really wanted a more detailed discussion with the Anchor team on a decision of this magnitude.

**EXHIBIT 1**
**FIVE-YEAR GROUP FINANCIAL STATISTICS**

Year ended 30 September		1997 (restated)	1998 (restated)	1999 (restated)	2000 (restated)	2001
Revenue	(\$m)	1,427.1	1,401.2	1,326.1	1,176.5	1,009.1
Operating profit before interest, taxation and exceptional items	(\$m)	143.9	141.5	111.0	123.9	123.7
Profit before taxation & exceptional items	(\$m)	146.8	137.2	100.2	122.8	130.6
Attributable net profit – before exceptional items	(\$m)	76.8	72.8	48.0	61.9	74.8
Attributable net profit	(\$m)	78.3	73.0	25.7	50.8	95.6
Attributable net profit - before exceptional items/ Revenue	(%)	5.4	5.2	3.6	5.3	7.4
Share capital & reserves	(\$m)	765.5	725.8	676.8	635.7	681.6
Total assets employed	(\$m)	1,505.9	1,435.2	1,237.6	1,037.8	1,014.5
Attributable net profit as a percentage of average shareholders' equity	(%)	10.4	9.8	3.7	7.7	14.5
Per \$1 share						
- Attributable net profit before exceptional items	(¢)	30.3	28.7	18.9	24.5	29.6
- Attributable net profit	(¢)	30.9	28.8	10.1	20.1	37.8
- Dividends for year (net, after tax)	(¢)	20.0	18.0	18.0	18.0	18.0
- Net tangible assets	(\$)	3.02	2.87	2.67	2.49	2.67
Gross dividend yield - based on highest share price for the year	(%)	3.2	4.4	4.4	5.3	5.5

Source: Company Annual Report, 2001.

EXHIBIT 2  
THE NEEDS-STATE SEGMENTATION MODEL



Source: Internal Document from APB, received by the authors on September 23, 2003.

## EXHIBIT 3

## APB BRANDS



**TIGER** Everyday, millions of drinkers in more than 50 countries raise their glasses to one of the world's finest beers, Tiger Beer. The distinctive taste of Tiger Beer is enjoyed by the modern male who has the confidence and drive to succeed on his own terms. Tiger Beer celebrates this drive and determination to win the world over as a world-class, award winning, premium international quality beer with the same ambition.

**HEINEKEN** A world-class international premium lager, distinctive yet easy to drink. Enjoyed in over 170 countries, Heineken is worldly, cool, intelligent, confident and at ease. Heineken is recognised the world over for the memorable beer experiences it brings with prestigious music and sports events. The brand commands a high visibility with signature events like the Heineken Open, World Of Music And Dance (WOMAD), Heineken Greenroom Sessions and Singapore Rugby Sevens.

**ANCHOR** Anchor is APB's second largest local brand with leadership positions in the newer markets, namely Hainan and Cambodia. It is currently exported to 13 countries and brewed in five others. Anchor's was brewed in the European tradition using its exclusive yeast and aromatic hops to produce a smooth and full-bodied flavour.

**BARON'S** Baron's Strong Brew is traditionally blended from the finest European hops and malt to deliver a strong smooth taste. Baron's Strong Brew delivers a message of a strong European heritage. It holds a sense of authenticity, realness & self respect, evident from its strong presence in the high alcohol beer category. Baron's packaging is distinctive in design, reflecting a premium image and quality product with a fast growing consumer base in Singapore and Malaysia.

Author's Note: There are three other brands in the company's regional portfolio not presented in the above: Reeb, one of the most popular beers in Shanghai's mainstream segment; ABC Stout that leads in the Cambodia stout market and DB Draught, a classic New Zealand heartland beer.

Source: Annual Report (2002). APB brands. Retrieved August 30, 2003, from <http://www.apb.com.sg/report/02-brands.html>

EXHIBIT 4  
ANCHOR BEER



Anchor beer (1992-1996)

Target Audience: Yuppies and white-collar professionals aged 21-39 years

Brand values: Smoothness of taste, manhood, and steadfastness

Product: Bitterness (18-25 EBU); color (6-8 EBC)

Packaging: More red added to replace the predominantly white label

Television advertisements: Saxophonist Anchor (1992), The Beach - I Like It Smooth (1994), Off-Air (1996)



Anchor beer (1997 -2001)

Target Audience: Yuppies and white-collar professionals aged 21-39 years

Brand values: Honesty, local heritage, and enjoyment

Product: Bitterness (20-27 EBU); color (10-12 EBC); aromatic hops added

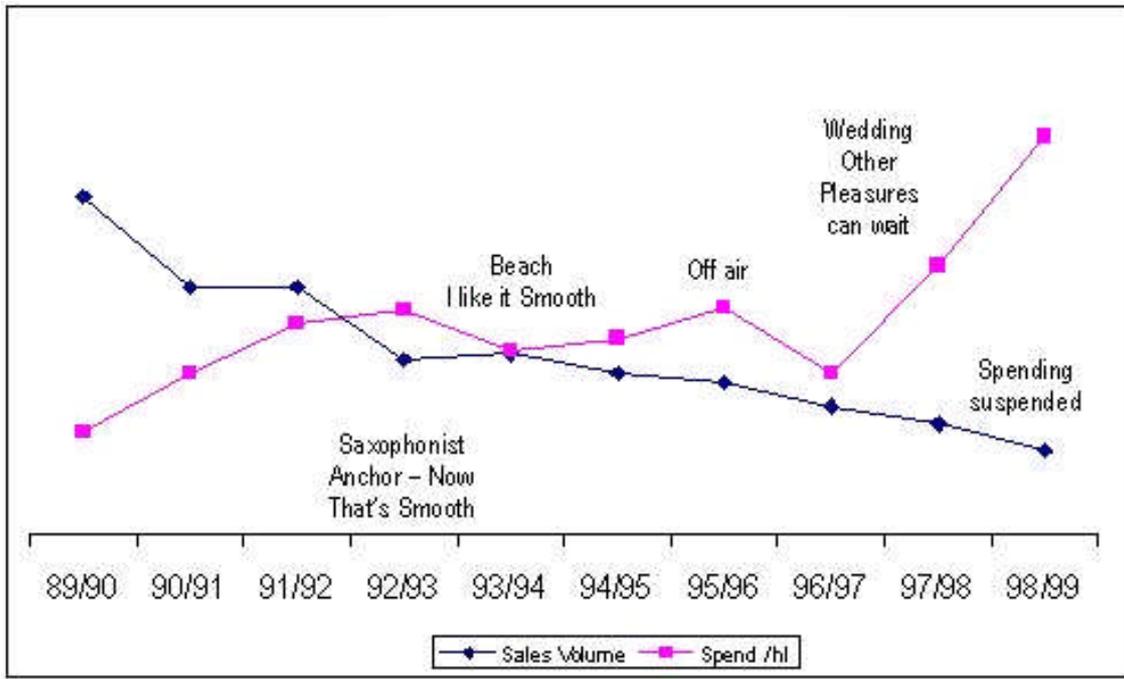
Packaging: Replace white with silver and add more blue

Television advertisement: Wedding – Other Pleasures Can Wait (1997)

Source: Melvyn's presentation on May 9, 2003. APB granted permission to use the above creative materials in the case.

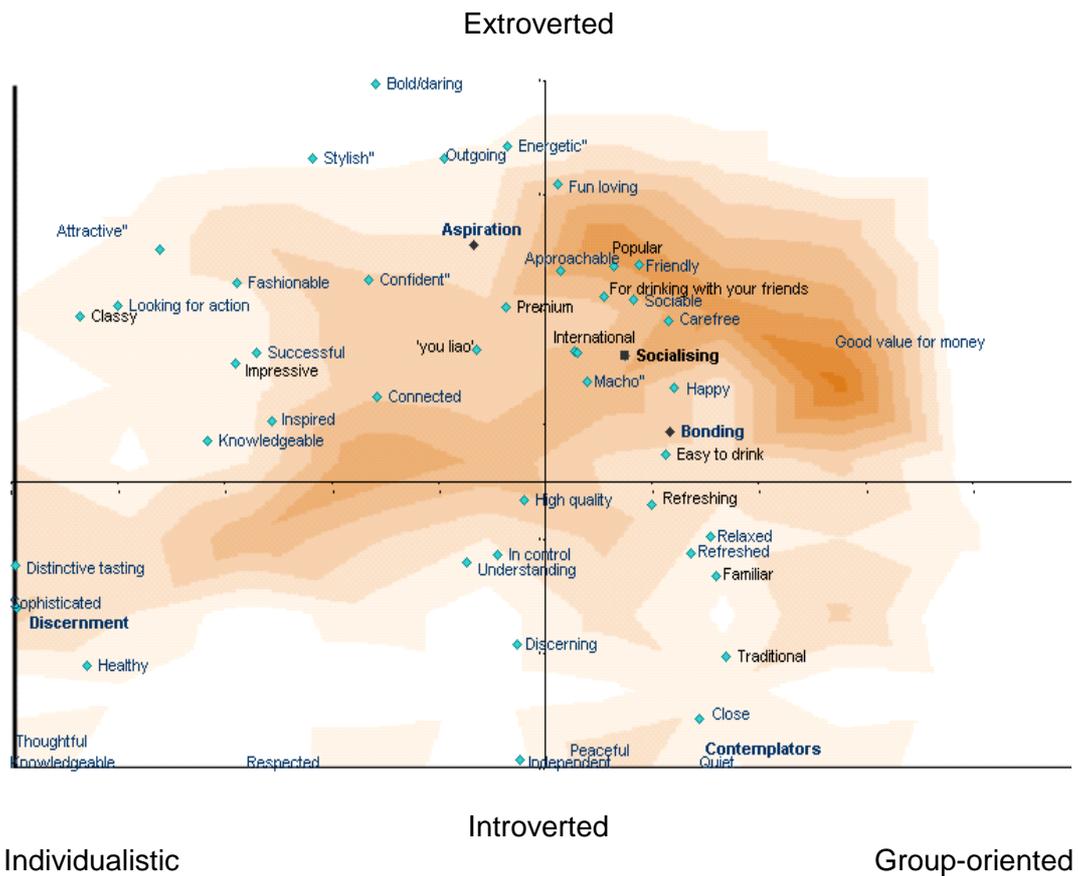
EXHIBIT 5

ANCHOR'S SALES AND MARKETING EXPENDITURE GRAPH (1991-2000)



Source: Melvyn Ng's presentation, May 9, 2003.

EXHIBIT 6  
THE PERCEPTUAL MAP OF ANCHOR BEER



Source: Melvyn Ng's presentation, May 9, 2003.