

Alcohol marketing: Overview of the landscape

David H. Jernigan PhD

Center on Alcohol Marketing and Youth

Department of Health, Behavior and Society

Johns Hopkins Bloomberg School of Public Health

Alcohol and health

- 3.3 million deaths per year globally
- Seventh leading cause of death and disability worldwide
- Leading cause of death and disability for 15-49 year-olds worldwide
- Component cause of more than 200 disease and injury conditions
- Carcinogen for which there is no safe level of consumption

Key elements of chapter

- Definition and importance of marketing in global alcohol trade
- Description of the global alcohol industry
 - Key sectors, companies, size, revenues
 - Nature of and trends in concentration
 - Implications of concentration for marketing
- Overview of alcohol marketing
 - Marketing “mix” and focus of this paper
 - Ad spending (measured media)
 - Product placement
 - Sponsorship
 - CSR campaigns
 - Stakeholder marketing

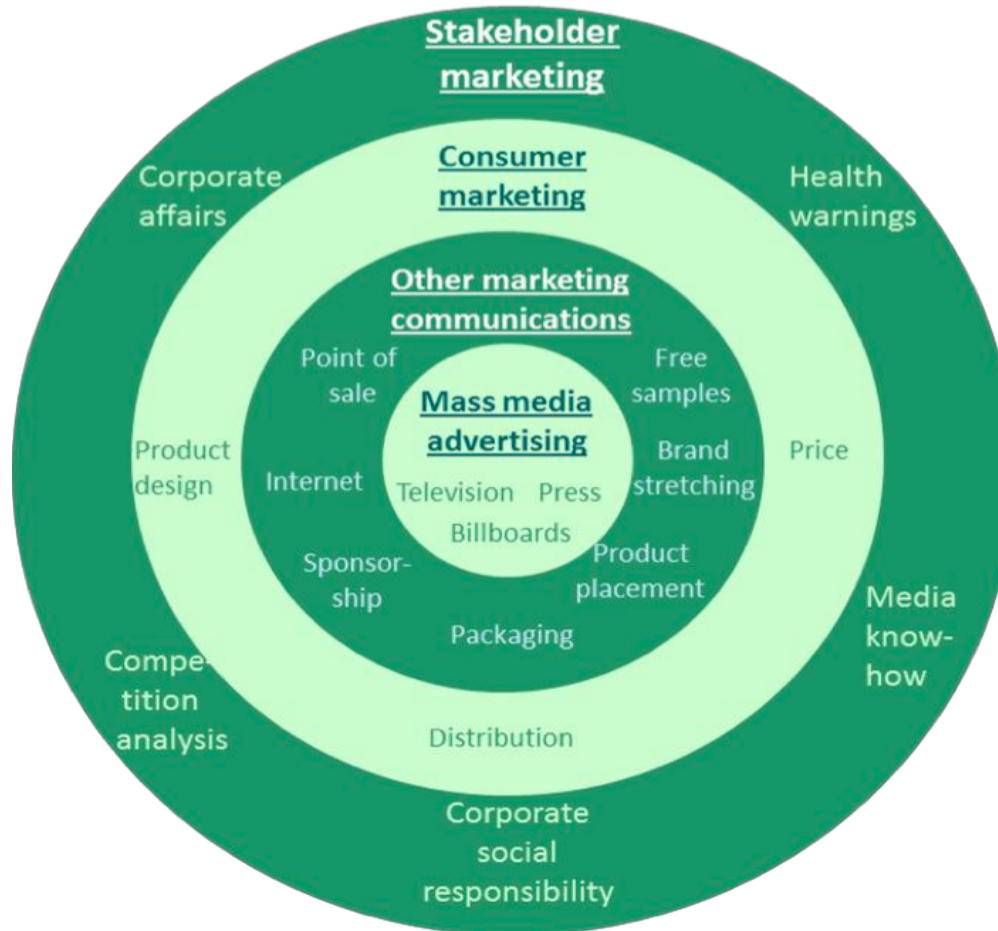
Alcohol Commodity Chains Through History

| | Design (recipe) | Raw materials | Manufacturing | Imports | Distribution | Marketing | Advertising |
|------------------------------------------|-------------------------------------------------|-----------------------------------------------|-------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| “Traditional” societies | Communally-derived | Locally-grown | Local | None | At point of production, by producer/producing community | Barter-based or ceremonial; to local communities | Word of mouth or attached to festival days, by producers and their communities |
| Colonial | From colonial power or trading partners | Mostly grown local to point of production | Local, in core nations or colonial metropolises | Mainly distilled spirits and wines | By colonial political or economic authorities | Scrip or cash-based, tied to labor centers; to workers in colonial enterprises | Price and quality-oriented, by employers and/or colonial authorities |
| Contemporary (“marketing-driven”) | From global or regional transnational producers | Local supplemented by globally-sourced inputs | Local under control of global transnationals | Mainly distilled spirits and fine wines | Regional or global, by transnational producers, their subsidiaries and licensees | Cash-based, targeting entire population via on-premise promotions, sponsorships, endorsements, holiday promotions, to entire population | Culturally-based, “lifestyle” oriented, by global advertising agencies or their affiliates |

Alcohol marketing

- Modern alcoholic beverages are of their essence *marketed* beverages
- Purposes of marketing:
 - Promote brand-switching among existing brands
 - Protect market share from competitors
 - Inform public of new products
 - **Attract new users**

What is marketing?



Global Alcoholic Beverages Market Revenue

By Product Type, 2016 (US\$ Mn)

US\$ 485,972.4 Mn

Beer

XX.X

Spirits

XX.X

Wine

XX.X

Others

CAGR **6.4%**
(2017 – 2025)



Source: Transparency Market Research Analysis, 2017

Transparency
Market Research

| Company | Category | Headquarters | 2014 Global Revenue | Major Brands |
|---------------|---------------------|------------------------|-----------------------|------------------------------------------------------------------------------|
| AB InBev | Beer | Leuven, Belgium | £31bn | Budweiser, Stella Artois, Corona, Skol, Brahma |
| SABMiller | Beer, Cider | London, UK | £15bn | Miller, Peroni, Pilsner Urquell, Grolsch, Aguila, Strongbow, Carling, Castle |
| Heineken | Beer | Amsterdam, Netherlands | £14bn | Heinken, Amstel, Desperados, Sol, Strongbow |
| Carlsberg | Beer, Cider | Copenhagen, Denmark | £8bn | Carlsberg, Tuborg, Kronenbourg, Baltika, Somersby |
| Diageo | Spirits, Beer, Wine | London, UK | £10bn | Johnnie Walker, Smirnoff, Captain Morgan, Baileys, Guinness, Tanqueray |
| Pernod Ricard | Spirits, Wine | Paris, France | £6bn | Jameson, Absolut, Malibu, Jacobs Creek |
| Constellation | Wine, Beer, Spirits | Victor, NY, USA | £4bn | Robert Mondavi, Clos du Bois, Blackstone, Modelo, Simi, Ruffino |
| E & J Gallo | Wine | Modesto, CA, USA | £3bn | Andre, Carlo Rossi, Boone's Farm, Barefoot Wine |

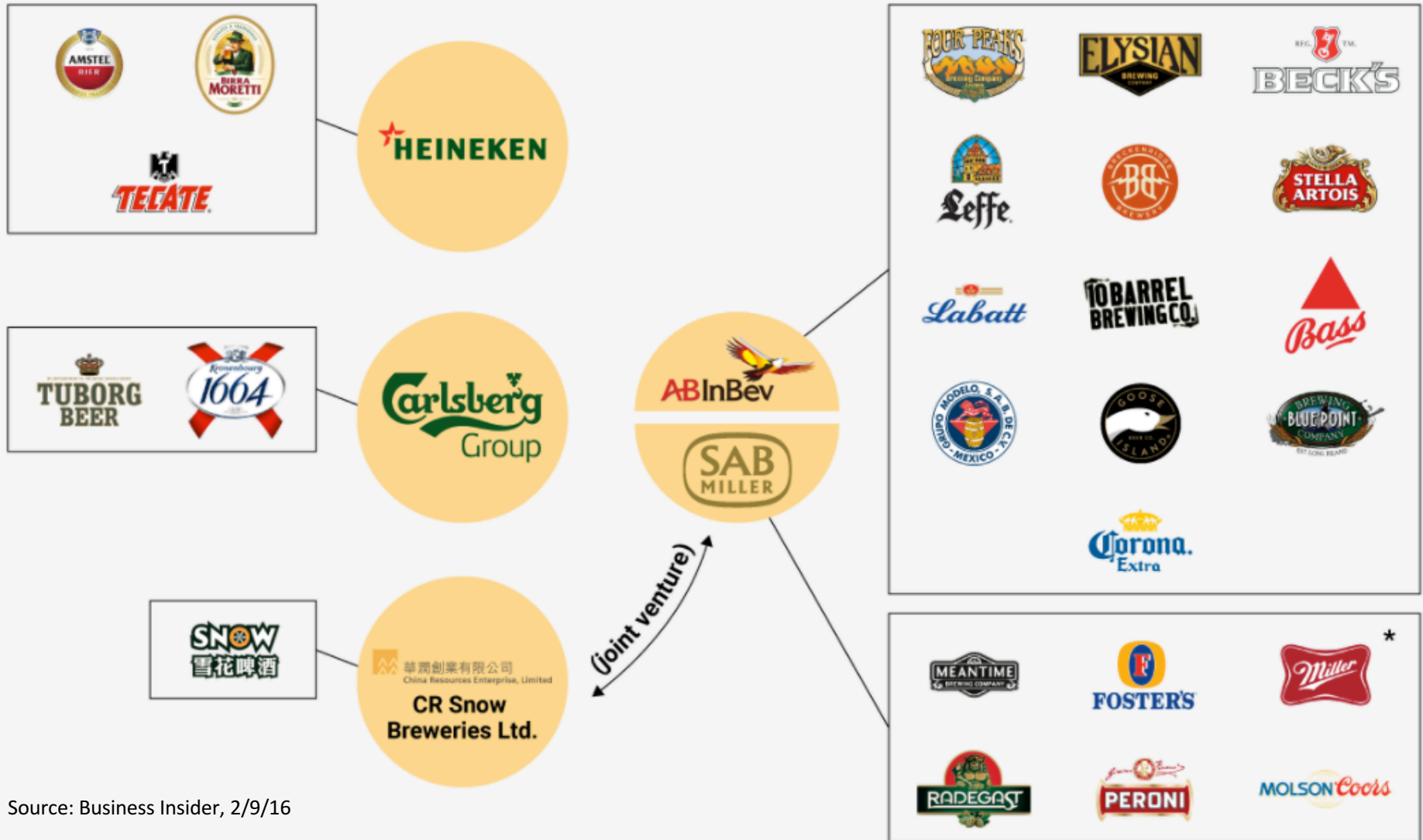
The global alcohol industry

- Estimated at \$1.2 trillion in sales worldwide
- If the top ten companies were a country, they would be the 58th largest country in the world
- Impact of concentration:
 - Monopoly profits
 - High marketing spend
 - Barrier to entry
 - Stakeholder marketing

Marketing activities – USA

- Stakeholder marketing:
 - Alcohol companies spent \$13.2 million in 2015 lobbying state legislatures
 - Donated \$27 million to members of Congress in 2016
 - In same year, reported 295 lobbyists working for them at the federal level

5 BEER MAKERS OWN MORE THAN 50% OF THE WORLD'S BEER



Concentration in the global spirits market 2006-2013

| Company | Headquarters | 2006 | 2013 |
|-----------------------------------|----------------|--------------|--------------|
| Diageo | United Kingdom | 10.8% | 21.1% |
| Pernod Ricard | France | 8.3% | 10.6% |
| Beam Suntory | Japan | 3.7% | 4.5% |
| Bacardi Ltd | Bermuda | 3.7% | 3.0% |
| Russian Standard Corp | Russia | * | 2.2% |
| Allied Blenders and Distillers | India | * | 2.0% |
| Gruppo Campari | Italy | 1.7% | 2.0% |
| Brown-Forman Beverages Worldwide | United States | 1.8% | 2.0% |
| Group La Martiniquaise – Bardinet | France | * | 1.9% |
| Sazerac Co. Inc. | United States | | 1.8% |
| TOTAL TOP 10 | | 42.3% | 51.2% |

Extent of Global Alcohol Marketing

- Five companies alone reported US \$5.5 billion in measured marketing (just traditional advertising) spending in 2010
- These five are among the top 100 marketers in the world
- Alcohol companies are among the top ten advertisers in numerous countries, including Japan, the Philippines, and Singapore

Marketing activities – USA

- Marketing mix
 - FTC 2014 based on 2011 from 14 companies comprising 79% of US sales
 - Total spent: \$3.45 billion
 - Measured marketing: 38.7%
 - “Unmeasured”: 61.3% of expenditures
 - Includes (in order of size of spending):
 - » Point of sale, promotional allowances
 - » Sponsorship of sports and other events
 - » Online and digital
 - » “Other”: spring break, product placement, cinema, etc.

WHO' s Global Strategy

- (a) Legislatively-based regulatory or co-regulatory frameworks that regulate content, volume, sponsorship, new marketing forms
- (b) development by public agencies or independent bodies of effective systems of surveillance of marketing of alcohol products;
- (c) setting up effective administrative and deterrence systems for infringements on marketing restrictions.

Marketing policy options

- Total ban
 - Easiest to implement
 - Least expensive to implement
 - Research base is not extensive, because most “natural experiments” are increasing marketing
 - Will generate significant alcohol industry opposition
 - Will claim hurts competition
 - In fact, current high marketing spend creates high barriers to entry that already hurt competition

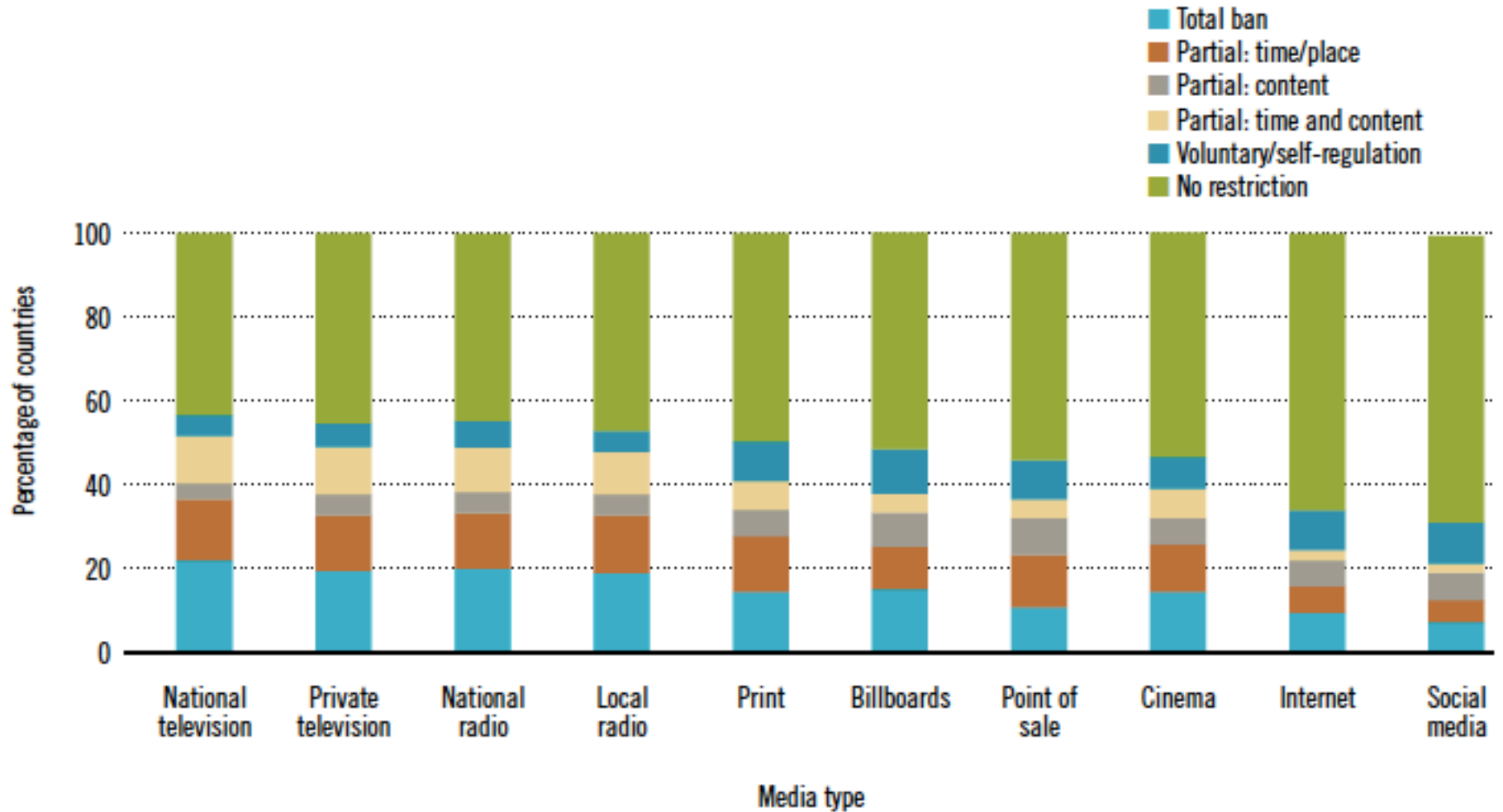


Marketing policy options

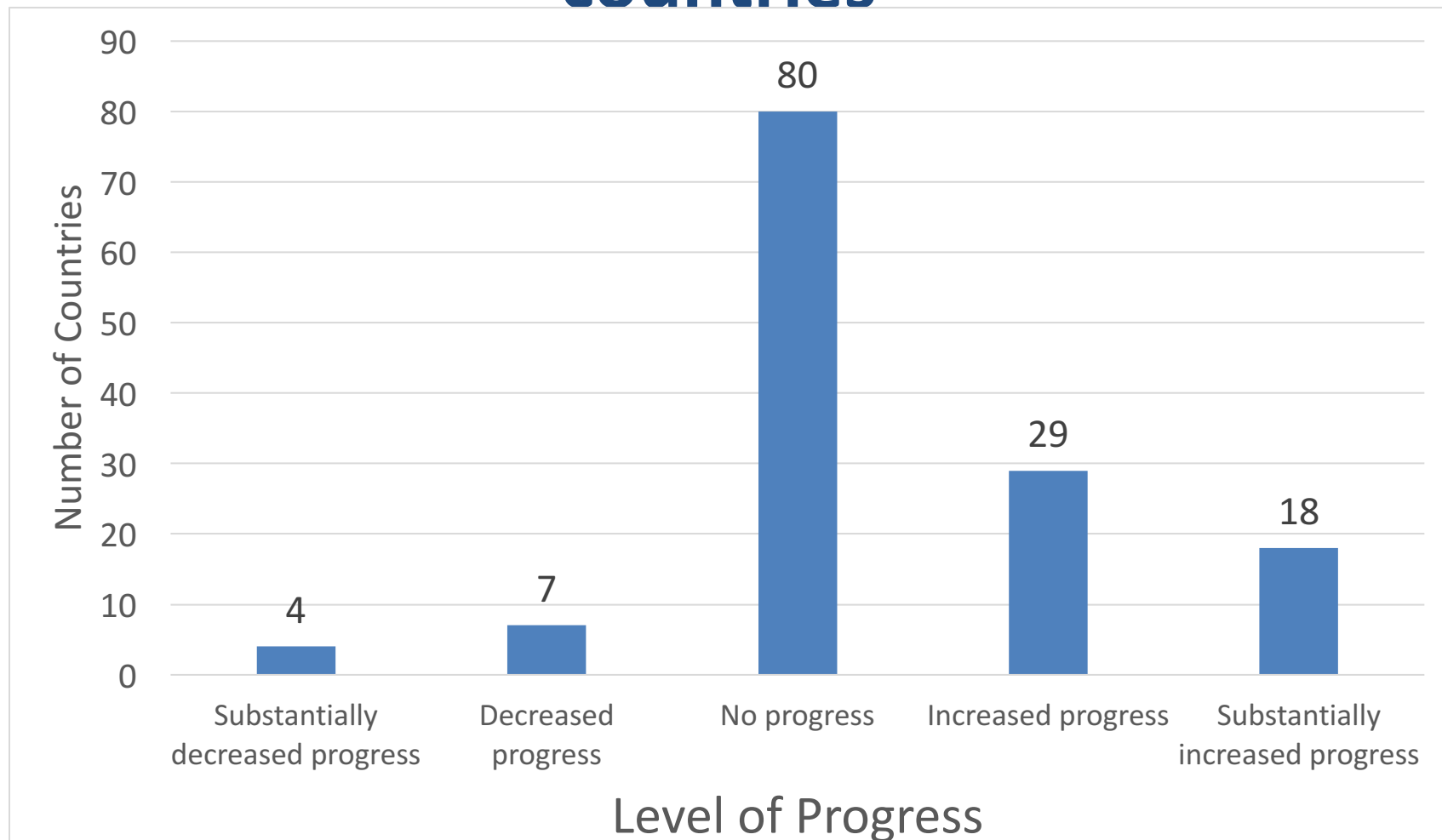
- Partial bans
 - Content-specific
 - Time-specific
 - Audience-specific
 - Beverage-specific
 - Medium- or channel-specific
 - Location-specific
 - Event-specific
- All require establishment of monitoring and enforcement mechanisms

Figure 35. Restrictions on advertising for beer, by percentage of countries, 2012

(*n* = 166 reporting countries, except 157 countries reporting on social media, 164 countries reporting on point of sale, 165 countries reporting on private television, and 167 countries reporting on national radio, local radio and print)

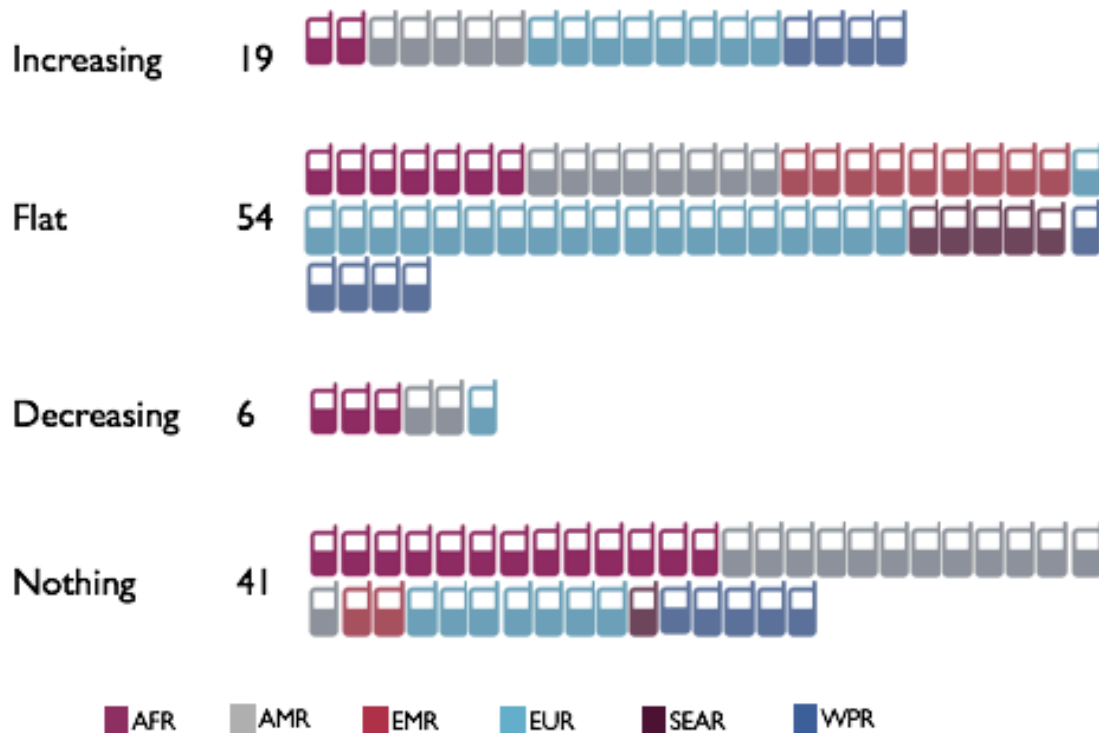


Trends in statutory regulation of marketing 2010-2015 by number of countries



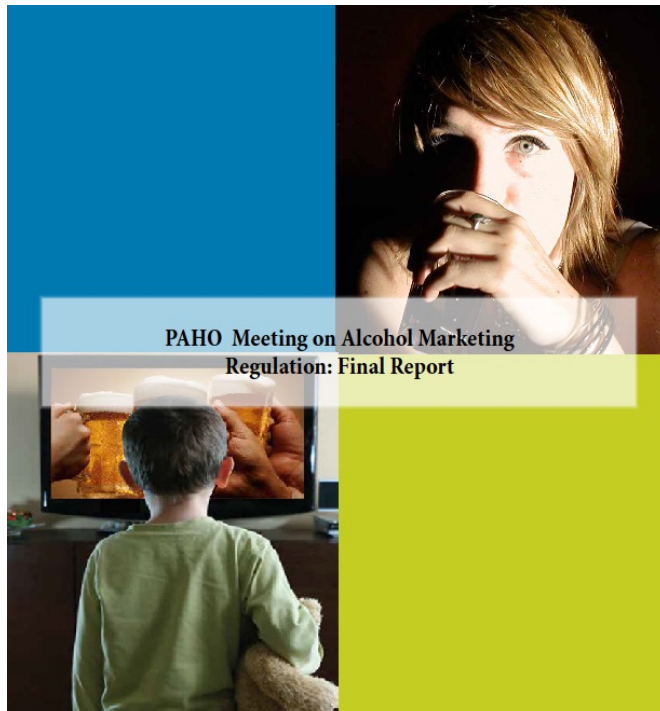
Policies regarding “new marketing” techniques

MARKETING POLICIES



When asked specifically whether they had implemented new statutory regulations to address new marketing techniques since 2010, only 19 countries had done so, while 41, including more than half the reporting countries in the African region and 13 countries in the Americas region, reported that such regulation was largely absent both prior to and since 2010.

PAHO Technical Reports



PAHO Technical Group Principles

- (a) A comprehensive legally-binding ban on all alcohol marketing is the only means to eliminate the risk of any exposure to alcohol marketing for those most in need of protection
- (b) From a public health standpoint, there is no rationale for applying different regulations to alcoholic beverages of varying alcohol content by volume or type of beverage
- (c) Regulatory capacity to develop, implement, enforce, and monitor restrictions on alcohol marketing is an essential public health function and therefore should be addressed in legislative measures and allocation of resources to monitor the implementation of these restrictions.
- (d) Cross-border alcohol marketing should be subjected to the same regulatory measures as those applied to marketing originating from within a State

PAHO Technical Group Principles

(e) Civil society not affiliated with the alcohol industry can participate in developing, supporting, and monitoring effective measures for regulating alcohol marketing, if given a clear mandate and resources for doing so.

(f) The alcohol industry has commercial and other vested interests, which, in accordance with national laws, can be used to disqualify its participation in setting countries' public health policies with respect to alcohol marketing.

(g) Multilateral and bilateral international agreements can be used to protect national or subnational regulations in the context of public health and safety, or explicit provisions can be written into these agreements.