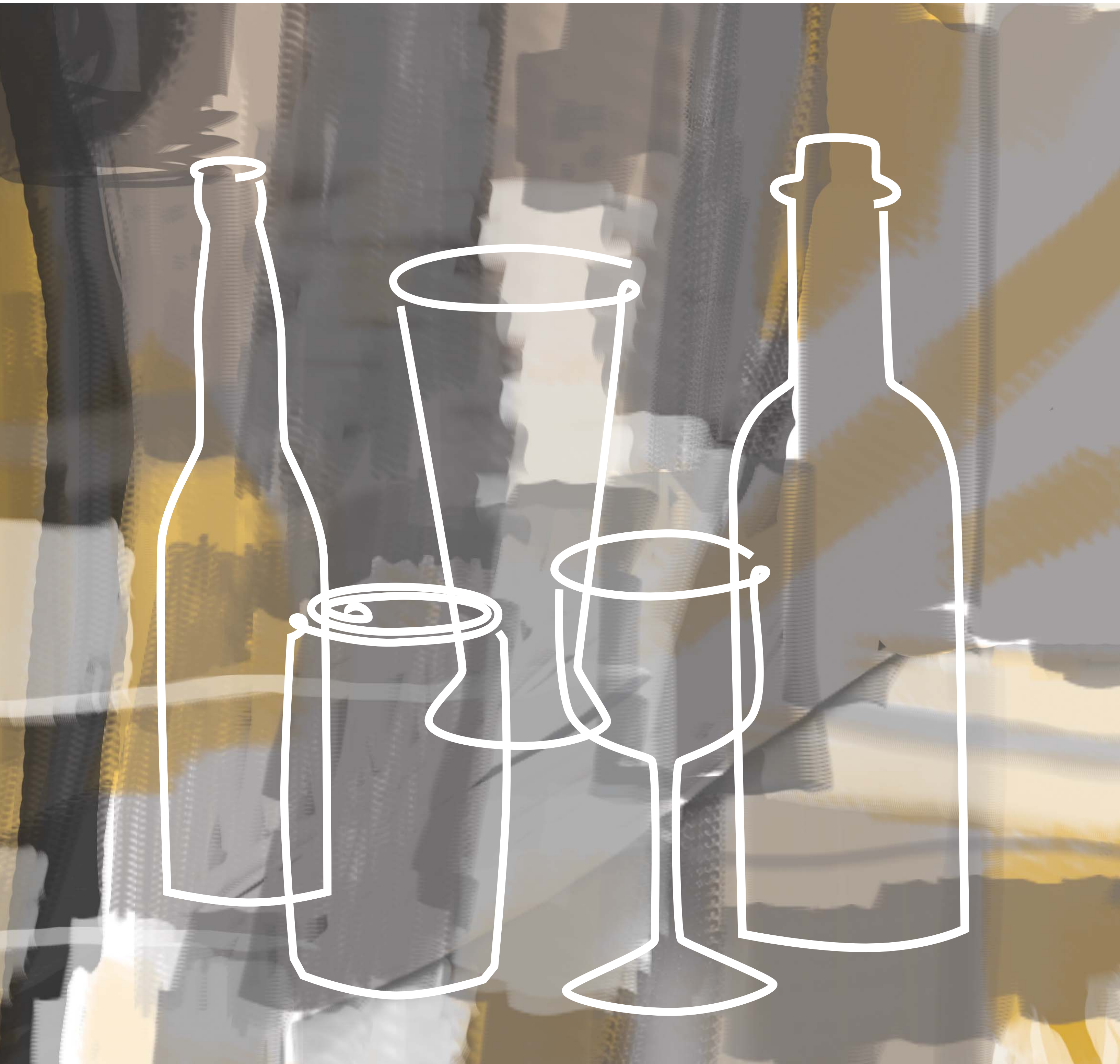
ALCOHOL INDUSTRY 101

ITS STRUCTURE & ORGANIZATION



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Reducing Underage Drinking Through Coalitions

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KEY FEATURES OF THE ALCOHOL INDUSTRY:

LARGE, COMPLEX AND INCREASINGLY INTERNATIONAL IN OWNERSHIP

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POLITICALLY POWERFUL AND ABLE TO INFLUENCE AND GUIDE MANY NATIONAL, STATE AND LOCAL ALCOHOL CONTROL POLICIES

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EFFECTIVE IN INFLUENCING HOW THE MEDIA, PUBLIC AND DECISION MAKERS THINK ABOUT ALCOHOL, ALCOHOL CONSUMPTION, AND ALCOHOL PROBLEMS

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CONSTANT IN ITS POLICIES, EDUCATIONAL ACTIVITIES AND MARKETING: DRINKING IS AN INDIVIDUAL CHOICE, PROBLEMS DERIVE FROM IRRESPONSIBLE INDIVIDUAL DRINKERS (MOST DRINKERS ARE RESPONSIBLE), AND CONTROL POLICIES OUGHT TO FOCUS ON PUNISHING "IRRESPONSIBLE" INDIVIDUAL DRINKERS – NO ONE ELSE.

INTRODUCTION

This primer is an overview of the alcohol industry, its influential role in normalizing drinking and its opposition to prevention policies and programs it perceives as threats to its bottom line. This primer is a follow-up to The Alcohol Industry: Partner or Foe? published by the American Medical Association (AMA) Office of Alcohol and other Drugs and examined the industry's funding of others as well as its prevention programs. It is available online at *www.AlcoholPolicyMD.com.* The information in this primer was current as of January 2004.

Like the tobacco industry, the alcohol industry produces a legal, widely consumed drug; is dominated by relatively few producers; and utilizes a powerful combination of advertising dollars, savvy marketing, political campaign contributions, and sophisticated lobbying tactics to create and maintain an environment favorable to its economic and political interests. It requires the recruitment of new, youthful drinkers to maintain and build its customer base. It distances itself as far as possible from research findings that show alcohol is an addictive, albeit legal, drug that has harmful effects on mental, physical and community health.

Although the industry presents substantial information that reflects favorably upon its economic and social roles, it has received little external scrutiny regarding its political strategies and how it implements them. The industry is highly visible as a producer, advertiser and supporter of community groups including impaired driving prevention groups. It has been barely visible as a powerful political complex with major policy and cultural influences on how we think about and manage alcohol problems.

The alcohol industry has effectively shaped the public image to always focus on the consumer and not on the sellers, producers and promoters of the product. As a chemical that affects our bodies, alcohol is a powerful drug resulting in more premature deaths and illnesses than all illicit drugs combined. Yet the industry has shaped public opinion and forced government to treat it not as a drug but as a cultural artifact, a valued legal commodity, almost a food, even a necessity of life. While always acting as a business it has obscured that role with constant information portraying it as a concerned citizen interested solely in the pleasure and safety of its customers. To encourage a more thoughtful debate and understanding of this industry, this primer examines its:

- Structure and diversity
- Production and distribution systems
- Marketing and promotion strategies
- Marketing campaigns to promote "safe" drinking policies
- Lobbying tactics and efforts to defeat regulation and restriction on its operation.

The examination of the above topics dispels the myth of excessive drinking as solely the product of individual choice while underscoring the role the alcohol industry plays in contributing to the health risks, fatalities, violence, and other problems associated with underage and high-risk consumption of alcohol.

THE ALCOHOL INDUSTRIAL COMPLEX: AN OVERVIEW

Alcoholic beverages annually generate over $137 billion in sales in the United States for a total consumption of 7.3 billion gallons in 2002[1]. The alcohol industry is a powerful multinational business complex. It includes not only the producers of beer, wine and distilled spirits ("hard liquor") and their labyrinthine network of distributors and wholesalers, but also related "hospitality" and entertainment industries such as restaurants, hotels, tourism, professional sports, and retailers from resorts and clubs to bars and convenience stores. Many additional business sectors earn substantial profits from the sale and/or promotion/advertising of alcohol: mass media, advertising industry, groceries and gas stations (in some states). Through the use of advertising dollars, the alcohol industry also exerts economic and political influence over the mass media and the public that consumes the media.

U.S. Alcohol Retail Sales and Advertising Expenditures - 2002[2]

	On-Premise	Off-Premise	Total Sales	Advertising Expenditures*
Beer	$ 35,920,000,000	$ 38,515,000,000	$ 74,435,000,000	$ 1,169,801,000
Wine	9,160,000,000	11,370,000,000	20,530,000,000	122,417,000
Liquor	23,584,000,000	18,566,000,000	42,150,000,000	408,131,000
Total	$ 68,664,000,000	$ 68,451,000,000	$ 137,115,000,000	$ 1,700,348,000

*These figures do not include additional expenditures for promotions, sponsorship, discounting, and other marketing activities. Total marketing expenditures, including advertising, have been estimated at between $4 and $6 billion.

Through extensive campaign contributions to members of both parties, at all levels of government, the industry maintains great political influence. Through its business presence in every community it maintains strong connections to local communities, state government and governing bodies at every level. Communities in need of new businesses in downtown areas often recruit or accept alcohol retailers to fill vacant store fronts. Community organizations and colleges may turn to the industry for donations and sponsorship – and remain uncritical of the problems that alcohol creates.

The various segments of the alcohol industry do not act as one, but they do share many common interests:

- Normalize (regularize) and encourage the consumption of alcohol
- Minimize government checks and regulation on their ability to market, advertise and distribute their product
- Minimize taxes and law violation penalties on the sale of their products

- Maximize the focus of alcohol control laws on consumer rather than corporate or retailer responsibility for harm resulting from use of their product
- Distance themselves and their product from the problems inevitably associated with its use
- Obscure and misrepresent the causes and effects of those problems in general. [This, for example, is a major reason why the industry opposes alcohol being labeled a "drug" and opposes the inclusion of alcohol in the "war on drugs."]

The history of alcohol in America since Prohibition (1920-1933) is a story of increasing corporate and market consolidation. Between 1934 and 1982, the number of brewing companies in the U.S. shrank from 756 to 44.[3] The consolidation has been vertical: producers have exerted more control and ownership up and down the line from production to local distribution. The consolidated companies are active at all political levels – national, state and local (legislative and administrative). Integration has also been horizontal as companies acquire each other to reduce the number of major competitors. In the 1970s and 1980s industrial giants Philip Morris, Coca Cola and R.J. Reynolds began entering the alcohol market as well. By the early 1980s the bulk of the market was shared by a small circle of companies. And the circle has only tightened in the last two decades: the top 10 beer companies now control 95 percent of the beer market.[4] Some recent noteworthy consolidations were: the merger of Grand Metropolitan and Guinness in 1997, to form the multinational conglomerate and global spirits leader Diageo; the divestment by Seagrams of its drinks portfolio, which was bought up by Diageo and Pernod Ricard in 2001; the 2002 purchase by South African Breweries of control of Miller Brewing from Philip Morris (which still retains some ownership); the 2003 purchase by Constellation Brands, Inc. of BRL Hardy, Australia's largest wine producer, to make Constellation the world's largest wine company.

With concentration has come increased political influence. Alcohol producers have successfully chipped away at many of the restrictions on retail sales placed in state codes in the 1930s. The dramatic increases in consumption since prohibition have simultaneously provided state and federal governments with revenue from taxes on alcohol and alcohol sales. Alcohol policy has always been shaped by economic and political, as much as and often more than health, agendas.

PRODUCTS, PRODUCTION AND DISTRIBUTION

REGULATION

Although Prohibition was repealed in 1933, in part to reduce the violence and costs associated with an illicit alcohol market, the costs of alcoholism, social problems associated with alcohol and the negative effects of alcohol abuse on families and children remained. Reflecting these concerns, a national consensus continued to treat alcohol as a dangerous product that needs to be heavily regulated in its production, distribution and sales. Within this perspective, the public perceived distilled spirits and to some extent wine as presenting greater potential dangers to consumers and society than beer. Thus, the regulations, restrictions and taxes regarding distilled spirits are often more extensive than for beer.

FEDERAL REGULATORS

Alcohol products, production and sales are subject to government regulations at the federal and state, and occasionally, the local level. Regulation affects distribution, labeling, advertising, credit, container characteristics, alcoholic content, tax rates (set by Congress), and litter assessments. Until recently, nearly all federal regulations involving alcohol were issued by the Treasury Department Bureau of Alcohol, Tobacco, and Firearms (BATF), established by the Federal Alcohol Administration Act of 1935 and the 1968 Gun Control Act.[5] However, in 2002, under the Homeland Security Act, the bureau was divided. The part remaining in the Dept. of the Treasury was renamed the Alcohol and Tobacco Tax and Trade Bureau (TTB). A new Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) was formed in the Department of Justice. The TTB continues to administer and enforce existing Federal laws and tax code provisions related to the production and taxation of alcohol and tobacco products, and to collect excise taxes on the manufacture of firearms and ammunition. The new ATF enforces federal laws and regulations relating to alcohol, tobacco, firearms and explosives by working directly and in cooperation with others.

STATE LICENSING

Most states operate under a *license- to-sell system*; i.e., one is required to have a state issued license to sell alcohol. Most licenses are issued, regulated and enforced by state agencies although some states allow for local licensing. Licenses to sell beer are often separate, less expensive and easier to obtain than licenses to sell distilled spirits or wine. Licensing law enforcement (including regulations banning sales to minors or to intoxicated drinkers) varies from state to state although most states maintain some state enforcement agency and allow for local enforcement agency roles as well. Specific alcohol taxation (as opposed to more general sales taxes) is primarily a federal and state right although some states permit some additional local taxation. Enforcement of alcohol sales laws in some states has been combined recently with enforcement of tobacco control laws, but in most cases state enforcement, licensing and revenue collection of alcohol and tobacco are handled separately.

CONTROL STATES

A second, but shrinking, system of sales is known as the *control state system*; i.e., the "control" state is involved in the distribution and sale of some alcohol products (usually only wine and spirits). After Prohibition, numerous states took control of many facets of alcohol sales and distribution. Since then under constant pressure from the alcohol industry and other businesses wanting a share of the sales market, the number of such states has greatly declined. However, 18 "control" states still maintain some direct control over certain sectors of the alcoholic beverage market.[6,7] Montgomery County, Maryland, is the only non-state government to participate in this control system.

The "control" states that sell alcohol participate in a unique way as part of the alcohol industry. They have a direct interest in the levels of revenue – profit-produced by alcohol sales – but they also have public health and safety concerns and obligations. Thus, they may exert more extensive controls on the conditions of sale and promotion. Some extend this to how alcohol is advertised. Several include extensive public alcohol education activities and focus on prevention of sales to minors.

In every state, controlled or not, the license to sell beer is more widely permitted: e.g. in liquor stores, convenience stores, supermarkets, restaurants and taverns, and sports arenas. Permits to sell and/or serve are often granted for special public events – festivals, fairs, races – and for institutional events and facilities (fund raisers, parties, campus pubs, etc.).

INDUSTRY REGULATORY STRATEGIES

Often, the private alcohol industry heavily and persistently pushes to reduce regulation through various strategies:

- Whittle away at existing state controls
- Reduce the number and functions of control states and replace these with licensing regulations
- Limit resources available for alcohol law enforcement
- Limit (preempt) the ability of municipalities and counties to enact (often stronger) local control ordinances or to provide expanded enforcement

of state regulations *[For more information on this topic, see The Perils of Preemption at www.AlcoholPolicyMD.com.]*

- Expand the number of places, situations, and times in which alcohol can be sold
- Resist or reduce any restrictions on alcohol advertising (e.g., signage; advertising content)
- Decrease existing or resist new alcohol excise taxes, license and penalty fees

Although states bear much of the burden of handling the health care and social disruption costs of alcohol consumption, they also gain significant revenue from alcohol taxes and frequently have close working relationships with industry representatives. Most governmental attention to alcohol in recent decades has focused on harm reduction: restricting when and sometimes where people drink and educating the public about potentially high-risk consumption (e.g., while operating cars and machinery; drinking during pregnancy; underage drinking; outdoor consumption). At the same time government has been used to protect and even expand the opportunities to promote, sell and consume alcohol. While there has been a clear governmental focus on treating alcoholism, prevention is usually lumped in with all other drug abuse prevention – where alcohol is treated as one amongst many, and usually not the most dangerous substance. As the federal and state governments annually declare one illicit drug crisis after another, alcohol, the most widely abused and used recreational drug, remains in the background.

"The lower priority assigned to alcohol compared with other drugs may be due in part to voter attitudes. Voters have demanded action to stop illicit drug problems, but have not expressed similar concerns about alcohol. Most voters are not aware of the costs associated with alcohol abuse, and congress does not hear from large numbers of constituents that alcohol abuse presents a problem."[8]

INDUSTRY ORGANIZATION OF SALES AND DISTRIBUTION

A THREE-TIERED SYSTEM

The industry is organized into a three-tiered system of producers, distributors and sellers of alcohol. As explained above, when states took over regulation of these three tiers after Prohibition, they chose to either license or directly control sales and distribution. These laws (known as "tied house" laws), adopted at the state and federal levels, regulate how alcoholic beverages are marketed and how the various tiers of the industry interact. The term "tied house" dates back to before Prohibition when saloons were often tied, by ownership links or contractual obligations, to a specific manufacturer.

Although sharing many common interests, each industry tier has its own perspectives and concerns. The three tiers might conflict with each other when, for example, a manufacturer decides to increase charges to wholesalers who pass them on to retailers and ultimately consumers. Laws which give advantages to one tier over the others might be opposed by those other tiers. When producers fail to focus state laws on consumer responsibility they may shift the focus to seller responsibility. Rarely are producers held liable for the harm caused by their products. As beer production concentrated nationally, the producers focused on national regulation and sales concerns. Local retailers (i.e., local businesses) more fully integrated into local communities and cultures, tend to reflect local values and policy concerns more than a national producer. The good will of the community surrounding them can make them more responsive to addressing the negative impacts of alcohol sales and consumption – felt more strongly at the local than at the state (e.g., distributor) or national (e.g., producer) level. Conversely, they will also use their clout to influence local and state policy decisions to favor their interests.

MOVEMENT TOWARDS ONE TIER, ONE OWNER

In recent years, there has been a strong shift away from the spirit of the "tied house" laws. The major producers have tried to eliminate these tiers by taking ownership and control at all levels (i.e., vertical integration). The distinction between the three tiers has become increasingly blurred as producers exert more control over, or even absorb, distribution networks and exert more control over retailing. Politically, this has led to national producers becoming more involved in trying to influence local alcohol policy decisions. Communities concerned with local alcohol problems now need to cope with the presence of lobbyists and opposition from national and even international producer headquarters.[9]

This type of vertical integration effectively consolidates power in a few hands and assists the leading producers in achieving a virtual stranglehold on market share. Although retailers are generally more subject to regulation, particularly by the states, their policies and those of the distributors, are now largely dictated by the producers themselves. Thus, the producers have created the appearance of product diversity in the various alcohol markets, with multiple low-end and high-end brands seeming to compete with each other. But, in many cases, the "competition" is between several brands of the same parent company, as in the case of Budweiser, Bud-Light, Busch, Michelob and Corona beers - all brand names owned by Anheuser-Busch.

A new area of integration has been the development of collaborations between the beer and distilled spirits industry – industries that traditionally have seen themselves as competitors who often disagreed in key legislative area. So, we now see a number of high alcohol content malt beverages that are regulated, taxed, and sold as beer but which are packaged and named to look like well-known distilled spirits brands.

A consequence of integration is that the policy and economic interests of the three tiers have blended in favor of national and international producers. The expressed interests of some retailers, for example, have become more similar to those of the producers who increasingly sponsor and fund (and thus influence) the state activities of various retailer associations. Thus, one might find local retailers taking one stance on local public policies and a state association taking another stance representing the interests of the producers.

Anheuser-Busch, the leading brewer nationally and globally, no longer allows its distributors to carry any products other than its own, and has been involved in several high-profile legal battles in its attempts to assert control over its distributors. In 1996, August Busch III's daughter Susie Busch Transou was given responsibility for AB's Florida distributors, including the Gainesville distributorship which was awarded to baseball star Roger Maris by Cardinals team owner August Busch Jr. after the 1967 world series, and owned and operated by the Roger Maris family for 30 years. When the Maris family rejected Busch's buyout offer as unreasonably low, the beer giant terminated the contract and sold the Gainesville franchise, alleging mismanagement and falsified documents. The Maris family sued for breach of contract and in 2002, was awarded $50 million by a circuit court judge.[10] Diageo, the world's largest spirits marketer, has also recently re-organized its vast network to accomplish similar goals.

SOME COMMENTS FROM A STATE REGULATOR

The 1990s brought some new challenges to state and local governments who are the primary regulators of alcohol sales and consumption. These stem from a few key mergers in the 1990s coming on top of a gradual process of consolidation in the alcohol industry over the past 30 years. Increasingly, the dominant players are national, multi-national or foreign-owned businesses. These present several issues for local and state regulators:

1	National or international businesses are more difficult to work with just because their head office or management is out of state or in another country. Communication is more difficult and a company's representative often has "marching orders" without the ability to compromise.
2	Foreign-owned businesses have no history with the U.S.'s unique style of alcohol regulation. Not only are they confronted with different regulations in each state, but also tied house laws prohibit connections with the retail sector. No doubt, the newly formed companies react negatively to this chaotic array of regulations, seeing them as barriers to business. They may or may not be aware that the "three-tiered system" was designed to prevent the abuses experienced in this country prior to prohibition. Before prohibition, large alcohol manufactures owned strings of retail outlets that were pressured to engage in heavy promotion of intoxication.
3	Small operators—usually in the wine and microbrewery business—are generally responsible operators. These are craft operators who are primarily interested in selling the quality of their product but not quantity consumption. However, they have a difficult time competing and some get bought out by large concerns or are just muscled out of business.
4	Associations of licensees—grocers, restaurateurs—are often powerful political forces. But, because their members have families that live in local communities, they are usually careful not to advocate for something that would clearly offend or be a danger to our communities. It is usually easier to work with these groups in the typical "give and take" arena of politics. This could change, however, as mergers impact this business sector as well. Large chains of grocers and restaurants are gaining in dominance.

BEER

Beer is the largest alcohol segment nationwide and internationally , accounting for roughly 86 percent of all alcohol volume sold in the United States and annually generating over $74.4 billion in retail sales.[11] The industry has continued to grow and increase its profitability despite economic and even consumption downturns. For example, at the start of 2003 Anheuser-Busch had experienced 16 straight quarters of earnings-per-share growth.[12] The beer industry, like that of spirits and wine, is organized in a "three-tier" distribution system consisting of producers, wholesalers (or distributors) and retailers.

The beer industry is a vast global network of transnational producers, subsidiaries and joint ventures with local partners. Beer itself has many variations, from light beer, clear beer, ice beer to higher alcohol content brews such as stout, ale, or malt liquor. Technological advances in manufacturing, transportation and refrigeration make it possible to cheaply produce, store and ship large quantities of beer. These techniques have spread rapidly around the globe. The beer market is the most concentrated of the three alcohol sectors. Anheuser-Busch is the number one seller and the world's largest brewer; in 2003 it had over 50 percent of the domestic U.S. market share.[13] Combined with South African Breweries' Miller Beer (SABMiller is the world's second largest brewer), these two companies account for over 70 percent of all U.S. beer sales.[14] The top 10 beer companies combined now control 95 percent of the beer market. Of the $19.1 billion in federal, state and local taxes paid by the alcohol industry in 1999, more than $9 billion came from the beer industry (spirits contributed $8.1 billion and wine just over $2 billion).[15] Although some beer companies operate as regional or even local beers, these continue to decline in number, often closing or being sold to a larger national brewer.

Craft beer: This industry segment includes about 1,400 brewpubs, microbreweries, regional specialty breweries and contract brewing companies. Although proliferating, they still only account for a small share of the market and cater to more local tastes and interests. In 2001 they produced 6.4 million barrels of beer with a total industry annual retail sales of

$3.8 billion. The regional specialty breweries account for almost 60 percent of the production volume in this industry segment.[16] Some microbreweries are owned by the larger breweries or are themselves part of small brewery/restaurant chains.

SPIRITS

Spirits, strong alcoholic liquor produced by distillation, generated $42.1 billion in retail sales in 2002.[17] While the beer and spirits markets have much in common, there are some important distinctions. Distilled spirits are more complex, often costlier products to produce and require substantial know-how to produce in large quantities. Some products (e.g., whiskey, cognac) which require aging have added storage costs over time. As a result of these factors, production of spirits is more localized than that of premium beer. More typically, spirits producers export bulk concentrate for local mixing and bottling. Spirits also vary widely in terms of strength, although products with an alcohol content higher than 50 percent (100 proof) are rare except in the informal production sector, which is minimal in the U.S. While the distilled spirits market's concentration is less pronounced than that of beer, it is still very high and increasing: the top five spirits marketers control 59 percent of the U.S. market.[18]

WINE

Wine, both in terms of production and consumption, is the smallest of the three main types of alcohol. In 2002, total U.S wine sales were $20.5 billion.[19] The wine industry has suffered a decline in recent years and many wine-making countries or regions have responded to the oversupply by limiting production and focusing on other grape-derived products such as non-alcoholic fruit juices. The wine industry is most significant in terms of its ownership ties to the major spirits producers: Constellation Brands, United Distillers & Vintners (Diageo) and Brown-Forman occupy the number two, seven and 9 slots, respectively, in the U.S. wine market with a combined market share of 23.7 percent.[20] E. & J. Gallo Winery is the world's largest wine maker. It produces about 30 percent of the wine sold in the U.S.[21]

SOME IMPLICATIONS OF INDUSTRY CONCENTRATION

With increased concentration comes increased wealth, and a growth of the political and market influence of a relatively small number of players. For example, where once many regional and local beer brands were key economic and political players in their regions, we now see only three corporations with extensive influence at all levels. This translates into:

- Increased purchasing influence (e.g., in the mass media)
- Influence over organizations they sponsor and for whom they are a major purchaser of services
- Increased ability to operate politically at all fields (campaign contributions, placement of lobbyists and representatives in the field)
- Movement of key political and economic decision making away from state and local bodies to national and international levels.

This makes the expression of community concerns extremely difficult. It is often easiest for concerned citizens to act locally on business, political and media activities. They know who to influence and have the resources to approach and influence them. Not surprisingly, the strongest alcohol control policies have been local and then state. Citizen input at the national or international level is greatly diminished, far costlier, and harder to organize – if possible at all. As the level to impact goes up citizens are faced with opponents with far greater economic resources and abilities to influence decision makers. As a smaller number of brand names dominate the consumer market, they become increasingly familiar as household names. Youth especially begin to express brand loyalties and awareness along these lines which can then carry over into adult behaviors.

MAJOR PLAYERS IN THE U.S. ALCOHOL INDUSTRY – A QUICK PICTURE

	Beer	Liquor	Wine
Largest Producers	• Anheuser-Busch • Coors • Pabst • SAB/Miller	• Allied Domecq • Bacardi-Martini • Brown-Forman • Constellation Brands • Fortune Brands • Guiness-UDV (DIAGEO) • Heaven Hill Distilleries	• Constellation Brands • E. & J. Gallo Winery • The Wine Group
Industry Advocacy & Lobbying	• American Beverage Institute (ABI) • American Beverage Licensees (ABL) • Association of Brewers • Beer Institute • National Beer Wholesalers Association • www.beerservesamerica.org	• ABI • ABL • Distilled Spirits Council of the United States (DISCUS) • Wine & Spirits Wholesalers of America (WSWA)	• ABI • ABL • Wine Institute • American Vintners Association • WSWA
Alcohol Education & Research primarily industry funded	• Alcohol Beverage Medical Research Foundation (ABMRF) • International Center for Alcohol Policies (ICAP) • "We I.D."	• Century Council • ICAP • Point of Sale Campaign/Front Lines • Responsible Hospitality Institute	• ICAP • Responsible Hospitality Institute
Alcohol Education & Research some programs and organizations with substantial industry funding and/or support	• Boost Alcohol Consciousness Concerning the Health of University Students & Greeks Advocating Mature Management of Alcohol (BACCHUS & GAMMA) • National Collegiate Athletic Association (NCAA) Choices program • National Collegiate Alcohol Awareness (NCAA) Week • National Commission Against Drunk Driving (NCADD) • National Social Norms Resource Center (Northern Illinois University) • Training for Intervention Procedures by Servers of Alcohol (TIPS) • "Family Talk About Drinking"	• Alcohol 101® • BACCHUS & GAMMA • Full House at Prom Night • Promising Practices Sourcebook (college) • Ready or Not:® Talking with Kids About Alcohol • Training for Intervention Procedures by Servers of Alcohol (TIPS) • Cops in Shops	

Common State and Local Level Allies (can vary considerably by location and issue): State and local alcohol producers and their associations: microbreweries, vineyards, etc.

Retail associations often representing alcohol vendors: bars/taverns/clubs, distributors and wholesalers, restaurants, hotels and resorts, convenience stores, grocers and supermarkets, liquor stores, drug stores and gas stations (in some states).

Business sectors that often benefit from alcohol sales, promotion, advertising or alcohol industry funding or sponsorship: mass media (television, radio, magazines, newspapers) advertising and marketing industry, professional sports teams and associations, tourism bureaus, some higher education and arts organizations; some community fund raising groups; some community festivals/fairs.

TOP TEN WINE BRANDS, 2002

(thousands of 9-litter cases)

Rank	Brand	Supplier	2002
1	Franzia Wine Taps	The Wine Group	20,892
2	Carlo Rossi	E & J Gallo Group	12,900
3	Twin Valley	E & J Gallo Group	10,000
4	Almaden	Constellation Brands*	9,680
5	Livingston Cellars	E & J Gallo Group	7,200
6	Sutter Home	Trinchero Family Estates	7,083
7	Beringer	Beringer Blass Wine Estates	7,000
8	Woodbridge	Robert Mondavi Winery	6,785
9	Boone's	E & J Gallo Group	4,700
10	Inglenook	Constellation Brands*	4,340

*Current corporate name; formerly named Canandaigua Wines Source: Adam Wine Handbook, 2002 Edition.

TOP TEN WINE SUPPLIERS, 2002

Rank	Supplier	Sales $Millions	Sales Share	Volume Cases	Volume Share
1	E & J Gallo Group	$1,298	18.4%	64,575	26.2%
2	Constellation Brands*	895	12.7%	36,785	14.9%
3	The Wine Group	806	11.4%	31,383	12.7%
4	Beringer Blass Wine Estates	552	7.8%	10,435	4.2%
5	Robert Mondavi Winery	427	6.1%	8,857	3.6%
6	Kendall-Jackson Wine Estates	336	4.8%	4,686	1.9%
7	Brown-Forman Beverages	307	4.4%	5,680	2.3%
8	Trinchero Family Estates	240	3.4%	7,925	3.2%
9	Southcorp Wines, USA	225	3.2%	4,268	1.7%
10	Allied Domecq Wines, USA	193	2.7%	2,486	1%

*Current corporate name; formerly named Canandaigua Wines Source: Adam Wine Handbook, 2002 Edition.

TOP 10 U.S. LIQUOR MARKETERS, 2002 - PERCENT MARKET SHARE BY VOLUME

Rank	Distiller	Percent Market Share
1	Diageo PLC	20.0
2	Constellation Brands	9.7
3	Jim Beam Brands/Future Brands	9.5
4	Allied domecq Spirits USA	7.9
5	Bacardi USA	7.8
6	Brown-Forman Beverages	7.0
7	Heaven Hill Distilleries, Inc.	4.8
8	Schieffelin & Somerset	3.8
9	Pernod Ricard USA	3.4
10	Absolut Spirits Co./Future Brands	2.9
	Total Top 10	76.8

Source: Adam Liquor Handbook, 2003 Edition.

TOP TEN LIQUOR BRANDS, 2002

Rank	Brand	Supplier
1	Bacardi - Rum	Bacardi USA
2	Smirnoff - Vodka	Diageo
3	Absolut - Vodka	Absolut Spirits/Future Brands
4	Captain Morgan - Rum	Diageo
5	Jack Daniel's - Straight	Brown-Forman Corp.
6	Jose Cuervo - Tequila	Diageo
7	Jim Beam - Straight	Jim Beam Brands
8	Crown Royal - Canadian	Diageo
9	Seagram's Gin	Pernod Ricard USA
10	Dekuyper - Cordial	Jim Beam Brands

Source: Adam Liquor Handbook, 2003 Edition.

TOP TEN U.S. COMMERCIAL BREWERS, 2002[22]

Rank	Brewer	Sales – 31-Gallon Barrels	Percent Share of U.S. Sales Market
1	Anheuser-Busch	101,800,000	50.03
2	Miller	39,660,000	19.49
3	Adolph Coors	22,688,000	11.15
4	Pabst *	8,500,000	4.18
	Imports: Heineken, Labatt, Barton/ Gambrinus (Corona), Barton and Diageo (Guiness)	*Est. 4,000,000 each*	
5	Boston Beer	1,280,589	0.63
6	D.G. Yuengling & Sons	1,220,000	0.60
7	LaTrobe	1,040,000	0.51
8	Genesee	900,000	0.44
9	Sierra Nevada	566,098	0.28
10	City (LaCrosse)	510,000	0.25
	Total Domestic**	180,400,000	**88.7**
	Total Import	23,070,000	**11.3**
	Total U.S. Export	4,350,000	
	Total	207,820,000	

* Pabst Brewing Company has closed its breweries and is now produced under contract by SABMiller.
** Figures do not include exports

TOP TEN BEER BRANDS, 2002

Rank	Brand	Supplier	2002 (Thousands of 2.25-Gallon Cases)
1	Bud Light	Anheuser-Busch	505,000
2	Budweiser	Anheuser-Busch	423,000
3	Coors Light	Coors Brewing	232,500
4	Miller Lite	Miller Brewing	214,500
5	Natural Light	Anheuser-Busch	113,500
6	Busch	Anheuser-Busch	99,500
7	Corona Extra	Barton/Gambrinus	91,278
8	Busch Light	Anheuser-Busch	78,300
9	Miller High Life	Miller Brewing	73,000
10	Miller Genuine Draft	Miller Brewing	66,500

Source: Adams Beer Handbook, 2003 Edition

THE INTERNATIONAL PICTURE-WHAT LIES AHEAD AT HOME

The vast majority of alcohol production is consumed in domestic markets. Thus, alcohol is of limited significance as an export product; it constitutes about 10 percent of international trade.[23] However, the export of brand names and brand recipes is a major component of the marketing and distribution philosophies of the leading alcohol producers. During the last 30 years they have systematically expanded into the developing world, spearheaded by sophisticated marketing and advertising strategies. Diverse, scattered local production facilities have been incorporated into the global network of multi-national corporations, which have come to dominate world alcohol trade. In the annual reports of the top producers, these goals are stated explicitly. Graham MacKay, chief executive of South African Breweries, the world's 2nd largest brewer, observed, "All the growth to be had is outside the developed world."[24] The third sentence in Seagram's 1996 annual report proclaims: "Our single biggest opportunity is global expansion."

Alcohol production is now the end result of a complex set of global economic and trade processes with major producers increasingly operating on an international scale. As Anheuser-Busch actively expands in Europe and China, South African Breweries' purchase of Miller Brewing made it the second largest U.S. beer producer. Diageo, an English firm, purchased Seagrams and a number of U.S. distilled spirits and wine brands. International free trade agreements, focused on reducing impediments to free trade, will increasingly come into play to challenge local, state and even national restrictions on a wide range of products, including alcohol. Efforts at local control policies will face additional international challenges by international companies with international brands. Policies to protect communities from the alcohol-related harm will be challenged as unfair restraints of trade and impediments to free access to markets (i.e., consumers). Local and national cultural differences are challenged by international marketing and promotion techniques. The chief executive of a leading Asian beer company explains: "A beer is a beer is a beer… So therefore it is all about brands… We are not selling beer, we are selling image."[25]

A reduction in the number of competitors, particularly at the national level, and a near-monopolistic dominance, provides the springboard for the next step: international expansion. This is illustrated clearly by the fact that the top 20 brewers account for more than 65 percent of the world beer market.[26] While the beer, wine and spirits sectors each continually strives to increase its share of the consumer market, mergers and new product introduction continue unabated and concentration of ownership and supply rapidly grow.

A BRIEF INTRODUCTION TO ALCOHOL MARKETING: HOW TO WIN FRIENDS AND INFLUENCE PEOPLE

As a whole, the alcohol industry spends in excess of $4.8 billion a year in the U.S., or the equivalent of $13 million a day, on promotional activities, including advertising and sponsorships.[27] To put this in perspective, $70.5 million is spent on milk ads per year, about what the alcohol industry spends in one week.[28] The entire 2005 budget of the National Institute on Alcohol Abuse and Alcoholism was only $442 million, or about 10 percent of the alcohol industry's marketing budget.[29] The impact of these marketing dollars on our consumption habits and acceptance of alcohol's role in our lives-and acceptance of industry supported policies-cannot be overestimated. For example, college students annually (1991) spend an estimated $5.5 billion on alcohol, mostly beer. This is more than they spend on books, soda, coffee, juice and milk combined.[30] With the exception of ongoing campaigns against drinking and driving, and to prevent fetal alcohol syndrome, there have been no national, federally funded media campaigns focused on preventing underage drinking or other alcohol-related problems since the early 1980s. Alcohol has been legislated out of the focus of the War on Drugs and is only considered one among many drugs in other drug abuse prevention activities. In effect, in the mass media, the alcohol industry has been a primary and a pervasive source of public information about the product and its impacts. This helps frame public discourse about alcohol, its benefits, and why consumers, more than the industry, are held responsible for any alcohol-related harms.

After Prohibition's repeal, alcohol companies were still wary of alienating or upsetting the public. The public's concerns, especially about the negative impact of distilled spirits consumption, was reflected in higher taxes and greater controls on liquor than on beer or wine. For a good many years alcohol advertising was mainly limited to specific, product-based advertising. As television grew, the liquor industry voluntarily excluded itself from advertising in that media. It wasn't until the late 1970s, when Philip Morris purchased Miller Beer, that things began to change. When Philip Morris entered the beer market, it brought with it the advertising strategies that had helped it sell cigarettes. This marked the beginning of a shift towards "lifestyle" marketing that would eventually have a profound and revolutionary effect on the advertising of the alcohol industry as a whole.

Marketing plays a critical role in the globalization of patterns of alcohol use and reflects the revolution that is occurring in advertising in general. The same types of marketing images appear internationally.

BRANDING

In today's marketplace where consumers can choose among competing brands of the same product, brand and image promotion is preeminently important. Among U.S. brand names, only 25 percent of expenditures are used to purchase mass media ads (known as measured media) while 75 percent goes to promotional enterprises ("unmeasured" media) such as:

- sponsorships of professional and collegiate sports, concerts, community events and groups, educational and art institutes

"…the global brand owners in the beer and spirits categories have kept tight control over their products. Although they may not directly control production of their products, they are likely to dictate marketing approaches to promote a consistent product image worldwide. Sophisticated market research tools combined with the use of religious and cultural symbols, coupon and sweepstakes schemes, sexual innuendo and health and strength claims, have been used to encourage consumption of the companies' products.

The ability and willingness of the global producers to spend heavily to maintain product image create high barriers to entry for other firms, whether local or international . . . accelerating the trends towards concentration in ownership of the alcohol supply worldwide. The health danger of this concentration lies in the economic and political influence that may accrue to the leading companies. This may give them the potential to block or temper efforts to control alcohol consumption and problems at the same time that they rely on huge marketing budgets to encourage consumption of their products.

. . . Developing a policy infrastructure able to monitor and regulate alcohol markets is an important public health challenge."

World Health Organization. Global Status Report on Alcohol. Geneva: Substance Abuse Department, Social Change and Mental Health, World Health Organization, 1999: Pp 35-36.

- product tie-ins such as clothing and recreational paraphernalia, product placement in movies and TV
- special contests.[31]

These sponsorships and products provide direct ways for the alcohol industry to use a wide range of community institutions to promote their names, and products, and to create a positive, even emotional, relationship between the brand and consumers. Loyalty and personal brand connections contribute to ongoing purchases. This bonding creates a positive image of the producer as a friend so as to diminish positive responses to criticisms of that "friend" or to sellers of the product. This type of loyalty can often be seen on college campuses among students who not only have brand loyalty and possess a wide range of brand paraphernalia (posters, neon signs, mugs and glasses, towels, etc.) but who rarely see that their relationship to that brand is simply a commercial transaction – they pay and consume, someone else profits. Activities are designed to integrate the product into consumer and societal lifestyles – which then respond by viewing the industry's goals as their own. Ivan Menezes, Diageo's director of commercial global strategy, states explicitly the process by which a brand of alcohol is depicted as representing personal "values":

> "We've got to own the emotional heartland of the category and connect with the consumer in a way that goes beyond the rational aspects of the brand… The emotional high ground we believe Johnnie Walker [whisky] can hold surrounds the area of inspiring personal progress. That whole area carries a set of values that works extremely well across borders."[32]

RESOURCES DIRECTED AT KEY CONSUMER TARGETS

National data and scientific research indicate that the age of drinking initiation has declined (to age 11 or 12), binge drinking among adolescents has increased, and the long term effects on adolescent development and maturation can increase life long risks for alcoholism, injury and other alcohol-related problems. Thus, alcohol's role in the lives of young people is a major public health and alcohol control policy concern. Promotion strategies to position alcohol products as integral to particular lifestyles or cultural or ethnic experiences are seen in the various promotions employed to tie products to sports and popular music desired by the target – young people. Young populations, formerly seen as off-limits and not an appropriate target for advertising, have now become the focus of efforts to build brand recognition and lifetime consumption. The alcohol industry is not alone in this marketing revolution, but it is a vibrant, innovative part of it.

> "Alcohol advertising is designed to highlight the attractions of using alcohol, especially to enhance the enjoyment of social occasions, and to induce or persuade potential customers to feel favorably towards the promoted product. Even though these messages may not be intentionally targeted at youths under 21, messages aimed at "young adults" (e.g., ages 21- to 25-year olds) will inevitably reach older teens . . . many of those messages will also be attractive to children and teenagers (those under 16)."
>
> (National Research Council and Institute of Medicine *Reducing Underage Drinking: A Collective Responsibility*. Committee on Developing a Strategy to Reduce Underage Drinking, Richard J. Bonnie and Mary Ellen O'Connell, eds. Washington, DC: The National Academies Press. 2003; p135.)

SPORTS MARKETING

Sports marketing offers another highly effective means to reach young drinkers. Sporting events attract substantial young audiences, particularly young men, who studies show are the heaviest consumers of alcoholic beverages. Alcohol industry sponsorship of college sports has become a common feature of university life. Just look up at the scoreboard at many major college or professional sports events. College football, especially, is associated with heavy drinking, beer brand sponsorship of athletic department activities and televised broadcasts. In 2001, of the $811 million spent on television alcoholic beverage advertising, $491 million was spent on sports programs and had the largest youth ad viewing audience of any type of programming with alcohol advertising.[33] Alcohol industry sponsorship of major national and international sports competitions such as the Super Bowl, Olympics and World Cup assure brand familiarity throughout the world.

> "**Sports sponsorships connect with adult consumers** Budweiser's backing of the world's most popular sporting event, the World Cup, is a prime example of how Anheuser-Busch uses sports sponsorships to connect with adult consumers from a wide demographic background. Anheuser-Busch brands sponsor the Ladies Professional Golf Association, Major League Baseball, Major League Soccer, NASCAR, the National Basketball Association, the National Football League, the National Hockey League, the Professional Golfers' Association and the Women's National Basketball Association."
>
> "Budweiser and Bud Light broadened their appeal to contemporary adults by stepping up music sponsorships in 2002. . . . which includes "One Night Stand" concerts . . . in small venues where attendance is open only to those who get tickets through Budweiser."
>
> "Recognizing the potential to reach consumers in their homes, Anheuser-Busch was the first brewer to sponsor a national television show."
>
> *Source:Anheuser-Busch Annual Report 2002, p. 10*

YOUTH MARKETING

On both the big and small screens (TV and computer), alcohol is highly visible to young people. The Federal Trade Commission reported that eight of the largest alcohol companies had made product placements in "PG" and "PG-13"-rated movies with primarily young audiences, and on eight of the 15 television shows most popular with teenagers.[34] A 2002 Center for Science in the Public Interest (CSPI) survey found that more than 73 percent of teens ages 12 to 18 had seen alcohol beverage television advertisements after 9 p.m. on school nights, including 71 percent of youths ages 12 to 13.[35] A study of alcohol advertising in a sample of 35 magazines, 1997 to 2001, found that beer and distilled liquor ads appeared more frequently in magazines with higher adolescent readership and that this advertising was "increasing exponentially as adolescent readership increased."[36] Illustrating the fact that advertisers "may be aware of adolescent consumption demographics," the authors pointed out that wine advertising was associated with higher income adults and young adult readership. Ads for wine do not appear in magazines with youth readership – producers know who is and should be drinking their product and advertise accordingly. An analysis of 289,381 alcohol ad placements on television in 2002 found that youth 12-20 saw two beer and distilled spirits ads on television for every three seen by adults and nearly three ads for low alcohol refreshers for every four seen by the adults. The study concludes that the alcohol industry's voluntary guidelines for alcohol ad placements are inadequate and allow for alcohol ads to be placed on programs where there are twice as many youth as in the viewing population.[37]

During the past two decades the alcohol industry has invested heavily in production and promotion of drinks that will appeal to youth - "alcopops," pre-mixed cocktails and "energy drinks"- sweet, energy drinks, fruity drinks with a high alcohol content at an affordable price. The brand names of these drinks, which blur the distinction between alcohol and soft drinks, are far more likely to be recognized by teenagers than by adults.[38] Additional malt liquor drinks (that offer high alcohol content at low prices), "test tube" shots in dynamite-shaped packages, beverages that change the color of the drinker's tongue, products with labels like "hot sex" and other novelty beverages are all designed to encourage heavy drinking among young people by introducing "fun," affordable ways to consume alcohol. Many of these products are not noticed by adults who might object to their use by children. They provide a new access to the underage market without consideration for the health impacts on that market. Again, one impact is that alcohol products are placed within the existing lifestyles of young people.

MARKETING TO MINORITIES

While a major target for alcohol producers is youth, the alcohol industry also understands the importance of niche marketing - an approach crafted to appeal principally to only a segment or segments of the population. Minority populations are seen as more accessible and offer the alcohol industry an opportunity to exploit culture and community.

Traditional promotion and advertising campaigns include billboards, magazines, broadcast and in-store displays. The 1990s saw the industry sponsoring music festivals and neighborhood events. In addition, minority-based nonprofit organizations were pursued by alcohol companies as opportunities for corporate donations. Every year, nearly all the nation's major Latino groups receive thousands of dollars – sometimes millions – in alcohol industry donations.[39] These donations allowed the companies to associate themselves with good works and activities.

Alcohol industry advertisements often exploit important cultural symbols especially in Latino and African-American communities.[40] Commemorative celebrations such as Cinco de Mayo have become ripe opportunities for the alcohol industry to sell more product, promote the use of its product as an appropriate way to celebrate and to associate a particulate company as a champion for a particular cultural event. What was once a holiday representing Mexican Americans' fight for civil rights, Cinco de Mayo has hit a fiesta-fever pitch, recognized as a "drinking holiday" fueled by alcohol companies advertising.[41]

"It's just an excuse to drink – like St. Patrick's Day," said Faris Bushnaq, manger of Chevy's Fresh Mex Restaurant in Hollywood. "…This will be our biggest event of the year – something for the whole family"[42]

In five media markets in 2002—San Antonio, Los Angeles, Miami, Houston, and San Francisco—Hispanic youth were overexposed to English-language radio alcohol advertising even more than non-Hispanic youth. These five markets were also among seven markets that accounted for 85% of alcohol advertising spending on Spanish-language television.[43] The beer and ale industry was the seventh highest-spending industry on Spanish-language television in 2002, outspending the makers of cars, soft drinks, and motion pictures.[44]

The marketing of alcohol products in African-American communities has, on occasion, stirred national controversy and met with fierce resistance from African Americans and others. Charges of over-concentration of alcohol billboards in African-American neighborhoods have prompted protests and legislative fights in Chicago, Milwaukee, Baltimore, Los Angeles and elsewhere.[45]

Alcohol advertisers placed ads on 86 programs on BET (Black Entertainment Television) in 2002, but 65% of advertising spending and two-thirds of the ads were on just six programs. According to audience data obtained from BET, youth in general were more likely to see all six of these programs than adults, and four of the six drew disproportionate numbers of African-American youth relative to African-American adults.[46]

MARKETING HEALTH AND PERCEPTIONS

In recent years the wine industry, now joined by the beer and liquor industries, has been notable for its aggressive promotion of research indicating the limited health benefits, but not the extensive risks of alcohol consumption. These marketing tactics sell their products and support policy changes favorable to alcohol producers. This research has been used to:

- Argue for changes in wine labeling to reflect the health benefits
- Reduce taxes on these "health producing" products
- Support the concept that moderate, i.e. "healthy," drinking is beneficial and therefore policies which restrict the rights of moderate drinkers are unhealthy and misguided

Some scientists have become involved in industry-sponsored initiatives while the industry interprets and promotes the research which favors its cause. Industry sponsored commentators also attack independent researchers and policy makers who set research agendas.[47] These efforts reached one crescendo following the issuance of new U.S. Dietary Guidelines in 2000. Warning that even one drink per day can slightly increase the risk of breast cancer, the Guidelines noted that moderate consumption (defined as no more than one drink a day for women or two drinks a day for men) may reduce the risk of coronary heart disease in certain individuals. The guidelines indicate that these possible benefits do not apply to:

- Youth under 21
- Women who are or may become pregnant
- Individuals taking prescription or over-the-counter medications that can interact with alcohol
- Individuals of any age who cannot restrict their drinking to moderate levels
- Individuals who plan to drive, operate machinery, or take part in other activities that require attention, skill, or coordination

The Wine Institute has used research on the health benefits of wine and similar findings to promote increased alcohol consumption and availability. In a widely publicized proposal to the Bureau of Alcohol, Tobacco and Firearms in 1996, it offered a new container label referring wine drinkers to the Dietary Guidelines "to learn the health benefits of moderate alcohol consumption." However, the ATF refused to sanction the claim and the wording of the proposal was changed to health "effects".[48]

As additional research has confirmed the possible cardiovascular benefits of light drinking (no more than one or two drinks per day in most studies) for some populations, these studies have also shown those benefits are primarily for white males over 40 and women over 50 and excluded some specific populations as well as those identified by the Dietary guidelines. The alcohol industry, aided by simplistic media headlines indicating that daily drinking is good for you (i.e., everyone), has extensively exaggerated, simplified and promoted these findings to indicate that regular moderate drinking is healthy – a vast overstatement of benefits found to help only some of the total population. It should be noted that at this point, most of these studies have not been conducted prospectively (i.e., introduce alcohol to a population and follow them and the effects over time) which would present a far more accurate picture of effects. Nor do these studies look at total risks or potential harms for even the populations who might receive cardiovascular benefits from consumption but for whom consumption may pose risks to other body organs or other potential health risks.

The National Institute on Alcohol Abuse and Alcoholism (NIH, USDHHS) in its State of the Science Report on the Effects of Moderate Drinking concludes that …"moderate alcohol use" should not be construed as "healthy alcohol use". . . the relationship between moderate alcohol consumption and disease outcome is confounded and modified by numerous individual differences – age, gender, genetic susceptibility, metabolic rate, co-morbid conditions, lifestyle factors, and patterns of consumption, just to name a few. Protective and detrimental levels of alcohol consumption cannot be generalized across the population…The potential for moderate alcohol consumption to increase risk for one disease may be offset or outweighed by its potential to decrease risk for another disease, depending on the individual's family history, medical history, genetic makeup, and lifestyle. The current scientific knowledge on the risks and benefits related to various levels of alcohol consumption does not suggest a need to modify the existing guidelines on moderate alcohol use. Except for those individuals at particular risk (as are described in the current guidelines), consumption of two drinks a day for men and one for women is unlikely to increase health risks. As risks for some conditions and diseases do increase at higher levels of consumption, men should be cautioned to not exceed 4 drinks on any day and women to not exceed 3 on any day.

(www.niaaa.nih.gov/publications/ModerateDrinking-03.htm)

ALCOHOL INDUSTRY PREVENTION ACTIVITIES – THE ANTIDOTE TO DEMANDS FOR GREATER INDUSTRY ACCOUNTABILITY

Over the years, the alcohol industry has answered critics of its promotional tactics by launching big-budget public education campaigns ostensibly aimed at encouraging Americans to drink safely while promoting the assumption that people will "drink."

In fact, only half (50.1 percent) of Americans aged 12 or older reported being current drinkers – defined as having at least one drink during the past month. This includes binge drinkers and heavy users.[49] Although the rates are somewhat higher for ages 18 to 25 (61.4 percent) and those aged 26 or older (52.5 percent), the number of citizens who rarely drink, drink very little, or drink not at all is substantial but invisible in public discourse.

INDUSTRY PREVENTION GOALS

Alcohol industry "prevention" and education programs reflect industry marketing and policy goals:

- Normalize drinking within the social context to exaggerate actual levels of consumption and to make drinking the norm
- Minimize the responsibility of alcohol producers and retailers for the various adverse consequences of drinking in society
- Improve the public image of the producers (as good corporate citizens doing all they can to ensure that their product is used responsibly)
- Emphasize individual voluntary (rather than legislative) solutions to alcohol-related problems (thereby enabling the industry, as much as possible, to operate without control or accountability)

- Imprecisely define those problems only in terms of individual responsibility or irresponsibility (thus not setting limits to how much drinking is responsible – i.e., no limits to sales and consumption while diverting attention and anger away from the product and its producers)
- Exclude corporate roles and accountability (thus, the focus of any legislation passed will be to punish individual transgressors, not the business structure that assisted them in their behaviors, nor to focus on the product that is common to all alcohol-related problems – alcohol, itself)
- Supplant policy and regulatory enforcement strategies with solely education, information and consumer oriented strategies that are easy to do, ineffective and mislead participants to thinking that's all there is so nothing else can be done. When these fail to work, a common community response is "we tried everything, nothing works, nothing changes." The energy of concerned citizens gets used up with little energy left for the more difficult and contentious strategy of changing policies and how alcohol is sold and marketed.

Industry prevention initiatives are often crafted in direct response to alcohol policy campaigns that threaten its marketing interests. They have fought the environmental approach (legal mandates and control, restrictions of promotion and advertising, increased taxation and enforcement) to alcohol-related problems favored by most health and safety policy advocates.

IMPAIRED DRIVING

The industry has actively highlighted the problem of impaired driving (focusing on the individual) and has actively participated with a wide array of groups seeking to prevent it. This effort has been genuine, extensive and biased in its favor. Thus, it has also blocked effective measures (e.g., reduced number of outlets and hours of sale; server liability) that might also reduce over all consumption or which look to place responsibilities on anyone other than the individual driver. The industry's recognition that drinking and driving is a major concern and hazard for all is not a recognition that the product involved is a problem (only how it is used) nor that the causes of the problem can be multiple. It has supported effective laws to reduce underage drinking and driving, to punish drinking drivers and to wage public media campaigns against drinking and driving. Simultaneously, most of the industry has actively resisted or tried to discredit policies to lower the legal permissible alcohol level or that point to server, seller and advertiser contributions to the problem. These efforts have been part of the nation's success in reducing drink/drive fatalities and simultaneously limiting national options for doing so.

This effort has helped draw attention away from the alcohol industry's role in blocking other effective policies and has given the appearance of extensive collaboration which exists only in so far as it supports their over all mission of normalizing drinking and maintaining widespread availability. Through participation in

The National Association of Attorneys General at their March 22-24, 2000, meeting passed a resolution that commended The Robert Wood Johnson Foundation for its funding of an alcohol policy advocacy program (Reducing Underage Drinking through Coalitions), and called upon the Federal Trade Commission to review its 1999 report on alcohol advertising to minors which concluded that the industry was taking steps to prevent underage drinking. Shortly thereafter, Anheuser-Busch invited the Attorneys General to send a letter to the parents in their states at the company's expense and accompanied by company parents' oriented materials and containing company logos. The now former attorney general of Texas mailed such a package.

anti-impaired driving collaborations, it adds its support to policies it favors, while blocking directions other collaborators might want to take but which the industry opposes. Because of this opposition, a consensus cannot be reached and advocates often wind up only working on industry approved steps. Some independent organizations such as Mothers Against Drunk Driving (MADD) set their own directions regardless, but many transportation groups receive federal funding which requires that all players – including the alcohol industry – be allowed to participate.

EDUCATION FOR INDUSTRY GOALS

The industry produces attractive, expensive "education" materials it widely disseminates free to a public starved for good quality, inexpensive materials. The industry uses drink-in-moderation messages simultaneously for public education, public relations and policy purposes. The messages are disseminated by numerous industry representatives (e.g., DISCUS, the Beer Institute), industry-created social concerns organizations (e.g., ICAP, The Century Council), and industry-funded organizations that promote strategies and messages the industry supports as some social norms campaigns which may argue against policy changes (e.g., in 2000, Anheuser-Busch provided a $105,000 to open a social norms research center at Northern Illinois University and then contributed nearly $400,000 to social norms marketing programs on seven university campuses[50]).

The policy implications of industry messages are consistent: Environmental and legislative strategies are not the answer ("we have too many"; "they don't work"; "they punish the vast majority"), and the responsibility for "safe" drinking lies solely with the individual drinker (or, in the case of underage drinking, with the individual's parent as well) and education of the drinker.[51] Policies which penalize individual consumers for transgressions are supported; those that hold or restrict sellers, advertisers or producers are strenuously opposed. The industry is quick to claim credit for any statistical reductions in alcohol-related harm, and equally quick to oppose measures most scientific studies indicate result in those reductions (minimum-age drinking laws, not allowing minors' entry to bars, BAC level reductions, drunk-driving laws, tax increases, etc.). It takes out ads to congratulate parents for working with them to reduce underage drinking but then also blames parents for any remaining underage drinking that continues - while admitting no industry responsibility for such problems. Also absent are discussions or portrayals of problems related to alcohol use – alcohol abuse, alcoholism, overdose, hangover, domestic violence, etc. In effect, the industry blames its customers for problems while excusing its own or its product's liability.

Vague, catchy slogans such as "think before you drink" and "know when to say when" promote the assumption that drinkers, if properly warned, can best decide for themselves or even know how much is "too much." These decisions are encouraged among drinkers who, the messages fail to say, have been drinking and thus not able to think clearly. In fact, research on self-assessment indicates that drinkers cannot accurately assess their levels of blood alcohol and impairment.[52] While ostensibly encouraging moderation, industry-sponsored messages carefully avoid any exact definition of moderate drinking, which has been defined by the U. S. Department of Agriculture as no more than two drinks a day for men and no more than one drink a day for women.[53] As only 25 percent of alcohol consumption occurs at or below these levels,[54] the industry's incentive with regard to the promotion of moderate drinking is not difficult to ascertain. Anheuser-Busch's $40 million "Responsible Drinking" campaign, launched in 1999,[55] focused on re-enforcing the responsibility of retailers, designated drivers and parents. But notably absent from the many television, radio and print ads was any mention of exactly when to say "when," i.e., when to stop buying and drinking. Independent, scientific verification that these programs work is rarely found in the research literature.[56] In fact, they have been little studied and the industry has not produced any evidence that they do work – except that participants like them and use them and that the industry widely distributes them.

Each industry segment produces merchant and server education materials and programs to prevent over-service, service and sales to minors, and to prevent problems related to alcohol in drinking establishments. These have had some positive impacts and improved the industry's public image. But research has also indicated that without legal mandates and enforcement, these voluntary policies have very limited impact.[57] However, mandated server training, sales to youth compliance checks, management of legal accountability for employee behaviors, and strictly enforced licensing laws are vigorously opposed by the industry.

COUNTER-PREVENTION

To fend off accusations or deter reform initiatives, industry prevention groups rely on misleading and emotionally charged responses. Activists spotlighting the industry's or product's role in facilitating alcohol-related problems, or lawmakers attempting to target alcohol companies with tax increases or other regulatory initiatives are quickly labeled "neo-prohibitionists" or interfering "nannies." These terms evoke an image of extremism and intolerance which has proven effective messaging to state and federal legislators and in opinion polls. Other common industry arguments against controls on alcohol are:

- Price increases or tax hikes target the poor and working class (hence, restricting their ability to purchase a more expensive product);
- Price has no impact on consumption
- Alcoholics and those who abuse alcohol are going to drink "no matter what"
- Restrictions on the industry will result in loss of jobs and unemployment
- Only a small percentage of people drink irresponsibly and therefore alcohol problems are grossly exaggerated
- The industry is already heavily regulated and taxed and, besides, can monitor itself
- Controls mean total prohibition – the denial of the right to drink and feel good.

Industry educational materials are often a direct response to prevention efforts or lobbying that could potentially threaten their marketing practices. Its various anti-drunk driving educational campaigns are a counter to the efforts of Mothers Against Drunk Driving and other organizations to enact various alcohol policy measures to address the issue. When law enforcement began focusing on illegal alcohol sales to minors, the Century Council, a distilled spirits-funded organization, developed the "Cops in Shops" program to shift the responsibility from the retailer to the underage buyer.[58] The industry has supported penalties for underage possession and consumption of alcohol but opposes compliance checks that focus on apprehension of adult sellers and the reduction of sales to minors.

Industry-sponsored college campus programs emerged after several alcohol-related school tragedies led to a reexamination of collegiate environments and efforts to remove alcohol promotions and sales from college campuses. The Century Council, for example, created a publication (Promising Practices: Campus Alcohol Strategies, 1996) it sent free to every university president and their boards of trustees highlighting "programs of excellence for America's Colleges and Universities." As is often the case with industry "prevention" materials, there was no evaluation of whether these programs were effective. Discussion of law enforcement centered on punishment of student drinking violations, and there was little indication that there was a wide range of possibilities regarding community alcohol policy research, alcohol policies and university collaboration with their communities on these policies. In fact, a number of the campus programs cited also included extensive policy components that failed to make it into the book. None of the scientific policy research which was easily identified a few years later for the National Institute on Alcohol Abuse and Alcoholism, seemed to have been noticed. According to Peter Cressy, the CEO of Distilled Spirits Council of the United States (DISCUS), whose members fund the Century Council (for which Cressy often appears at major press events), “DISCUS is working to ensure cultural acceptance of alcohol beverages by “normalizing” them in the minds of consumers as a healthy part of a normal lifestyle.”[59]

Prevention materials and ads, with company and brand names prominently placed, have an added effect of boosting brand and corporate name recognition, particularly among young people, at whom many of the ads are targeted. One evaluation even found that the beer industry’s moderation messages were confusing and often perceived as encouraging alcohol use.[60] At any rate, compared to their product advertising, the level of industry contributions to “responsibility advertising” (i.e., to warn against drinking and driving, encourage use of designated drivers, advise consumers to drink responsibly, inform that the legal drinking age is 21) is miniscule. A 2003 report from the Georgetown University Center on Alcohol Marketing and Youth[61] found that in 2001 the alcohol industry placed 208,909 commercials promoting alcoholic beverages at a cost of $811,166,404 (95.7 percent of the total) compared to its 2,379 responsibility ads at a cost of $23,217,943 (2.7 percent of total). Compared to the responsibility ads, the product ads had over 45 times more TV audience (ages 12+) exposure and were seen more by adults than youth (including drinking age ads). Industry-wide, Anheuser-Busch and Coors accounted for 95 percent of the reported responsibility advertising. This report did not include ads paid for by industry associations or industry funded organizations nor alcohol education expenditures outside of television advertising.

Industry sponsorship and contributions to prevention and social causes also help to increase influence among recipients – some of whom may also come to depend on those funds for particular activities.[62] Recipients of such funds are more likely to have a positive image of the donor and are less likely to criticize them or support measures those donors oppose – for fear of having funds cut off. Of course, donations do not usually go to groups that might criticize industry behaviors or highlight the negative impacts of alcohol on society (including treatment programs). But one can also see a more pervasive impact when one looks at some community funding groups who abstain from funding advocacy programs that might target major funding sources (e.g., alcohol and tobacco companies). Funding recipients may very well receive a warning to discontinue their critiques if they want their funding to continue. In addition to attempt to control an organization that funds, the industry uses the organization it supports to buy credibility. It co-opts the good name of these community/civic groups and connects their good work with the name of the alcohol industry funder. For a further discussion of the impacts of alcohol industry funding on recipients, see Partner or Foe?: The Alcohol Industry, Youth Alcohol Problems, and Alcohol Policy Solutions at www.AlcoholPolicyMD.com.

Another example of the alcohol industry’s questionable commitment to safe drinking is the case of warning labels. In 1988 Congress passed the Alcohol Beverage Labeling Act, requiring alcohol companies to inform the public and alcohol consumers of serious risks related to alcohol consumption. But in a national survey, nearly three out of four drinkers agreed with the statement that warning messages "sometimes appear in the least prominent place on containers, making them difficult to notice and read." Among drinkers, only 34 percent said they generally noticed the warning label.[63] There has been no industry demand that the labels contain the U.S. Dietary Guideline recommendations limiting consumption to no more than one or two drinks per day. As with other commercial warning labels, these also have the potential of reducing the liability of alcohol producers who can claim that consumers were forewarned.

POLICY

The alcohol industry has ample political muscle and can be a formidable foe. In the late 1980s and early 1990s, the Center for Substance Abuse Prevention (CSAP), a federal agency within the Department of Health and Human Services, was a strong proponent of environmental-based strategies for dealing with alcohol-related problems. It funded numerous community action programs that included such strategies.[64] However, aggressive attacks by the alcohol

"SHOULD FEDERAL PROGRAMS LINK THE USE OF ILLEGAL DRUGS WITH THE CONSUMPTION OF BEER?"

National Beer Wholesalers Association Position:

" It is misrepresentative to state that beer is a drug. Beer is deemed legal for persons over 21, consumed safely and responsibly by 85 million Americans, has food value and is the beverage of choice for many adults. Increasingly medical evidence shows the moderate consumption of beer to be beneficial to health, and the American Cancer Society reports that moderate drinkers have a 30-40 percent lower risk of dying of cardiovascular disease. Attempts to link beer with illegal drugs weaken the greatly needed credibility of legitimate and properly targeted programs established to treat alcohol abuse and illegal drug use."

Source: NBWA

Web Site: www.nba.org/policy/link_beer.html; visited 02/20/2003

The American Cancer Society actually emphasizes the connection between breast cancer risk and moderate alcohol use: "Alcohol Increases Hormone Levels, Raising Breast Cancer Risk" – "Drinking a daily glass of wine may ward off heart problems, but the opposite may be true when it comes to breast cancer. Even small amounts of alcohol may increase hormone levels circulating in the blood that could raise breast cancer risk…" and "Alcohol Intake Tied to Breast Cancer Risk Even Moderate Drinking Affects Chances" – Despite earlier reports, more recent studies leave little doubt that alcohol intake increases breast cancer risk."

The cancer society goes on to associate alcohol consumption with other cancers. According to The Complete Guide – Nutrition and Physical Activity, "If you drink alcoholic beverages, limit consumption. People who drink alcohol should limit their intake to no more than 2 drinks per day for men and 1 drink a day for women . . . Alcohol is an established cause of cancers of the:

- Mouth
- Pharynx (throat)
- Larynx (voice box)
- Esophagus
- Liver
- Breast

Alcohol may also increase the risk of colon cancer."

Source: www.cancer.org

industry effectively dismantled this portion of CSAP's programs. Reflecting industry pressures to not have alcohol labeled as a drug, the agency's terminology changed from "alcohol and other drugs" to "substance abuse" (which minimized attention to alcohol) and "alcohol and drug abuse" (which implies that alcohol is not a drug). The industry has successfully derailed advertising and tax reform, and has thwarted many local city or county-based initiatives by lobbying on behalf of weaker, less likely to be enforced statewide ordinances.[65]

Increasing excise taxes can be an effective means to reduce underage drinking. This is especially true for beer, the most popular alcoholic beverage consumed by youth.[66] Although in general the industry actively opposes increases in taxes upon its products and services, one sector might not complain when another sector is threatened with an increase in tax rates. It is more likely, however, that the sectors most heavily taxed (wine and distilled spirits) want rates equalized to the lowest common denominator (i.e., beer). Occasionally one might see active support for a tax increase if the tax will be used to benefit that sector (e.g., to assist product research or promotion).[67]

INFLUENCING LEGISLATORS

Like most industries, "the alcohol industry pays careful attention to legislative processes and commits considerable resources to making its concerns known to elected and appointed officials in all levels of government. Trade groups such as the Distilled Spirits Council of the United States, the National Beer Wholesalers Association, and the Wine and Spirits Wholesalers of America represent alcohol industry interests to the media, the public and especially the government.

Through its political action committees (PACs), the alcohol industry gave $2.3 million to Federal candidates during the 1997-1998 campaign cycle."[68]

"If our products are culturally accepted and our legislators and regulators recognize that this is part of a normal, healthy lifestyle, we think we can create an environment where we are not demonized, where we're not subject to stings every other week, where we are recognized as a responsible part of the community." Peter Cressy, CEO, DISCUS[69]

The industry has contributed $27.3 million to national parties and federal candidates since 1991, including $13.6 million in soft money between 1995 and 2001. In the 2000 election year alone, over $7.9 million was donated by alcohol interests and affiliates to various state and local candidates. These donations are firmly bipartisan and effective at promoting the industry's legislative agenda.[70] Thirty out of 34 Senators elected in 1998 - including 15 Republicans and 15 Democrats - accepted contributions from alcohol PACs, totaling more than $400,000.[71,72] The alcohol industry like other lobbying groups also recruits from among former federal and state elected and administrative officials. For example, former New York Congresswoman Susan Molinari is the Chairman of The Century Council (the liquor industry-funded group that deals with drunk driving and underage drinking). Ron Sarasin, another Congressman, went on to serve as President of the National Beer Wholesalers Association. Former U.S. Federal Trade Commissioner Roscoe B. Starek, III was their Senior Vice President of Government Affairs. John De Luca, former head of the Wine Institute, previously headed the government's NIAAA.

In 2000, Congress finally passed legislation that would require states to lower the minimum blood alcohol level allowed for operating a motor vehicle to .08, but pressure from the alcohol industry was instrumental in blocking the legislation for years, despite overwhelming support from health, medical, insurance, and consumer groups, as well as public opinion polls. In 1999 the alcohol industry successfully blocked legislation in Congress to earmark a portion of the $195 million set aside for anti-drug advertisements for ads to prevent underage drinking. "I guess this was a real experience in how powerful outside interests can be, regardless of the merits of the case," concluded Rep. Lucille Roy-bal-Allard, who sponsored the legislation in the House.[73]

The industry also has a number of allies that often collaborate with it at the state and local level. Most of these are groups that typically also profit from the sale of alcohol (depending on what state laws allow): convenience stores, restaurants and taverns, grocers, gas stations, pharmacies, tourism groups, hotels, billboard and advertising groups. Other groups who may have shared interests are business associations (especially regarding taxes), the tobacco industry and groups that sell their products to the alcohol industry. The particular configuration may vary by state and municipality but the industry rarely has to act without allies.

POWERFUL, YET NOT INVINCIBLE

At the local level, when not preempted from doing so by state laws, one commonly sees ongoing, often successful efforts to curb practices that lead to the violence, injury and property damage related to alcohol use. Communities are far more prone to restrict alcohol advertising (e.g., near schools and churches, on billboards), to uphold health and safety codes, and to generally express concerns about the problems alcohol may pose.[74] While alcohol industry interests are present in every community, municipalities supported by local citizen action groups have a track record of passing more stringent policies than are typically passed at the state level.[75]

However, state legislatures are also the scenes of serious successful efforts to control the harm that alcohol may cause. In 1994, the California State Legislature passed the "Three Strikes and You're Out" law which permits alcohol license revocation if a vendor is caught selling alcohol to minors three times in a three-year period.

BEER, WINE & LIQUOR DONATIONS FOR THE 2001-2002 ELECTION CYCLE

(These figures do not include additional contributions for local and state elections.)

TOTAL INDUSTRY DONATIONS TO BOTH PARTIES COMBINED: $5,465,718

To Democrats (Total for all 30 donors listed - $2,517,812.)		To Republicans (Total for all 59 donors listed - $2,947,906)	
10 Largest Donors	Total	10 Largest Donors	Total
Anheuser-Busch Co Inc	$726,914	Anheuser-Busch Co Inc	$1,040,902
Stryker, Pat	710,000	National Beer Wholesalers Assn	260,166
E&J Gallo Winery	205,000	Distilled Spirits Council of the US Inc	209,166
Diageo PLC	116,375	Diageo PLC	188,802
Distilled Spirits Council of the US Inc	103,800	Brown-Forman Corp	148,586
Philip Morris Cos Inc	93,000	Phillips Products Co	125,000
Brown-Forman Corp	80,000	Coors Brewing	122,932
National Beer Wholesalers Assn	69,090	Allied Domecq Spirits & Wine USA Inc	119,118
Southern Wine & Spirits	68,352	Wine & Spirits Wholesalers of America	118,480
Bacardi Martini USA Inc	60,000	Silver Eagle Distributors Inc	112,350
Vivendi Universal	60,000		

Source: www.commoncause.org; "Soft Money Laundromat – Soft money donors matching the industry of "Beer, Wine & Liquor" for the 2001-2002 election cycle."

The law also gave community members concerned with underage sales to minors the mechanism to shut down retailers that would not comply with the law. In addition, that same year, the California Supreme Court ruled that minors could be used as decoys to conduct compliance checks on licensees. In 1998, a California state senator from San Diego introduced Senate Bill 1696, which essentially allowed a fourth violation in a three-year period and restricted the Alcohol Beverage Service Department's grant funding for decoy programs. Multiple food and beverage retail associations, big breweries such as Anheuser-Busch and Miller, as well as the Wine Institute, supported the bill. But after health and safety groups opposing the bill successfully used media advocacy to target the industry and the bill's sponsor, the bill was amended by removing the fourth strike provision and keeping the grant funding for the minor decoy programs.[76]

Although tax increases have been shown to be the single most effective means of lowering the rates of alcohol-related problems - among young people in particular - attempts to increase alcohol taxes have been far less successful than similar efforts to raise taxes on tobacco products. In 1991, for example, the alcohol industry spent an estimated $30 million to defeat the relatively benign "nickel a drink" tax in California, and the industry's diligence has resulted in the derailment of similar measures in other states.[77] The relatively static rate of alcohol taxes has also meant that alcohol prices have increased far less than those of other consumer goods. It is not uncommon for beer to be available at corner stores for less than the price of milk or water. However, when governments find themselves with shrinking revenue bases, the appeal of increasing alcohol excise taxes greatly increases.

Victories can be won when a broad coalition of grassroots community people speak up. In 2002, the State of Alaska equalized the taxes on alcohol products to 10 cents on each, and Puerto Rico raised the alcohol tax on beer, wine and spirits by 30 percent. In 2001-2002 local and state victories were achieved through campus-community activist coalitions seeking to enact policies to reduce high risk and binge drinking by college students. See A Matter of Degree Advocacy Initiative at www.AlcoholPolicyMD.com.

Currently, the beer industry, led by the National Beer Wholesalers Association, is urging Congress to lower the federal excise tax on beer, and more than 200 U.S. lawmakers, many of whom receive political contributions from the alcoholic-beverage industry, have indicated their support for the tax cut proposals.[78] Campaigning by the beer industry focuses on the harm done to working-class Americans by the "unfair" and "regressive" beer tax,[79] although a national public opinion poll released by Center for Science in the Public Interest showed that by a 2 to 1 margin, Americans oppose rolling back the federal excise tax on beer.[80] Anheuser-Busch has even devoted an entire website to the cause: www.rollbackthebeertax.org.

CONCLUSION

The alcohol industry is a complex, international industry with great economic and political power and impacts at all levels of society and around the globe. It is powerful but not invincible and not always united. It seeks to keep everyone's focus on what may be desirable and pleasant about the product. But it also knows it has a major source of weakness: alcohol itself and the dangers, risks and great harm to life, health and community well-being that it engenders. Although industry segments may conflict over particular issues and fight for market share, as a whole it seeks to maximize its profits and create a policy and legislative environment favorable to its operations with as few controls as possible. As a whole the industry seeks to build, maintain and expand product and brand loyalty and sales, and to obscure its role as anything other than a good corporate citizen. While marketing and promotion promote consumption and sales through an image of alcohol's connections with all the good things in life (and none of the bad), the goal of the industry is to act to increase profits and sales, to maintain and enlarge its consumer base, and to create an environment (political, economic, cultural) conducive to reaching these goals. It is not interested in reducing its scale, consumption of its product or its abilities to operate as it sees fit. Anyone concerned about the harms related to alcohol consumption needs to keep this in mind.

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