

## The alcohol industry



**Overview** – What is the alcohol industry? · How big is it? · What is its economic contribution? · Who are the major participants? · The economics of alcohol production · Consolidation of the alcohol industry · Alcohol industry commercial strategies

**Social and political activities** – Constituency building · Policy substitution · Information and messaging · Financial incentives · Trade and litigation



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# Overview



This factsheet provides an overview of the alcohol industry:

- Defines the different elements of the industry – raw materials suppliers, distributors and wholesalers, vendors and suppliers/contractors – but most significantly alcohol producers
- Estimates the size of the alcohol industry and its role in the economy
- Identifies the leading alcohol companies in the UK and globally and maps out how the industry has consolidated in recent years
- Describes business models and identifies key commercial strategies of alcohol companies





# What is the alcohol industry?

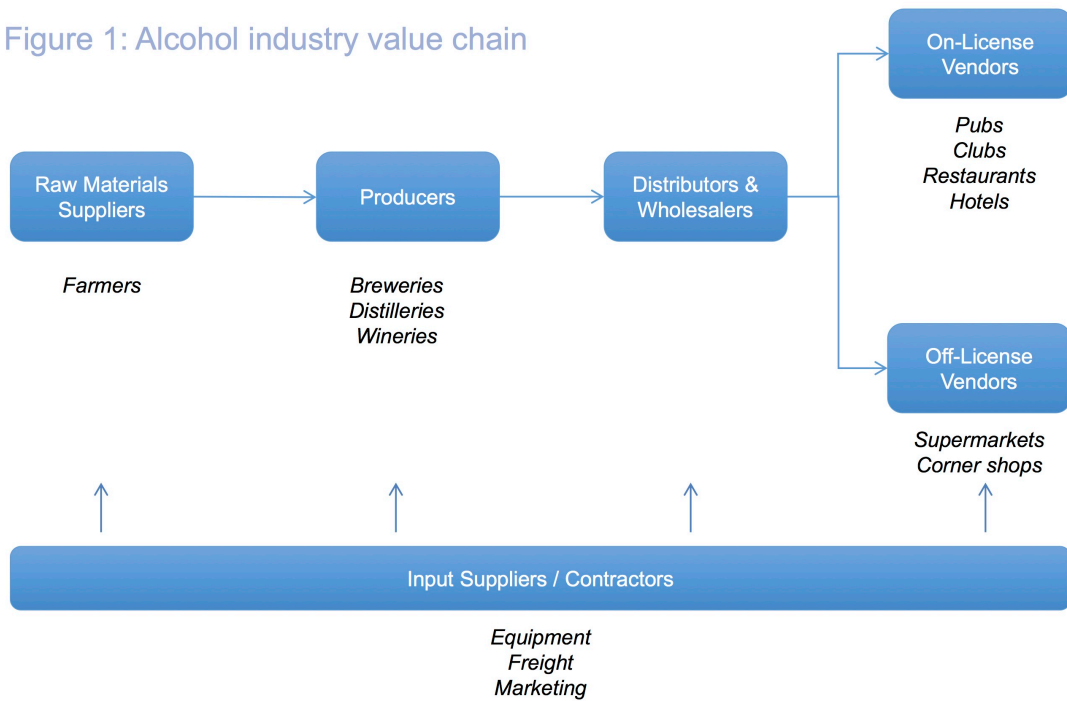
The alcohol industry can be defined in different ways, with no agreed settled definition. The term is most commonly used to refer to corporations engaged in the production of alcoholic beverages. However, broader definitions also exist. The World Health Organization, for example, refers to “developers, producers, distributors, marketers and sellers of alcoholic beverages”.<sup>1</sup> Alcohol researchers have observed that:

The alcoholic beverage industry includes producers, wholesalers and distributors, point-of-sale operators (whether licensed or not) and hospitality providers such as hotels or cafés that serve alcohol. Its production and distribution arms are allied closely with agriculture, trucking, capital goods manufacturing and packaging industries.<sup>2</sup>

In the broadest terms, the alcohol industry consists of all the companies that participate in the alcohol value chain, and so contribute to bringing alcohol to consumers. These companies fall into five categories:

- **Raw materials suppliers:** Primarily farmers, who grow ingredients such as barley, hops, apples, grapes and sugar
- **Producers:** Companies that manufacture alcohol, managing processes such as brewing, distillation, and bottling
- **Distributors & Wholesalers:** Intermediaries who connect producers and vendors, typically storing and transporting the product
- **Vendors:** Sellers of alcohol – both **on-licence** (where drinks are bought and consumed on the premises e.g. pubs, club and restaurants) and **off-licence** (where the drinks are bought and then taken away to be consumed e.g. supermarkets)
- **Input Suppliers/Contractors:** Companies that supply products and services to any of the above e.g. providing farm machinery, distillation equipment, freight services, marketing, consultancy, lobbying etc.

Figure 1: Alcohol industry value chain



<sup>1</sup> World Health Organization (2010), Global Strategy to reduce the harmful use of alcohol: [http://www.who.int/substance\\_abuse/alcstratenglishfinal.pdf?ua=1](http://www.who.int/substance_abuse/alcstratenglishfinal.pdf?ua=1)

<sup>2</sup> Jernigan, D. H. (2009), The global alcohol industry: an overview, *Addiction* 104 (Suppl. 1), p. 6

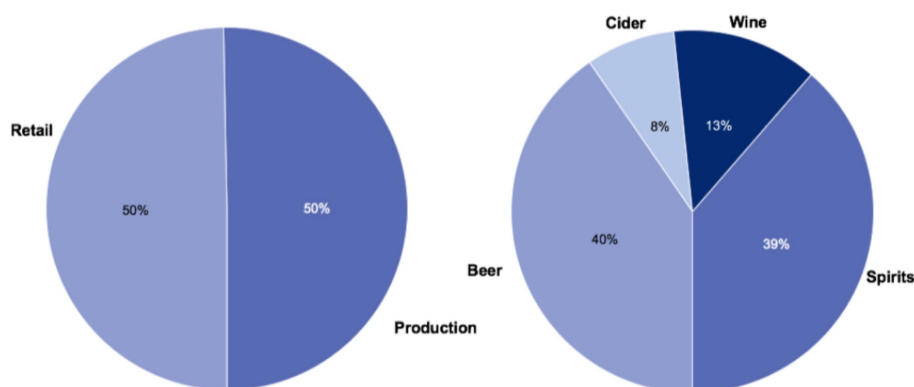


# How big is the alcohol industry?

## UK market size and growth

The Institute of Alcohol Studies has estimated that the production and sale of alcohol was worth £46 billion to the UK economy in 2014, accounting for 2.5% of Gross Domestic Product and 3.7% of all consumer spending.<sup>1</sup> Figure 2 shows that this is split evenly between retailers and producers. It also shows that the vast majority of the economic value of alcohol production in the UK comes from two different activities: brewing beer for the domestic market (largely to be sold in the on-trade) and distilling spirits for export (predominantly Scotch whisky).

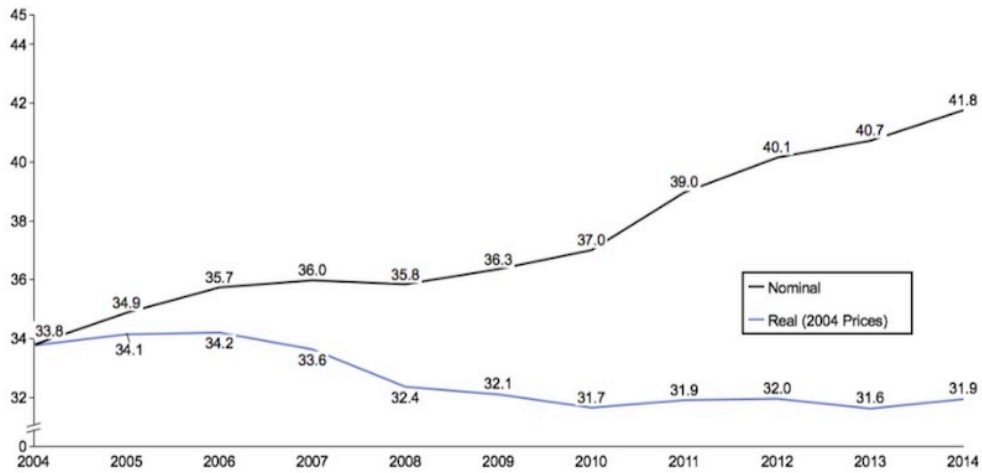
Figure 2: Share of non-tax UK alcohol industry value, 2014



Source: MESAS Alcohol Retail Sales Dataset, ONS Annual Business Survey, HMRC uktradeinfo, IAS analyses; Bhattacharya, A. (2017), *Splitting the bill: Alcohol's impact on the economy*. London: Institute of Alcohol Studies, p. 10

The domestic UK alcohol market has been stagnant for a number of years. Adjusting for inflation, spending declined by 5% between 2004 and 2014.<sup>2</sup>

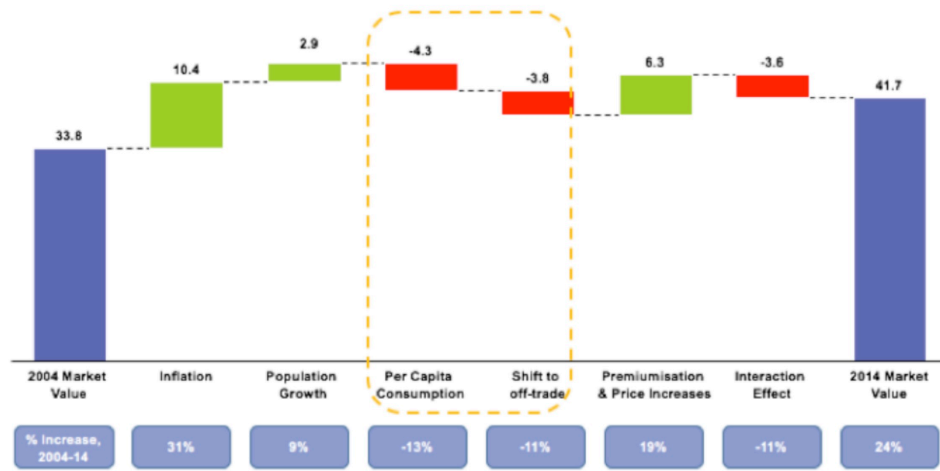
Figure 3: UK alcohol spending (£billion)



Source: MESAS Alcohol Retail Sales Dataset, ONS Consumer price Inflation, IAS analyses; Bhattacharya, A. (2017), *Splitting the bill: Alcohol's impact on the economy*. London: Institute of Alcohol Studies, p. 11

Figure 4 shows how different trends have contributed to this decline, based on IAS analysis. It shows that inflation and population growth should have boosted the market by £13 billion in that period, but in actual fact, the market grew by only £8 billion: a real-terms (i.e. inflation-adjusted) decline. This is because of lower per capita consumption and the shift to the off-trade, which each contributed £4 billion to the decline. However, the industry has succeeded in mitigating these trends by increasing the price paid per litre of alcohol above the rate of inflation – both through ‘premiumisation’ (encouraging consumers to trade-up to more expensive drinks) and like-for-like price increases.

Figure 4: Drivers of domestic UK alcohol revenue, 2004–14



Source: MESAS Alcohol Retail Sales Dataset, ONS Consumer price Inflation, IAS analyses; Bhattacharya, A. (2017), *Splitting the bill: Alcohol's impact on the economy*. London: Institute of Alcohol Studies, p. 12

<sup>1</sup> Bhattacharya, A. (2017), *Splitting the bill: Alcohol's impact on the economy*. London: Institute of Alcohol Studies, p. 9

<sup>2</sup> Bhattacharya (2017), op. cit., p. 11

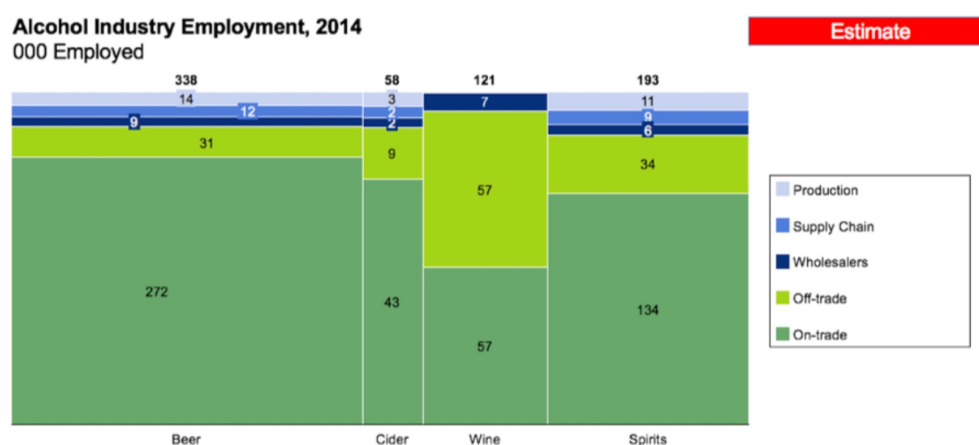


# What is the economic contribution of the alcohol industry?

IAS has estimated that the alcohol industry is responsible for 770,000 UK jobs, around 2.5% of all employment in the country.<sup>1</sup> This is lower than Oxford Economics's estimate of 898,000 jobs in the beer and pub sector,<sup>2</sup> and the Wine & Spirit Trade Association's estimate of 588,000 jobs attributable to the wine and spirits industry.<sup>3</sup>

Figure 5 attempts to show how these jobs are distributed. It shows that relatively few people are involved in the direct production of alcohol – fewer than 30,000 in total, mostly in brewers and distilleries. By contrast, the vast majority of alcohol industry jobs (80%) are in retail, and more specifically the on-trade.

Figure 5: UK alcohol industry employment, 2014



Source: MESAS Alcohol Retail Sales Dataset, ONS Business Register and Employment Survey, ONS Annual Business Survey, BBPA Statistical Handbook 2015; Bhattacharya, A. (2017), *Splitting the bill: Alcohol's impact on the economy*. London: Institute of Alcohol Studies, p. 14

However, jobs in pubs, clubs and bars are often part time – only 35% of pub jobs are full time.<sup>4</sup> These jobs are also among the lowest paid in the British economy, with a median hourly wage in 2015 of £6.82. By contrast, alcohol production is relatively well remunerated. Median pay in breweries is £18.02 an hour, well above the national average, and even the average for manufacturing – £12.88.<sup>5</sup> Distilleries pay only slightly less on average, £16.31.

It is important to note, however, that any reduction in spending on alcohol would at least partly be offset by increased spending on other products. Consequently, lower alcohol consumption would not necessarily be bad for the economy. Indeed, an analysis of the economic performance of US states between 1971 and 2007 found that a 10% increase in per capita beer consumption is associated with a statistically significant 0.41 percentage point drop in annual income growth.<sup>6</sup> This is most likely because lower levels of drinking

lead to lower unemployment, sickness and premature death. Similarly, researchers at the University of Illinois and Johns Hopkins University have modelled the economic effect of taxing alcohol and reinvesting the revenue in higher public spending, finding that a 25¢ per drink tax would generate 95,000 jobs in California, 35,000 in Texas and 29,000 in New York.<sup>7</sup> See the Institute of Alcohol Studies report [\*Splitting the bill\*](#) for further discussion of this issue.

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<sup>1</sup> Bhattacharya (2017), op. cit., p. 14

<sup>2</sup> Oxford Economics (2016), *Local Impact of the UK Beer and Pub Sector: A Report for the British Beer and Pub Association*. Lisburn: Oxford Economics <<http://bit.ly/2DgQGV4>>

<sup>3</sup> WSTA (2016), *WSTA Market Overview 2016*. London: WSTA

<sup>4</sup> Bhattacharya (2017), op. cit., p. 15

<sup>5</sup> Ibid

<sup>6</sup> Cesur, R. & Kelly, I. R. (2014), Who pays the bar tab? Beer consumption and economic growth in the United States, *Economic Inquiry* 52:1, pp. 477–94

<sup>7</sup> Johns Hopkins Bloomberg School of Public Health Center on Alcohol Marketing and Youth, Consumer Costs and Job Impacts from State Alcohol Tax Increases. Available from: <<http://www.camy.org/research-to-practice/price/alcohol-tax-tool/index.html>> [Accessed 13 October 2016]



# Who are the major participants in the alcohol industry?

## Raw materials

Raw materials for the alcohol industry are supplied by a large and fragmented set of farmers, specialising in different crops, such as barley or grapes. Occasionally these crops will pass through third parties before reaching producers – for instance, specialist companies responsible for processes such as ‘malting’, a necessary pre-condition for producing whisky from barley.

## Producers

Alcohol producers are often taken to be synonymous with the entire alcohol industry, as they generate most of the industry value, and are the only element of the value chain that typically focuses exclusively on alcohol. The largest global alcohol producers are listed below.\*

Figure 6: Leading global alcohol producers

| Company                | Category            | Headquarters           | 2016 global revenue      | Major brands   |
|------------------------|---------------------|------------------------|--------------------------|--|
| <b>AB InBev</b>        | Beer                | Leuven, Belgium        | <a href="#">c. £46bn</a> | Budweiser, Stella Artois, Corona, Skol, Brahma, Quilmes, Victoria Bitter |
| <b>Heineken</b>        | Beer                | Amsterdam, Netherlands | <a href="#">£19bn</a>    | Heinken, Amstel, Desperados, Sol, Strongbow                              |
| <b>Asahi</b>           | Beer                | Tokyo, Japan           | <a href="#">£8bn</a>     | Asahi, Peroni, Grolsch   |
| <b>Carlsberg</b>       | Beer, Cider         | Copenhagen, Denmark    | <a href="#">£8bn</a>     | Carlsberg, Tuborg, Kronenbourg, Baltika, Somersby                        |
| <b>Diageo</b>          | Spirits, Beer, Wine | London, UK             | <a href="#">£12bn</a>    | Johnnie Walker, Smirnoff, Captain Morgan, Baileys, Guinness, Tanqueray   |
| <b>Pernod Ricard</b>   | Spirits, Wine       | Paris, France          | <a href="#">£8bn</a>     | Jameson, Absolut, Malibu, Jacobs Creek                                   |
| <b>Constellation</b>   | Wine, Beer, Spirits | Victor, NY, USA        | <a href="#">£5bn</a>     | Robert Mondavi, Clos du Bois, Blackstone, Modelo, Simi, Ruffino          |
| <b>E &amp; J Gallo</b> | Wine                | Modesto, CA, USA       | <a href="#">£4bn</a>     | Andre, Carlo Rossi, Boone's Farm, Barefoot Wine                          |

Source: Annual reports, company websites and press reports (Please note: AB InBev and SABMiller are treated as separate entities as the details of 'NewCo', their merged entity, remain unclear)

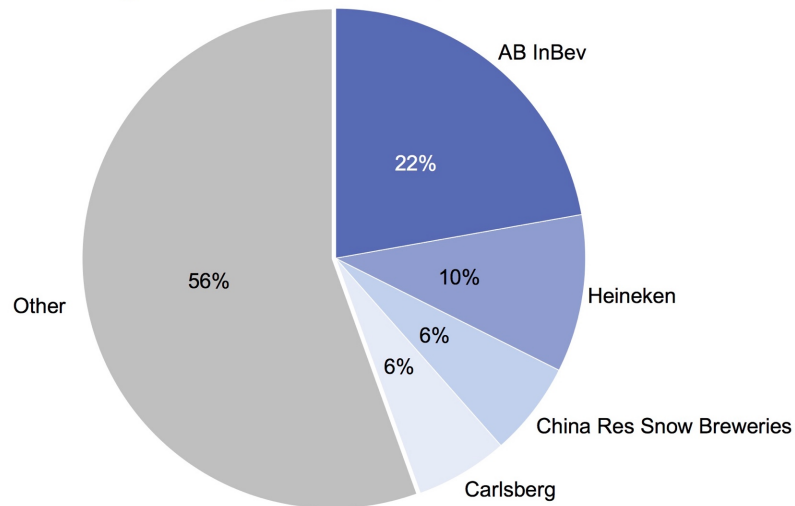
Industry structure varies substantially between drinks categories. A few large global firms dominate the beer market, while the wine market is extremely fragmented, with no single company holding a substantial market share. The global spirits market is somewhere in

\* AB InBev figure estimated for 2017 to account for merger with SAB Miller. This is calculated by taking AB InBev's half year revenue for 2017 and multiplying it by the ratio of AB InBev's full year to half year revenue for 2016. Asahi figure represents alcohol and overseas revenue (which includes soft drinks sold abroad)



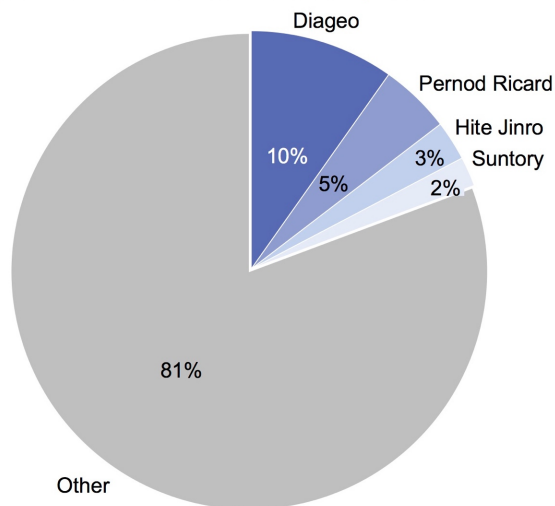
between: Diageo and Pernod Ricard are clear market leaders, but there is a 'long tail' of smaller local producers that still account for the majority of the market.

Figure 7: Share of global beer production, 2016



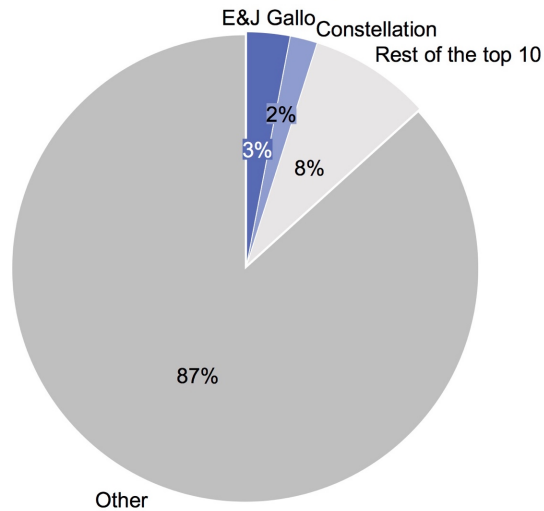
Source: Barth-Haas Group, The Barth report 2016–17

Figure 8: Global spirits volume market share, 2016



Source: Euromonitor

Figure 9: Global wine volume market share, 2016



Source: Euromonitor

In Western countries, domestic alcohol markets broadly reflect the global picture, with some specificities unique to each country. The dominant producers tend to be the same in each market, but their most successful brands tend to differ from each market to the next. For example, in the UK, AB InBev's highest selling brands are Stella Artois and Budweiser, two of its 'global brands'.<sup>1</sup> However, Molson Coors, despite being another multinational brewer, promotes Carling, a traditional British beer, as its leading product in the UK. SABMiller has less of a presence in the UK than elsewhere. Another distinctive feature of the UK landscape is the size of the cider market, with Strongbow amongst the top ten alcoholic beverages, though this too is owned by a global brewer (Heineken).<sup>2</sup> Large drinks companies tend to have a broad portfolio of products, catering to a wide range of products. For example, the C&C Group produce relatively premium 'craft'-style cider, such as Addlestones, mass market products such as Magners and Tennants and strong, cheap ciders such as K and White Ace, in a category that has been particularly associated with harmful drinking.<sup>3</sup>

Figure 10: Top 10 best selling UK alcohol brands, 2016/17

| Rank | Brand         | Sales value (£ million) | Category | Producer                                       | Producer Headquarters         |
|------|---------------|-------------------------|----------|--|-------------------------------|
| 1    | Stella Artois | 527.0                   | Beer     | AB InBev                                       | Leuven, Belgium               |
| 2    | Smirnoff      | 487.6                   | Vodka    | Diageo   | London, UK                    |
| 3    | Foster's      | 404.1                   | Beer     | Heineken (brewed under licence from SABMiller) | Amsterdam, Netherlands        |
| 4    | Budweiser     | 368.7                   | Beer     | AB InBev                                       | Leuven, Belgium               |
| 5    | Carling       | 322.8                   | Beer     | Molson Coors                                   | Denver, Colorado, USA         |
| 6    | Hardy's       | 293.6                   | Wine     | Accolade Wines                                 | Reynella, Adelaide, Australia |
| 7    | Strongbow     | 283.6                   | Cider    | Heineken                                       | Amsterdam, Netherlands        |
| 8    | Jack Daniels  | 222.7                   | Whisky   | Brown-Forman                                   | Louisville, Kentucky, USA     |
| 9    | Gordon's      | 213.0                   | Gin      | Diageo   | London, UK                    |
| 10   | Grouse        | 209.9                   | Whisky   | Edrington Group                                | Glasgow, UK                   |

Source: The Grocer, Britain's 100 biggest alcohol brands

## Distributors and wholesalers

There are a number of companies that purchase drinks from producers and distribute them to on-trade and off-trade retailers. According to IBISWorld, in the UK this market is relatively fragmented – comprising 2,675 businesses,<sup>4</sup> with the top two players (Matthew Clark and Diageo's distribution arm) accounting for 11% of the market.<sup>5</sup> Distributors and wholesalers can be alcohol-focused specialists, such as Matthew Clark, which focuses on pubs; or general suppliers, such as Palmer & Harvey, which typically serves supermarkets.

## On-licence vendors

In the UK, as in many other countries, a licence from the state is required to sell alcohol, with different licences depending on whether alcohol is consumed on the premises (see the *Availability and Licensing* factsheet). As of 2014, there are 133,400 licenced on-trade premises in England and Wales.<sup>6</sup> These include pubs, bars, clubs, hotels, restaurants, theatres and sporting stadia. However, of these, only pubs and bars rely on alcohol for their primary revenue stream. The largest UK pub operators are detailed in figure 7 (note that average revenue per pub varies substantially between pub operators due to differences in business models, with some pubs owning more of their estate – see the section on 'Vertical Integration').

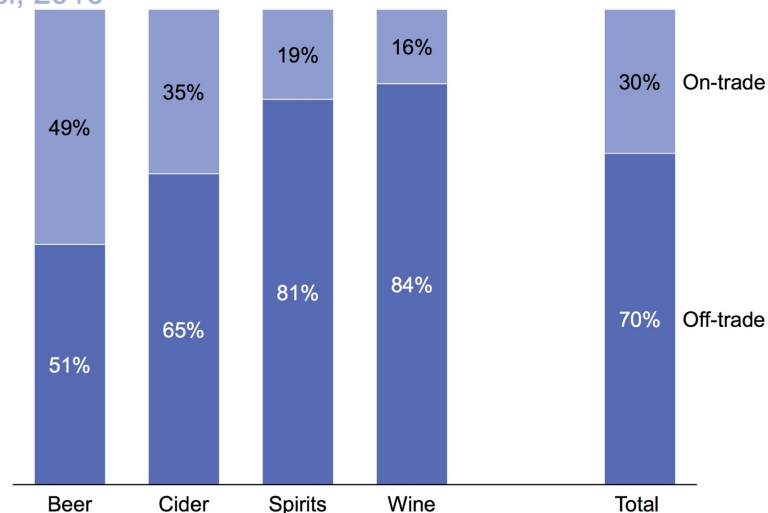
Figure 11: Leading UK pub owners

| Operator                       | Headquarters      | Outlets (approx.) | 2016 revenue  |
|--------------------------------|-------------------|-------------------|---------------|
| <b>Mitchells &amp; Butlers</b> | Birmingham        | <u>1,800</u>      | <u>£2.1bn</u> |
| <b>Greene King</b>             | Bury St Edmunds   | <u>3,000</u>      | <u>£1.7bn</u> |
| <b>JD Wetherspoon</b>          | Watford           | <u>1,000</u>      | <u>£1.6bn</u> |
| <b>Marston's</b>               | Wolverhampton     | <u>1,600</u>      | <u>£0.9bn</u> |
| <b>Enterprise Inns</b>         | Solihull          | <u>4,700</u>      | <u>£0.6bn</u> |
| <b>Punch Taverns</b>           | Burton upon Trent | <u>1,300</u>      | <u>£0.4bn</u> |

Source: Annual reports and company websites

In 2016, 30% of the alcohol consumed in England and Wales was purchased on premises, though this varies substantially by type of drink – beer is much more likely to be consumed in the on-trade than wine.<sup>7</sup>

Figure 12: Volume of alcohol sales in England and Wales by beverage type and channel, 2016



Source: NHS Health Scotland (2017), MESAS monitoring report 2017

## Off-licence vendors

As illustrated above, around 70% of UK alcohol sales occur in off-trade premises.<sup>8</sup> Supermarkets account for two-thirds of off-trade sales – that is, a little under half of the total market. These are operated by the major grocery retailers – Tesco, Sainsbury's, ASDA, Morrisons, Aldi and LIDL. Convenience stores represent a further 10% (approximately) of the off-trade market.<sup>9</sup> Specialist alcohol retailers (Majestic, Oddbins and Bargain Booze), as well as corner shops (SPAR, Londis and independents) make up most of the rest of the off-trade market.

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<sup>1</sup> AB InBev website, Global Beer brands. [Accessed 17 December 2015]. Available from:

<<http://www.ab-inbev.co.uk/brands/global-beer-brands/?redirect=1>>

<sup>2</sup> Navon, J. (2017), Britain's biggest alcohol brands 2017: winners and losers, *Clarity* (18 July). Available from:

<<http://www.clarity-comms.co.uk/britains-biggest-alcohol-brands-2017/>>. [Accessed 16 October 2017]

<sup>3</sup> Goodall, T. (2011), White Cider and street drinkers: Recommendations to reduce harm. London: Alcohol Concern

<<http://bit.ly/1PFG1Nb>>

<sup>4</sup> IBISWorld (2015), Alcohol Beverage Wholesaling in the UK. [Press Release]. Available from:

<<http://www.ibisworld.co.uk/market-research/alcoholic-beverage-wholesaling.html>>

<sup>5</sup> PRWeb (2015), *Alcoholic Beverage Wholesaling in the UK Industry Market Research Report Now Updated by*

*IBISWorld*. [Press Release]. Available from: <<http://www.prweb.com/releases/2013/1/prweb10284922.htm>>

<sup>6</sup> Oakley, P. (ed.) (2017), British Beer and Pub Association Statistical Handbook 2017. London: Brewing Publications Limited, p. 64

<sup>7</sup> Tettenborn, M. op. cit., p. 32

<sup>8</sup> NHS Health Scotland (2017), MESAS monitoring report 2017. Available from:

<<http://www.healthscotland.scot/publications/mesas-monitoring-report-2017>>. [Accessed 5 December 2017]

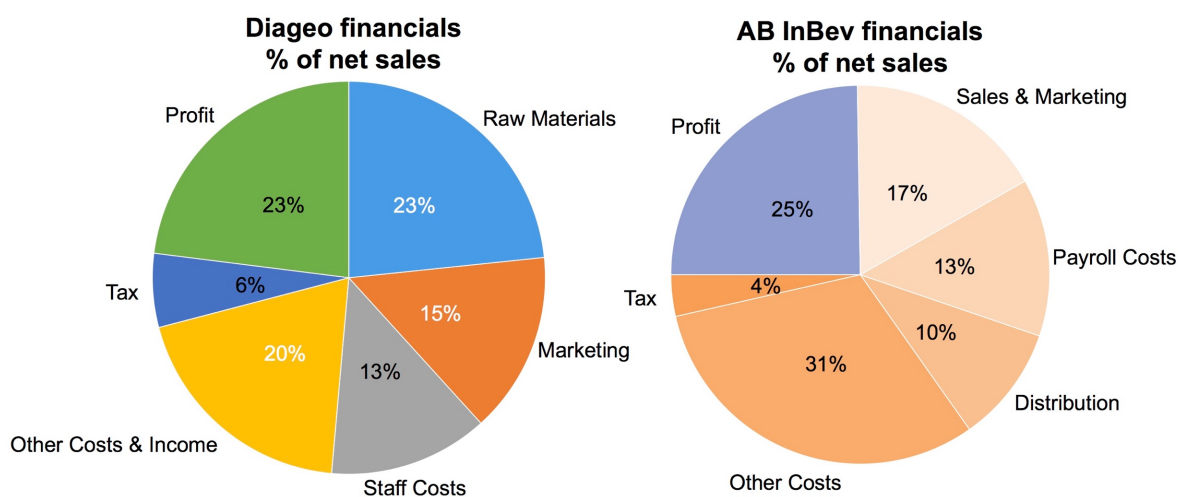
<sup>9</sup> Green, M. (2014), Convenience stores eat BWS market share, *Off Licence News* [Online]. 4 April. [Accessed 17 December 2015]. Available from: <<http://bit.ly/1MBtBLH>>



# The economics of alcohol production

The economics of alcohol production vary between producers, based on their actual activities, efficiency, and market. However, the charts in figure 9 take the examples of two of the leading global producers – Diageo and AB InBev – as an indicative view of the costs and profitability associated with alcohol production. Both companies have net profit margins of around 25%, meaning that a quarter of their revenue is retained by shareholders. These companies invest more in marketing (*circa* 15%) than their entire employee payroll costs (*circa* 10–15%). In both cases, tax accounts for around a sixth of pre-tax profit (note that this is tax paid directly by the producer, and excludes taxes borne by consumers, such as excise duty or value added tax).

Figure 13: Leading alcohol producers' costs



Source: Annual reports



# Consolidation of the alcohol industry

Perhaps the most significant trend in the alcohol industry in recent decades is its consolidation: in various ways, fewer companies are accounting for an ever-increasing share of industry activity and revenue.

## Mergers & Acquisitions

The most visible indication of the consolidation in the alcohol industry is the rate of high profile mergers and acquisitions (M&A), which has accelerated in recent years. Most prominently, in 2016, AB InBev completed a £79bn takeover of SABMiller to form the world's largest beer company.<sup>1</sup> This represents the biggest ever deal in the alcohol industry, and is the third largest acquisition in any sector.<sup>2</sup> Prior to the acquisition, the two firms accounted for around 30% of the global beer market,<sup>3</sup> although the merged entity's actual market share is significantly lower as it was required by regulators to sell off a number of SABMiller's most prominent brands.<sup>4</sup>

This deal is only the latest in a long line of mergers and acquisitions between brewers. The present form of each of the major global beer producers has been substantially shaped by such activity:

- AB InBev was the product of a 2004 merger between American brewer Anheuser-Busch and InBev, itself formed from the merger of the Belgian producer Interbrew and Brazilian producer AmBev
- SABMiller was established in 1999 following the acquisition of the US Miller Brewing Company by South African Breweries
- Heineken has strengthened its presence in a number of markets through the part purchase of British brewer Scottish & Newcastle in 2008, the Mexican FEMSA Cerveza in 2010 and gaining full control of Singapore-based Asia Pacific Breweries
- Carlsberg Breweries A/S was formed by a merger between Carlsberg and Norwegian conglomerate Orkla's brewing activities; in 2008 Carlsberg acquired a share of Scottish & Newcastle's assets

In 2015, AB InBev agreed a £71bn takeover of SABMiller to form the world's largest beer company. The deal represents the biggest ever deal in the alcohol industry, and is the third largest acquisition in corporate history.<sup>5</sup> The newly created firm will account for around 30% of the global beer market.<sup>6</sup>

A similar process has occurred among the leading spirits manufacturers. Diageo was formed in 1997 from the merger of Guinness and Grand Metropolitan. Thereafter, it has sought to expand into middle and lower income countries through the acquisition of local drinks manufacturers such as Mey Icki in Turkey, Ypioca in Brazil, and most prominently a majority share of Indian-based United Spirits (the world's largest alcohol producer by volume).<sup>7</sup> Its main competitor, Pernod Ricard bought Allied Domecq in 2005 and the former Swedish government-monopoly producer V&S Group in 2008.

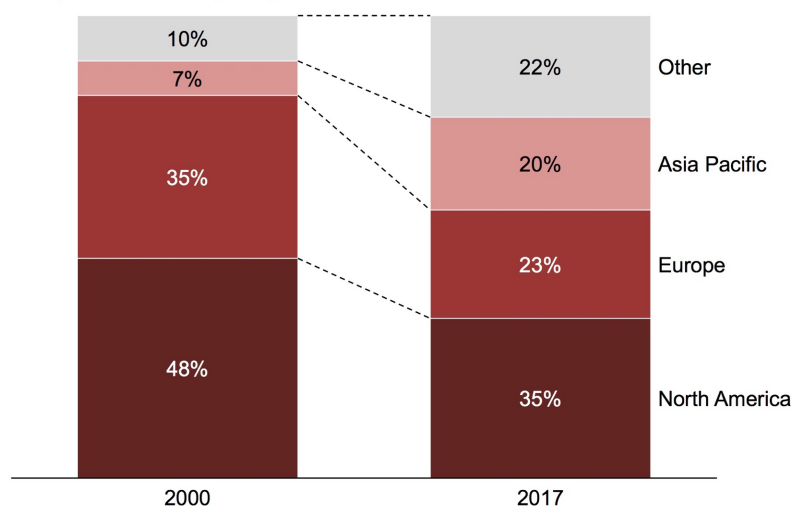
By contrast, as noted previously, the wine market has remained relatively fragmented, with even the largest producers failing to achieve sufficient scale to consolidate the market. Constellation Brands, the global leader, has made the most concerted effort to develop a

broad portfolio, with its acquisitions of BRL Hardy (Australia) and Nobile (New Zealand) in 2003, Robert Mondavi (US) in 2004, Vincor International (Canada) in 2006 and Beam Wine Estates in 2008. However, it has subsequently refocused towards buying up smaller premium brands, and still represents less than 3% of the global wine market.<sup>8</sup>

## Global expansion

Another force driving the consolidation of the alcohol industry is globalisation: the world's leading producers have increasingly focused their efforts on selling their products to fast-growing developing countries. As described previously, this has partly been achieved by acquiring local producers, but it has also been facilitated by increased marketing, cheaper distribution costs and lowered trade barriers. This trend is illustrated by figure 10, which shows how the geographical distribution of Diageo sales have changed over time. In 2000, its traditional markets in Europe and North America accounted for 83% of all sales. Today they represent just 58%.

Figure 14: Diageo sales by region



Source: Diageo annual reports

## Diversification across categories

It should be clear by this point that the markets for beer, wine and spirits are relatively specialised, with most major producers generating the majority of their sales from one of those categories. Nevertheless, there has been a slight trend towards companies diversifying their portfolios to cover multiple types of drinks. The most prominent example is Diageo, which, as well as being the global leader in spirits, also manages a number of prominent beer brands (including Guinness, Red Stripe and Windhoek) and wine brands (including Dom Perignon and Moët & Chandon). Similarly, Constellation Brands, the number one wine producer in the world, purchased Spirits Marque One (owners of the



SVEDKA vodka brand) in 2007, and in 2013 bought the US rights to beers including Corona and Modelo.

## Vertical integration

A final way in which the alcohol industry has consolidated in recent years is through 'vertical integration'. This occurs when a company takes over responsibility for additional stages of the value chain. For example, if a winery were to start growing its own grapes or distributing its own products to retailers that would represent vertical integration.

'Backward integration', which involves producers taking control of their supply chain, is relatively unusual in the alcohol industry. One exception is the wine industry, where producers often source some of their grapes from owned or leased vineyards. For example, Treasury Wine Estates generates 27% of its Australian grapes, 35% of New Zealand, 17% of its Californian grapes and 16% of its Italian grapes from its owned vineyards.<sup>9</sup>

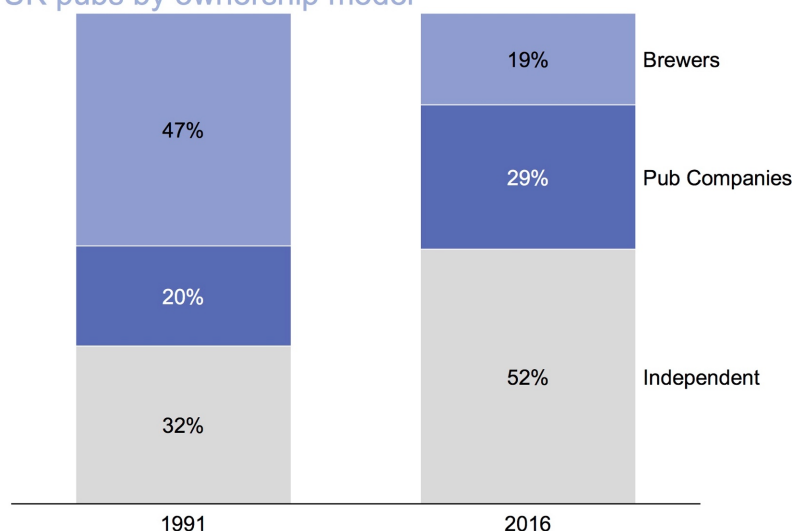
In the US, there has historically been significant resistance to 'forward integration': merging of the production, distribution and retail of alcohol. The 'three-tier system' in most states prohibits the same company from performing more than one of these functions. However, in recent years, the three-tier system has come under pressure. Despite the efforts of regulators, in a number of states AB InBev is the largest distributor of beer in the US, as well as the largest producer.<sup>10</sup> Moreover, retailers have also sought to circumvent distributors – for example, in 2011, Costco contributed \$22m to a referendum campaign in Washington state which allowed it to purchase alcohol directly from producers.<sup>11</sup>

The UK distribution system is somewhat different, with less of a taboo on producers distributing the products directly to retailers. In particular, British breweries have traditionally owned the pubs that sold their beers. The Government's 1989 Beer Orders relaxed this control by stipulating that no brewer would be allowed to own more than 2,000 licenced establishments. Reluctant to sell pubs to their competitors, this led to the development of a new business model: specialist 'pub companies', commonly known as 'Pubcos' such as Enterprise Inns, who control a large number of pubs, which they either manage themselves or lease to tenants. Nevertheless, breweries still own a fifth of all pubs in the UK and continue to dominate the distribution market to pubs (see figure 15).<sup>12</sup> Indeed, in 2017, Heineken agreed the purchase of 1,895 pubs from the pubco Punch Taverns, making it the third largest pub owner in the UK.<sup>13</sup>

In recent years, the 'beer tie' has been a source of significant controversy. Under this system, pub companies rent their premises to managers at subsidised below-market rates, on the condition that they purchase certain drinks and supplies from the pub company, typically at a significant premium to the market price. It was alleged that this system imposed excessive costs on tied pubs, which were less profitable on average than untied pubs.<sup>14</sup> In 2016, the Government introduced a statutory pubs code, which seeks to ensure that such 'tied' pubs are no worse off than untied pubs. Specifically, the code ensures that tied pub tenants can have their rent regularly reviewed, and provides them with the option to release themselves of the tie and revert to market rents.<sup>15</sup> The higher costs associated with the beer tie system were blamed by many for pub closures.<sup>16</sup> On the other hand, it has also been suggested that the end of the beer tie system will encourage pub companies to close down their pubs.<sup>17</sup>

In summary, though still closely bound, the relaxation of the links between breweries and pubs represents one of the few areas where the industry has become less consolidated. Indeed, independent pubs represent a larger proportion of all pubs today than in 1991.

Figure 15: UK pubs by ownership model



Source: BBPA Statistical Handbook 2015

<sup>1</sup> Washtell, F. (2016), Megabrew is done: AB InBev's £79bn takeover of SAB Miller completes, *CityAM* (11 October). Available from: <<http://www.cityam.com/251145/megabrew-done-ab-inbevs-79bn-takeover-sabmiller-completes>>. [Accessed 18 October 2017]

<sup>2</sup> Croucher, S. (2015), SABMiller and AB InBev deal: 'Megabrew' enters top five biggest mergers in corporate history, *International Business Times* [Online]. 13 October. [Accessed 17 December 2015]. Available from: <<http://bit.ly/1SmVFPu>>

<sup>3</sup> BBC News, (2015), Beer giants AB InBev and SABMiller agree mega-merger [Online]. 11 November. [Accessed 17 December 2015]. Available from: <<http://www.bbc.co.uk/news/business-34784926>>

<sup>4</sup> Nurin, T. (2016), DOJ Approves Largest Beer Merger In Global History, With Significant Conditions, *Forbes* (20 July). Available from: <<http://bit.ly/2DfD0JJ>>. [Accessed 18 October 2017]

<sup>5</sup> Croucher, S. (2015), SABMiller and AB InBev deal: 'Megabrew' enters top five biggest mergers in corporate history, *International Business Times* [Online]. 13 October. [Accessed 17 December 2015]. Available from: <<http://bit.ly/1SmVFPu>>

<sup>6</sup> BBC News, (2015), Beer giants AB InBev and SABMiller agree mega-merger [Online]. 11 November. [Accessed 17 December 2015]. Available from: <<http://www.bbc.co.uk/news/business-34784926>>

<sup>7</sup> United Spirits website, USL at a Glance. [Accessed 17 December 2015]. Available from: <<http://unitedspirits.in/aboutus.aspx>>

<sup>8</sup> Global wine market size in 2014 \$198m, Constellation revenue in 2014 was \$5.4bn, not all of which is from wine. Statista (2015), Value of global wine consumption in 2010 and 2014 (in billion US dollars). [Accessed 17 December 2015]. Available from: <<http://www.statista.com/statistics/232948/value-of-global-wine-consumption/>>

<sup>9</sup> Constellation Brands (2015), 2015 Summary Annual Report <<http://www.cbrands.com/investors/financial-information>>

<sup>10</sup> Treasury Wine Estates (2017), Annual Report 2017. Available from: <<https://www.tweglobal.com/~media/Files/Global/Annual-Reports/2017-Annual-Report.pdf>>

<sup>11</sup> Heffernan, T. (2012), Last Call, *Washington Monthly*. November/December <[http://www.washingtonmonthly.com/magazine/november\\_december\\_2012/features/last\\_call041131.php?page=5](http://www.washingtonmonthly.com/magazine/november_december_2012/features/last_call041131.php?page=5)>

<sup>12</sup> Celock, J. (2011), Initiative 1183: Washington State Voters To Decide Fate of Privatizing Liquor Sales, *Huffington Post*. [Online]. 13 October. [Accessed 17 December 2015]. Available from: <[http://www.huffingtonpost.com/2011/11/07/costco-initiative-1183-liquor-sales\\_n\\_1080242.html](http://www.huffingtonpost.com/2011/11/07/costco-initiative-1183-liquor-sales_n_1080242.html)>

<sup>13</sup> Oakley, P. (ed.) (2017), op. cit., Table E5

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<sup>13</sup> Murray Brown, J. (2017), Heineken cleared to take over Punch Taverns, *Financial Times* (August 18). Available from: <<https://www.ft.com/content/851b7b16-83fc-11e7-94e2-c5b903247afd>>. [Accessed 15 December 2017]

<sup>14</sup> Hope, K. (2014), Q&A: Calling time on the beer tie. BBC News [Online]. 19 November. [Accessed 17 December 2015]. Available from: <<http://www.bbc.co.uk/news/business-30114911>>

<sup>15</sup> Department for Business, Energy & Industrial Strategy (2017), Policy Paper: Pubs Code and adjudicator. Available from: <<https://www.gov.uk/government/publications/pubs-code-and-adjudicator/pubs-code-and-adjudicator>>. [Accessed 8 August 2017]

<sup>16</sup> McVeigh, C. (2010), How the beer tie is killing our pubs, *The Guardian* (19 October). Available from: <<https://www.theguardian.com/lifeandstyle/wordofmouth/2010/oct/19/beer-tie-off-pub-trade>> [Accessed 8 August 2017]; Cunliffe, P. (2010), Beer tie blamed for pub closures, *Express* (29 August). Available from: <<https://www.express.co.uk/finance/city/267864/Beer-tie-blamed-for-pub-closures>>

<sup>17</sup> Anderson, E. & Martin, B. (2014), Pub shares plunge as pub landlords claim beer tie 'victory', *The Telegraph* (19 November). Available from: <<http://www.telegraph.co.uk/finance/markets/11239970/Pub-shares-plunge-on-beer-tie-fears.html>>. [Accessed 8 August 2017]

# Alcohol industry commercial strategies

The alcohol industry, along with most businesses, is largely engaged in the pursuit of growth. Alcohol industry growth can come in three ways: by encouraging more people to drink, by encouraging people to drink more and by encouraging them to drink more expensive drinks. In recent times, the alcohol industry has pursued each of these strategies. The discussion here is narrowly focused on commercial strategies. Social and political activities are also an important part of aspect of industry activity, but are covered in a separate chapter (*The alcohol industry: Social and political activities*)

## Targeting new customers

As described in the section ‘*Global expansion*’, there have been clear concerted efforts from alcohol producers to market their products to consumers in more and different countries. As SABMiller observed in its 2013 annual report, “*Developing markets remain the engine of volume growth for the global beer industry*”.<sup>1</sup> Multinational alcohol companies have typically sought to win customers in low and middle countries in two principal ways. They have formulated cheap products affordable to those on low incomes for the mass market. For example, AB InBev’s Chibuku beer is made from sorghum, maize and cassava and is sold in cardboard cartons for half the price of its bottled products.<sup>2</sup> Small plastic alcohol sachets, sold not only by licenced retailers but also by informal street traders, are increasingly common countries such as Zambia, Malawi, Tanzania and Uganda.<sup>3</sup>

Figure 16: Alcohol sachets on sale in Malawi



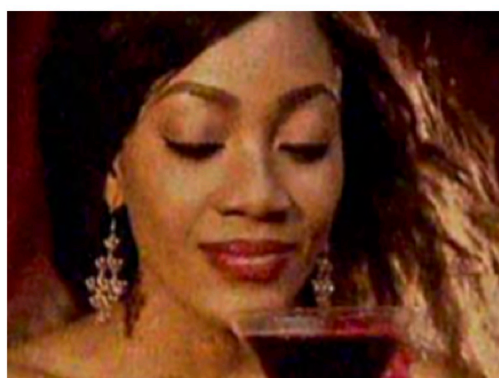
Source: Afriem

At the same time, premium Western brands have been targeted at middle class consumers in low income countries as an aspirational status symbol. For example, Diageo claims its alcoholic apple drink Snapp provides African women with a “product they feel is more refined than beer, with cues of differentiation and sophistication”.<sup>4</sup>

Figure 17: Advert for SABMiller's Redd's Beer in *African Woman* magazine



Figure 18: Ghanaian TV advert for 'Sweet Cherry'



Source: STAP (2011), Alcohol marketing practices in Africa

Even in Western countries, alcohol companies have sought to target demographics that tend to drink less than average. For example, in 2008 the brewer Molson Coors set up a unit to develop brands and marketing messages to appeal to women, with the goal of creating “a world where women love beer as much as they love shoes”.<sup>5</sup> This is part of a broader trend of an increasing number of products being developed and marketed for women.<sup>6</sup> Similarly, even though alcohol companies universally claim to refrain from advertising to underage drinkers, there seems to be an awareness of the importance of winning over younger drinkers, to secure the next generation of consumers. For example, in 2014, SABMiller reported that:

“People have grown up on Pepsi and Coke, so the younger generation have a much sweeter palate. We are playing to that. There has been a huge focus around flavoured beers, and we are developing products around apple and citrus”.<sup>7</sup>

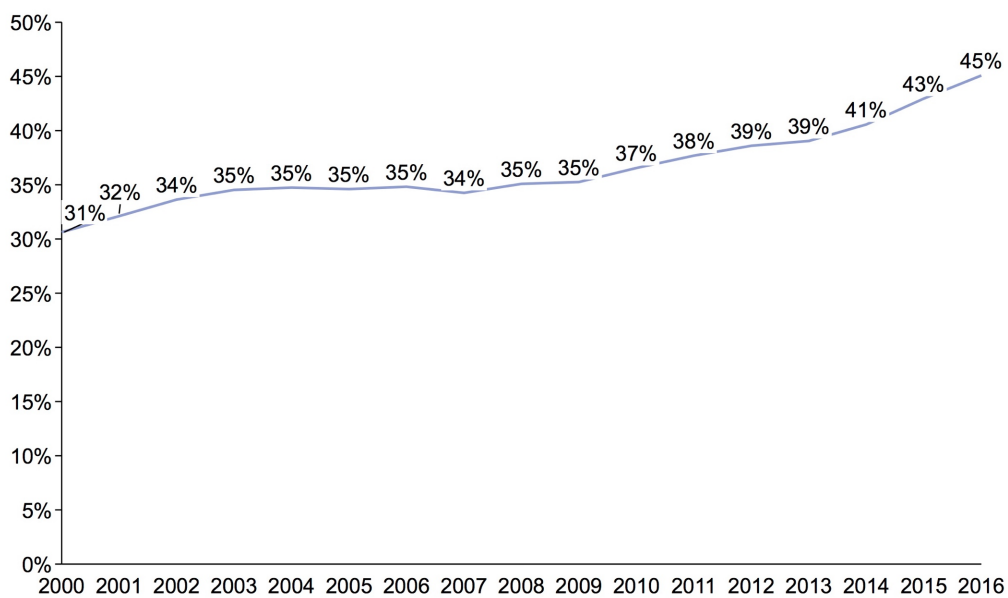
### Increasing consumption per consumer

Alcohol producers also seek to deepen their relationship with existing consumers by increasing the volume of alcohol they consume. For example, in its 2013 Annual Report AB InBev claimed that its goal is to “create new occasions to share our products with consumers”. It outlines its strategy to associate specific contexts with specific products to try to ensure that people drink in these contexts. It claims its “insights have enabled us to create and position products for specific moments of consumption: enjoying a game or music event with friends, shifting toward a more relaxed mood after work, celebrating at a party or sharing a meal”.<sup>8</sup> Along similar lines, the British Beer Alliance, a consortium of major British brewers, have invested £5m a year in the marketing campaign ‘There’s a Beer for That’, aiming to showcase “the variety of beer available in the UK and how these different styles fit perfectly a wide range of occasions”.<sup>9</sup>

## Premiumisation

A final strategy for growth involves convincing consumers to ‘trade up’ to more expensive drinks. This has been particularly salient in Western markets, which have generally seen a decline in the volume of alcohol consumed per person. As Diageo explains in its 2015 annual report, “The opportunities in developed markets are...very different from emerging markets. Given the higher levels of disposable income and the importance of branding, in developed markets consumers are often prepared to pay more for high quality brands”.<sup>10</sup> The success of such strategies is reflected in the fact that premium drinks categories have tended to see stronger growth than cheaper products.

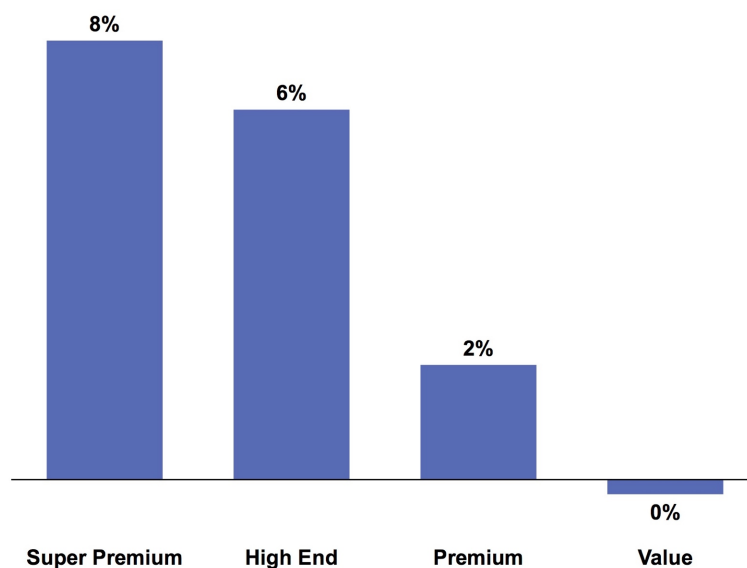
Figure 19: Premium beer share of total UK beer market



Source: BBPA Statistical Handbook 2017



Figure 20: US spirits – annual volume growth by price point, 2010–16



Source: Discus distilled spirits industry briefings

<sup>1</sup> SABMiller (2013), Annual report 2013 <<http://bit.ly/1tgtv2i>>

<sup>2</sup> Alcohol Concern, Creating Customers, p. 22

<sup>3</sup> Babor, T., Robaina, K. & Jernigan, D. (2015), The influence of industry actions on the availability of alcoholic beverages in the African region, *Addiction* 110, 566

<sup>4</sup> Alcohol Concern (2014), Creating customers, p. 23

<sup>5</sup> Alcohol Concern, op. cit., p. 14

<sup>6</sup> Alcohol Concern, op. cit., pp. 12–15

<sup>7</sup> Alcohol Concern, op. cit., p. 15

<sup>8</sup> Anheuser-Busch InBev (2013), 2013 Annual Report <<http://bit.ly/1DahfRd>>

<sup>9</sup> Green, M. (2014), “There’s a Beer for That”: biggest names in British beer unite for £10 million campaign, *Off Licence News* [Online]. 30 October. [Accessed 17 December 2015]. Available from: <<http://bit.ly/1VTF6jz>>; Winstanley, B. (2016), There’s A Beer For That campaign receives £5m funding boost from big brewers, *Morning Advertiser* (29 January). Available from: <<http://bit.ly/2FEUQn8>>. [Accessed 15 December 2017]; Robinson, N. (2017), There’s A Beer For That campaign receives £5m funding boost from big brewers, *Morning Advertiser* (19 January). Available from: <<http://bit.ly/2FEUQn8>>. [Accessed 15 December 2017]

<sup>10</sup> Diageo (2015), Annual Report 2015. Available from: <[https://www.diageo.com/pr1346/aws/media/1429/diageo\\_interactive\\_ar2015.pdf](https://www.diageo.com/pr1346/aws/media/1429/diageo_interactive_ar2015.pdf)>. [Accessed 15 December 2017].



## Conclusion

The 'alcohol industry' contains a wide range of prominent actors, among whom the alcohol producers are the most prominent. These are dominated by a handful of global multinational companies, though the wine and spirits market are more fragmented than the beer market. There has been a general trend towards consolidation of the alcohol industry, particularly in recent years – as these large firms play an ever more significant role in the alcohol market. This consolidation has occurred through mergers and acquisition, through global expansion and through the integration of production with other elements of the value chain, such as distribution and raw materials. These global alcohol firms engage in a number of commercial strategies to increase their revenue, including targeting new customers, particularly women and the global poor, developing new 'occasions' to encourage drinking, and encouraging 'trading up' to more expensive products.



# **Social and political activities**



As well as making and selling alcohol, many participants in the alcohol industry seek to influence politics and society in different ways. This factsheet looks at five ways in which the alcohol industry exercises this influence (drawing loosely on Savell et al's taxonomy of types of activities):<sup>1</sup>

1. Constituency building
  - Forming industry groups and associations to assist coordination and collaboration
  - Forming alliances with sympathetic non-trade bodies e.g. think tanks
2. Policy substitution
  - Corporate Social Responsibility (CSR) programmes, apparently promoting the social good independently of the government
  - Developing self-regulation as an alternative to government restrictions
3. Information and messaging
  - Developing evidence: Funding and shaping original research
  - Disseminating evidence: collating and interpreting existing evidence, for the public and policymakers
  - Lobbying: making direct proposals and representations to policymakers
4. Economic incentives
  - Using economic incentives to influence policymakers, particularly employment opportunities and connections
5. Trade and litigation
  - Shaping trade policy to secure favourable terms and access to new markets
  - Using legal challenges to undermine unfavourable policies and regulation (typically on the basis of trade law)

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<sup>1</sup> Savell, E. et al (2016), How does the alcohol industry attempt to influence marketing regulations? A systematic review, *Addiction* 111:1, pp. 18–32



# Constituency building

## Internal constituencies: Industry groups

As in many industries, alcohol producers, distributors and retailers fund, support and participate in a number of collective bodies, which help them to collaborate on matters of shared interest. These have a range of aims – commercial, social and political – pursued through activities such as compiling industry statistics, setting common standards, research, marketing, social projects and promoting favoured policies. The organisations can represent specific beverage categories (e.g. beer, wine, spirits), elements of the value chain (e.g. producers, retailers) or the industry as a whole. They are typically national, but can occasionally be regional or global.

Some draw a distinction between trade associations, which are typically more commercial in focus, and what are called ‘social aspects and public relations organisations’ (SAPROs), whose role is usually framed in terms of social responsibility. The former are longer-standing, and tend to focus on issues such as taxes, marketing and regulation. SAPROs, by contrast, have been increasingly prominent since the 1980s, and have greater direct overlap with public health, addressing medical research, alcohol control policies and underage drinking among other areas.<sup>1</sup> In practice however, there is significant overlap between the two types of organisation.

Among the most notable UK and international alcohol industry trade associations are the following:

*British Beer & Pub Association (BBPA)* – Founded as the Brewers’ Society in 1904, the BBPA represents brewers producing 90% of UK beer and around half of British pubs (including those that do not brew). It engages in policy development and lobbying, media and public relations and compiles industry statistics and guidance.<sup>2</sup>

*Scotch Whisky Association (SWA)* – The Scotch Whisky Association is the main trade body of Scottish Whisky producers. According to its own summary of its activities, “Public affairs and communications runs through everything the SWA does. We work to advance the global interests and profile of the industry”.<sup>3</sup> The SWA has led the alcohol industry’s legal campaign against the Scottish Government’s introduction of a minimum unit price (MUP) for alcohol, lodging a formal complaint to the European Commission and seeking a judicial review in the Court of Session in Edinburgh (see our *Price* factsheet).<sup>4</sup>

*Spirits Europe* – Spirits Europe is a confederation of the national spirits associations of 34 countries, as well as the leading multinational spirits producers. It seeks to promote the interests of the industry at an EU level, by resisting market regulation, emphasising the sector’s economic contribution and securing advantageous trade arrangements in target markets.<sup>5</sup>

*Wine & Spirit Trade Association (WSTA)* – The WSTA is a membership body of over 340 UK companies producing, importing, exporting and selling wines and spirits. As well as promoting the political goals of the sector, it provides legal, regulatory and tax advice, market research and organises conferences and events for its members.<sup>6</sup>

The leading UK and international SAPROs include:

*The Portman Group* – Named after the Guinness offices in Portman Square in London where its inaugural meetings were held in 1989, the Portman Group is a body of UK alcohol producers, responsible for self-regulation and promoting its members' political interests. It publishes and administers the *Code of Practice on the Naming, Packaging and Merchandising of Alcoholic Drinks*, though it does not adjudicate on complaints, which are referred to an independent panel. It has also been heavily involved in the development and monitoring of the UK Government's Responsibility Deal, a set of voluntary pledges by businesses to improve public health.

*Drinkaware* – Spun off from the Portman Group, Drinkaware is an industry-funded charity, providing information and advice to alcohol consumers. It produces resources to advise consumers, runs campaigns to encourage responsible drinking (often in partnership with the alcohol industry), and carries out research into drinking behaviour and attitudes. The Portman Group's Code of Practice continues to recommend that producers link to Drinkaware's website in their marketing. The effectiveness of Drinkaware's activities has been criticised, though, with some arguing that its campaigns may, in fact, encourage drinking.<sup>7</sup>

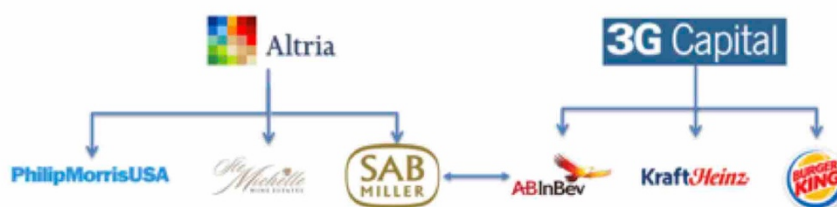
*International Alliance for Responsible Drinking (IARD)* – IARD, formerly known the International Center for Alcohol Policies (ICAP), is an industry-funded research organisation. It was founded by Marcus Grant, recruited from the World Health Organization (WHO) in 1995, with the support of ten of the leading global alcohol producers. It has been described as operating like a shadow WHO unit on alcohol, with David Jernigan observing that "several ICAP publications seemed to attempt to counter or pre-empt similar WHO publications".<sup>8</sup>

### External constituencies: Other sectors

Alcohol-specific industry groups form alliances with broader business organisations from other sectors that have similar interests. For example, the British Retail Consortium, which counts among its members supermarkets which sell alcohol, has been vocal in recent alcohol policy debates.<sup>9</sup> Similarly, advertising associations have worked with the alcohol industry to resist marketing restrictions.<sup>10</sup>

Recent research has also highlighted the links between alcohol producers and other 'unhealthy commodity' businesses, such as tobacco, processed foods and sugary drinks. These organisations share similar political challenges, facing regulation on the grounds that they harm public health, and it has been observed that they pursue similar strategies in resisting such regulation (many of which are outlined in figure 1).<sup>11</sup> The most prominent such connection is Altria, which owns both Philip Morris (the largest US tobacco producer, and makers of Marlboro cigarettes), as well as a 27% stake in the brewer SAB Miller.<sup>12</sup> Altria also controls the wine producer Ste Michelle.<sup>13</sup> SABMiller bottles and distributes Coca-Cola in Africa.<sup>14</sup> AB InBev, the world's largest brewer, which recently agreed a takeover of SABMiller, has close ties to the processed food industry. Private equity firm 3G Capital, one of its major shareholders also owns Burger King and Kraft Heinz.<sup>15</sup>

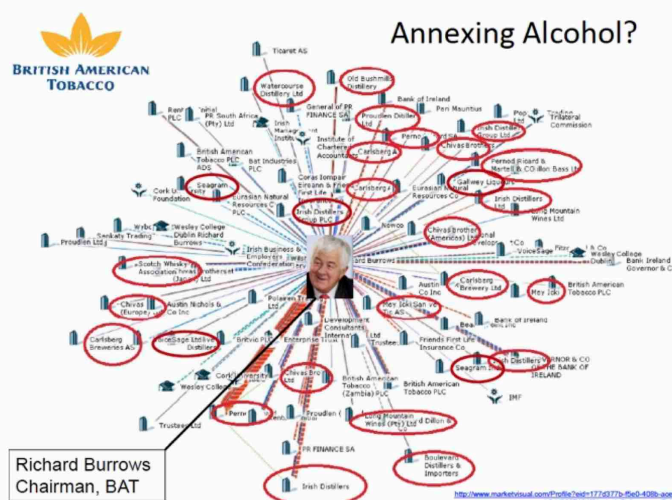
Figure 1: Unhealthy commodity networks – Altria and 3G Capital



Analysis of internal tobacco industry documents shows that these mergers can lead to close collaboration, for example between Philip Morris and Miller Brewing Company (the predecessors of Altria and SABMiller). Recognising that the alcohol industry was facing similar health concerns and political pressure to tobacco, there is evidence that Philip Morris passed presentations to Miller, and that third parties were hired to liaise between the two.<sup>16</sup> Similarly, Jiang & Liang show that in the US, the RJ Reynolds tobacco company supported ‘astroturf’ consumer organisations – established to appear as though they are grassroots campaigns, but directed by the industry – that had access to member lists and events from the National Liquor Store Association.<sup>17</sup>

These findings come from documents that tobacco companies have been legally required to release, and so provide a small window into relationships and alliances that are rarely disclosed. Another approach to investigating the connections between companies is to look at shared personnel. Interlocking directorates – when a person affiliated with one organisation sits on the board of directors of another – can be identified from publicly available data. Directors can be appointed from outside companies to provide expertise, advice, build inter-firm relationships and access to policymakers. Thus interlocking directorates are an indication (though not proof) that firms are sharing knowledge and working together. Alcohol, tobacco, soft drinks and processed foods companies share many directors in common. For example, figure 2 shows British American Tobacco’s Chairman Richard Burrows’ directorships – he has numerous links to alcohol producers, particularly Carlsberg, Chivas Bros and Pernod Ricard.

Figure 2: Richard Burrows directorships



Source: Collin, J. et al (2015), *Locking in support for alcohol?* [Presentation] Global Alcohol Policy Conference, 7-9 October, Edinburgh. <http://www.gapc2015.com/programme>

## External constituencies: Non-industry allies

Alcohol industry groups regularly collaborate with sympathetic organisations from outside the industry, such as other business associations, consumer groups and think tanks. Many of these groups are seen as ‘front groups’ or ‘astroturf’ organisations. For example, in the US, the lobbying group Berman & Co. operates the Center for Consumer Freedom, which purports to campaign for consumer rights, but is funded by alcohol, tobacco and food companies.<sup>18</sup>

In the UK, think tanks and consultancies have been particularly sought by the alcohol industry for their perceived independence and technical expertise. For example, Oxford Economics,<sup>19</sup> the Centre for Economics and Business Research (CEBR)<sup>20</sup> and PriceWaterhouseCoopers<sup>21</sup> have all been commissioned to produce research by industry or supportive groups. The anti-tax pressure group the TaxPayers’ Alliance has supported the WSTA in lobbying for cuts to alcohol duty.<sup>22</sup> The left-wing think tank Demos and CEBR published reports funded by SABMiller that were sceptical of minimum unit alcohol pricing as the policy was being deliberated by the UK parliament. The position of libertarian think tanks such as the Institute of Economic Affairs and the Adam Smith Institute is less clear. Though they have written extensively against alcohol regulation, there is limited transparency over whether such work is funded by alcohol companies. Miller et al note that the IEA has “indirectly acknowledged” that it receives some funding from the alcohol industry.<sup>23</sup> However, the IEA’s Christopher Snowden maintains that the donations it receives from the industry are “small”.<sup>24</sup> Notably, both think tanks have received funding from tobacco companies.<sup>25</sup>

<sup>1</sup> Babor, T. & Robaina, K. (2013), Public Health, Academic Medicine, and the Alcohol Industry’s Corporate Social Responsibility Activities, *American Journal of Public Health* 103, pp. 206–14.

<sup>2</sup> British Beer & Pub Association website, What we do [Accessed 17 December 2015]. Available from: <http://www.beerandpub.com/what-we-do>.

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- <sup>5</sup> Spirits Europe website, Mission & Objectives. [Accessed 17 December 2015]. Available from: <[http://spirits.eu/page.php?id=16&parent\\_id=2](http://spirits.eu/page.php?id=16&parent_id=2)>.
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# Policy substitution

Policy substitution here refers to actions taken by alcohol industry actors, independently of government regulation, that are ostensibly for the social good. There are two main types of activity that fall under this heading: corporate social responsibility and industry self-regulation.

## Corporate Social Responsibility

Different definitions of Corporate Social Responsibility (CSR) reflect the range of opinion on how it should be understood. Some definitions interpret CSR in ethical terms – according to Yoon and Lam, “In its original sense, the term CSR is defined as a moral and stakeholder obligation, emanating from a notion that business is responsible to society in general and thus corporations should be answerable to those who directly or indirectly affect or are affected by a firm’s activity”.<sup>1</sup> By contrast, Babor and Robaina offer a more functional definition of CSR in terms of its benefits for the company engaging in it: “We define CSR as business practices that help companies manage their economic, social, and environmental impacts as well as their relationships in key areas of influence”.<sup>2</sup>

In practice, alcohol industry CSR covers a range of activities, including public awareness campaigns and educational programmes on the harms of alcohol, voluntary ethical codes on activities such as marketing and retail, research grants, sponsorship schemes and charitable activities. Individual firms have their own projects, but the Beer, Wine and Spirits Producers’ Commitments to Reduce Harmful Drinking, agreed in 2012 by 12 of the largest global drinks companies,<sup>3</sup> provides an overarching framework, collating a number of these initiatives around five key themes:<sup>4</sup>

1. **Reducing underage drinking** e.g. working with governments to assist in the enforcement of minimum purchase age regulations, raising awareness of underage drinking, age verification schemes and server training
2. **Strengthening and expanding marketing codes of practice** e.g. voluntarily reducing the exposure of children to alcohol advertising and limiting underage access to online marketing materials
3. **Providing consumer information and responsible product innovation** e.g. specialist websites to provide information on ‘responsible drinking’; labelling that discourages drinking and driving, underage drinking and consumption by pregnant women
4. **Reducing drinking and driving** e.g. educational campaigns, driving school curricula, legislative efforts, sobriety checkpoints
5. **Enlisting the support of retailers to reduce harmful drinking** e.g. discouraging ‘irresponsible’ promotions, guidelines and training to avoid serving underage or heavily intoxicated drinkers

There is substantial debate about the motives behind the alcohol industry’s CSR initiatives. Babor and Robaina identify three different types of reasons for embarking on CSR projects:<sup>5</sup>

1. **Altruistic** – Actions which are pursued for ethical reasons, and not because of any benefit to the company (besides, perhaps, incidental benefits to reputation and image). Indeed, altruistic CSR activities often carry a cost to the business.
2. **Risk management** – Actions taken because they are mandated by law, or because they help companies to resist statutory regulation. Most prominent among these are



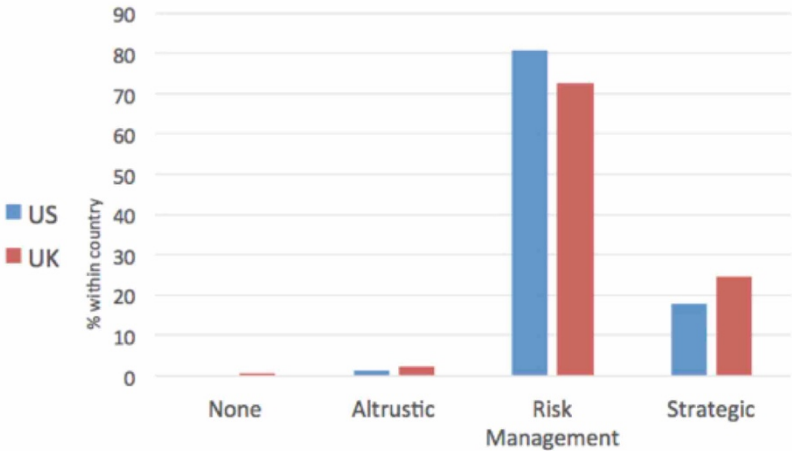
voluntary industry regulatory codes (see figure 3). For example, AB InBev has stated that its internal marketing guidelines are a pre-emptive attempt to “protect our business from future regulatory restrictions to our current marketing and advertising freedom”.<sup>6</sup> Similarly, it has been alleged that participation in the UK Government’s Responsibility Deal pledges has been used by alcohol companies to undermine stricter state action.<sup>7</sup>

- 3. Strategic** – Strategic CSR aims to promote the business (primarily financial) interests of a company. For example, CSR activities contribute to the ‘framing’ of social issues around alcohol. It has been accused of normalising the consumption of alcohol and increasing its psychological availability. By regularly referring to alcohol as a normal part of a healthy lifestyle, ‘responsible drinking’ messages may undermine the status of abstinence as a legitimate choice.<sup>8</sup> CSR materials have also been found to emphasise the importance of personal responsibility and individual judgment in consuming alcohol.<sup>9</sup> This frame allows the industry to insist that alcohol harm is an issue only for a small minority of drinkers, and so to resist broader, structural population-based measures, such as raising alcohol taxes, which affect all drinkers. Another potential benefit of CSR for companies is that it can improve brand awareness and reputation. CSR can be used as a form of marketing to create positive associations with drinks companies in the minds of consumers. This is well exemplified by sponsorship of the arts and culture. Alcohol companies frequently provide endowments and scholarships to young artists, and help organise events and exhibitions.<sup>10</sup>

These three motives are not mutually exclusive: CSR can in principle be a ‘win-win’ activity, benefiting businesses and their wider community. Nevertheless, non-altruistic motives bring the possibility that companies will prioritise CSR activities that benefit themselves, rather than those they purport to help.

It has been suggested that these mixed motives lead to ineffective CSR programmes. Early findings of an analysis of over 3,500 industry initiatives has found that only 8% were considered as ‘evidence-based’ (i.e. likely to have significant positive effect on alcohol-related harm) by experienced public health experts. By contrast, 52% were rated as likely to cause harm, for example by increasing alcohol consumption. 40% were seen as likely to promote a brand or product.<sup>11</sup> This analysis indicated that the vast majority of CSR activities in the UK and US are best seen as risk management, with relatively few purely altruistic activities:<sup>12</sup>

Figure 3: Industry actions by CSR type



Source: Robaina et al (2014)

## The Public Health Responsibility Deal

The most prominent CSR initiative in the UK today is the Public Health Responsibility Deal (RD), a Government scheme under which businesses are encouraged to make voluntary pledges to take action to reduce public health harms. The RD was launched in 2011, and at present (December 2015), consists of 11 different pledges, each attracting a different set of signatories. Of these the most prominent are:<sup>13</sup>

Pledge A1: 80% of products in the off-trade will have labels with clear unit content, NHS drinking guidelines and warnings about drinking during pregnancy

Pledge A4: Action to reduce underage sales through the 'Challenge 21' and 'Challenge 25' programmes

Pledge A5: Financial support for the charity Drinkaware

Pledge A6: Restrictions on marketing, including a commitment not to advertise within 100 metres of schools, and a code for sponsorship

Pledge A8(a): The removal of 1 billion units of alcohol from the UK market by December 2015

The RD has been the subject of substantial criticism from academics and the public health community. Despite being designed as a partnership, a number of leading bodies, including the IAS, the British Medical Association and the Royal College of Physicians, boycotted the initiative, citing concerns that industry representatives were unduly influencing the process.<sup>14</sup> In 2013, most of the remaining public health organisations (including Cancer Research UK and Alcohol Research UK), as well as Prof Nick Sheron, co-chair of the Responsibility Deal Alcohol Network (RDAN), withdrew when the Government reversed its plans to introduce a minimum unit price for alcohol.<sup>15</sup> Consequently, the core remaining group of the RDAN is dominated by the alcohol industry, which provides 12 of the 15 representatives.<sup>16</sup> Moreover, of the three nominally independent NGOs involved, two (Addaction and Mentor UK) receive significant funding from the alcohol industry.<sup>17</sup>

The substance of the RD has also been criticised, with a Department of Health-funded independent review finding that most of the RD pledges "fall into the category of 'probably ineffective' or 'no/poor/inconclusive evidence'".<sup>18</sup> For example, it found little evidence to suggest that warning labels and responsible drinking messages have a significant impact on alcohol consumption. Conversely, the study claimed that "the most effective evidence-based strategies to reduce alcohol-related harm are not reflected consistently in the RD alcohol pledges. The evidence is clear that an alcohol control strategy should support effective interventions to make alcohol less available and more expensive".<sup>19</sup>

Evaluation of the implementation of the RD pledges has often been controversial, due to the ambiguity of some of the goals and issues around reporting practices. For example in 2014, the Department of Health suggested that the industry had met its commitments under pledge 8(a), and removed 1.3 billion units from the market due by formulating and promoting lower strength products.<sup>20</sup> However, this conclusion has been challenged by independent academic researchers, who claim it rests on unreliable data, an over-simplified model of consumer choice, and does not account sufficiently for confounding factors. Most significantly, they argue that the official evaluation does not distinguish the impact of industry action from other factors and underlying trends. This has led to calls for the Department of Health to withdraw the evaluation report, and to cease making references to the results until they can stand up to scrutiny.<sup>21</sup>

Objections have also been raised about the industry's conduct in the official RD monitoring process. In 2013, Prof Mark Bellis, the public health Chair of the RDAN Monitoring and Evaluation (M&E) Group, resigned his position, claiming that "transparency and trust in the process has been eroded by data being delivered inappropriately to the industry's Portman Group who not only failed to inform me that they had the data but also unilaterally asked for it to be revisited at least twice".<sup>22</sup>

Pledge A1 has received the most extensive evaluation, with both an industry-funded review<sup>23</sup> and an independent Department of Health-funded academic study<sup>24</sup> of progress against labelling commitments. Both reports found that the industry has fallen short of its commitment of 80% compliance on labelling standards. However, it is clear that labelling has improved in some respects: the proportion of containers carrying pregnancy information has risen from 18% to 93%; the proportion carrying drinking guidelines has risen from 6% to 83% and the proportion carrying unit content has risen from 56% to 87%.<sup>25</sup> At the same time, only 47% of labels have been found to reflect what is considered 'best practice' by industry-agreed standards.<sup>26</sup> The average font size for health information on labels is 8.17, below the 10-11 point

size that is optimal for legibility. 60% of labels display health information in smaller font than the main body of information on the label, contrary to official industry guidance. Pregnancy warning logos are significantly smaller on drinks targeted at women than those aimed at men. Moreover, they are frequently grey in colour, with only 10% in red, limiting the visibility of the warnings.<sup>27</sup>

The RD has also faced allegations that it has obstructed statutory regulation of the alcohol market. In his resignation letter, Mark Bellis claimed that “an industry representative even made it clear that their continued contributions to the deal were dependent on a minimum unit price not being implemented”. More generally, he believes “I have seen the Deal turned by industry into a tool to avoid actions that would improve people’s health”.<sup>28</sup>

## Drinkaware

Pledge A5 of the RD commits to funding Drinkaware, an industry-supported charity<sup>29</sup> that provides information and advice on alcohol to consumers. Drinkaware pre-dates the RD, originally established by the Portman Group as a website, but spun off into a separate entity in 2007.<sup>30</sup> The Portman Group's *Code of Practice* continues to suggest that producers should, wherever possible, feature the website address on brand labels, though this is just a recommendation rather than a formal part of the code.<sup>31</sup> Though Drinkaware insists that it is autonomous in its operations,<sup>32</sup> there is significant scepticism on this point. A 2013 independent review found there is "A perception of industry influence resulting in a suspicion that Drinkaware is not truly independent of the alcohol industry".<sup>33</sup> A 2012 report of the UK Parliament's Health Select Committee concluded that "if Drinkaware is to make a significant contribution to education and awareness over the coming years its perceived lack of independence needs to be tackled".<sup>34</sup>

The efficacy of Drinkaware's activities in countering alcohol harm is also disputed. The independent review found that the charity had met with some success in "building awareness of the Drinkaware logo and brand, gaining better understanding of marketing and behaviour change, piloting interesting initiatives and achieving some success with its parents and adults programmes".<sup>35</sup> Its website received 8.3 million unique visitors in 2014, and its annual report cites self-reported anecdotal and survey evidence of people reducing their drinking as a result of its programmes.<sup>36</sup> However, the review criticised Drinkaware for its lack of measurable objectives and robust independent evaluation. It noted "The lack of an evidence base, both to inform what Drinkaware does and to evaluate how it does it".<sup>37</sup> This criticism was accepted by the Drinkaware board, which has promised more academic evaluation in future<sup>38</sup> (for example, evaluation of the Drinkaware app was due to be submitted to a peer-reviewed journal in 2015).<sup>39</sup>

A common theme of critiques of Drinkaware, and industry educational initiatives more generally, is their 'strategic ambiguity': the possibility that their message may be interpreted differently by different audiences, and in some cases may actually encourage drinking.<sup>40</sup> For example, in October 2012, Drinkaware's twitter account tweeted the message: "Want to make it to the witching hour and avoid feeling like a zombie tomorrow? Read our Halloween party tips...". Content of this type has been criticised because it "normalizes alcohol use and provides cues to drink on occasions when it may not be planned" – in this case, because "there is no British tradition of Halloween parties involving alcohol".<sup>41</sup>

Similarly, the Drinkaware campaign 'You wouldn't sober, you shouldn't drunk' has drawn objections for tacitly accepting drunkenness and emphasising individual self-control, without acknowledging the importance of context (e.g. intoxication) in limiting self-control.<sup>42</sup>

Figure 4: Drinkaware 'You wouldn't sober, you shouldn't drunk' campaign



One experimental study found that people tend to drink more alcohol in the presence of a Drinkaware poster than without it<sup>43</sup>. Drinkaware has acknowledged this research, and claims to have reviewed its approach in light of these findings.<sup>44</sup>

## Self-regulation

The other significant form of policy substitution is industry self-regulation – voluntary codes of conduct agreed by companies as an alternative to legally binding government requirements. For example, the pledges included in the Public Health Responsibility Deal, particularly those relating to labelling, can be seen as an attempt to avoid statutory labelling requirements.

In the UK, self-regulation is most developed with respect to marketing. As mentioned previously, the industry-funded Portman Group is responsible for overseeing the *Code of Practice on the Naming, Packaging and Merchandising of Alcoholic Drinks*. This lays down standards for forms of promotion other than advertising (which is regulated by the merchandise and sampling).<sup>45</sup> For example, the code forbids marketing material which incorporates images of under-25s, suggests drinking is associated with social success, emphasises the strength of a drink or encourages “irresponsible or immoderate consumption”, or which is placed in media where over 25% of the audience is under 18.<sup>46</sup> According to the Portman Group, it is “widely credited with raising standards of marketing responsibility across the industry”.<sup>47</sup>

Yet contrary to these guidelines, analysis of industry documents as part of the House of Commons Health Select Committee inquiry into alcohol has shown that these restrictions regularly fail to restrain marketers, finding:<sup>48</sup>

- Evidence of targeting of children, with market research conducted on 15–16 year olds, Lambrini referred to as a “kids’ drink”, and WKD being targeted at “new 18-year-olds”
- Brands such as Smirnoff evading the restrictions on emphasising strength, noting “potency can be communicated in a number of ways”, such as making reference to the drink being “ten times filtered or triple distilled”, which “both result in increased purity and therefore increased strength”
- Brands neglecting rules against linking drinking with social success – for example, Carling sought to “own sociability”, while Lambrini was described as a “social lubricant”
- Marketing tactics associating brands with sexual attractiveness – such as Smirnoff Black’s attempt to present itself as “urbane”, “masculine” and “charismatic” and Lambrini’s campaign to find the “Lambrini girl” with the “UK’s sexiest legs”.

Hastings et al conclude that existing regulators fail to address the sophisticated strategies of marketers, which exploit the ambiguities in the current code. They conclude that independent regulation is necessary to avoid such lapses.<sup>49</sup>

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<sup>2</sup> Babor, T. & Robaina, K. (2013), Public Health, Academic Medicine, and the Alcohol Industry’s Corporate Social Responsibility Activities, *American Journal of Public Health* 103, pp. 206–14.

<sup>3</sup> Beer Wine Spirits Producers’ Commitments website, About the Commitments [Accessed 18 December 2015]. Available from: <<http://www.producerscommitments.org/about/>>.



- <sup>4</sup> Beer Wine Spirits Producers' Commitments website, Commitments [Accessed 18 December 2015]. Available from: <<http://www.producerscommitments.org/commitments/>>.
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- <sup>6</sup> Yoon & Lam, op. cit.
- <sup>7</sup> Institute of Alcohol Studies Freedom of Information Request. [Accessed 18 December 2015]. Available from <<http://www.ias.org.uk/uploads/AttachmentB.pdf>>.
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- <sup>10</sup> Ibid.
- <sup>11</sup> Robaina, K. et al (2014), op. cit.
- <sup>12</sup> Ibid.
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- <sup>18</sup> Knai C., Petticrew M., Durand M. et al (2015). Are the Public Health Responsibility Deal alcohol pledges likely to improve public health? An evidence synthesis. *Addiction* 110, p. 1,236.
- <sup>19</sup> Knai et al, op. cit., p. 1232.
- <sup>20</sup> Health Improvement Analytical Team (2014), Responsibility Deal: Monitoring the number of units of alcohol sold – second interim report, 2013 data. London: Department of Health.
- <sup>21</sup> Holmes J. et al (2015) UK alcohol industry's "billion units pledge": Interim evaluation flawed. *BMJ* 350.
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- <sup>23</sup> Campden BRI (2014) Audit of compliance of alcohol beverage labels available from the off-trade with the Public Health Responsibility Deal Labelling Pledge, p. 23.
- <sup>24</sup> Petticrew, M. et al (2015) Health information on alcoholic beverage containers: has the alcohol industry's pledge in England to improve labelling been met? *Addiction* 110, doi: 10.1111/add.13094.
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- <sup>26</sup> Campden BRI (2014), op. cit., p. 23.
- <sup>27</sup> Petticrew et al, op. cit.
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<sup>45</sup> Portman Group, Timeline [online]. Available from: <<http://www.portmangroup.org.uk/about>>. [Accessed 16 March 2016].

<sup>46</sup> Portman Group (2013), Code of Practice on the Naming, Packaging and Promotion of Alcoholic Drinks. Available from: <<http://training.portmangroup.org.uk/code.pdf>>. [Accessed 14 March 2016].

<sup>47</sup> Portman Group, Timeline [online]. Available from: <<http://www.portmangroup.org.uk/about>>. [Accessed 16 March 2016].

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# Information and messaging

Information and messaging strategies cover the array of ways in which alcohol companies seek to shape perceptions and understanding of alcohol, and how these are translated into action. The alcohol industry engages in every stage of the process of moving from evidence to policy, in particular:

- Influencing the development of evidence by funding original research, and so prioritise its favoured research agenda
- Interpreting existing evidence by synthesising, disseminating and evaluating existing research, framing problems and promoting solutions in a way that is favourable to the industry
- Directly presenting evidence to policymakers to influence Government action – both when solicited in consultations, and also in the shape of unsolicited lobbying

These strategies can be supplemented by subtler messaging tactics. As described previously, corporate social responsibility projects can reinforce narratives such as the view that harmful drinking is an individual problem for a small minority of consumers. This can be achieved through marketing material, or more generally in media messages.

This section focuses on the three strategies for social and political activities: funding research, disseminating research and lobbying.

## Industry funding of research

Industry funding of research is problematic for two reasons. First, by selecting which research projects are supported and carried out, the alcohol industry can shape the overall research agenda, and shifting it towards its own preferred framing of alcohol problems and policy – for example, focusing on individual issues and interventions, and neglecting the structural and political.<sup>1</sup> Second, there is the possibility that receiving industry money can pressurise researchers to produce findings beneficial to their funders. This is often a matter of subtle cognitive biases as much as overt corruption or malfeasance. Babor and Robaina note that:

Although there is no systematic evidence that financial conflicts of interest have biased the findings of alcohol research, several studies have shown that conflicts of interest in health research in general are associated with biased research findings that favor commercial interests at the expense of patient welfare and public health.<sup>2</sup>

For example, systematic biases have been found in tobacco,<sup>3</sup> energy<sup>4</sup> and obesity<sup>5</sup> research, that funding can influence results. However, this has yet to be proven in alcohol research: a recent analysis found that industry-funded studies were, on average, no more positive about the health consequences of drinking (with research linking alcohol and strokes a notable exception).<sup>6</sup>

Industry funding for research can take a variety of forms. It can be funnelled through grant-making organisations that pool donations from companies. Of these, the most prominent are the European Foundation for Alcohol Research (ERAB), the Alcohol Beverage Medical Research Foundation and the Institut de Recherches Scientifiques sur les Boissons. Industry funding can also involve support for 'in house', trade body, think tank or external

academic researchers. Finally, funding can finance research centres or other scientific organisations.<sup>7</sup> As well as paying for studies, the industry also influences research by sponsoring publications and academic conferences. For example, ICAP produced ten volumes in its 'Alcohol and Society' series, often co-authored by ICAP staff, academic researchers and industry representatives. It has sponsored a number of conferences, symposia and periodicals. One such symposium, in 2006, caused controversy when industry-funded researchers circulated a summary felt by participants to understate the extent of disagreement over the putative health benefits of drinking alcohol.<sup>8</sup>

How to respond to industry influence is the matter of significant debate within the academic community, which seeks to minimise conflict of interest through "Objective appraisal rather than witch-hunt", for example by requiring declarations of competing interests on publications.<sup>9</sup> Stenius and Babor identify four models for the relationship between industry and researchers.<sup>10</sup>

The first approach is a blanket prohibition, forbidding any contact with the alcohol industry, replicating the tight regulations around engaging with the tobacco industry. For example, in 2003, Stockholm University banned tobacco funding of research at the institution.

Second, there are relatively relaxed 'partnership agreements', which encourage dialogue between researchers and industry and have limited restrictions on accepting industry finance, recognising a 'right' to work with commercial agents. Such an approach is exemplified by the 1997 ICAP-sponsored 'Dublin Principles', which insist that "To increase knowledge about alcohol in all its aspects, the academic and scientific communities should be free to work together with the beverage alcohol industry, governments, and nongovernmental organizations".<sup>11</sup>

A recent Spirits Europe briefing makes a more assertive case for a partnership approach to research, arguing not just that research involving the industry is legitimate but suggesting that research *excluding* the industry is *flawed*.<sup>12</sup> The report challenges the very system of academic peer review, arguing "it is not the panacea if the 'peers' share the same bias as the author" and questions "the objectivity of a number of activist researchers". The solution, according to Spirits Europe, is close involvement of the industry in research: it suggests 'stakeholders' should be consulted on proposed methodology before research is conducted, should have advance access to presentations and should be allowed the right of reply to academic research funded by the EU.

These standards are much less common than the third and fourth models: conflict of interest policies and ethical analysis approaches. Conflict of interest policies involve voluntary guidelines, typically policed by journals and professional bodies, such as the principles promulgated by the Federation of American Societies for Experimental Biology or the RESPECT code. These, for example, provide ethical guidance on disclosing competing interests, or accepting funding.

Ethical analysis approaches, by contrast, rely on the specific judgement of individual researchers, rather than formal rules. Consequently, they seek to develop their moral reasoning skills. For example, ethical training can teach researchers frameworks for considering the different types of risk involved in a research project.

## Industry dissemination and framing of evidence

As much as influencing research activity itself, the alcohol industry plays a role in shaping public and political perceptions of alcohol in general, and scientific evidence in particular.

For example, as mentioned previously, ICAP was accused of operating as a shadow WHO for many years – according to David Jernigan: “Much of the ICAP’s activities have focused on countering the influence of the WHO and leading alcohol researchers by essentially functioning like a WHO unit on alcohol, with certain key omissions”.<sup>13</sup> In other words, it was perceived to be acting as a rebuttal team for drinks companies to shape public debate: “ICAP publications were often collaborations between academics and industry representatives that would conclude the opposite of what WHO publications were concluding”.<sup>14</sup>

In general, the organisation is seen as pursuing academic arguments favourable to the alcohol industry: its publications “excluded or attempted to refute evidence regarding the most effective strategies to reduce and prevent alcohol-related harm”, for example challenging the view that raising taxes and reducing availability reduces alcohol harm.<sup>15</sup>

The industry’s use of research and evidence reflects and reinforces many of the messages it promotes in relation to alcohol more generally, in its marketing and CSR activities. For example, the alcohol industry regularly emphasises individual personal responsibility, rather than seeing alcohol harm as a social problem with structural causes. The industry also tends to focus on a ‘problem minority’, rejecting the view that the general population ought to be concerned about its alcohol consumption.<sup>16</sup> These fundamental assumptions run through advertising which carries individualised warnings, CSR projects that focus on educating consumers rather than research which emphasises the role of families or genes, rather than structural factors in harmful drinking. These are also the ideas that the industry tends to draw on when engaging with policymakers, as shown by the case studies below.

One prominent recent study follows the development and promotion of SABMiller-funded research published by think tanks and consultancies at critical stages of the formulation of the UK Government’s alcohol strategy.<sup>17</sup> In December 2012, while the Government was considering whether to introduce a minimum unit price (MUP) for alcohol, three SABMiller-funded reports (from Demos, London Economics and the Centre for Economics and Business Research) were released. The Demos report, *Feeling the Effects*, was launched at an event in the Houses of Parliament and publicised at the conferences of the leading British political parties. According to a Demos employee, it was made clear from the outset that SABMiller wanted the report to emphasise the influence of parenting on alcohol consumption, and the final report reflects this agenda, with a quote on the cover claiming that “Effective parenting is the best way to call time on Britain’s binge drinking”.<sup>18</sup> While the report makes little reference to MUP, according to Hawkins and McCambridge, “The press release, however, frames interventions on parenting styles as a direct alternative to MUP”.<sup>19</sup> They suggest the reports, and others like them, may have been influential in the Government’s ultimate decision not to proceed with MUP.

Official consultations are a more direct way of using evidence to shape policy. These are commonly held on important matters of policy or regulation. Though in principle the openness of consultations means that other organisations have an equal opportunity to influence to the industry, it has been suggested that industry actors have disproportionate involvement in pre-consultations to determine the terms of the official consultation.<sup>20</sup> Moreover, this influence is consolidated through roundtable meetings throughout the consultation and follow-up meetings after the conclusion of the consultation.

McCambridge et al have studied the alcohol industry’s use and interpretation of evidence in one such prominent consultation – on the Scottish Government’s alcohol strategy, including the question of whether or not to introduce MUP.<sup>21</sup> According to their analysis of industry submissions to the consultation, the industry’s responses were fundamentally unbalanced:

“Strong evidence is misrepresented and weak evidence is promoted. Unsubstantiated claims are made about the adverse effects of unfavoured policy proposals and advocacy of policies favoured by industry is not supported by the presentation of evidence”.<sup>22</sup> They observe that though many industry submissions criticised whole-population approaches to addressing alcohol harm, half the submissions do not provide any references, and some references that are provided do not support this argument. Though they neglect published academic evidence, McCambridge et al observe that a number of the submissions rely on their own commissioned research, though this is rarely transparently reported and peer-reviewed. The industry responses make numerous claims about the supposed adverse effects of proposed policies, such as strengthening the black market and increasing the prevalence of underage drinking, without evidence. Moreover, the industry’s preferred measures, such as increasing education and better enforcement of existing laws are falsely presented as inconsistent with policies such as MUP, and the weakness of the evidence base supporting them is not acknowledged. McCambridge et al conclude that “The potential for corporations with vested interests to interfere with the evaluation of scientific evidence by policy makers needs to be restricted for effective policies to be designed”.<sup>23</sup>

## Industry lobbying

The alcohol industry, like many other sectors affected by regulation, invests significant time, effort and money in directly trying to shape government policy. In the US in 2014, drinks companies declared spending \$24.7 million on lobbyists, engaging both in-house public affairs teams and specialist agencies to develop their political strategies.<sup>24</sup> Moreover, they spent a further \$17.1 million on campaign contributions to support particular politicians or parties.<sup>25</sup> Whilst it is likely that the picture is similar in the UK, it has less stringent requirements on disclosure, resulting in a situation where, according to David Miller, a specialist in lobbying transparency, “we have no idea how much the drink[s] industry spends on lobbying, either in house or in hiring consultancies, what it lobbies on, and who it contacts”.<sup>26</sup>

However, as Hawkins and Holden argue, alcohol industry lobbying in the UK is not simply a question of financial resources. Their interviews of lobbyists, officials and politicians, find that industry actors attempt to build long-term relationships with policy makers, though at times they employ a more transactional issue-by-issue approach as required.<sup>27</sup> Industry actors also use other resources to gain access to actors and key stages of the policy process, including their ability to provide policy solutions for governments, such as self-regulatory regimes. Civil servants, ministers, special advisers and backbench and opposition MPs all provide different opportunities to influence policy, and are approached in different ways.

### A. *The government*

Civil servants are typically the ‘first port of call’ for lobbying for two reasons: first, because they are responsible for drafting, implementing and enforcing legislation; second, because they are advisers and gatekeepers to ministers. According to Hawkins and Holden, alcohol industry actors enjoy a high level of access to officials in key Westminster departments, such as the Department of Health, the Home Office and the Treasury: “You can pick up the phone to them, you can talk to them, it’s not a problem of access”.<sup>28</sup> David Wilson, public affairs director for the BBPA, claims that his organisation “will have daily contacts with officials”.<sup>29</sup> These discussions with the civil service typically focus on the industry’s perspective on technical, operational questions about how to deliver the details of policy.

Contact with ministers is typically less frequent and less detailed, focused instead on “selling them how your idea ties in with their political objectives”.<sup>30</sup> Nevertheless, such meetings are still a regular occurrence: one national trade association claimed to meet the public health minister three to four times a year, and organises ‘behind closed door’ lunches for their members to discuss specific issues.<sup>31</sup> For example, then Treasury Secretary Sajid Javid met with Greene King, the BBPA, the WSTA, the Federation of Wholesale Distributors, the SWA, the Association of Convenience Stores, and the National Association of Cider Makers between January and February 2013, while the Government’s consultation on whether to introduce MUP was still ongoing.<sup>32</sup> Meetings with ministers’ special advisers are easier to achieve and are seen as nearly as effective – though they lack the profile of the minister, they are often as influential.

Regular bilateral meetings with ministers and officials are seen as natural, normal and legitimate by the alcohol industry. By contrast, Hawkins and Holden observe that “Public health activists claimed that they are simply not able to obtain the level of access to government granted to industry actors”.<sup>33</sup> These close working relationships are often the result of personal connections. One trade association lobbyist reports: “I’ve got good influences in European Parliament; my children have worked there, my daughter’s in the Cabinet Office, you know. I know these guys, they’re friends of mine; I was a Tory candidate, you know”.<sup>34</sup>

### *B. Backbench MPs and peers*

MPs and peers outside the cabinet are a further source of influence on government policy, with their ability to challenge and scrutinize the Government in parliamentary debates and committees, or to put issues on the agenda through their campaigns. Those with constituency links to the alcohol industry, such as breweries or distilleries, are often targeted for meetings.<sup>35</sup> All Party Parliamentary Groups (APPGs) are another source of access. These are informal cross-party organisations for parliamentarians who share an interest in a particular issue. In the last parliament, the All Party Beer Group was the largest of all APPGs, with almost half of all MPs members.<sup>36</sup> It is funded by alcohol producers, as are the APPGs on cider and wine and spirits.<sup>37</sup> Typically, trade bodies provide administrative support, with one secretary claiming that in return they are expected to “help deliver the audience” for funding companies.<sup>38</sup> For example, networking events such as dinners and tasting sessions are organised so that industry representatives can meet informally with ministers and MPs. According to one brewer, “this is the whole concept actually – we are buying a table, each company, and then we have MPs sitting with us”.<sup>39</sup> APPGs also produce research and publish reports, which can help shape policy. Backbench MPs chairing such groups are more likely to meet and influence ministers. Nevertheless, some argue that APPGs have limited policy content and are ineffective at securing policy goals, though Hawkins and Holden suggest that they are still significant as a forum for long-term relationship building.

### *C. The opposition*

Alcohol industry lobbying often extends to opposition political parties, both in an effort to pressurise the government of the day and as a way of cultivating relationships with potential future governments. The opposition presents a particular opportunity for lobbyists because of its relative lack of resources. Shadow ministers typically have few staff covering a wide brief, and so look to outside groups for support with data and research. For example, prior to the 2010 UK General Election, industry actors were closely involved in the Conservative



Party's Public Health Commission, which contributed to the development of its public health policy.<sup>40</sup>

#### *D. Developing countries*

Governments in developing countries are particularly vulnerable to the lobbying strategies outlined, for the same reason as opposition parties in rich countries – because their relative lack of resources and policy capacity leaves them reliant on outsiders. For example, global brewers have used schemes to cultivate local African crops such as the ones described to negotiate favourable and preferential tax terms. SABMiller's cassava beer Impala is charged a quarter of the standard excise rate in Mozambique.<sup>41</sup> The alcohol industry has resisted a number of proposals by developing country governments to regulate alcohol – for example, industry lobbying is believed to have obstructed plans to raise the legal drinking age in South Africa. Governments have in some cases overridden the objections of the industry to force through legislation such as restrictions on availability in Kenya and an alcohol levy in Botswana. Nevertheless, alcohol companies appear to have substantial influence over regulation in developing countries. One striking analysis of national alcohol policy documents from Lesotho, Malawi, Uganda and Botswana has found that they are “almost identical in wording and structure and that they are likely to originate from the same source”, namely SABMiller's Policy and Issues Manager Mitch Ramsay (the document's author is listed as ‘mramsay’).<sup>42</sup> In other words, industry representatives effectively dictated policy to these governments.

### The alcohol industry and global governance

Many of the issues concerning alcohol industry influence over policy at a national level have been replayed at the level of global institutions, particularly the World Health Organisation. The WHO has an important role in coordinating global health policy, and providing research and support in policy development to member states. However, the alcohol industry has consistently sought to shape the WHO's programme on alcohol, and has regularly demanded acceptance by the WHO as a legitimate partner in health policy discussions.<sup>43</sup> As mentioned already, the industry-funded SAPRO ICAP drew on researchers recruited from the WHO. According to David Jernigan, “ICAP staff are frequent visitors to the WHO in Geneva and are a reliable presence during WHO Executive Board and World Health Assembly meetings”.<sup>44</sup> He claims that their “advocacy led to the delay and near-failure in 2007 and 2008 efforts to create the Global Strategy”.<sup>45</sup>

Despite this influence, in 2010 the WHO agreed a non-binding Global Strategy, recommending a set of best practice policies to reduce alcohol harm.<sup>46</sup> However, its ambivalence on engagement with the alcohol industry remains controversial. In sharp contrast, the WHO rejects any sort of interaction with the tobacco industry, a position formalised in the Framework Convention on Tobacco Control<sup>47</sup> It has been suggested, that alcohol producers ultimately fears the ‘pariah’ status currently reserved for the tobacco companies<sup>48</sup>, with growing objections to the idea of ‘tobacco exceptionalism’ – that tobacco producers should be treated completely differently to other unhealthy commodity industries.<sup>49</sup>

A 2013 speech by WHO Director-General Margaret Chan fuelled expectations that the organisation would distance itself from alcohol producers, as Chan argued “it is not just Big Tobacco anymore. Public health must also contend with Big Food, Big Soda, and Big Alcohol. All of these industries fear regulation, and protect themselves by using the same

tactics...In the view of WHO, the formulation of health policies must be protected from distortion by commercial or vested interests”.<sup>50</sup>

However, this commitment has been questioned, given the long-running negotiations over the WHO’s Framework of Engagement with Non State Actors (FENSA), which is intended to clarify the role that organisations such as alcohol producers, SAPROs and NGOs ought to play in policy development. Following four years of discussion, in October 2015, a number of NGOs expressed concern that discussions were focused unnecessarily on “exaggerated” ‘unintended consequences’ of restricting engagement with non-states organisations – primarily that enforcing such a system would be cumbersome and bureaucratic – and that this risks undermining the whole project.<sup>51</sup>

## Limitations on lobbying effectiveness

Many of these points of access to the Government are also open to NGOs, charities and academic experts providing opposing perspectives to the industry. These groups also hold meetings with MPs and officials and also respond to consultations. UK charity Alcohol Concern acts as secretariat to The APPG on Alcohol Harm.<sup>52</sup> Indeed, Holden and Hawkins report that in Scotland, public health advocates successfully displaced the industry in their close cooperation with the Scottish National Party (SNP) Government that came to power in 2007.<sup>53</sup> Organisations such as the British Medical Association Scotland, Alcohol Focus Scotland and Scottish Health Action on Alcohol Problems have been praised for running a disciplined and coordinated campaign, promoting policies such as MUP while the SNP were in opposition, and challenging and supporting them in introducing a new alcohol strategy. According to Holden and Hawkins:

The close relationship that existed between the PH [public health] bodies and the Scottish government reflected the willingness of the latter to utilise the expertise of the former and to draw on the evidence base available to inform policy decisions...The representatives of one industry association claimed wryly that it was getting ever harder to meet with officials or ministers because they were overwhelmed with doctors demanding to meet with them to discuss alcohol pricing.<sup>54</sup>

Nevertheless, many public health groups – and independent academics – believe that the industry has systematic advantages when it comes to influencing policy. The financial resources of alcohol companies allow them to engage specialist public affairs agencies.<sup>55</sup> It also allows them to contribute to political parties and APPGs and ‘buy time’ with policymakers. Moreover, their economic importance is perceived to strengthen their bargaining power. One public health advocate believes “the agenda is set by people who have got the time and effort to talk the hind leg off a donkey. And we just don’t have that level of time and resource”.<sup>56</sup> Consequently, according to Hawkins and Holden, under usual circumstances “public health activists claimed that they are simply not able to obtain the level of access to government granted to industry actors”.<sup>57</sup>

However, another caveat on the power of the industry to dictate alcohol policy is the level of internal disagreement in its aims. One trade association representative claims that: “This is a very, very fragmented industry. No one likes each other very much; the on-trade hates the off-trade, wine and spirit and beer companies they’re all arguing about various things”.<sup>58</sup>

Holden et al examine the strategic conflicts which exist within the UK alcohol industry.<sup>59</sup> They find that many in the on-trade believe the off-trade is underregulated, and fear that supermarkets will put pubs out of business, while many in the off-trade see this as a “victim

complex". Different drinks categories have distinct, contradictory policy agendas. The spirits industry tends to believe duty should be based on alcohol content, though this would raise the price of beer.<sup>60</sup> The beer industry generally believes cider should be taxed in the same manner as beer, though many cider producers believe they incur special costs than warrant special protections.<sup>61</sup> Spirits, white cider and strong lager are all singled out by competitors as being associated with binge drinking.

In this context, trade associations play a critical role in coordinating and unifying the drinks industry and ensuring it has a coherent set of policy demands. However, the breadth of different concerns covered by large organisations like the BBPA and WSTA means that, according to Holden et al, "the arguments made by trade associations often represent the lowest common denominator on which all members can agree".<sup>62</sup> At the same time, the larger members of trade bodies are powerful enough to act independently – for example, Tesco broke ranks with the WSTA and decided to support government intervention on alcohol pricing.<sup>63</sup>

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<sup>3</sup> Barnes, D. et al (1995), Environmental Tobacco Smoke: The Brown and Williamson Documents, *Journal of the American Medical Association* 274:3, pp. 248–53.

<sup>4</sup> Shrader-Frechette, K. (2011), Climate Change, Nuclear Economics, and Conflicts of Interest, *Science and Engineering Ethics* 17:1, pp. 75–107.

<sup>5</sup> Bes-Rastrollo, M. et al (2013), Financial Conflicts of Interests and Reporting Bias Regarding the Association between Sugar-Sweetened Beverages and Weight Gain: A Systematic Review of Systematic Reviews, *PLOS Medicine*. <http://doi:10.1371/journal.pmed.1001578>

<sup>6</sup> McCambridge, J. & Hartwell, G. (2015) Has industry funding biased studies of the protective effects of alcohol on cardiovascular disease? A preliminary investigation of prospective cohort studies. *Drug and Alcohol Review* 34, pp. 58–66.

<sup>7</sup> Babor, Robaina. & Jernigan, op. cit.

<sup>8</sup> Ibid, 208.

<sup>9</sup> Editorial (1996), Science and the drinks industry: cause for concern. *Addiction* 91, pp. 5–9.

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<sup>10</sup> Stenius, K. & Babor, T. (2010), The alcohol industry and public interest science. *Addiction* 105, pp. 191–98.

<sup>11</sup> National College of Ireland (1997), The Dublin Principles. Available from:

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<sup>12</sup> Spirits Europe (2014), The Body of Evidence: Policy-Making and Research. Available from: <<http://bit.ly/1TI1YrA>>. [Accessed 14 March 2016].

<sup>13</sup> Jernigan, D. (2012), p. 82.

<sup>14</sup> Jernigan, D. (2012), pp. 82–3.

<sup>15</sup> Ibid.

<sup>16</sup> Hawkins, B. & Holden, C. (2013), Framing the alcohol policy debate: industry actors and regulation of the UK beverage alcohol market, *Critical Policy Studies* 7:1, pp. 53–71.

<sup>17</sup> Hawkins & McCambridge (2014), Industry Actors, Think Tanks, and Alcohol Policy in the United Kingdom. *American Journal of Public Health* 104, pp. 1,363–9.

<sup>18</sup> Birdwell, J. et al (2012), *Feeling the Effects*. London: Demos.

<sup>19</sup> Ibid, p. 1,365.

<sup>20</sup> Hawkins & Holden, 'Water dripping on a stone?', op. cit., p. 62–3.

<sup>21</sup> McCambridge, J., Hawkins, B. & Holden, C. (2013), Industry Use of Evidence to Influence Alcohol Policy: A Case Study of Submissions to the 2008 Scottish Government Consultation, *PLOS Medicine* 10, pp. 1–6.

<sup>22</sup> McCambridge et al (2013), op. cit., p. 2.

<sup>23</sup> Ibid

<sup>24</sup> OpenSecrets.org, Beer, Wine & Liquor Industry Profile: Summary, 2014 [Online]. Available from:

<<http://www.opensecrets.org/lobby/industriant.php?id=N02&year=2014>>. [Accessed 18 December 2015].

<sup>25</sup> OpenSecrets.org, Beer Wine & Liquor: Long-Term Contribution Trends [Online] [Accessed 18 December 2015].

Available from: <<http://www.opensecrets.org/industries/totals.php?cycle=2016&ind=N02>>.

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<sup>28</sup> Hawkins & Holden, 'Water dripping on a stone?', op. cit., p. 59.

<sup>29</sup> Gornall, J. (2014), Under the influence, *BMJ* 348:f7646.

<sup>30</sup> Hawkins & Holden, 'Water dripping on a stone?', op. cit., p. 59.



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- <sup>34</sup> Hawkins & Holden, 'Water dripping on a stone?', op. cit., p. 62.
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- <sup>37</sup> UK Parliament, Register of All-Party Parliamentary Groups: Beer. [Online]. [Accessed 18 December 2015]. Available from: <<http://www.publications.parliament.uk/pa/cm/cmallparty/151113/beer.htm>>. UK Parliament, Register of All-Party Parliamentary Groups: Cider. [Online]. [Accessed 18 December 2015]. Available from: <<http://www.publications.parliament.uk/pa/cm/cmallparty/151113/cider.htm>>. UK Parliament, Register of All-Party Parliamentary Groups: Wine and Spirit. [Online]. [Accessed 18 December 2015]. Available from: <<http://www.publications.parliament.uk/pa/cm/cmallparty/register/wine-and-spirit.htm>>.
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- <sup>39</sup> Ibid.
- <sup>40</sup> Holden & Hawkins, 'Water dripping on a stone?', p. 61.
- <sup>41</sup> Babor, Robaina & Jernigan, op. cit.
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- <sup>56</sup> Holden & Hawkins, 'Water dripping on a stone?', p. 63.
- <sup>57</sup> Holden & Hawkins, 'Water dripping on a stone?', p. 61.
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- <sup>60</sup> Scotch Whisky Association (2015), SWA Budget Submission 2015. Available from: <<http://bit.ly/1Y239eM>> [Accessed 9 March 2016].
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## Financial incentives

A typical lobbying tactic of large companies around the world is to give policymakers a financial interest in helping them. In many countries, these incentives are direct and overt. For example, in a controversial campaign to reverse the Lithuanian government's ban on alcohol advertising in 2011, four of the six parties that opposed the ban (and so promoted industry interests) received financial support from alcohol retailers and producers. One Lithuanian MP allegedly received a €16,000 for proposing legislative amendments, including the cancellation of the advertising ban.<sup>1</sup>

In the UK, such outright bribery has not been uncovered, and campaign donations are smaller and less significant than in the US and other countries. However, misdemeanours do occur: for example, in 2006 Nick Clegg – later to be Liberal Democrat leader and Deputy Prime Minister – received hundreds of pounds in monthly payments direct to his personal bank account from Ian Wright, a senior executive at Diageo. According to Clegg, the money had been used to pay for a member of staff and not his own expenditure, even though these salaries are covered by parliamentary expenses.<sup>2</sup>

More common in the UK is the use of employment opportunities as an incentive – many policymakers take jobs with alcohol companies after they leave public service, giving them a motivation to help these firms while in government. This phenomenon is often referred to as the 'revolving door', with politicians and officials moving smoothly between jobs in government and industry. For example, South Africa's former Finance Minister, Trevor Manuel, sits on the board of SABMiller. In the UK, David Frost, then a senior civil servant in the UK Department of Business, Innovation and Skills agreed to join the Scotch Whisky Association while his responsibilities continued to include representing the UK Government on trade issues related to alcohol (including MUP, over which the SWA has legally challenged the Scottish Government, as mentioned previously).<sup>3</sup> Frost's predecessor at the SWA,<sup>4</sup> and the Current Chief Executives of the WSTA<sup>5</sup> and Portman Group,<sup>6</sup> are all also former civil servants.

It has been suggested that such appointments provide the alcohol industry with inside knowledge, experience and contacts in the political process. Moreover, they create potential conflicts of interest if public servants are making decisions that affect potential future employers. For example, implementing regulations that would harm the profits of an alcohol producer may reduce the likelihood of getting a job with them. There is no mandatory regulation of such conflicts in the UK, with the Advisory Committee on Business Appointments merely advising public servants on 'cooling-off periods', and whether or not to accept new positions.<sup>7</sup> In 2012, the UK Parliament's Public Administration Select Committee objected that this arrangement is not fit for purpose, and called for a statutory body to oversee 'interchange' of staff between the public and private sector.<sup>8</sup>

In some cases, policymakers take up roles with alcohol companies while still in public service. For example, in 2014, John Manzoni was appointed Chief Executive of the UK Civil Service despite being paid £100,000 as a non-executive director for SABMiller. Manzoni later agreed to leave his post in summer 2015 and to waive his fees in the interim. Lord Davies of Abersoch, a Labour peer, remains Senior Independent Director of Diageo. Lord Bilimoria of Chelsea founded Corba beer before joining the House of Lords, and remains its Chairman.<sup>9</sup>

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- <sup>9</sup> Lord Bilimoria of Chelsea [website], Biography. Available from: <<http://www.lordbilimoria.co.uk/biography/>>. [Accessed 21 March 2016].



## Trade and litigation

Another important area of influence for the alcohol industry is trade policy. Treaties such as World Trade Organisation (WTO) and European Union (EU) agreements are a key tool for global alcohol companies in their efforts to expand globally, and in particular to market their products to developing countries. These treaties are used in two ways. First, they lower trade barriers, such as tariffs. For example, Algeria lifted a ban on alcohol imports in its efforts to join the WTO.<sup>1</sup>

Second, they limit the range of regulations that governments can maintain or introduce. This compounds the effect of lowering tariffs in developing economies. For example, Vietnam's tax policies on spirits were challenged in its WTO accession negotiations. The legal impact of trade regulation is felt in developed markets as well. In the 1990s, the European Commission challenged the relatively high level of alcohol tax in the UK, Republic of Ireland and Nordic countries.<sup>2</sup> State monopolies on alcohol retail, used by governments to restrict availability and so alcohol harm, have also been threatened. Provincial Canadian monopolies have been required to provide greater marketing exposure to foreign products,<sup>3</sup> and the EU and WTO have both pressed for liberalisation of this system.<sup>4</sup> In 2003, the Swedish Government was required to overturn its ban on alcohol advertising in magazines.<sup>5</sup>

Trade law also allows alcohol companies to challenge and overturn new regulations on their products. As described previously, the SWA is using European law to challenge the Scottish Government's introduction of MUP. Moreover, some scholars have written of the "chilling effect" of such regulations in preventing restrictions on alcohol companies from even being proposed, because of the threat of legal action and government uncertainty over what is permissible.<sup>6</sup> Jane Kelsey expresses concern that "The global multi-billion-dollar commercial players that dominate the alcohol and tobacco industries can afford to fund lengthy and costly arbitration to stop precedent-setting policies, even where their legal case is weak. Indeed, they cannot afford not to challenge precedent-setting innovations".<sup>7</sup>

Moreover, trade law is not just an inert tool the alcohol industry can use to promote their policy interests, but one that they have influence in shaping. Trade negotiations are notoriously secretive, but representatives from affected industries, including alcohol companies, are often integrated into the process. Spirits Europe claims that it "participates in a dialogue with officials from key national delegations and the WTO Secretariat in Geneva, aimed at furthering trade liberalisation in world markets".<sup>8</sup> Meanwhile, the Distilled Spirits Council of the United States (DISCUS) says that it "is working closely with the U.S. spirits industry, U.S. negotiators, and overseas partners" to ensure that current trade deals, such as the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership facilitate access to new markets for their members.<sup>9</sup>

Public health representatives, by contrast, have typically had less involvement and consultation in trade negotiations. For example, for many years industry delegates sat on the advisory committees for US trade representative on consumer goods, distribution services and intellectual property, without any countervailing public health input.<sup>10</sup>

Trade regulations are not the only way that the alcohol industry can use litigation to resist restrictive policies. Domestic laws are often used to undermine or challenge local government policies. Licensing decisions, for example, are regularly subject to legal threats, with many local governments unwilling to challenge major retailers for fear of provoking long and expensive legal proceedings.<sup>11</sup> UK Councils proposing voluntary bans on high strength

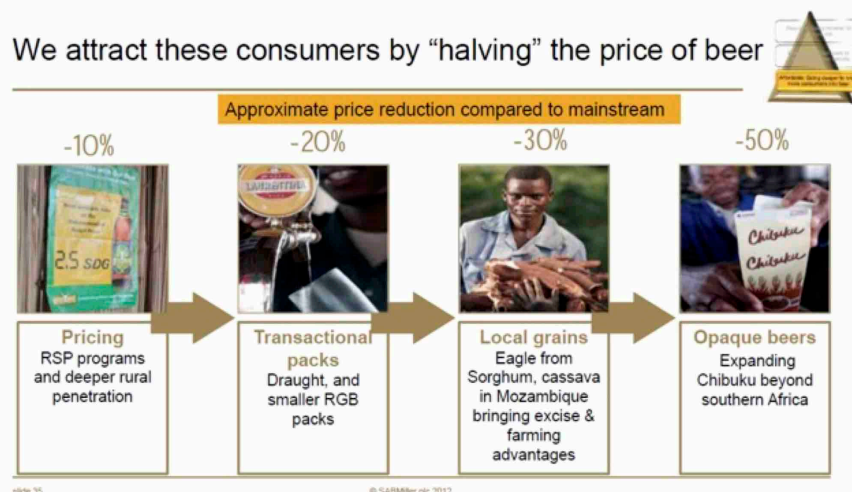
beers and ciders (e.g. getting retailers to commit to de-stocking those over 6.5% ABV) have been referred to the Office for Fair Trading by trade associations<sup>12</sup> and the All-Party Parliamentary Beer Group.<sup>13</sup>

## The industry and access to emerging markets

Favourable trade regulations are only one of a number of ways in which Western governments support alcohol companies in exporting to the wider world, and developing countries in particular. For example, in its 2013 Food and Drink Industry International Action Plan, the government agency UK Trade and Industry (UKTI) pledged to help the British alcohol sector “capitalise on the latest emerging opportunities”. The second stated priority of the plan is to “Increase beer, cider, wine and spirits exports”.<sup>14</sup> In practice, such support covers a range of activities, including arranging meetings with key local stakeholders, trade visits and providing guidance on local markets and regulations. For example, in 2012, UKTI assisted Diageo in its acquisition of the brewer Meta Abo from the Ethiopian Government. According to Diageo’s director for new business ventures, the British Government provided “access to decision makers, to opinion formers and to a wealth of experience of doing business in Ethiopia”.<sup>15</sup> In 2011, then foreign secretary William Hague boasted of “lobbying” the Government of Andhra Pradesh in India in conjunction with SABMiller to “remove restrictive regulations prohibiting beer sales, worth over \$80m in sales to that company”.<sup>16</sup>

Most controversially, the alcohol industry has received support from the UK Government’s Department for International Development (DfID). In Sudan, DfID has contributed to funding of \$1 million for SABMiller to develop local cassava for its brewing processes, while Diageo received \$250,000 to replace imported barley with local sorghum in Cameroon.<sup>17</sup> DfID justifies these investments because of their positive impact on smallholder farmers, who are trained to improve yields. However, SAB Miller’s investor presentations suggest that such projects are intended to achieve significant cost savings for the company:<sup>18</sup>

Figure 5: SABMiller investor presentation



Source: SABMiller (2012), Africa quarterly divisional seminar, 10 October

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- <sup>1</sup> Reuters (2005), World Briefing: Africa: Algeria: An Open Door For Alcohol. *New York Times*. [Online]. July 19. Available from: <[http://www.nytimes.com/2005/07/19/world/world-briefing-africa-algeria-an-open-door-for-alcohol.html?\\_r=0](http://www.nytimes.com/2005/07/19/world/world-briefing-africa-algeria-an-open-door-for-alcohol.html?_r=0)>. [Accessed 18 December 2015].
- <sup>2</sup> Zeigler, D. (2009), The alcohol industry and trade agreements: a preliminary assessment, *Addiction* 104 (suppl.1), pp. 13–26.
- <sup>3</sup> Grieshaber-Otto, J. & Jernigan, D. (2001), Trade treaties, alcohol and public health, *The Globe* <http://bit.ly/1VVqTCG>
- <sup>4</sup> Zeigler, op. cit.
- <sup>5</sup> Institute of Alcohol Studies (2003), Swedish court removes ban on alcohol advertising, *The Globe* <http://bit.ly/1RNpV5r>
- <sup>6</sup> Kelsey, J. (2012), New-generation free trade agreements threaten progressive tobacco and alcohol policies, *Addiction* 107, pp. 1,719–21.
- <sup>7</sup> Kelsey, op. cit., 1,719.
- <sup>8</sup> Spirits Europe website, External Trade: WTO. [Accessed 18 December 2015]. Available from: <[http://spirits.eu/page.php?id=31&parent\\_id=6](http://spirits.eu/page.php?id=31&parent_id=6)>.
- <sup>9</sup> Distilled Spirits Council of the United States website, International Issues. [Accessed 18 December 2015]. Available from: <<http://www.discus.org/policy/international/>>.
- <sup>10</sup> Zeigler, op. cit.
- <sup>11</sup> Foster, J. (2016), The Licensing Act (2003): its uses and abuses 10 years on. London: Institute of Alcohol Studies.
- <sup>12</sup> Quinn, I. (2014), Trade associations calls for OFT action on local high-strength booze bans. *The Grocer* [online]. 15 February. [Accessed 1 April 2016]. Available from: <<http://www.thegrocer.co.uk/home/latest-news/c-stores-call-for-oft-to-act-on-high-strength-booze-bans/354591.article>>.
- <sup>13</sup> Davenport, R. (2014), Reducing the Strength: MPs call for OFT clarity. *Off Licence News* [online]. 21 March. [Accessed 1 April 2016]. Available from: <<http://bit.ly/1UVmVuV>>.
- <sup>14</sup> UK Trade & Investment and Department for Environment Food & Rural Affairs (2014), UK Food and Drink – International Action Plan <<http://bit.ly/1SBG9lo>>.
- <sup>15</sup> Collin, J., Johnson, E. & Hill, S. (2014), Government support for alcohol industry: promoting exports, jeopardizing global health, *BMJ* 348:g3648.
- <sup>16</sup> Hague, W. (2011), The business of diplomacy. 21 November, Confederation of British Industry. <https://www.gov.uk/government/speeches/the-business-of-diplomacy>
- <sup>17</sup> Lawrence, F. (2012), Aid for Diageo? UK's private-sector emphasis comes under scrutiny. *The Guardian* [Online]. 11 December. [Accessed 18 December 2015]. Available from: <<http://www.theguardian.com/global-development/2012/dec/11/aid-diageo-uk-private-sector-scrutiny>>.
- <sup>18</sup> SAB Miller (2012), Africa quarterly divisional seminar, 10 October.



## Conclusion

The alcohol industry exerts significant influence, not only in its commercial activities but also over social and political perceptions and responses to alcohol. It does so through broadly a number of different types of activity. It develops alliances, both internally through trade associations and SAPROs, but also with non-industry allies, such as think tanks. It uses corporate social responsibility programmes – not just altruistically for the social good, but as a tactical way to resist regulation, or as an additional way to promote commercial goals such as increasing awareness and positive sentiment towards their product. Academic research suggests such self-serving goals are the dominant motivation for such activities. Industry groups seek to influence research, both by funding researchers, but also by summarising and disseminating findings. They also engage directly with policymakers – shaping and responding to consultations, but also through unsolicited lobbying. In certain cases, they use economic incentives, such as employment opportunities to inform and bolster such lobbying. Trade and litigation offer a final source of influence. By shaping trade rules so that they reflect their interests, and using these regulations to challenge unfavourable laws, the alcohol industry can resist unwanted political change.





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